

Notice of Meeting:

I hereby give notice that an ordinary Meeting of the Council will be held on:

Date: Thursday 9 March 2017
Time: 9.30am
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Council OPEN AGENDA

Membership

Chairperson	Mayor A King
Deputy Chairperson	Deputy Mayor M Gallagher
Members	Cr M Bunting
	Cr J R Casson
	Cr S Henry
	Cr D Macpherson
	Cr G Mallett
	Cr A O'Leary
	Cr R Pascoe
	Cr P Southgate
	Cr G Taylor
	Cr L Tooman
	Cr P Yeung

Quorum: A majority of members (including vacancies)

Meeting Frequency: Monthly – or as required

Lee-Ann Jordan
Governance Manager

3 March 2017

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Purpose

The Council is responsible for:

1. Providing leadership to, and advocacy on behalf of, the people of Hamilton.
2. Ensuring that all functions and powers required of a local authority under legislation, and all decisions required by legislation to be made by local authority resolution, are carried out effectively and efficiently, either by the Council or through delegation.

Terms of Reference

1. To exercise those powers and responsibilities which cannot legally be delegated by Council:
 - a) The power to make a rate.
 - b) The power to make a bylaw.
 - c) The power to borrow money, or purchase or dispose of assets, other than in accordance with the Long Term Plan.
 - d) The power to adopt a Long Term Plan or Annual Plan, or Annual Report.
 - e) The power to appoint a Chief Executive.
 - f) The power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the Long Term Plan, or developed for the purpose of the Council's governance statement, including the 30-Year Infrastructure Strategy.
 - g) The power to adopt a remuneration and employment policy.
 - h) The power to approve or change the District Plan, or any part of that Plan, in accordance with the Resource Management Act 1991.
 - i) The power to approve or amend the Council's Standing Orders.
 - j) The power to approve or amend the Code of Conduct for Elected Members.
 - k) The power to appoint and discharge members of committees.
 - l) The power to establish a joint committee with another local authority or other public body.
 - m) The power to make the final decision on a recommendation from the Parliamentary Ombudsman, where it is proposed that Council not accept the recommendation.
 - n) The power to amend or replace the delegations in Council's *Delegations to Positions Policy*.
2. To exercise the following powers and responsibilities of Council, which the Council chooses to retain:
 - a) Resolutions required to be made by a local authority under the Local Electoral Act 2001, including the appointment of an electoral officer and reviewing representation arrangements.
 - b) Approval of any changes to Council's vision, and oversight of that vision by providing direction on strategic priorities and receiving regular reports on its overall achievement.
 - c) Approval of any changes to city boundaries under the Resource Management Act.
 - d) Adoption of governance level strategies, plans and policies which advance Council's vision and strategic goals.
 - e) Approval of the Triennial Agreement.

- f) Approval of the local governance statement required under the Local Government Act 2002.
- g) Approval of a proposal to the Remuneration Authority for the remuneration of Elected Members.
- h) Approval of any changes to the nature and delegations of the Committees.

Oversight of Policies:

- *Corporate Hospitality and Entertainment Policy*
- *Delegations to Positions Policy*
- *Elected Members Support Policy*
- *Significance and Engagement Policy*

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1 Apologies

2 Confirmation of Agenda

The Council to confirm the agenda.

3 Declaration of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

4 Public Forum

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes has been set aside for a public forum. Each speaker during the public forum section of this meeting may speak for three minutes or longer at the discretion of the Mayor.

Please note that the public forum is to be confined to those items falling within the terms of the reference of this meeting.

Speakers will be put on a Public Forum speaking list on a first come first served basis in the Council Chamber prior to the start of the Meeting. A member of the Democracy Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

If you have any questions regarding Public Forum please contact Democracy by telephoning 07 838 6439.

Committee: Council**Date:** 09 March 2017**Report Name:** Council Minutes - Open - 8
February 2017**Author:** Lee-Ann Jordan

Status	<i>Open</i>
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Recommendation

That the Council confirm the Open Minutes of the Council Meeting held on 8 February 2017 as a true and correct record.

1. Attachments

- Attachment 1 - Council Minutes - Open - 8 February 2017

Council

OPEN MINUTES

Minutes of a meeting of the Council held in Council Chamber, Municipal Building, Garden Place, Hamilton on Wednesday 8 February 2017 at 9.40am.

PRESENT

Chairperson	Mayor A King
Deputy Chairperson	Deputy Mayor M Gallagher
Members	Cr M Bunting
	Cr J R Casson
	Cr S Henry
	Cr D Macpherson
	Cr G Mallett
	Cr A O'Leary
	Cr R Pascoe
	Cr P Southgate
	Cr G Taylor
	Cr L Tooman
	Cr P Yeung

In Attendance:	Chief Executive – Richard Briggs
	General Manager Community - Lance Vervoort
	General Manager City Growth – Kelvyn Eglinton
	General Manager City Infrastructure – Chris Allen
	General Manager Corporate – David Bryant
	General Manager Venues, Tourism and Major Events Group – Sean Murray
	General Manager Strategy and Communications – Sean Hickey
	Executive Director Special Projects – Blair Bowcott
	City Waters Manager – Maire Porter
	City Safe Unit Manager – Kelvin Powell
	Key Account Manager Customer Services - Jason Cargo
	Communications Advisors – Nigel Ward, Nicola Walsh and Barbara Bilcich
	Acting Communications Manager – Tamsin Webb
	City Events Manager – Tracey Wood
	Programme Manager Analysis and Research – Mark Brougham
	Corporate Policy Specialist - Riki Manarangi
	Parks and Open Spaces Manager – Sally Sheedy
	Business Analyst (IS) – Malcolm Frethey

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City Solicitor – Lachlan Muldowney
 Independent Consultant – Stephen Halliwell
 Horwath HTL – Stephen Hamilton and
 PricewaterhouseCoopers (PwC) - Wayne Tainui

Governance Advisors Governance Manager - Lee-Ann Jordan
 Governance Team Leader - Becca Brooke
 Committee Advisors – Ian Loiterton and Claire Guthrie

Prior to the official business commencing, a Civic Award was presented to Dr Bev Gatenby in recognition of her services and contributions to the wider community.

Following the award, a blessing was given by Kaumatua Tame Pokaia followed by a bible reading by Reverend Stephen Black.

1. Apologies

Resolved: (Crs O’Leary/Macpherson)

That the apologies from Cr Gallagher for lateness be received and accepted.

2. Confirmation of Agenda

Resolved: (Crs Casson/Macpherson)

That the agenda be confirmed, noting that Item 10 (Service Delivery Review – Parks) and Item 11 (Service Delivery Review – H3) be taken after 1.00pm to accommodate external presenters speaking to these Items.

It was noted that there was insufficient information included in the report concerning Item 12 (Housing Accord). Staff were asked to provide further information to Elected Members at the meeting.

3. Declarations of Interest

No members of the Council declared a Conflict of Interest.

4. Public Forum

Deborah Fisher (*resident*) – Spoke to Item 10 (Service Delivery Review – Parks). She noted that she was concerned that at the playground equipment at Bankwood Park had been removed and the toilets were often locked during the day. She asked that staff give consideration to this park in particular when allocating funds for parks.

Vanessa Williams (*Hamilton Central Business Association*) – Spoke to Item 8 (Easter Sunday Shop Trading Policy). Ms Williams noted that the Hamilton Central Business Association supported the proposal for public consultation concerning trading on Easter Sunday. It would be preferable that

any changes to trading on Easter Sunday resulting from consultation, that they occur in 2018 rather than 2017.

Christine Parish (*resident*) – Spoke to Item 6 (HCC's Draft 2 Submission to the Health (Fluoridation of Drinking Water) Amendment Bill). She raised concerns that the proposal to delegate decision making concerning fluoridation of drinking water supplies to central government would be detrimental to the fundamentals of local democracy.

William Karaitinana (*resident*) – Spoke to Item 7 (Provisional Local Alcohol Policy – Update). He noted that he was concerned with the harm alcohol could cause to individuals, especially those with mental health issues and asked that Council consider this in their decision making.

Cr Gallagher joined the meeting at 10.05am during the public forum.

5. Council - Open Minutes - 13 December 2016

Resolved: (Crs Casson/Mallett)

That the Council confirm the Open Minutes of the Council Meeting held on 13 December 2016 as a true and correct record.

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6. HCC's Draft 2 Submission to the Health (Fluoridation of Drinking Water) Amendment Bill

The General Manager Strategy and Communications introduced the staff report which asked for approval of the Council's draft submission on the Health (Fluoridation of Drinking Water) Amendment Bill. This Bill would allow District Health Boards (DHBs) to make decisions and give directions to Local Authorities about the fluoridation of drinking water supplies in their respective areas.

Elected Members sought clarification on a number of submission points, particularly in relation to clarification on who the primary decision maker would be and where responsibilities would lie for issues such as the cost of fluoridation and providing fluoride-free taps. Staff clarified that it would be the Ministry of Health making these decisions, via the Director-General.

Elected Members agreed it would be beneficial for HCC representatives to speak to HCC's submission on the Health Amendment Bill when it was heard by Central Government.

Motion: (Mayor King/Cr Mallett)

That:

- a) the report be received;
- b) Council approve HCC's 8 February 2017 Draft 2 submission (#481) to the Health (Fluoridation of Drinking Water) Amendment Bill; with the following amendment:
 - to make it explicit that council supports the Director General of Health in making the decision to fluoridate or not fluoridate water supplies.
- c) the approved submission #481 then be sent to Parliament's Health Committee;
- d) the approved submission be uploaded to HCC's website;
- e) local Members of Parliament be advised of and encouraged to support the approved submission; and
- f) the Chair of the Growth and Infrastructure Committee and the General Manager Strategy and Communications represent Hamilton City Council in presenting the submission to Central Government.

Amendment: (Crs Henry/O'Leary)

That:

- a) the report be received;
- b) Council approve HCC's 8 February 2017 **Draft 2** submission (#481) to the Health (Fluoridation of Drinking Water) Amendment Bill; with the following amendments:
 - to make it explicit that council supports the Director General of Health in making the decision to fluoridate or not fluoridate water supplies.
 - change 2.5.1 to read HCC supports central government to undertake comprehensive research into the potential benefits and harm of fluoridation including Hydrofluorosilic Acid (HFA).
- c) the approved submission #481 then be sent to Parliament's Health Committee;
- d) the approved submission be uploaded to HCC's website;
- e) local Members of Parliament be advised of and encouraged to support the approved submission; and

- f) the Chair of the Growth and Infrastructure Committee and the General Manager Strategy and Communications represent Hamilton City Council in presenting the submission to Central Government.

The Amendment was put.

Those for the Amendment: Councillors Yeung, O'Leary, Macpherson, Henry and Southgate.

Those against the Amendment: Mayor King, Councillors Gallagher, Pascoe, Mallett, Tooman, Bunting, Casson and Taylor.

The Amendment was declared lost.

The Motion was then put and declared carried.

Resolved: (Mayor King/Cr Mallett)

That:

- a) the report be received;
- b) Council approve HCC's 8 February 2017 Draft 2 submission (#481) to the Health (Fluoridation of Drinking Water) Amendment Bill; with the following amendment:
 - to make it explicit that council supports the Director General of Health in making the decision to fluoridate or not fluoridate water supplies.
- c) the approved submission #481 then be sent to Parliament's Health Committee;
- d) the approved submission be uploaded to HCC's website;
- e) local Members of Parliament be advised of and encouraged to support the approved submission; and
- f) the Chair of the Growth and Infrastructure Committee and the General Manager Strategy and Communications represent Hamilton City Council in presenting the submission to Central Government.

Cr Henry Dissenting.

The meeting adjourned from 11.15am to 11.30am.

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7. Provisional Local Alcohol Policy (PLAP) – Update

The General Manager City Growth introduced the staff report and gave a brief overview of the process undertaken to date. Staff outlined the four options contained in the report and gave a brief background to each of the outstanding appeals.

Elected Members discussed each of the options and their merits and the City Solicitor provided legal advice on a number of issues including a one-way door policy, the appeal process and the time lines involved in the options outlined in the staff report.

Resolved: (Crs O'Leary/Macpherson)

That:

- a) the report is received;
- b) Council cease negotiations with all parties on the Provisional Local Alcohol Policy (PLAP) and submit the original draft PLAP to the Alcohol Regulatory and Licensing Authority as adopted; and
- c) once the PLAP is approved the one-way door policy be considered for future inclusion in the LAP.

Cr Mallett Dissenting.

The meeting adjourned from 1.00pm to 1.30pm.

Cr Macpherson left the meeting during the adjournment.

Item 11 (Service Delivery Review – H3) followed by Item 10 (Service Delivery Review – Parks) were taken after the adjournment to accommodate external presenters.

