

HUTT CITY COUNCILFINANCE AND PERFORMANCE COMMITTEE

Minutes of a meeting held in the Council Chambers, 2nd Floor, 30 Laings Road,  
Lower Hutt on

Wednesday 17 October 2018 commencing at 5.30pm

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**PRESENT:**

Cr C Milne (Chair)	Cr G Barratt
Deputy Mayor D Bassett	Cr J Briggs
Cr MJ Cousins	Cr M Lulich
Cr L Sutton	Mayor WR Wallace

**APOLOGIES:** Apologies were received from Crs Barry and Edwards.

**IN ATTENDANCE:**

Cr L Bridson  
 Cr T Lewis (part meeting)  
 Cr G McDonald  
 Mr T Stallinger, Chief Executive  
 Mr B Kibblewhite, General Manager, Corporate Services  
 Mr M de Haast, Chief Financial Officer  
 Mr P Benseman, Budgeting and Reporting Manager (part meeting)  
 Mr D Newth, Financial Accounting Manager (part meeting)  
 Ms J Askin, Corporate Planner (part meeting)  
 Ms D Male, Committee Advisor

PUBLIC BUSINESS1. **APOLOGIES**

**RESOLVED:** (Cr Milne/Cr Briggs)

**Minute No. FPC 18401**

*"That the apologies received from Crs Barry and Edwards be accepted and leave of absence be granted."*

2. **PUBLIC COMMENT**

There was no public comment.

3. **CONFLICT OF INTEREST DECLARATIONS**

Cr Cousins declared an interest in relation to Hutt City Community Facilities Trust and specifically item 5, Report on Hutt City Community Facilities Trust for the Year Ended 30 June 2018 and took no part in discussion or voting on the matter.

Deputy Mayor Bassett declared an interest in Urban Plus Limited and Wellington Water Limited and specifically item 7, Report on Urban Plus Group for the Year Ended 30 June 2018 and item 8, Wellington Water Limited Annual Report for the Year Ended 30 June 2018 and took no part in voting on the matters.

part in voting on the matter.

### **PRECEDENCE OF BUSINESS**

In accordance with Standing Order 10.4, the Chair accorded precedence to items 4ii) through to 10, prior to item 4i) Hutt City Council Annual Report to 30 June 2018.

The items are recorded in the order in which they are listed on the order paper.

**RESOLVED:** (Cr Milne/Mayor Wallace)

**Minute No. FPC 18402**

*"That, in terms of Standing Order 10.4, precedence be accorded to items 4ii) through to 10, prior item 4.i) Hutt City Council Annual Report to 30 June 2018."*

## **4. RECOMMENDATIONS TO COUNCIL - 17 October 2018**

### **i) Hutt City Council Annual Report to 30 June 2018 (18/1489)**

The Corporate Planner and Financial Accounting Manager elaborated on the report. Changes made to the annual report were tabled, as attached at page 10 of the minutes.

In response to a question from a member, the Financial Accounting Manager advised that specialist help had been sought to manage the tax complexities in relation to Urban Plus Limited (UPL).

In response to a question from a member, the Corporate Planner advised that in the early planning process for an Annual Plan or Long Term Plan (LTP) the performance measures were reviewed with Council divisions by activity. The Chief Executive added that Council approves Annual Plans and the most recent LTP was approved in June 2018, the Annual Report measures were set in the Plan and could not be later varied.

The Chief Financial Officer advised that in relation to the Debt Control Benchmark, work was being conducted with Audit New Zealand to check the legislative definition of net debt. The results of the benchmark were being recalculated. It then followed that the benchmark was not met as a result of the definition, an explanation would be provided within the Annual Report.

The Chair thanked officers for the amount of work that went into producing the Annual Report.

Mr Andrew Clark from Audit New Zealand elaborated on the audit process. He commented that a lot of work had been conducted throughout the year

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and thanked all officers involved. He added that the structure in place had improved, with further improvements expected with the new General Manager, Corporate Services and Chief Financial Officer now in post at Council.

Mr Clark added that there had been a lot of activity through the group, which included UPL. He stressed the importance of record keeping being up to date with the level of increased activity.

Mr Clark highlighted that the asset revaluation had been a big exercise, tax treatment could be complicated, the tax numbers were correct, and the rate process had been carefully reviewed. He further noted that prudential reporting was a mandatory requirement applied consistently across all Councils.