11. Service Delivery Review - H3

The General Manager of Venues, Tourism and Major Events introduced Stephen Halliwell (Independent Consultant) and Stephen Hamilton (Horwath HTL). He summarised the outcomes of the H3 service delivery review as outlined in the staff report. It was noted that the recommendations resulting from the Horwath Report (Attachment 1 of the staff report) were to move towards a Council Controlled Organisation (CCO) business model. Staff proposed that this decision should be delayed until the upcoming Council discussions on models were completed.

Elected Members discussed the merits of the Horwath recommendations and asked questions concerning the benefits of a CCO model in relation to the H3 venues, and the costs associated with undertaking a business case to investigate the options.

Resolved: (Mayor King/Cr Yeung)

That:

- a) the report be received;
- b) Council defers a decision on the Horwath HTL recommendations until after 30 June 2017; and
- c) the CE presents a report to the 4 April 2017 Community and Services Committee Meeting outlining the impact of moving the H3 business from a fully commercial business model through to a community focused business model.

Cr Mallett Dissenting.

Cr Macpherson re-joined the meeting (2.10pm) during the above item. He was present when the matter was voted on.

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10. Service Delivery Review - Parks

The General Manager Community introduced Wayne Tainui (PwC) who spoke to the staff report, outlining the most cost-effective method of service delivery for Parks. He explained that after examining nine different service delivery options, the current in-house model, with some improvements (Enhanced Status Quo) would continue to be the most cost-effective service delivery model for Parks and Open Spaces and City Parks services.

He noted that the Parks service delivery review had led to, and enabled more flexibility and cooperation between the Parks and Open Spaces and City Parks teams with a clearer focus on the Community Group's overall strategy. The review had also clarified the roles and responsibilities with other Groups in Council that fed into various Park's processes. This would ultimately enable improvements in performance across the organisation.

Resolved: (Crs Southgate/Casson)

That:

- a) the report be received;
- b) Council approves Parks and Open Spaces continuing with the Enhanced Status Quo service delivery model as the most cost effective service delivery option for Council's park management activity; and
- c) Council receives a report in the 2017/18 Annual Plan process that outlines the vehicle fleet investment requirements to move the City Parks vehicle fleet within asset management plan specifications.

Cr Gallagher left the meeting (3.44pm) during the above Item. He was not present when the matter was voted on.

As per Standing Order 3.5.6 (items not on the agenda may be dealt with), the following was resolved to permit the addition of a late Public Excluded Agenda item.

Resolved: (Mayor King/Cr Bunting)

That a verbal report from General Manager H3 concerning a City Event be added to the Public Excluded Agenda as an additional item. This item was to be taken as publically excluded to enable Council to carry out commercial negotiations without disadvantage.

The Meeting adjourned from 4.00pm to 4.10pm.

Crs Henry and Macpherson left the meeting during the adjournment.

Cr Mallett retired from the meeting during the adjournment.

Following the adjournment, as per Standing Order 3.2.7 (duration of meetings and time limits) the following was resolved to extend the duration of the meeting.

Extension of Time

Resolved: (Mayor King/Cr Yeung)

That the Meeting be extended in accordance with Standing Order 3.2.7.

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8. Easter Sunday Shop Trading Policy

The General Manager Strategy and Communications introduced the staff report which sought Council approval for a public engagement on the draft Easter Sunday Shop Trading Policy. He explained that the Shop Trading Hours Act (1990) was amended in 2016, allowing councils to develop a policy to permit shop trading on Easter Sunday.

Elected Members discussed whether any changes to the policy approved post public consultation, should be implemented in 2017 or 2018. It was noted that the representative from Hamilton Central Business Association who spoke during the public forum, had asked for any proposed changes to be implemented in 2018 rather than 2017 to allow for adequate public engagement, and to allow time for business owners to make arrangements.

Motion: (Mayor King/Cr Tooman)

That:

- a) the report be received; and
- b) Council approve the notification of the draft Easter Sunday Shop Trading Policy and the Statement of Proposal – Easter 2018 for consultation between 9 March and 9 May 2017 in accordance with section 83 (special consultative procedure) of the Local Government Act 2002.

Amendment: (Crs Bunting/Taylor)

That:

- a) the report be received; and
- b) Council approve to publicly notify the draft Policy and the Statement of Proposal (Attachment 2) on 9 February 2017 for consultation, consider any submissions received, and deliberate on a Policy at 6 April 2017 Council meeting in time for implementation by Easter 2017

The Amendment was put.

Those for the Amendment:	Mayor King, Councillors Bunting and Taylor
Those against the Amendment:	Councillors Gallagher, Pascoe, Yeung, Tooman, O'Leary, Casson and Southgate

The Amendment was declared lost.

The Motion was then put and declared carried.

Resolved: (Mayor King/Cr Tooman)

That:

- a) the report be received; and
- b) Council approve the notification of the draft Easter Sunday Shop Trading Policy and the Statement of Proposal – Easter 2018 for consultation between 9 March and 9 May 2017 in accordance with section 83 (special consultative procedure) of the Local Government Act 2002.

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Cr Macpherson and Cr Henry re-joined the meeting (4.35pm) at the conclusion of the above item. They were not present when the matter was voted on.

9. Plan and Strategy Summary Report

The General Manager Strategy and Communications introduced the staff report which gave an overview of the current status of the actions within key Council plans and strategies. He noted that these plans and strategies provide direction to staff in business as usual activities and in the development of proposals for the Long Term Plan.

Elected Members questioned whether the report was an update on actions within the plan or simply an indication of whether they were funded or unfunded.

Resolved: (Crs O'Leary/Southgate)

That the report is received.

12. Housing Accord

The General Manager City Growth introduced the staff report which asked for approval for the final signed version of the Housing Accord document.

Elected Members queried the version of the document in the agenda, noting it had not been updated with the changes approved at the 13 December 2016 meeting of council.

Resolved: (Mayor King/Cr Macpherson)

That:

- a) the report be received;
- b) Council retrospectively approves the signed version of the Hamilton Housing Accord (attachment 2 of the staff report); and
- c) staff circulate an updated version of the document showing the changes post 13 December 2016.

13. Nominations for LGNZ National Advisory Groups for the New Triennium.

The report was taken as read.

Resolved: (Crs Yeung/Tooman)

That:

- a) the report be received; and
- b) the nominations for Cr Paula Southgate (Chair of Community & Services Committee) for the Policy Advisory Group and Lee-Ann Jordan (Governance Manager) for the Governance and Strategy Advisory Group are retrospectively approved.

14. Resolution to Exclude the Public

Resolved: (Crs O'Leary/Casson)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Council - Public Excluded Minutes - 13 December 2016	) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Weathertight Claims - Verbal Report	) Official Information and Meetings Act 1987	
C3. Proposed Plan Change 1 - Ruakura Appeals Management)	
C4. City Event – Verbal Report (LATE)		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	To prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	To maintain legal professional privilege	Section 7 (2) (g)
Item C3.	On the grounds that a right of appeal lies to any Court or Tribunal against the final decision of the Local Authority in this matter	Section 7 (2) (a) (i) Section 7 (2) (i) Section 7 (2) (j)
Item C4 (LATE)	to enable Council to carry out negotiations to prevent the disclosure or use of official information for improper gain or improper advantage	
	to enable Council to carry out without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7 (2) (k)

The meeting went into a Public Excluded session at 4.55pm.

The meeting was declared closed at 6.00pm.

Committee: Council**Date:** 09 March 2017**Report Name:** Elected Member Briefing
Notes - Open - 13 February
2016**Author:** Lee-Ann Jordan

Status	<i>Open</i>
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Recommendation

That Council confirm the notes of the Elected Member Briefing Session that took place on Monday, 13 February 2017 as a true and correct record.

1. Attachments

- Attachment 1 - Elected Member Briefing Notes - 13 February 2017

Elected Member Briefing 13 February Notes

Time and date:	13 February 2017
Venue:	Committee Room 1, Hamilton City Council
In Attendance:	Mayor King, Deputy Mayor Gallagher, Crs O'Leary, Pascoe, Tooman, Macpherson, Casson, Henry, Bunting, Southgate, Yeung, Mallett
Apology for Full Session:	Cr Taylor
Apology for Part Session	Mayor King, Deputy Mayor Gallagher, Councillors Macpherson, Southgate, O'Leary, and Bunting.

Discussion

The briefing session covered the following topics:

1. Draft Zoo Master Plan
2. Long Term Plan Roadmap
3. Asset Management
4. Integrated Growth Briefing
5. Access Hamilton Strategy

There were a number of key points arising from discussions.

1. Draft Zoo Master Plan

(presentation)

The draft Zoo Master Plan was put on hold following the tragedy of Sam Kudeweh's death and was to be re-activated this year.

The draft plan would be released publicly today. A number of requests under the Local Government Information and Meetings Act relating to the draft Zoo Master Plan had been received however was not Council's practice to release draft plans before they had been put before Elected Members.

Elected Members asked questions and provided feedback in relation to:

- The draft plan's alignment with Council's strategy for green spaces;
- the importance of the connection between the Zoo and Waiwhakareke ;
- the need for a timeline showing how these developments are inter-related; particularly timing of public access to Waiwhakareke;
- opportunities for external funding and to leverage the success of the Hamilton Gardens; and
- re-focusing the zoo to native species.

2. Long Term Plan Roadmap

(handout)

Elected Members were informed that Staff were currently working on the 2017/18 Annual Plan, work was to be starting on the 2018 – 2028 Long Term Plan (LTP) shortly.

Initial conversations with Elected Members would cover critical considerations such as the components of the financial strategy and revenue options available to Council, Hamilton's growth mix, levels of service, and asset management plans.

The cost of the programme of work for the LTP would come to Council through the Annual Plan.

3. Asset Management Update

(presentation)

Staff gave a general presentation on Council's approach to asset management as a platform for further discussions through the Long Term Plan process.

Elected Members' strategic contribution to this function was outlined and an overview of key was provided. These considerations included:

- Council's financial strategy;
- Setting levels of service and performance measures;
- Addressing growth;
- Decisions on plans and strategies; and
- Understanding the risks and consequences of decisions.

Staff reported briefly on the role of external audits and quality assurance processes in the asset management process and the competence of those agencies and experts involved.

4. Integrated Growth Briefing

(presentation and handout)

Staff presented on important considerations for Elected Members in relation to Council's response to the city's growth. Key discussion points included:

Growth demands:

- The opportunities and impacts of debt and borrowing to invest in growth;
- NPS targets, Hamilton's growth needs, and opportunities to encourage competition amongst developers; and
- Council's draft Housing Infrastructure Fund proposal

Futureproof, in particular:

- Council's desire to ensure flexibility around the timing and conditions for bringing land outside Hamilton's boundaries into the city; and
- recognising that Hamilton's communities of interest do not necessarily reside solely within the city's boundaries.

Strategic Infrastructure, noting:

- land supply, the work and investment underway on Integrated Catchment Management Plans (ICMPs), transport and waste water for the Rototuna, Rotokauri, Peacocke, and Ruakura growth cells; and
- increasing compliance standards and community expectations related to managing the effects of urbanisation.

6. Access Hamilton Strategy

(handouts)

The General Manager City Infrastructure led Elected Members through short brainstorming session to gather their views on current and future challenges for transport and access for the city. Staff will take Elected Members' feedback to the Access Hamilton Taskforce which is charged with reviewing the Access Hamilton Strategy. Staff aim to have the Access Hamilton Taskforce signed off as a strategic business case (utilising Government's Better Business Case and New Zealand Transport Association processes as best practice).

Committee: Council

Date: 09 March 2017

Report Name: Recommendation to Council
from the Growth and
Infrastructure Committee - 14
February 2017

Author: Ian Loiterton

Status	<i>Open</i>
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Purpose:

To seek Council approval for a recommendation by the Growth and Infrastructure Committee at its meeting of 14 February 2017 in respect of Appointments to the Regional Public Transport Plan Development Subcommittee.

Background:

The 14 February 2017 Growth and Infrastructure Committee agenda and unconfirmed minutes are available via the following link:

<http://www.hamilton.govt.nz/our-council/meetings-and-minutes/Pages/default.aspx>

Recommendation:

Appointments to the Regional Public Transport Plan Development Subcommittee

That Council:

- a) approves the appointment of Hamilton City Council's representatives on the Regional Public Transport Plan Development Subcommittee, to be Crs Macpherson, Tooman, and Taylor (any two of the three members are to attend meetings); and
- b) notes that the Governance Structure 2016-2019 will be updated to reflect these appointments.

1. Attachments

2. There are no attachments for this report.

Committee: Council

Date: 09 March 2017

Report Name: Recommendation to Council
from the Finance Committee -
28 February 2017

Author: Becca Brooke

Status	<i>Open</i>
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Purpose:

To seek Council approval for a recommendation by the Finance Committee at its meeting of 28 February 2017 in respect of Waikato Local Authority Shared Services – Appointment of Director.

Background:

The 28 February 2017 Finance Committee agenda is available via the following link:

<http://www.hamilton.govt.nz/our-council/meetings-and-minutes/Pages/default.aspx>

Recommendation:

Waikato Local Authority Shared Services - Appointment of Director

That Council approves Blair Bowcott, Executive Director Special Projects as the appointed Director of Waikato Local Authority Shared Services Ltd. to replace Richard Briggs, Chief Executive effective immediately.

1. Attachments

- There are no attachments for this report.

Signatory

Authoriser	
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Chair's Report

1. Purpose of the Report

2. To:
 - a) inform Elected Members about two items for Council's information or consideration:
 - Proposed site for potential public art project (Anglesea Wall); and
 - Proposed Sister City Delegation Visit to Chengdu 9-12 May 2017.
 - b) seek Council approval for the proposed motion to revoke a resolution of Council concerning Hamilton Properties Limited.

3. Public Art Project

4. Council has received a request from Ryan Hamilton for approval in principle for a proposal to develop a public art project to be installed on the Anglesea Wall. This project would be developed in collaboration with Hamilton City Council and other stakeholder groups.
5. Ryan Hamilton has indicated that advances in paint technologies provide opportunities not available to artists in previous years to create an art work on sites with porous surfaces without risk of damage to the sites. He contends that an appropriate artwork on the Anglesea Wall, which could involve light displays or hanging gardens in addition to, or as an alternative to a paint-based art work, has the potential to provide a point of difference for the city.
6. Ryan Hamilton's proposal has been forwarded to the GM Community for inclusion in a future agenda of the Community and Services Committee.

7. Recommendation

8. That Council notes the request from Ryan Hamilton for approval to use the Anglesea Wall as a site for a potential public art project

9. Chengdu Sister City Delegation Visit

10. The China city of Chengdu is one of Hamilton's four sister cities. The sister city agreement has been in place since 2015 and during that time Hamilton has received at least nine delegations from Chengdu (with at least three more expected before July 2017) and sent two delegations to Chengdu (including a group to perform at the Chengdu Sister City Youth Music Festival 2016).
11. Last year the then Mayor, at the invitation of the Chengdu Municipal Government led a delegation to the 2016 China (Chengdu) Global Innovation and Entrepreneurship Fair and to 30 year commemorative celebrations at Hamilton's other China sister city, Wuxi. Mayor Hardaker was accompanied by local city and business leaders and Justine Allen, Civic and International Events Manager. Airfares and accommodation for two people as well as accommodation, meals, and local transport for up to six delegates were paid for by the Chengdu Municipal Government.

12. The China (Chengdu) Global Innovation and Entrepreneurship fair is an annual event and I have received an invitation to attend which I have decided to accept. The invitation is for me and one other Council representative with all travel and accommodation costs to be met by the Chengdu Municipal Government. The trip is scheduled for 9-12 May and I have asked the Chief Executive to accompany me.
13. Considerations that have influenced my decision to make this trip to Chengdu are:
- This trip will incur no costs to Council. Hamilton has consciously limited the number of its sister cities to balance the potential cultural and economic benefits of these relationships with potential costs and time demands on Council representatives.
 - Hamilton and Chengdu have new mayors since the last delegation. This trip provides an opportunity to establish the mayor-to-mayor relationship which is critical to developing profile necessary to facilitate opportunities for Hamilton and Waikato businesses and cultural groups.
 - As the outcome of previous delegations, Chengdu will be exhibiting at the Waikato Field Days this year for the first time ever.
 - I have indications of interest from a number of Hamilton and Waikato business people in accompanying Richard and I to explore and promote business opportunities. Travel and expenses for all delegates will be at their own cost.

14. Recommendation

15. That Council notes the proposed Sister City Delegation Visit to Chengdu by the Mayor and Chief Executive scheduled for 9-12 May 2017.

16. Proposed motion to revoke the Council resolution relating to Hamilton Properties Limited passed at the Council meeting of 29 September 2016

17. I am proposing a motion to revoke a resolution of Council concerning Hamilton Properties Limited. This is consistent with Standing Order 3.8.4 which allows Council to consider a recommendation contained in a report by the Chairperson to revoke or alter all or part of resolutions previously passed at meetings.
18. I am seeking to revoke the Council resolution in relation to Hamilton Properties Limited passed at the Council meeting of 29 September 2016, namely:

That:

- a) the report be received;*
- b) the cash assets and management of the Municipal and Domain Endowment Funds are transferred to a Council Controlled Trading Organisation (CCTO), Hamilton Properties Limited, noting that the ownership of the current property assets remain with the Council;*
- c) the Council approves the draft Municipal and Domain Endowment Funds Policy, the Constitution with the removal of clauses 17.1 and 6.2, and the PricewaterhouseCoopers Business Case for Hamilton Properties Limited;*
- d) the Council approves the timeline for activation and operation of Hamilton Properties Limited below;*

- e) the Chief Executive is delegated the necessary authority to implement this decision;*
- f) Staff are to report to Council or appropriate delegated Committee/Subcommittee in March 2017 on implementation progress and this is to include a risk analysis; and*
- g) the Minutes record the matters of correction and operation raised by Elected Members.*

19. I advise that at the Council meeting on 9 March 2017, I wish to:

- i) Propose a motion to revoke in full the resolution of Council, dated 29 September 2016 in respect of Hamilton Properties Limited; and
- ii) Propose the following motion in substitution:

That Council requests the Chief Executive prepares a report for the next meeting of Council that sets out the process, timing, and implications of:

- a) dissolving Hamilton Properties Limited as a Council entity;
- b) winding up the Municipal Endowment Fund; and
- c) using the funds from the Municipal Endowment Fund to pay down debt.

20. I am putting this recommendation forward at this time because Hamilton Properties Limited is an agenda item for the Council meeting of 9 March 2017.

21. The reason I am putting this recommendation to revoke and substitute the previous resolution of Council regarding Hamilton Properties Limited is because I believe further information is required to determine the best use of the Municipal Endowment Fund in the interests of the city.

22. It is my intent that this motion is considered in conjunction with Hamilton Properties Limited agenda item.

23. Recommendation

24. That Council:

- a) revokes in full the resolution of Council, dated 29 September 2016 in respect of Hamilton Properties Limited; and
- b) requests the Chief Executive prepare a report for the next meeting of Council that sets out the process, timing, and implications of:
 - i) dissolving Hamilton Properties Limited as a Council entity;
 - ii) winding up the Municipal Endowment Fund; and
 - iii) using the funds from the Municipal Endowment Fund to pay down debt.

25. Attachments

Attachment 1 - Extract of Council Open Meeting Minutes - Item 6 - 29 September 2016

Mayor Andrew King

Extract of the Open Minutes of a Meeting of the Council held in Council Chamber, Municipal Building, Garden Place, Hamilton on Thursday 29 September 2016 at 9:00am.

Item 1. Policy Review - Municipal and Domain Endowment Funds Policy

Resolved: (Her Worship The Mayor Hardaker/Cr Forsyth)

That:

- a) the report be received;
- b) the cash assets and management of the Municipal and Domain Endowment Funds are transferred to a Council Controlled Trading Organisation (CCTO), Hamilton Properties Limited, noting that the ownership of the current property assets remain with the Council;
- c) the Council approves the draft Municipal and Domain Endowment Funds Policy, the Constitution with the removal of clauses 17.1 and 6.2, and the PricewaterhouseCoopers Business Case for Hamilton Properties Limited;
- d) the Council approves the timeline for activation and operation of Hamilton Properties Limited below;
- e) the Chief Executive is delegated the necessary authority to implement this decision;
- f) Staff are to report to Council or appropriate delegated Committee/Subcommittee in March 2017 on implementation progress and this is to include a risk analysis; and
- g) the Minutes record the matters of correction and operation raised by Elected Members.

Date	Action	Owner
STAGE 1 – APPROVAL STAGE		
29 September 2016	Council approval of Policy, Constitution and Business Case	Council Meeting
STAGE 2 – SET UP STAGE		
September 2016	Commission report into Director remuneration Commence recruitment of Directors	GM City Growth
March 2017	Appointment of Directors and remuneration approved Approve Letter of Expectation Activate HPL and revocation of CCO exemption (s7(7))	Council (delegated to CCO Subcommittee or equivalent)

STAGE 3 – TRANSITIONAL STAGE		
1 April 2017	HPL operational in transitional mode	
April – June 2017	1 st Board Meeting Prepare: <ul style="list-style-type: none"> • Contract HCC and HPL • Statement of Intent • HPL Strategy and Business Plan 	Board/Council (delegated to CCO Subcommittee or equivalent)
30 June 2017	Contract, Statement of Intent, HPL Strategy and business plan approved Approve delegated authority to manage assets not transferred	Council (delegated to CCO Subcommittee or equivalent)
STAGE 4 – OPERATIONAL STAGE		
1 July 2017 (effective)	Transfer of Cash and Assets	Council (delegated to CCO Subcommittee or equivalent)
1 July 2017	HPL fully operational	

Those for the Motion:

Councillors Gallagher, Forsyth, Pascoe, Chesterman, Yeung, Hardaker, Tooman and O'Leary.

Those against the Motion:

Councillors King, Green, Mallett and Macpherson.

Committee: Council

Date: 09 March 2017

Report Name: Hamilton Properties Limited

Author: Nicolas Wells

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan, Economic Development Agenda, CCTP</i>
Financial status	<i>Endowment Fund cash reserves total \$34M and asset value totals \$51M</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To inform Council on the progress to reactivate Hamilton Properties Limited (HPL) – a Council Controlled Trading Organisation (CCTO).

3. Executive Summary

- In September 2016 the Council resolved to transfer the cash assets and management of the Municipal and Domain Endowment Funds to HPL. A timetable for activation and operation of HPL is included in the resolution.
- The timetable to implement the reactivation of HPL has been paused because:
 - Staff resources have been diverted to nationally significant strategic growth projects.
 - Priorities have been reassigned to deliver on critical deadlines and meet legislative requirements.
 - To realign the timetable to implement HPL with internal deadlines and priorities.
- Staff seek approval to defer implementation of HPL in accordance with the revised timetable below.

7. Recommendations from Management

That Council:

- receives the report;
- delays implementing Hamilton Properties Limited until staff resources currently committed to priority projects can be reallocated; and
- approves the amended timeline for activation and operation of Hamilton Properties Limited below.

Date	Action	Owner
STAGE 2 – SET UP STAGE		
September 2016 June 2018	Commission report into Director remuneration Commence recruitment of Directors	GM City Growth
March 2017 December 2018	Appointment of Directors and remuneration approved Approve Letter of Expectation Activate HPL and revocation of CCO exemption (s7(7))	Council (delegated to CCO Subcommittee or equivalent)
STAGE 3 – TRANSITIONAL STAGE		
1 April 2017 1 January 2018	HPL operational in transitional mode	
April – June 2017 January – September 2018	1 st Board Meeting Prepare: <ul style="list-style-type: none"> • Contract HCC and HPL • Statement of Intent • HPL Strategy and Business Plan 	Board/Council (delegated to CCO Subcommittee or equivalent)
30 June 2017 30 September 2018	Contract, Statement of Intent, HPL Strategy and business plan approved Approve delegated authority to manage assets not transferred	Council (delegated to CCO Subcommittee or equivalent)
STAGE 4 – OPERATIONAL STAGE		
1 July 2017 (effective) 1 July 2018 (effective)	Transfer of Cash and Assets	Council (delegated to CCO Subcommittee or equivalent)
1 July 2017 1 July 2018	HPL fully operational	

8. Attachments

9. Attachment 1 - Municipal and Domain Endowment Funds Policy
10. Attachment 2 - PricewaterhouseCoopers - HPL - Risk Analysis

11. Key Issues

Background

12. The history, background information and proposed transfer of the Municipal and Domain Endowment Funds to HPL are detailed in the following reports and associated attachments:

29 June 2016	Business and Investment Committee	Link to Report
2 August 2016	Business and Investment Committee	Link to Report
30 August 2016	Strategy and Policy Committee	Link to Report
29 September 2016	Council	Link to Report

13. On 29 September 2016 the Council resolved that:

- d) *the report be received;*
- e) *the cash assets and management of the Municipal and Domain Endowment Funds are transferred to a Council Controlled Trading Organisation (CCTO), Hamilton Properties Limited, noting that the ownership of the current property assets remain with the Council;*
- f) *the Council approves the draft Municipal and Domain Endowment Funds Policy, the Constitution with the removal of clauses 17.1 and 6.2, and the PricewaterhouseCoopers Business Case for Hamilton Properties Limited;*
- g) *the Council approves the timeline for activation and operation of Hamilton Properties Limited below;*
- h) *the Chief Executive is delegated the necessary authority to implement this decision;*
- i) *Staff are to report to Council or delegated Committee/Subcommittee in March 2017 on implementation progress and is to include a risk analysis; and*
- g) *the Minutes record the matters of correction and operation raised by Elected Members.*

Date	Action	Owner
STAGE 1 – APPROVAL STAGE		
29 September 2016	Council approval of Policy, Constitution and Business Case	Council Meeting
STAGE 2 – SET UP STAGE		
September 2016	Commission report into Director remuneration Commence recruitment of Directors	GM City Growth
March 2017	Appointment of Directors and remuneration approved Approve Letter of Expectation Activate HPL and revocation of CCO exemption (s7(7))	Council (delegated to CCO Subcommittee or equivalent)

STAGE 3 – TRANSITIONAL STAGE		
1 April 2017	HPL operational in transitional mode	
April – June 2017	1 st Board Meeting Prepare: <ul style="list-style-type: none"> • Contract HCC and HPL • Statement of Intent • HPL Strategy and Business Plan 	Board/Council (delegated to CCO Subcommittee or equivalent)
30 June 2017	Contract, Statement of Intent, HPL Strategy and business plan approved Approve delegated authority to manage assets not transferred	Council (delegated to CCO Subcommittee or equivalent)
STAGE 4 – OPERATIONAL STAGE		
1 July 2017 (effective)	Transfer of Cash and Assets	Council (delegated to CCO Subcommittee or equivalent)
1 July 2017	HPL fully operational	

14. This report must be read in conjunction with the [Policy Review – Municipal and Domain Endowment Funds Policy](#) report to Council on 29 September 2016.