<b>RECOMMENDED:</b> (Cr Milne/Mayor Wallace)	<b>Minute No. FPC 18403</b>
<i>"That the Committee recommends that Council:</i>	
<i>(i) notes that a public notice will be published in the Hutt News, as well as on Council's website and Facebook page advising of the availability of the Annual Report and Annual Report Summary attached as Appendix 1 and 2 to the report;</i>	
<i>(ii) notes the Annual Report and Annual Report Summary will be available on Council's website within one month of adopting the Annual Report;</i>	
<i>(iii) agrees hard copies of the Annual Report Summary will be made available by request and in the City's libraries, Community Hubs and at the main administration building;</i>	
<i>(iv) appoints a subcommittee to sign off the final documents;</i>	
<i>(v) approves the draft Annual Report and Annual Report Summary for the year ended 30 June 2018 attached as Appendix 1 and 2 to the report, both subject to satisfactory resolution of the following outstanding items:</i>	
<i>(a) completion of final edit checking, including changes tabled at the meeting, as attached at page 10 of the minutes;</i>	
<i>(b) completion of any final audit adjustments; and</i>	
<i>(c) receipt of final audit clearance;</i>	
<i>(vi) receives Audit New Zealand's opinion on the 2017-18 Annual Report; and</i>	
<i>(vii) adopts the 2017-18 Annual Report."</i>	

ii) **2018 Local Government Funding Agency Annual General Meeting  
Shareholder Votes (18/1555)**

The Chief Financial Officer elaborated on the report.

**RESOLVED:** (Cr Milne/Mayor Wallace)

**Minute No. FPC 18404**

*"That the Committee receives the report, including the proposed changes to the Local*

*Government Funding Agency (LGFA) Foundation Policy, attached as Appendix 2 and 3 to the report."*

<b>RECOMMENDED:</b> (Cr Milne/Mayor Wallace)	<b>Minute No. FPC 18405</b>
<p><i>"That the Committee recommends that Council authorises Brent Kibblewhite (General Manager Corporate Services) and/or Mark de Haast (Chief Financial Officer) to vote on behalf of Council, at the LGFA's 2018 Annual General Meeting to be held on 21 November 2018, in accordance with Council's votes on recommendations (aa) to (ee) inclusive, noting Committee recommendations in bold; or if Council officers are unable to attend the Annual General Meeting</i></p> <p><i>(a) authorises Mark Butcher (Chief Executive Officer, LGFA) as Council's proxy to vote on behalf of Council, at the LGFA's 2018 Annual General Meeting to be held on 21 November 2018, in accordance with Council's votes on recommendations (aa) to (ee) inclusive, noting Committee recommendations in bold:</i></p> <p><i>(aa) re-elect John Avery as an independent director of the LGFA - <b>(For/Against)</b>; and</i></p> <p><i>(bb) re-elect Michael Timmer as non-independent director of the LGFA - <b>(For/Against)</b>; and</i></p> <p><i>(cc) re-elect Hamilton City Council as a Nominating Local Authority - <b>(For/Against)</b>; and</i></p> <p><i>(dd) re-elect Tauranga City Council as a Nominating Local Authority - <b>(For/Against)</b>; and</i></p> <p><i>(ee) approve, the amendments to the Foundation Policy of the LGFA - <b>(For/Against)</b>."</i></p>	

**5. REPORT ON THE HUTT CITY COMMUNITY FACILITIES TRUST FOR THE YEAR ENDED 30 JUNE 2018 (18/1337)**

Report No. FPC2018/4/290 by the Chief Financial Officer

Cr Cousins declared an interest in the item and took no part in discussion or voting on the matter.

Ms Kirsten Patterson, Chairperson of Hutt City Community Facilities Trust (CFT) and Mr Peter Healy, General Manager, CFT noted the highlights for the year.

Ms Patterson advised that CFT was managing projects with a total value of \$26M. She said that Naenae Bowls Club had gone from 180 members to over 1,000 members to become one of the largest clubs in New Zealand. She added that after the handover of the Ricoh Sports Centre at Fraser Park, she planned to step down as Chairperson of CFT.