15. Implementation Progress

16. In accordance with the Council resolution above Stage 1 is complete.

17. Work on Stage 2 has commenced. However, for a number of reasons it has now been paused by the General Manager City Growth:

- Staff resources allocated to the implementation process have been diverted to nationally significant strategic growth projects (the Housing Accord, Housing Infrastructure Fund, and Urban Development Capacity National Policy Statement).
- Priorities have been reassigned based on critical delivery deadlines and legislative requirements. The nationally significant strategic growth project have been assigned the highest staff priority.
- The reactivation of HPL is not time-sensitive to the same extent as the strategic growth projects and has been given a lower priority.

18. Financial and Resourcing Implications

19. The current combined total asset value of the Municipal and Domain Endowments is \$51M (cash, ground leases, commercial property).

20. The current combined cash reserves of the Municipal and Domain Endowments is \$34M. The cash reserves currently return an income of 5.5%.

- 21. The endowment funds have been in abeyance over the past six years and have not grown because there has been no specific strategic plan for deployment.
- 22. PwC have assumed that HPL will cost \$530K annually – made up of Director’s fees, staff salaries, and administration costs.
- 23. To date \$60,000 has been spent on the project for consultant support from a budget of \$60,000. There is no further budget allocated.

24. Risk

- 25. PricewaterhouseCoopers has prepared an analysis for HPL identifying specific governance and investment risks (Attachment 2).

Signatory

Authoriser	Kelvyn Eglinton, General Manager City Growth
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First adopted:	26 August 1998
Revision dates/version:	6 November 2002, 6 July 2005, 10 March 2008, 10 December 2008, 8 April 2009, 29 September 2016
Next review date:	29 September 2019
Engagement required:	Yes – Non SCP
Document number:	D-2183176
Associated documents:	Appointment and Remuneration of Board Members of Council Controlled Trading Organisations (CCTOs) Policy; Freeholding of Council Endowment Land Policy; Sale and Disposal of Council Land Policy
Sponsor/Group:	General Manager City Growth

Municipal and Domain Endowment Funds Policy

Purpose and Scope

1. To provide principles and criteria for management of the Municipal Endowment Fund and Domain Endowment Fund (“Endowment Funds”).

Principles

2. The capital must be preserved to comply with the common law principles of endowment.
3. Endowment Funds must be used for municipal and domain purposes.
4. Investment must aim to increase returns from the Endowment Funds and must return a dividend to Council that is equivalent to the average cost of Council’s debt over the first three-year period of each 10-Year Plan.

Policy

5. Endowment Funds may be managed by Council, a Council Controlled Trading Organisation or any other entity or organisation that Council approves.
6. Endowment Funds must be used to directly or indirectly support, advance and implement Council’s strategic plans. The Council will identify the priorities within these strategic plans in each 10-Year Plan.
7. To achieve the outcomes required in paragraph 6, the entity managing the Endowment Funds will:
 - a. Undertake new profitable investments as cash flows allow which, over their life, will yield a substantially greater return than previously achieved;
 - b. Promote development of properties in a manner which will maximise the commercial value of the asset by ensuring that the addition of any new capacity is related as closely as possible to actual and forecast market demand;
 - c. Encourage freeholding of endowment properties to generate capital for investment in higher yielding assets as soon as practicable;
 - d. Enter into joint venture or turn-key developments to provide flexible options for the future;
 - e. Manage its financial assets and liabilities on a prudent basis;
 - f. Seek and effectively administer service contracts with other public sector entities;
 - g. Strive to minimise operating costs.

Risk Analysis (1 of 2)
Hamilton Properties Limited (“HPL” or “the CCTO”)

Risk	Explanation	Mitigating Factors
Governance and Control Risk		
1. HCC Control	Control, and the ability to make investment decisions, is transferred to HPL with the Board of Directors being responsible for investment decisions.	<p>The Board of Directors would include Council representatives and will be mandated to make investment decisions consistent with the Strategic Objectives and Statement of Intent to be set by Council.</p> <p>The weighting of the portfolio by asset class and the feasibility and approval process established under the statement of intent for potential investments will also mitigate the ability of HPL to operate outside of the set objectives.</p>
2. Council Liability	<p>HPL is a Company and therefore has limited liability. The liability is limited to the assets held by HPL only.</p> <p>From an accounting perspective the assets and liabilities of HPL will be consolidated into HCC for financial reporting purposes.</p>	<p>Clearly set objectives, robust policy and limiting the percentage of funds applied to any single development, will limit the risk of liabilities exceeding assets on a total fund basis.</p> <p>Consideration should be given to undertaking developments in subsidiary companies to further limit liability.</p>
3. Public Perception	There is potential that there is negative public reaction to Council undertaking developments.	This may be mitigated through partnering with the private sector and positive publicity and communications around developments consistent with Council objectives and delivering wider municipal benefits.
Investment Portfolio Risk		
4. Property Development Risk	<p>Development risk includes completing developments as budgeted, from both a cost and time perspective, and the ability to divest or tenant the development on completion at a price and timeframe consistent with budget.</p> <p>The development risk can impact on the financial return and also the capital preservation of the MEF.</p>	<p>The development risk can be mitigated through:</p> <ul style="list-style-type: none"> • Partnering with local developers to share risk; • Commissioning turn-key developments with committed tenants or a committed purchaser; • Undertaking mixed use developments to include residential and commercial property; and • Undertaking developments in key strategic locations.

Risk Analysis (2 of 2)

Hamilton Properties Limited (“HPL” or “the CCTO”)

Risk	Explanation	Mitigating Factors
Investment Portfolio Risk Continued		
5. Fluctuating returns to HCC	Property development activities will likely create significant volatility in cash flows to HPL. This is due to the cash requirement during construction and then the realisation of the asset and resulting cash inflow, including the development margin.	Given the asset base of the MEF a 'smooth' or consistent dividend could be paid to Council through utilising bank facilities or cash holdings. The dividend policy should be set by the Board of Directors with consideration given to the forecast profitability of current developments on approval.
6. Loss making investments	There is potential for any single development or investment to make a negative return or loss. Property development is impacted by regional, national and global macro-economic factors. There is a risk that even conservative development assumptions do not eventuate, refer to development risk detailed on the previous page. Managed Funds are also subject to global macro-economic factors, however the assets underpinning the portfolio's are typically across a diverse range of industries and regions.	Development risk can be mitigated through partnering with experienced developers, commissioning turn-key developments with tenants or purchasers secured pre-construction, undertaking mixed-use residential and commercial developments and by undertaking developments at key strategic locations. The impact of investment losses on the overall portfolio return to Council can be mitigated through setting targeted asset category weightings across the portfolio and limiting the amount applied to any single investment.
7. Insufficient Development Opportunities are Identified	Undertaking property development through the CCTO will likely create an increased overhead cost base. Therefore sufficient opportunities need to be identified and executed based on assumed development margin to cover the increased cost base and deliver greater municipal benefit and / or financial returns to Council.	It would appear the key mitigating factors would be: <ul style="list-style-type: none"> • Identification of potential opportunities based on current land holdings or land known to be available for purchase; and • The appointment of senior executives and directors with the relevant experience and skill set and with local knowledge and relationships.
8. Tax Expense	With reference to the previous report and business case, the tax implications of transferring each category of assets (i.e. existing commercial properties) require consideration to minimise the tax expense incurred by HPL.	Retaining existing properties and passive investments within Council will mitigate the tax expense incurred. The feasibility of property developments should be considered on a profit after tax basis.

Committee: Council

Date: 09 March 2017

Report Name: Regulatory Effectiveness and Efficiency Programme

Author: Debra Stan-Barton

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Partly Operative District Plan Hamilton Urban Growth Strategy Growth Funding Policy 30-Year Infrastructure Strategy</i>
Financial status	<i>There is no budget allocated</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To seek approval for the Terms of Reference for the Regulatory Effectiveness and Efficiency Programme, which includes an indicative budget.

3. Executive Summary

- The Regulatory Effectiveness and Efficiency Programme (REEP) is in response to the Mayor's call to "streamline the regulatory functions of Hamilton City Council" as noted in the Chair's reports at the Council meetings of 30 November 2016 and 13 December 2016.
- Stage 1 of the REEP focuses on rules and methods in the Partly Operative District Plan (PODP) and PODP-related customer processes.
- Due to the comprehensive nature of the recently-completed District Plan review, a review in total of the objectives and policies contained within the plan are not in the scope of the REEP.
- The Terms of Reference for the REEP include: the purpose, scope, objectives, proposed methodology for Stage 1, project governance, how the project would be implemented, and an estimate of costs and timeframe for Stage 1.
- On approval of the REEP terms of reference, detailed project management plans for Stage 1 will be developed, including budgets and timeframes, and the task force will be convened.

Recommendation from Management

That the Council approves the Terms of Reference for the Regulatory Effectiveness and Efficiency Programme, which includes an indicative budget.

9. Attachments

10. Attachment 1 - Regulatory Efficiency and Effectiveness Programme Terms of Reference

11. Key Issues

Background

12. The proposed Regulatory Effectiveness and Efficiency Programme (REEP) is in response to the Mayor's call to "streamline the regulatory functions of Hamilton City Council" in his [30 November 2016 Council Report](#).
13. At a meeting of Council on 30 November 2016, it was resolved that:
- a) the report be received; and
 - b) in respect of the Regulatory Effectiveness and Efficiency Project, Council authorize staff to develop a project plan with external expert input for approval by Council by February 2017.
14. At a subsequent [Council meeting on 13 December 2016](#), a resolution was passed that:
- a) The report be received;
 - b) A Regulatory Efficiency and Effectiveness Taskforce is established and that the membership of this taskforce is:
 - The Mayor;
 - Chief Executive
 - General Manager, Infrastructure;
 - General Manager, City Growth; and
 - Three External Members (to be selected by the members of the Taskforce)
15. The proposed terms of reference (see attached) state that the Taskforce will provide guidance and direction to the project team, resolve strategic and directional issues, manage risk and make recommendations to Council. It will include up to three external members to ensure the project is externally focused.
16. Given the Taskforce's proposed terms of reference, staff consider that approval of the project plan is best placed to sit with the Taskforce, which is more in keeping with the latter recommendation of Council.
17. The objective of the REEP is to ensure that Council's regulatory functions are delivered in an effective, efficient and customer-focused manner.
18. Stage 1 of the REEP focuses on rules and methods in the Partly Operative District Plan (PODP) and PODP-related customer processes.
19. A district plan outlines what people can do with their land in the city and whether or not they require Council approval. It includes:
- objectives for the district
 - policies to implement the objectives
 - rules (if any) to implement the policies.
20. The Hamilton City Council District Plan has undergone a comprehensive review, following the process set out in Schedule 1 of the RMA. The review started in 2009 and ended when Council passed a resolution on 29 September 2016 to make the plan partly operative. (The Ruakura Variation, now Plan Change 1, is still outstanding.)

- 21. Due to the rigorous nature of the District Plan review, which included consultation with stakeholders and the community, submissions, hearings before independent commissioners, and an Environment Court appeals process, a review in total of the objectives and policies contained within the plan is not within the scope of the REEP. Rather, the Stage 1 will focus on ensuring the tools Council uses to deliver existing policies and objectives are effective, as simple as possible, and achieve the impact that council and the community expect.
- 22. **Treaty requirements/implications**
 - Iwi have been identified as a stakeholder.
- 23. **Implementation issues**
 - Detailed project management plans will be developed for Stage 1 on approval of the terms of reference.
- 24. Financial and Resourcing Implications**
- 25. Cost projections for undertaking Stage 1 of the REEP are estimates only until detailed project plans are developed. Current estimates are circa \$570,000 for project costs (for stages 1 and 2.)
- 26. Staff secondments for the role of Project Manager and to back-fill roles will be an additional internal business cost. The programme is currently unbudgeted.
- 27. Indicative budgets are included within the attached terms of reference

- 28. Risk**
- 29. There may be reputational risk to the Council if this project is not undertaken, as there is a community expectation that it will take place.
- 30. Expectations of the community will need to be managed such that they clearly understand the REEP scope (that is, for rules and methods only and not a full review of the objectives and policies of the PODP).
- 31. That without careful oversight by the Task Force, the costs and project time and tasks may expand outside of approved scope.