In response to questions from members, Ms Patterson and Mr Healy noted that a site visit of the Ricoh Sports Centre at Fraser Park had been requested by members, prior to the facility opening. They also advised members about thank you social events to be held for builders on their projects, to acknowledge their work and also awareness of work pressure. They further advised that CFT was well placed for resourcing capacity for further projects, subject to financial contributions from participating sports organisations.

MOTION: (Cr Milne/Cr Briggs)

“That the Committee receives and notes the Annual Report for Hutt City Community Facilities Trust (CFT) for the year ended 30 June 2018, attached as Appendix 1 to the report.”

Deputy Mayor Bassett suggested to record in the minutes the work of Ms Kirsten Patterson for the work she had done in the term as Chairperson of CFT. Crs Milne and Briggs as mover and seconded of the motion agreed to include the additional wording in the motion.

RESOLVED: (Cr Milne/Cr Briggs)

**Minute No. FPC 18406**

*“That the Committee:*

- (i) receives and notes the Annual Report for Hutt City Community Facilities Trust (CFT) for the year ended 30 June 2018, attached as Appendix 1 to the report; and*
- (ii) commends the work of Ms Kirsten Patterson for the work she has done in the term as Chairperson of CFT.”*

**6. REPORT ON SEAVIEW MARINA LIMITED FOR THE YEAR ENDED 30 JUNE 2018**  
(18/1338)

Report No. FPC2018/4/291 by the Chief Financial Officer

Deputy Mayor Bassett left the meeting at 5.53pm.

Cr Milne declared an interest in the item and took no part in voting on the matter.

Mayor Wallace assumed the Chair.

Mr Brian Walshe, Chairperson of Seaview Marina Limited (SML), Mr Alan McLellan, Chief Executive of SML and Cr Chris Milne (SML director) noted the highlights for the

year.

Deputy Mayor Bassett rejoined the meeting at 5.55pm.

Mr McLellan gave a presentation on the key themes of development; client service; and public good. He commented on the biennial client survey completed in March 2018, with a very credible net promoter percentage score of 52 achieved. He said that SML worked with Randwick School to offer students the opportunity to access yachting. He added that around 5,000 people had attended the Wellington Boat Show held at the marina.

Mayor Wallace commented that he now received fewer negative comments from user groups of the marina. He added that he was pleased with the strategy on liveboards, as he noted this was becoming more common practice around the world.

In response to a question from a member, Mr Walshe advised that potential changes to the Lower Hutt District Plan (the plan) had been explored, with a public meeting some time ago, in relation to increased commercial activity. He said that additional land would be required to expand trailer parking. Mr McLellan added that the plan restrictions for the marina included a limit on the height they could build to, signage and also that tenancies must be marina based.

Mayor Wallace thanked Mr Walshe and Mr McLellan for their work and for the achievements in the last 12 months. He commended the input and commitment of Cr Milne as Council representative on the Board of SML.

**RESOLVED:** (Mayor Wallace/Deputy Mayor Bassett)

**Minute No. FPC 18407**

*"That the Committee receives and notes the Annual Report for Seaview Marina Limited for the year ended 30 June 2018, attached as Appendix 1 to the report."*

**7. REPORT ON URBAN PLUS GROUP FOR THE YEAR ENDED 30 JUNE 2018 (18/1339)**

Report No. FPC2018/4/292 by the Chief Financial Officer

Cr Milne assumed the chair.

Deputy Mayor declared an interest in the item and took no part in voting on the matter.

Mr Brian Walshe, Chairperson of Urban Plus Limited (UPL) and Mr Craig Walton, Chief Executive of UPL noted the highlights for the year.

Mr Walshe introduced Mr Hugh MacKenzie, Board member of UPL. Mr Walshe highlighted that UPL was on course to provide 220 new properties by the target of 2020, with the profit achieved in 2017/18 of \$2.6M. He said the Fairfield development was one for UPL to be proud of. He added that the rental portfolio valuation had increased in value by \$1.3M.

In response to a question from a member, Mr Walshe advised that with the current strategy of UPL and self-generated funds to complete the 220 properties project by 2020.

He added that to be able to handle any extension of the target, additional funding and access to land resources would be required. He advised that a significant increase in unit numbers could require capital injection of \$20M, although UPL had the skills on board to handle any potential extension.

In response to questions from members, Mr Walton advised that nearly 80% of tenants' primary income was from pensions, the remainder had other government supported income. He added that rents were targeted at 85% of market rent.

In response to further questions from members, Mr Walton advised that UPL had a few units available for emergency housing. He added that the upcoming workshop would address a range of issues in respect of housing. He said that the benchmark market rental for UPL was assessed by an independent company and was based on the open market rental value of properties, for the highest value rental us (eg, not restricted to older persons). Mr Walshe added that the return on assets was just over 3.5%, excluding depreciation and interest.

Mayor Wallace acknowledged the input and commitment of Deputy Mayor Bassett as Council representative on the Board of UPL.

RESOLVED: (Cr Milne/Mayor Wallace)

**Minute No. FPC 18408**

*"That the Committee receives and notes the Annual Report for Urban Plus Group to 30 June 2018, attached as Appendix 1 to the report."*

8. **WELLINGTON WATER LIMITED ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018** (18/1584)

Report No. FPC2018/4/294 by the Chief Financial Officer

Deputy Mayor Bassett declared an interest in the item and took no part in voting on the matter.

Mr Colin Crampton, Chief Executive of Wellington Water (WWL) noted the highlights for the year and thanked officers, in particular the Chief Executive, for the considerable support across the region and feedback provided for the three waters review.

Deputy Mayor Bassett added that Wellington Water Committee had the responsibility of the review on the three waters. He added that the Minister for Local Government had spoken favourably of the review and was pleased with the systems and processes in place at WWL.

The Chief Executive said that WWL was different to the other CCOs, as its purpose was part of the essence of Council as water was an important service provision. He added that he was proud to be involved with WWL and the level of service achieved through WWL was far above what Council could alternatively provide in-house.

In response to questions from members, Mr Crampton advised that WWL had

information to be able to plan for growing communities. He added that New Zealanders were becoming more aware of the importance of water, with a changing view on waste water overflows. He said that for the 2021-2031 Long Term Plan investment was necessary to achieve the targets to reduce waste water overflows, with an aspiration to have zero overflows.

In response to further questions from members, Mr Crampton advised that the targets not achieved were stretch targets, to be more aspirational, rather than setting targets that could be easily achieved. He said there had been a 20% increase in uptake of water tanks, immediately following the Kaikoura earthquake. He appreciated that the cost of the tanks may not be an issue but more the installation of the tank. He added that WWL may in future be able to approach properties in a street where works were being conducted, to transport tanks to residents, in a more efficient way in the neighbourhood.

In response to a question from a member, Mr Crampton advised that the change from customers having access to three litres of water per person to 22 litres was not just drinking water, but water for washing etc. The focus was getting people back to work in the event of a major earthquake. He added that there was a need to continue educating the public to increase their personal water storage.

Mayor Wallace commended Deputy Mayor Bassett as an outstanding Chairperson of Wellington Water Committee.

**RESOLVED:** (Cr Milne/Mayor Wallace)

**Minute No. FPC 18409**

*"That the Committee receives and notes the Annual Report for Wellington Water Limited for the year ended 30 June 2018, attached as Appendix 1 to the report."*

9. **NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY 2018 ANNUAL REPORT** (18/1344)

Report No. FPC2018/4/293 by the Chief Financial Officer

Deputy Mayor Bassett left the meeting at 7.13pm.

The Chief Financial Officer elaborated on the report.

Cr Lewis rejoined the meeting at 7.14pm and rejoined the meeting at 7.38pm, under item 4i) Hutt City Council Annual Report to 30 June 2018.

In response to a question from a member, the Chief Financial Officer advised that subject to the vote being in favour at the Local Government Funding Agency (LGFA) Annual General Meeting, Council Controlled Organisations (CCOs) could borrow directly from the LGFA, subject to eligibility criteria. He added that this included a requirement that the parent Council must guarantee the loan, security could also be provided by way of uncalled share capital.

The General Manager, Corporate Services said that it was not envisaged that Council's CCOs would borrow directly from the LGFA as this currently only benefitted much larger CCOs.

**RESOLVED:** (Cr Milne/Cr Briggs)

**Minute No. FPC 18410**

*"That the Committee notes and receives the Local Government Funding Agency Annual Report for the year ended 30 June 2018, attached as Appendix 1 to the report."*

10. **QUESTIONS**

There were no questions.