Signatory

Authoriser	Kelvyn Eglinton, General Manager City Growth
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Terms of Reference

Regulatory Effectiveness and Efficiency Programme

D-233125

Item 11

Attachment 1

1 Purpose

The overall purpose of the Regulatory Effectiveness and Efficiency Programme (REEP) is to streamline Council’s regulatory functions so they are delivered in an effective, efficient, and customer-focused manner, resulting in increased confidence in the quality of Council’s regulatory performance.

2 Scope

Stage 1 of the programme will consist of:

Part 1: Assessing the efficiency and effectiveness of the rules and methods framework of the Partly Operative District Plan (PODP)

Part 2: Identifying opportunities for improving the delivery of PODP-related customer processes.

This project **does not** include:

- a review in total of the regulatory objectives or policies previously approved by Council and/or required by legislation.
- any plan changes required to effect changes to the PODP.

Following completion of Stage 1, other regulatory functions will be selected for assessment, dependent on identified issues or needs, or legislative requirements.

3 Stage 1 Objectives

- To ensure greater efficiency, effectiveness and ease of use of the PODP by jettisoning redundant or unnecessary provisions and clarifying other provisions where necessary to achieve the objectives and policies of the plan.
- To improve the delivery of PODP-related customer processes.

4 Methodology

4.1 Part 1: Assessing the efficiency and effectiveness of the rules and methods framework

The methodology for implementing Part 1 of Stage 1 consists of three workstreams, outlined below, followed by recommendations which will be reported to Council for approval.

Three stages - Identifying rules and methods that can be eliminated or improved to ensure the planning framework in the PODP is user-friendly and encourages development and innovation, without compromising the PODP's objectives and policies.		
A Formal Monitoring and Evaluation of the PODP <i>(Note 1)</i>	B Already identified issues and inefficiencies	C External Review
Monitor and determine the extent to which the rules and methods efficiently and effectively achieve the objectives and policies of the PODP.	Review the "live" compilation of inefficient or unclear rules and methods identified by staff during the implementation of the PODP in conjunction with external stakeholders.	A group of external customers/ stakeholders will work in conjunction with staff to determine areas of the plan where an efficiency review will result in the best return for effort.

<p>Identify rules and methods that are creating inefficiencies, resource consent processing delays, and additional processing costs without adding to the achievement of the objectives and policies.</p> <p>The assessment is to be informed by monitoring and analysis of data collected by Council's consenting team, supplemented by consultation with relevant stakeholders in the development and planning community.</p>	<p>Identify superior alternatives or deletion of identified issues through implementation of PODP.</p> <p>Investigate matters and options through discussion and analysis with input from external experts.</p>	<p>Rather than undertake an analysis of the entire plan, sections with the greatest scope for improvement will be identified via a stocktake of a selection of resource consents and in discussion with external stakeholders.</p> <p>Investigate issues and options through discussion and analysis with input from external experts.</p>
<p>D Recommendations</p> <ul style="list-style-type: none"> • Staff will make recommendations to the Task Force (see 6. Project Governance) that the PODP should be amended when evidence demonstrates that existing rules and methods add costs and delay to the planning process without delivering actual resource management or urban planning benefits • The Task Force will endorse the recommendations on which rules and methods can be amended, replaced or removed from the PODP to improve the efficiency and effectiveness of the PODP in achieving its objectives and policies 		
<p>E Reporting on Findings</p> <p>The Task Force will report to Council on the outcomes of the assessment, including any recommended changes to rules and methods in the PODP within a 12-18 month period. This would include discussion of the legislative process required to make any changes to the PODP. After receiving the report, Council will determine whether to initiate a plan change to address any recommended changes to the rules and methods in the PODP.</p>		

Note 1 - The Monitoring and Evaluation Assessment of the rules and methods in achieving the objectives of a district plan is based on data and evidence-based methodology over a twelve-month period commencing July 2017.

A detailed project plan will be developed for Part 1, including budget and timeframe.

Key projects that may influence the outcomes of Part 1:

- National Policy Statement on Urban Development Capacity
- Review of Resource Management Act
- Resolution of the appeals of the Ruakura Variation
- Housing Infrastructure Fund proposal/negotiations.

4.2 Part 2: Efficiency assessments from a customer perspective

An independent consultant specialising in customer efficiency processes will be appointed to undertake customer assessments. The methodology for undertaking these assessments will be developed by the consultant and approved by the Task Force.

A project manager will report the findings and make recommendations to the Task Force. It is expected that any improvements to customer-related processes will be implemented as part of normal management procedures.

The Project Manager will be a Senior Planning staff member who will be seconded to the Project Manager role.

An external planning consultant will work alongside the Project Manager to provide external oversight to the project.

A detailed project plan, budget and timeframe will be developed for Part 2.

5 Budget – Stage 1

Cost projects (estimates only)

Overall project management		\$150,000
Direct project costs		
• Legal support	\$100,000	
• External resources - contract	\$150,000	
• Research and engagement	\$50,000	
		\$300,000
Part 2		
• Customer efficiency assessments	\$120,000	
		\$120,000
TOTAL (Est)		\$570,000

Note:

- There will be additional internal costs associated with
 - The secondment of staff to the role of Project Manager
 - Back filling internal secondment
 - Administrative and project management support
 - It is estimated that these cost will be circa \$200,000
- The project costs for Stage 1 will be spread over two financial years.
- These figures do not include the cost of any plan change processes required to effect changes to the PODP.
- Some of the internal staff time noted above is already allocated to other projects or business as usual.

6 Project Governance

Project Task Force

A Task Force will be established to:

- provide guidance and direction to the project team
- resolve strategic and directional issues
- manage high and critical risks for the programme
- make recommendations to Council

- champion the programme and related projects.

The Task Force will have up to 7 members, being:

- The Mayor
- Chief Executive
- GM Infrastructure
- GM City Growth
- Up to three external members.

The Task Force will meet on a regular basis.

7 Programme Implementation

7.1 Project Manager (internal to Council)

The Project Manager will:

- act as the internal Council co-ordinator across the various units involved within the planning-related regulatory functions of Council
- be the Council link with the Project Advisor and the Task Force
- provide access to Council information and in tandem with the Project Advisor, manage each of the three stages of the assessment
- provide access to information to external stakeholders
- gather feedback from the external stakeholders for analysis in tandem with the Project Advisor
- prepare internal reports to the Task Force for meetings
- prepare reports to Council on recommendations of the Task Force.

7.2 Project Advisor (external to Council)

A project advisor will be appointed to ensure the project takes a “customer point of view”. The project advisor will work alongside an internal project manager, external experts and stakeholders to assist in developing:

- identification of required external skills sets as required
- analysis as per Stages A, B and C (refer Section 2) in tandem with Council , and
- analysis and review of assessment findings with supporting recommendations to the Task Force for reporting to Council.

7.3 Administrative support

The GM City Growth’s Executive Assistant will provide administrative support for the project and the City Planning and Economic Growth Project Co-ordinator will provide project support.

7.4 External stakeholders

External stakeholders identified so far include:

- Iwi
- Property Council
- Chamber of Commerce
- Master Builders

- NZTA
- Waikato Regional Council.

8 Timeframe

It is estimated that the delivery period for Stage 1 will be approximately 18 months. Key milestones and a work schedule will be identified in the project management plan.

Recommendations to Council by the Task Force will ultimately need agreement by Council for adoption to the PODP via a formal process.

9 Terms of Reference Review

The terms of reference will be reviewed as required and, at a minimum, every 12 months.

Committee: Council

Date: 09 March 2017

Report Name: Waikato Triennial Agreement
2016-2019

Author: Blair Bowcott

Report Status	<i>Open</i>
Financial status	<i>There is not budget allocated</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To seek approval the Waikato Triennial Agreement 2016-2019.

3. Executive Summary

- Section 15 of the Local Government Act (LGA) requires local authorities within a regional to enter into an agreement containing protocols for communication and coordination during the period until the next triennial election.
- The LGA requires the agreement no later than 1 March following the election.
- The Waikato Mayoral Forum met on 5 December 2016 and 20 February 2017 to discuss the draft 2016/2019 triennial agreement. The Council meeting is the first opportunity to consider the triennial agreement following those meetings.
- The draft agreement records the intention of councils in the Waikato to work closely together and also encapsulates the work and activities of the Mayoral Forum, Regional Chief Executives' Forum and Waikato Local Authority Shared Services Ltd (WLASS). The triennial agreement does not commit Council to any collaborative initiatives or projects; these are entirely a decision for Council on a case by case basis.
- The draft agreement supersedes the 2013-2016 triennial agreement and is essentially the same agreement updated for minor changes and dates.
- The draft agreement has been endorsed by the Mayoral Forum and is now presented for approval.

Recommendations from Management

That Council:

- a) receives the report;
- b) approves the Waikato Triennial Agreement 2016-2019; and
- c) delegates the Mayor to sign the agreement on behalf of Council.

10. Attachments

- 11. Attachment 1 - Waikato Triennial Agreement 2016-2019

Signatory

Authoriser	Blair Bowcott, Executive Director Special Projects
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2016-2019 Waikato Triennial Agreement

Waikato Triennial Agreement – 2016-2019

SCOPE

The Triennial Agreement represents the shared desire of local government in the Waikato region to work collaboratively, to maximise efficiency and to promote sustainable development in their respective communities.

It is also intended to align our efforts to attract central government funding, to interact with neighbouring regions in a coherent manner and to foster projects of a strategic nature within the region.

It incorporates the work and activities of the Waikato Mayoral Forum.

This document is deemed to duly constitute fulfilment of section 15 of the Local Government Act 2002 by containing protocols for communication and co-ordination among the region's local authorities.

PURPOSE

Through this Triennial Agreement, local authorities agree to work together to support the purpose of local government.

10 Purpose of local government

- *(1) The purpose of local government is—*
 - *(a) to enable democratic local decision-making and action by, and on behalf of, communities; and*
 - *(b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.*
- *(2) In this Act, **good-quality**, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are—*
 - *(a) efficient; and*
 - *(b) effective; and*
 - *(c) appropriate to present and anticipated future circumstances*

The agreement provides an opportunity for improved communication, collaboration, co-ordination and shared services at all levels of local government in the Waikato region whilst

recognising a significant level of formal and informal co-operation already exists between local authorities.

The success of the Triennial Agreement will be demonstrated through expanded relationships that help local authorities to work co-operatively and collaboratively to advance community goals (outcomes).

SIGNATORIES

The parties:

- Hamilton City Council
- Hauraki District Council
- Matamata-Piako District Council
- Otorohanga District Council
- Rotorua District Council
- South Waikato District Council
- Taupo District Council
- Thames-Coromandel District Council
- Waikato District Council
- Waikato Regional Council
- Waipa District Council
- Waitomo District Council

PROTOCOLS FOR COMMUNICATION AND COORDINATION

1. The local authorities will work together on issues where it is agreed that the region will benefit from a collaborative approach.
 2. When a local authority has a significant disagreement with the position of the others, the other local authorities will make every effort to accommodate, acknowledge or at least fairly represent the dissenting view.
 3. When a significant decision or issue affects a particular local authority then that local authority should be consulted in formulating the region's response.
 4. This Triennial Agreement acknowledges that each local authority has accountability to different communities.
 5. The local authorities agree to act in good faith and in a transparent manner on issues of information and disclosure.
 6. Local authorities should provide early notification of decisions that may affect other local authorities in the region.
-

7. All formal public communications from Mayoral Forum meetings will be circulated to all local authorities for comment prior to their release.
8. The local authorities will apply a 'no surprises' approach whereby early notice will be given over disagreements between local authorities concerning policy or work programmes before critical public announcements are made.
9. If councils make decisions that are inconsistent with the agreement for their region, they must explicitly note that inconsistency and the reasons for it and also notify the other councils that are parties to the agreement.

PRINCIPLES

Signatories to this agreement recognise that:

1. The communities within the region are diverse and encompass a range of desired outcomes. Issues and concerns that are shared by some local authorities may be of little relevance to others. The Triennial Agreement acknowledges that it will be appropriate to have a range of sub-agreements on local issues between and among local authorities.
 2. Collaboration among local authorities, at both a political and operational level, is necessary to address increasingly complex governance issues. Many issues cannot be solved by any one agency acting alone.
 3. Collaboration can aid in effective and efficient planning, and encourage shared services and a collective approach, to reduce costs, increase available resources and help to make strategic judgements about the allocation of resources.
 4. Collaboration can assist local authorities promote outcomes consistent with the purpose of local government.
 5. We recognise the need for open communication, information sharing and seeking agreement on strategic issues.
 6. We will speak as one voice when there is unanimous agreement for this to happen.
 7. We recognise and respect that common direction on all strategic issues may not be achieved given that each party to the agreement has functions, obligations and rights to
-

make decisions for their area which may conflict with the position of other signatories to this agreement.

8. We recognise that aligning and influencing central government policy is important to the delivery of good quality local infrastructure, local public services and regulatory functions in a way that is most cost effective for households and businesses.

GENERAL APPROACH TO COLLABORATION

Signatories to this agreement will endeavour to:

1. Hold a meeting of Mayors and the Regional Chairperson (supported by their Chief Executives) at least once every six months to discuss any pertinent issues and to review the performance of the agreement. These meetings will be under the banner of the Waikato Mayoral Forum. The Regional Chief Executives' Forum will also meet regularly to advance initiatives as requested by the Mayors and Regional Chairperson. The appointed Mayoral forum Chairperson will ensure minutes of the meeting are kept and that a summary of the meeting is provided to all local authorities. All public communications from these meetings will be approved by all participants prior to their release.
 2. Share resources for the purpose of preparing background information on the various communities within the region. Such information may include demographics, survey data and scientific studies and the analysis of social, economic, environmental and cultural trends.
 3. Seek to attract investment and government support in the region by aligning community interests, working collaboratively through Waikato Mayoral Forum work streams and other options, developing agreed positions on matters of importance to the region and continuing to develop and strengthen existing joint approaches to engage with Government agencies and other organisations.
 4. Determine and prioritise strategic collaborative initiatives and projects.
 5. Promote communication and co-operation among the region's local authorities with respect to shared services and other collaborative opportunities.
-

6. Make draft strategies, policies and plans available to all local authorities in the region for discussion and development.
7. Provide guidance on the implementation of strategic collaborative projects and monitor progress.
8. Utilise Waikato Mayoral Forum work streams and other collaborative options to ensure that all local authorities can participate in identifying, delivering and funding facilities and services of significance to more than one local authority.
9. Invite Government Ministers, relevant officials, corporate, community leaders and Iwi leaders to meet to discuss issues of strategic importance to the region.
10. Advocate for strategic investment in the region and promote the strategic benefits and advantages of the Waikato.

If necessary, establish one or more joint committees or other joint governance arrangements to give better effect to communication and coordination or to assist with identifying, delivering and funding facilities and services of significance to more than one district, or to consider proposals for new regional Council activities.

SIGNIFICANT NEW ACTIVITIES PROPOSED BY THE REGIONAL COUNCIL

If the Regional Council or a regional Council-controlled organisation proposes to undertake a significant new activity then section 16 of the Local Government Act 2002 shall be adhered to.

The Regional Council agrees to discuss the issues involved at one or more of the existing fora and to provide preliminary draft proposals to the affected local authorities for early comment, including any amendments to the Regional Council's significance and engagement policy.

Where the Regional Council proposes to undertake a significant new activity that involves one or more territorial authorities within the region the following protocols will apply:

1. The Regional Council will as soon as practicable inform all territorial authorities within the region of the nature, scope and reasons for the proposal.
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2. Territorial authorities will be given a reasonable period of time, but no less than 40 working days, to respond to any such proposal. The Regional Council will fully consider any submissions on the proposal made by territorial authorities within the region.
3. Should there be substantive disagreement between the local authorities on whether the Regional Council should undertake the activity; the parties will refer the matter to mediation as set out in the process in this agreement for resolving disagreement.

CONSULTATION IN RELATION TO THE REGIONAL POLICY STATEMENT

For the purpose of meeting the requirements of clause 3A of Schedule 1 to the Resource Management Act 1991, the consultation process to be used by affected local authorities in relation to any further changes to the Waikato Regional Policy Statement will be developed and agreed to by all the local authorities. Protocols will be developed that ensure affected territorial authorities have full and effective involvement in the scoping and drafting of any changes to the Waikato Regional Policy Statement.

TERM OF THE BODY

The Triennial Agreement will continue to operate until such time as it is either amended by the accord of all parties or is renewed following the 2019 local government elections.

RESOLVING DISAGREEMENT

In the event of a disagreement over the terms of this agreement, the parties agree to refer the issue to mediation for a resolution. In the absence of an agreement to mediation between the local authorities, the matter will be referred to a process as specified by the Minister of Local Government.

AUTHORITY

This agreement is signed by the following on behalf of their respective authorities:

COUNCIL

Hamilton City Council

Mayor Date

Hauraki District Council

Mayor Date

Matamata-Piako District Council

Mayor Date

Otorohanga District Council

Mayor Date

Rotorua District Council

Mayor Date

South Waikato District Council

Mayor Date

Taupo District Council

Mayor Date

Thames-Coromandel District Council

Mayor Date

Waikato District Council

Mayor Date

Waikato Regional Council

Chairperson Date

Waipa District Council

Mayor Date

Waitomo District Council

Mayor Date

Committee: Council

Date: 09 March 2017

Report Name: Alignment of Council Policies
to the Governance Structure

Author: Julie Clausen

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>All Strategies, Plans, Policies and Bylaws</i>
Financial status	<i>The budget allocated has been from within the Strategy work programme. Amount \$1,600</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To seek approval of changes to policies to align with the Governance Structure approved by Council on 9 November 2016 and the current organisational structure of Council.

3. Executive Summary

- The approval of the Council structure on the 9 November 2017 resulted in some policies containing references to committees that are no longer in existence. This report formally requests Council to approve the changes required to the policies to align with the new Council Governance Structure.
- As part of this review, a number of references to the historic organisational structure have also been updated to reflect the current structure.
- There are no changes required to governance structure references in bylaws as the responsibility for bylaws sits with Council.
- Changes to governance structure references in the Council strategic plans will be addressed by the plan and strategy work programme.

Recommendations from Management

That Council:

- receives the report; and
- approves the changes in the policies as outlined in Attachment 1 so that they reflect the Council Governance Structure approved on 9 November 2016 and the current organisational structure.

8. Attachments

- 9. Attachment 1 - Alignment of Policies to Council Governance Structure and Organisational Structure

10. Changes to committee references in policies

- 11. The policies should be updated to reflect the Council Governance Structure approved on 9 November 2016. The changes required are outlined in Attachment 1 – Alignment of Policies to Council Governance Structure and Organisational Structure (the attachment).
- 12. It was noted in the meeting on 9 November 2016 that two policies (Event Sponsorship Policy and External Funding Policy) required more substantial changes to address committee references. These changes have been included in the attachment.
- 13. There are no changes required to the bylaws as bylaws are the responsibility of Council and do not contain references to committee structures.
- 14. The [terms of reference](#) for each Committee allocates the policies over which the Committee has delegated authority.
- 15. Any changes to references in strategic plans in order to align these to the Governance Structure will be addressed during the individual plan status update reports. The work programme for the plan status update reports is being developed with the Chairs of the committees and the principal advisors.

16. Changes to organisational references in policies

- 17. As part of the review of the policies, it was identified that there was a number of references to the previous management structure of Council. Corrections to reflect the current organisational structure are also included in the attachment.

18. Financial and Resourcing Implications

- 19. Approximately \$1,600 of staff time has been spent preparing this report.

20. Risk

- 21. The policies should reflect the Governance Structure of Council. The changes to the policies outlined in this report reduces any potential uncertainty for the community, stakeholders, and Council.

Signatory

Authoriser	Sean Hickey, General Manager Strategy and Communications
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Attachment 1: Alignment of Policies and Bylaws to Council Governance Structure and Organisational Structure

Key: Yellow – reference to Governance Structure
 Green – reference to organisational structure
 Blue – recommended change

Policy or Bylaw	Clause	Reference	Replacement
Appointment and Remuneration of Board Members of: <ul style="list-style-type: none"> • Council Organisations (COs), • Council Controlled Organisations (CCOs) • Council Controlled Trading Organisations (CCTOs). 	6	.....CCO Sub-Committee in conjunction with the respective CO's Chair	.....Finance Committee in conjunction with the respective CO's Chair
	9	All Hamilton City Council appointments to the boards of the COs are at the CCO Sub-Committee's pleasure	All Hamilton City Council appointments to the boards of the COs are at the Finance Committee's pleasure
	13	As per the delegated authority, the CCO Sub-Committee will approve all Hamilton City Council appointees	As per the delegated authority, the Finance Committee will approve all Hamilton City Council appointees
	14	For each appointee the CCO Sub-Committee shall	For each appointee the Finance Committee shall
	16	This policy will be activated and monitored by the CCO Sub-Committee	This policy will be activated and monitored by the Finance Committee
	17	...requirements of Statements of Intent and other relevant matters on behalf of the CCO Sub-Committee	...requirements of Statements of Intent and other relevant matters on behalf of the Finance Committee
Business Improvement District Policy	No references to be amended		
Citizens Initiated Referenda Policy	Header	Sponsor/Group: General Manager – Customer Relations	Sponsor/Group: General Manager – City Growth
	25	The General Manager, Customer Relations will monitor the implementation	The General Manager, City Growth will monitor the implementation
City Honours Policy	Header	Sponsor/Group: General Manager – Customer Relationships	Sponsor/Group: General Manager – City Growth
	7 c.	Members of the Civic Sub-committee	Members of the Community and Services committee
	8	The decisions of the Civic Subcommittee will be recommended by Council	Delete clause 8. Decisions of the Community and Services committee will be final as per the Governance Structure.
	26	This honorary appointment is reported to the Civic Sub-Committee	This honorary appointment is reported to the Community and Services-Committee
	27	The recommendation would be received by the Civic Sub-Committee and require the endorsement of full Council.	Replace the last sentence in clause 27 with: All decisions on nominations received are made by the Community and Services Committee.

Policy or Bylaw	Clause	Reference	Replacement
	28 b.	All applications must be considered by the Civic Sub-Committee	All applications must be considered by the Community and Services Committee
	29	The General Manager, Customer Relationships will monitor the implementation of this Policy	The General Manager, City Growth will monitor the implementation of this Policy
Class 4 Gambling Venue Policy	No references to be amended		
Community Assistance Policy	No references to be amended		
Community Occupancy Policy	No references to be amended		
Connections and Charging Policy for the Three Waters	Header	Sponsor/Group: General Manager – Infrastructure	Sponsor/Group: General Manager – City Infrastructure
	8	The General Manager, Infrastructure shall monitor the implementation	The General Manager, City Infrastructure shall monitor the implementation
Corporate Hospitality and Entertainment Policy	No references to be amended		
Delegations to Positions	No references to be amended		
Development Contributions Policy 2016/17	18.1	.... Council through its Corporate General Manager may at its sole discretion remit	.... Council through its General Manager - Corporate may at its sole discretion remit
Disability Policy	10	..... the Disability Action Plan will be monitored and reported annually to the Strategy and Policy Committee	..... the Disability Action Plan will be monitored and reported annually to the Community and Services Committee
Dog Control Policy	No references to be amended		
Earthquake-Prone Dangerous and Insanitary Buildings Policy	Header	Sponsor/Group: General Manager City Planning & Environmental Services	Sponsor/Group: General Manager – City Growth
Elected Members Support Policy	Header	Sponsor/Group: General Manager Customer Relationships	Sponsor/Group: General Manager – Corporate
Event Sponsorship Policy	1	..... guidelines and criteria for Council's Event Sponsorship Sub-Committee to allocate its funding resource	..... guidelines and criteria for the Community and Services Committee to allocate its funding resource
	4 d.	Events Leverage Fund (administered by the Events and Economic Development Group)	Events Leverage Fund (administered by the Venues, Tourism and Major Events Group)
	8 -13	These sections cover the Event Sponsorship Sub-Committee membership.	Removal of sections 8-13 as the Event Sponsorship Sub-Committee is no longer in existence and the responsibility has delegated to the Community and Services Committee
	19	This Sub-committee will be responsible for the allocation of the of the Council's event sponsorship fund...	The Community and Services Committee will be responsible for the allocation of the Council's event sponsorship fund within the terms

Policy or Bylaw	Clause	Reference	Replacement
			prescribed by this policy.
	20	The Sub-committee cannot approve any single sponsorship event on an annual basis of any more than \$100,000. Any recommendation by the Sub-committee that Finance and Monitoring Committee approves for sponsorship at a level above \$100,000 will also require an approval of unbudgeted funds.	Replace clause 20 with the following: Any decision by the Community and Services Committee to approve sponsorship in excess of the allocated event sponsorship fund must be recommended to Council for approval.
	21	The Sub-committee will be supported by ...	The Community and Services Committee will be supported by ...
	21	.....will be supported by the Events and Economic Development Group	.....will be supported by the Venues, Tourism and Major Events Group
	22	..... will supply the Sub-committee with a copy of the cover sponsorship application	..... will supply the Community and Services Committee with a copy of the cover sponsorship application
	22	The Events and Economic Development Group will supply.....	The Venues, Tourism and Major Events Group will supply.....
	23	The Sub-committee will meet on three occasions during the financial year....	Removal of clause 23 as the Community and Services Committee has a schedule of meeting dates.
	24	.....urgency a special meeting of the Sub-committee for any warranted urgent approval	.....urgency a special meeting of the Community and Services Committee for any warranted urgent approval
	24	.....Events and Economic Development Group may upon approval.....	..... Venues, Tourism and Major Events Group may upon approval.....
	25	The Sub-committee will assess all applications both collectively	The Community and Services Committee will assess all applications both collectively
	29	Members of the Sub-committee, elected members of the Council and Hamilton City Council staff	Members The Community and Services Committee, elected members of the Council and Hamilton City Council staff
	30	.....arrangements if members of the Sub-committee and/or the Events and Economic Development Group	.....arrangements if members of the Community and Services Committee and/or the Venues, Tourism and Major Events Group
	33	.....arrangements of the members of the Sub-committee, elected member of Council	.....arrangements of the members of the Community and Services Committee, elected member of Council
	35	.....will report that decision to the Event Sponsorship Sub-Committee	.....will report that decision to the Community and Services Committee
External Funding Applications Policy	9	.....before they are submitted to the External Funding Sub-Committee	.....before they are submitted to by the Community and Services Committee
	11	The External Funding Sub-Committee is responsible for	The Community and Services Committee is responsible for