There being no further business the Chair declared the meeting closed at 7.50pm.

Cr C Milne  
**CHAIR**

**CONFIRMED as a true and correct record**  
**Dated this 11<sup>th</sup> day of December 2018**



## MEMORANDUM

Our reference: DOC/18/148059

**To:** Finance and Performance Committee

**From:** Mark de Haast, Chief Financial Officer  
Josie Askin, Corporate Planner

**Date:** 17 October 2018

**SUBJECT:** CHANGES MADE TO ANNUAL REPORT SINCE PAPERS WERE CIRCULATED

#	Pg ref.	Description	Was	Changed to	Comment
1	11	Infographic	"Net deficit was \$10.3M"	"Net surplus (after asset revaluation) \$58.6M"	Increases alignment with key points of our financial performance
2	11	First para of "Financial Performance"	"...a non-cash budget error (that has since been corrected) of \$1.9 million on depreciation"	"...a non-cash budget error (that has since been corrected) of \$1.9 million on depreciation"	
3	42	"Significant capital variations from the Annual Plan"	"a property in Waiu Street Wainuiomata"	"a property in Waiu Street Wainuiomata"	Typo
4	128	Top of page, first para after bullet points	"The community committees.... positively with Council."	<del>"The community committees.... positively with Council."</del> [para removed]	No longer have Community Committees

CHANGES MADE TO ANNUAL REPORT SINCE PAPERS WERE CIRCULATED

5	128	1st bullet on page	"Be a channel of communication...."	Add additional bullet "Allocate and manage the local community fund to assist and support local community events and initiatives"	
6	137	Footnote **	"ROE is calculated as...."	"ROI is calculated as...."	Typo
7	142	2 <sup>nd</sup> row, 1 <sup>st</sup> performance measure	"Statement of Intent by 1 March 2018"	"Draft Statement of Intent by 1 March 2018"	Change requested following audit of CFT
8	142	2 <sup>nd</sup> row, 2 <sup>nd</sup> performance measure	"Achieved"	"Not achieved"	Change requested following audit of CFT
9	144	3 <sup>rd</sup> row	"At least"	"At least \$2.54m pledged by 30 June 2018"	Sentence was cut off
10	144	3 <sup>rd</sup> row	"Achieved"	"Not achieved"	Change requested following audit of CFT
11	171	Assets under construction, 4 <sup>th</sup> row in table	"Land"	"Land and site improvements"	Change requested by Audit NZ
12	179	Table showing breakdown of equity, 5 <sup>th</sup> row	Transfer to property revaluation reserve on disposal	"Other adjustments"	Change requested by Audit NZ
13	210	Overall key performance targets by activity area	Libraries: Achieved = 4 Stormwater: Achieved = 8	Libraries: Achieved = 5 Stormwater: Achieved = 7	Alignment with the Annual Report. Measure added to libraries and measure removed from stormwater.
14	219	Infographic	"Net deficit was \$10.3M"	"Net surplus (after asset revaluation) \$58.6M"	Increases alignment with key points of our financial performance

CHANGES MADE TO ANNUAL REPORT SINCE PAPERS WERE CIRCULATED

15	219	First para of "Financial Performance"	"...a non-cash budget error (that has since been corrected) of \$1.9 million on depreciation"	"...a non-cash budget error ( <del>that has since been corrected</del> ) of \$1.9 million on depreciation"	
16	222	"Statement of Financial Position", Group Actual 2018 figures	Current assets = \$52,062 Total assets = \$1,611,629 Net assets = \$1,366,944 Total equity = \$1,366,944	Current assets = \$52,761 Total assets = \$1,611,623 Net assets = \$1,366,938 Total equity = \$1,366,938	
17	223	"Statement of Cash Flows", Group Actual 2018 figures	Net cash flow from operating activities = \$30,907 Net cash flow from investing activities = (\$75,711)	Net cash flow from operating activities = \$30,208 Net cash flow from investing activities = (\$75,012)	
18	223	After tables		Notes to the financial accounts added	Requested by Audit NZ

\* In addition to the above changes subsequent to the finalisation of the group tax numbers minor changes have been made to the:

- Comprehensive revenue and expenses
- Statement of Changes in Equity
- Statement of financial position
- Note 10 - Tax note.