Policy or Bylaw	Clause	Reference	Replacement
	Schedule 1	.....recommend to Sub-committee projects that fit the criteria of new fund	.....recommend to the Community and Services Committee projects that fit the criteria of new fund
		External Funding Sub-committee	The Community and Services Committee
		Sub-Committee identifies priority of projects for	The Community and Services Committee identifies priority of projects for
		..... including communications, strategy, for presentation to Sub-committee	..... including communications, strategy, for presentation to the Community and Services Committee
		External Funding Sub-committee	The Community and Services Committee
		.....approves all applications prior to the Sub-committee considering the applications	.....approves all applications prior to the Community and Services Committee considering the applications
	Schedule 2	External Funding Sub-Committee role	The Community and Services Committee role
		.....before they are submitted to the External Funding Sub-Committee	.....before they are submitted to the Community and Services Committee
		.....before they are submitted to the External Funding Sub-committee	.....before they are submitted to the Community and Services Committee
		.....and bring these to the External Funding Sub-Committee's attention	.....and bring these to the Community and Services Committee attention
Freeholding of Council Endowment Land Policy	No references to be amended		
Funding Needs Analysis Policy	No references to be amended		
Growth Funding Policy	No references to be amended		
Hamilton City Smoke-Free Environment Policy	No references to be amended		
Hamilton Gateways Policy	No references to be amended		
International Relations Policy	Header	Sponsor/Group: General Manager – Events & Economic Development	Sponsor/Group: General Manager – Corporate
	16	The General Manager, Events and Economic Development will monitor the implementation of this Policy.	The General Manager, Corporate will monitor the implementation of this Policy.
Investment and Liability Management Policy	No references to be amended		
Municipal and Domain Endowment Funds Policy	No references to be amended		
Naming of Roads, Open	No references to be amended		

Policy or Bylaw	Clause	Reference	Replacement
Spaces and Council Facility Policy			
Provisional Local Alcohol Policy	Header	Sponsor/Group: General Manager – City Environments	Sponsor/Group: General Manager – City Growth
Psychoactive Substances Policy	16	The General Manager City Environments will monitor the implementation of this Policy	The General Manager City Growth will monitor the implementation of this Policy
Public Places Policy	No references to be amended		
Rates Remissions and Postponements Policy	No references to be amended		
Rates Remissions and Postponements Policy	18g	... by either the Chief Financial Officer or Revenue Manager;	... by either the General Manager Corporate or Rates & Revenue Manager;
	48	The Chief Financial Officer or Revenue Manager may ...	The General Manager Corporate or Rates & Revenue Manager may ...
	51	... by either the Chief Financial Officer or Revenue Manager.	... by either the General Manager Corporate or Rates & Revenue Manager.
	55	The Chief Financial Officer will ...	The General Manager Corporate will ...
	56	The Chief Financial Officer or Revenue Manager may approve ...	The General Manager Corporate or Rates & Revenue Manager may approve ...
	65	...from the Revenue Manager.	...from the Rates & Revenue Manager.
Rating Policy	42	...to the Revenue Manager for ...	...to the Rates & Revenue Manager for
Revenue and Financing Policy	No references to be amended		
Risk Management Policy	Header	Sponsor/Group: Performance	Sponsor/Group: General Manager - Corporate
Sale and Disposal of Council Land Policy	No references to be amended		
Significance and Engagement Policy	Header	Sponsor/Group: General Manager – Performance	Sponsor/Group: General Manager – Strategy and Communication
Speed Management Policy	No references to be amended		
Streetscape Beautification and Verge Maintenance Policy	No references to be amended		
TAB Board Venue Policy	No references to be amended		

Committee: Council

Date: 09 March 2017

Report Name: Service Delivery Review of Aquatic Services

Author: Lance Vervoort

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan</i>
Financial status	<i>There is no budget allocated Amount \$100,000 proposed to be funded through the Risk and Opportunities Register</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To inform the Council of the findings from the Service Delivery Review of Aquatic Services, and to seek approval to develop a detailed business case that compares two of the shortlisted options: Enhanced Status Quo and Contracting Out.

3. Executive Summary

- PricewaterhouseCoopers (PwC) have completed a Service Delivery Review of Aquatic Services. Three options were shortlisted as worthy of further analysis: Enhanced Status Quo; Full Service Contract Out; and Outsourced Management Model.
- PwC have recommended the Enhanced Status Quo as the preferred option for service delivery. However, they also suggest that further work is undertaken to allow comparison of this model with Full Service Contract Out.
- Staff recommend that a business case is developed to fully understand the actual cost of the Full Service Contract Out model before the Council makes a final decision. This would involve taking a contract to market in a non-binding expression of interest process.

Recommendations from Management

That Council:

- a) receives the report;
- b) approves the development of a detailed business case for contracting out Aquatic Services;
- c) approves unbudgeted amount of \$100,000 be added to the Risks and Opportunities Register for the development of the business case and contract; and
- d) asks Staff to report back no later than March 2018 with recommendations on the service delivery model for Aquatic Services.

7. Attachments

8. Attachment 1 - HCC Aquatics Service Delivery Review 2017 Final

9. Background

10. The Government amended the Local Government Act 2002 (LGA) in August 2014, making it a requirement for Councils to undertake service delivery reviews. This is to ensure services are delivered in the most cost effective way possible.
11. To determine if a service is cost effective, it requires that the status quo service delivery model is compared to a range of different service delivery options.
12. A service delivery review is not a business case. It looks at a wide range of options to determine whether there is merit in further analysis. The financial assessment will be undertaken at a high level and if a change from the status quo is identified as the most cost effective option, then a detailed business case should be completed to determine actual financials.

13. Service Delivery Review

14. The Council approved the Service Delivery Review of Aquatic Services on 16 April 2016. PricewaterhouseCoopers (PwC) were contracted to undertake the work. PwC have recently also completed the Service Delivery Review of Parks and Open Spaces and City Parks.
15. At the 14 July 2016 Finance Committee meeting, in public excluded section, the Committee resolved that Club Aqua and Educare continue to operate until the Service Delivery Review of Aquatic Facilities is completed in December 2016 and a decision is made on the future model for the Aquatic Facilities Operations. The Committee also approved the General Manager Community to begin the process of identifying external operators to run Club Aqua and Educare.

16. PwC recommendations

17. The review focused on Aquatic Services at the Council's two aquatic facilities: Gallagher Aquatic Centre and Waterworld. The review looked at all the services provided at these facilities including indoor and outdoor pools, Learn to Swim programmes, Fitness centre (Club Aqua), and crèche (Educare).

18. The review identified a long list of potential service delivery options. It considered each of these options for suitability, feasibility and acceptability. From that long list it developed a shortlist for further analysis:
- Enhanced Status Quo
 - Full Service Contract Out
 - Outsourced Management Model
19. Mixed models that include the contracting out of some activities within Aquatic Services (ie Club Aqua and Educare) were considered, but were discounted as not being commercially viable. Splitting operations (ie pool use from fitness centre use) would be difficult and could potentially create competing interests. In addition, making a contract commercially attractive to an external operator involves the integration of these services as one offer.
20. The shortlisted options were considered in more detail using the following criteria:
- Advantages
 - Disadvantages
 - Risks
 - Precedents
 - Ease of implementation
 - Benefit realization
 - Cost effectiveness
21. PwC recommended the Enhanced Status Quo model as the preferred option. However, it was noted that the financial benefits of the Enhanced Status Quo were not significantly different to the Full Service Contract Out option.
22. For this reason, a further recommendation was made to seek offers from outsource providers using an Expression of Interest (EOI) process to inform a more detailed cost/benefit analysis.

23. Development of Business Case

24. Staff propose that a detailed business case is developed that provides accurate financial detail on the Contracting Out option and Enhanced Status Quo model. The business case will be informed by an EOI process.
25. Responsibility for the assets in a Full Service Contract Out model would remain the responsibility of Hamilton City Council. Allowing time to develop a business case also gives the organisation time to complete the renewals programme at Waterworld.
26. Resolving any issues with the asset before starting a formal tendering process is prudent to make sure there is a good level of interest, driving a better financial outcome.
27. The development of a quality contract that specifies the correct levels of service for the EOI process will be time consuming and requires the input of an industry expert. There is currently no capacity within existing staff to complete this work.
28. It is therefore proposed that an industry expert assists with the development of the contract, evaluation of the responses from the tendering process, and potential commercial negotiations. A budget of \$100,000 is required to complete this work and would need to be added to the Risks and Opportunities Register.
29. The time spent in robustly developing this process ensures that the best outcomes for the Council and the community are achieved.

30. Staff propose that the work is undertaken over the next twelve month period. This allows staff time to complete the EOI process and finalise the business case for Council consideration. It also provides a timeframe to complete the capital renewals required at Waterworld and any potential work which may result from the Seismic Assessment.

31. Financial and Resourcing Implications

32. A budget of \$100,000 is required and will need to be added to the Risks and Opportunities register as there is nothing in existing budgets for the required work.

33. Risk

34. With any proposal to change the way a service is delivered, there is a risk of community and media attention.

Signatory

Authoriser	Lance Vervoort, General Manager Community
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Consulting

Hamilton City Council Service Delivery Review of Aquatic Services

*Strictly confidential
22 February 2017*



pwc



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Lance Vervoort
 General Manager Community
 Hamilton City Council
 Garden Place
 Hamilton

22 February 2017

Dear Lance,

We are pleased to provide our report regarding our service delivery review of Aquatic Services. This report is provided in accordance with the terms of our engagement letter dated 18 October 2016, and is subject to the restrictions set out in the Disclaimer section of this report.

If you have any queries please do not hesitate to contact us.

Yours sincerely



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HCC Service Delivery Review of Aquatic Services
PwC

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1. Executive Summary

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Executive Summary

Background

- PwC was engaged to undertake a Service Delivery Review of the activities undertaken by Aquatic Services.
- The work was undertaken within the context of section 17A of the Local Government Act 2002 which requires Hamilton City Council (HCC or the Council) to review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.

HCC owns and operates two aquatic facilities within Hamilton - Waterworld and Gallagher Aquatic Centre.

- Waterworld (WW) is located on Garnett Ave in Forest Lake and was opened to the public in 1975. Waterworld is one of the largest Aquatic Centres in New Zealand with facilities including: a 25m pool, a 50m pool, a dive pool, a toddlers' pool, an outdoor lido pool, hydrosides and a hydrotherapy pool.
- Gallagher Aquatic Centre (GAC) is located on Collins Road in Melville and was opened to the public in 1997. Facilities at GAC include a 25 metre pool and a toddlers' pool.

Admission numbers and operating costs identified Waterworld to be above the median compared to benchmarked Councils.

- WW admissions per m² of water were 13% higher than the median, while GAC was 2% below.
- Both GAC and WW were significantly below the median direct cost per admission of \$6.28, with costs of \$5.44 and \$2.14 respectively.
- Staffing costs compared less favourably to other facilities across the country. Therefore, there may be merit in reviewing staffing costs at both facilities.

The following eight service delivery options have been identified with Aquatics Management and subsequently analysed:

- Option 1. Status Quo
- Option 2. Enhanced Status Quo (ESQ)
- Option 3. Full Service Contract Out (FSCO)
- Option 4. Outsourced Management Model (OMM)
- Option 5. Stand Alone Business Unit (SABU)
- Option 6. Charitable Trust
- Option 7. Council Controlled Organisation (CCO)
- Option 8. Shared Services

We compared each option against several criteria identified with Management and shortlisted three options:

- **Option 2. Enhanced Status Quo:** This option would involve retaining the management of Aquatic operations in-house while improving the efficiency of existing processes and structures by reducing costs and/or identifying new revenue streams.
- **Option 3. Full Service Contract Out:** Contract out both the management and operations of HCC's Aquatics Services to an external provider.
- **Option 4. Outsourced Management Model:** Contract out the management of HCC's Aquatics Services for a set fee. Unlike a Full Service Contract Out model, HCC would continue to employ the operational staff, and can benefit from a profit sharing relationship with the contractor.

Executive Summary

Contract savings of greater than \$545k (17%) would be required to make Option 3 – Full Service Contract Out a more attractive option than the Enhanced Status Quo.

In addition there are several risks associated with this option including:

- A decrease or elimination of community good programmes due to the increased focus on profitability by a commercial provider;
- The contract may incur cost overruns, particularly if not set up well; and
- Disruption to the service provision while the transition takes place.

An Outsourced Management Model has not yet been tried in the New Zealand Market, and as such may incur difficulties when negotiating a contract.

In addition there are several risks associated with this option including:

- A contractor would need to provide a net contribution of \$272k to HCC to make this option more attractive than the Enhanced Status Quo. A commercial provider may be unwilling to take the risk of a contract with no upfront contract fee, and the operations may not be sufficiently profitable to provide this return.
- A decrease or elimination of community good programmes due to the increased focus on profitability by a commercial provider; and
- The contract may incur cost overruns, particularly if not set up well.

We recommend Option 2 - Enhanced Status Quo as the most cost-effective and lowest risk option.

- This would involve adapting GAC to become a hydrotherapy and LTS focused facility, and making several efficiency improvements at WW.
- The Enhanced Status Quo provides a positive NPV of between \$1.6m and \$3.8m compared to the existing operation, while limiting disruption, maintaining flexibility and continuing community good programmes under the existing structure.
- The risk still exists that the anticipated benefits under this option may not be fully realised, as significant effort would be required to transition the service provision of GAC to optimise the patronage and cost-effectiveness of the facility.

In addition, we recommend that Council concurrently prepares a non-binding Expression of Interest to seek offers from outsource providers. This two pronged approach will allow Council to compare cost savings and/or improved returns of the options and make an informed decision on the most effective option.

2. Scope and Approach

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Objective & Approach

Objective

The objective of the Service Delivery Review of Aquatic Services was to assess the cost-effectiveness of the current service delivery model and compare it with alternative options. Cost-effectiveness was considered in terms of:

- The delivery of services to the required quality standard; and
- Ensuring that the cost of delivery is the least cost option to the ratepayer.

Scope

The scope of the review included:

- Analyse the historical and budgeted cost-effectiveness of the current business model.
- Establish criteria against which each of the options identified by HCC in the project scope can be measured and identify shortlisted options.
- Detailed option assessment of the shortlisted options, including advantages and disadvantages of each option for delivering cost-effective service delivery.
- Analysis of the performance of shortlisted options with equivalent models operated by other Councils, if comparative data is available.
- Compare the performance of the current business model to that achieved by other Councils by analysing external benchmarking, to the extent that this data is available (Comparative information sourced by HCC).
- Conclude on the most cost-effective option warranting further action, including the risks and assumptions associated with the recommended option.

Approach

This review consisted of four key steps: Desktop Review, Benchmark Analysis, Stakeholder and expert interviews and Option Development and Recommendations. The key activities for each stage are described below.

Desktop Research

A desktop review of all available data as it relates to both WW and GAC was completed. This review included relevant Council documentation (e.g. previous HCC reports, business cases, financial reports), external independent reports and other local Council documentation.

Benchmark Analysis

A number of information sources were used to benchmark key activities against a range of NZ Councils and third party providers. This information was collected and analysed in order to determine the current level of operational efficiency.

Stakeholder Interviews

Interviews with key stakeholders were conducted to understand current state issues, opportunities for improvements, potential model options, challenges and constraints. In addition, interviews with industry experts were undertaken to ascertain industry standards.

Develop Options and Recommendations

A range of service delivery options were then developed with each option scored to identify a recommended service delivery model. Each option was prioritised according to their suitability, feasibility and acceptability. The outcome of the prioritisation analysis was used to create a shortlist for further consideration and construct a recommended option.

3. Current State

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Overview

HCC operates two aquatic facilities within Hamilton – Waterworld and Gallagher Aquatic Centre

Background

Hamilton City Council owns and operates two aquatic facilities within Hamilton, Waterworld (WW) and Gallagher Aquatic Centre (GAC). WW and GAC offer aquatic facilities that provide safe and affordable sport and recreation, leisure, rehabilitation and education to residents, swimming clubs, schools, and the wider community.

There are approximately 120 full-time, part-time and casual staff employed across both Aquatic facilities. The Management structure for each of the facilities is shown in the diagrams opposite.

Waterworld

Waterworld is located on Garnett Ave in Forest Lake and was opened to the public in 1975. Waterworld is one of the largest aquatic centres in New Zealand with facilities including: a 25m pool, a 50m pool, a dive pool, a toddlers' pool, an outdoor lido pool, hydroslides and a hydrotherapy pool.

Waterworld also offers a range of programmes that include: Casual and club swimming, Learn to Swim (LTS), water safety education, an early childhood care education centre (Educare), and a fitness centre (Club Aqua).

Waterworld is budgeted to make revenue of approximately \$2.7m and incur operational expenditure of \$3.8m in the 2017 financial year.

Gallagher Aquatic Centre (GAC)

GAC is located on Collins Road in Melville and was opened to the public in 1997. Facilities at GAC include a 25 metre pool and a toddlers' pool.

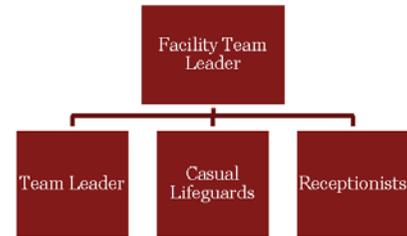
GAC offers LTS and Aqua Fit classes, but is limited in the range of programmes it can run due to size constraints.

GAC is budgeted to make revenue of approximately \$471k and incur operational expenditure of \$885k in the 2017 financial year.

Organisational Structure – Waterworld



Organisational Structure – Gallagher Aquatic Centre



Source: Management

Performance History – Overview

The primary drivers of revenue at both WW and GAC are general swimming admissions and the Learn to Swim programme

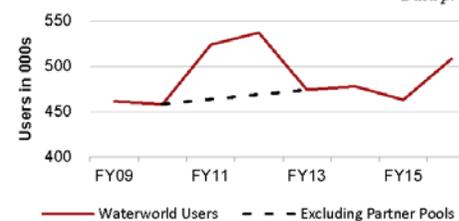
User Numbers - Waterworld

User numbers at Waterworld were skewed over the FY10¹ to FY13 periods due to the inclusion of partner pools in the Waterworld user numbers. As such, Management have estimated Waterworld user numbers over this time, with the estimate shown by the dotted line.

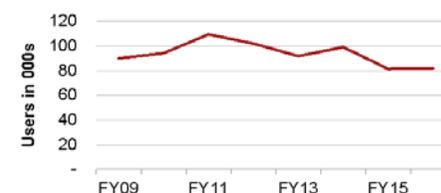
Waterworld user numbers have remained fairly steady over the period from Fy09 to Fy15, seeing strong growth for the first time in FY16, rising to 508k. This growth in user numbers is likely attributable to the policy change that allows children under 5 free entry to the facility.

Waterworld Users

Source:
Data provided by Management



GAC Users



User Numbers - GAC

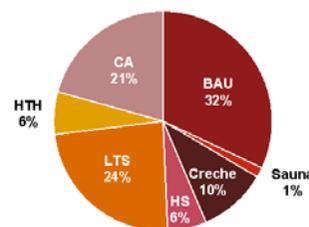
GAC user numbers have shown a decreasing trend over the FY09 to FY16 period, peaking at 110k users in FY10 and falling to 82k in FY16. We discuss the possible reasons for this trend on page 13.

Revenue Contribution

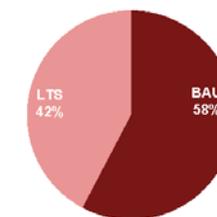
In FY16, the primary drivers of Waterworld revenue were general swimming admissions (BAU – 32%), Learn to Swim (LTS – 24%) and Club Aqua (CA – 21%). The other business units combined made up the remaining 23% of Waterworld revenue.

GAC revenue streams are very straightforward with 58% coming from general swimming admissions and the remaining 42% from Learn to Swim.

WW Revenue Contribution by Business Unit FY16



GAC Revenue Contribution by Business Unit FY16



¹FY10 indicates the Financial Year spanning from July 2009 to June 2010

Performance History – Waterworld

Over the past four years, profitability has grown in all business units, except Club Aqua and Educare

The graphs opposite show the two and four year change in profitability² and users for each of Waterworld’s business units. We discuss each business unit in more detail below.

Business as Usual (BAU): The major driver of profitability was the restructure of occupancy costs in FY16, resulting in ongoing savings by eliminating a \$259k management fee and moving \$918k of depreciation to indirect costs.

In addition, the policy that made entry for children under 5 free was introduced in early FY15, boosting user numbers over the 2 year period while having little effect on profitability.

Learn to Swim (LTS): Over the 2 year period FY14-16 there was a greater focus on increasing user numbers in the LTS programmes. This was achieved through the addition of school based and other low revenue generating programmes. Management has advised that the focus in the current financial year is to grow the core LTS offering³, which provides a significantly higher return.

Educare: While there has been only an 8% increase in user numbers over the past two years, profitability has increased 12% by managing staffing and other administrative efficiencies.

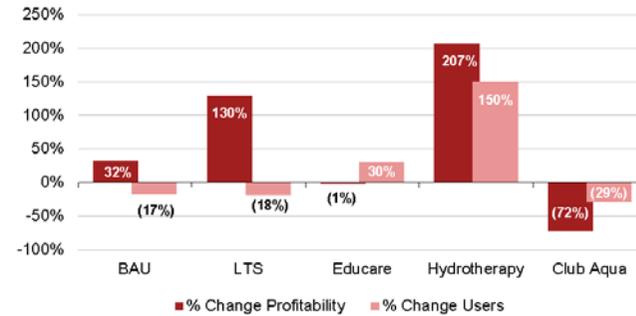
Hydrotherapy: The hydrotherapy pool has shown impressive user and profitability growth of 207% and 150% respectively over the period examined. Lower profitability and user growth of 28% and 21% throughout FY14-16 is reflective of the pool reaching capacity.

Club Aqua: An almost 30% drop in user levels throughout FY12-14 prompted Management to adjust the membership model by decreasing the price, improving service and expanding pricing options (including short term and concession memberships). This strategy has held memberships relatively steady over the FY14-16 period, however significantly less revenue is generated on a per member basis. As a result, Club Aqua has seen a 58% drop in profitability over the two year period.

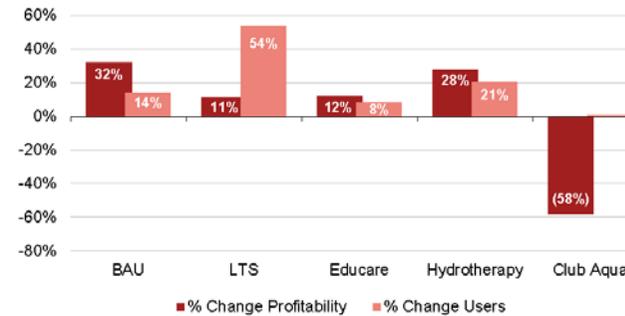
²Profitability is measured as revenue less direct costs

³ ‘Core LTS’ is defined as lessons provided to and paid for by individual families, and excludes school and other public benefit programmes.

4 Year Change in Profitability and Users by Business Unit (FY12-16)



2 Year Change in Profitability and Users by Business Unit (FY14-16)



Source: Management Data, PwC Analysis

Performance History – GAC

Over the past four years, profitability has declined both in general admissions and Learn to Swim

The graphs opposite show the two and four year change in profitability and users for each of GAC’s business units. We outline each business unit in more detail below.

Business as Usual (BAU):

General swimming admission numbers have fallen approximately 10% over the past 2 years coupled with a similar fall (11%) in profitability.

Aquatic Management have advised that the possible reasons include:

- The opening of alternative aquatic centres in the region, such as Livingstone Aquatics Centre (Te Awamutu) may have absorbed some of the user base previously attending GAC; and
- The small size of GAC makes it less attractive for families compared to Waterworld, and as such its regular customers are primarily lane swimming and taking aqua exercise classes, which have become less popular activities over the period examined.

Learn to Swim (LTS)

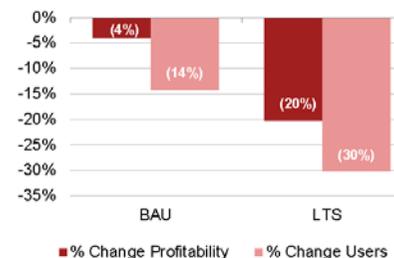
Learn to Swim numbers have fallen significantly over both the past 2 and 4 years, down 14% and 30% respectively. Profitability is down slightly less over the same periods, with a fall of 11% and 20% respectively, possibly due to an increase in fees partially offsetting the decrease in student numbers.

Aquatic Management have advised that the possible reasons include:

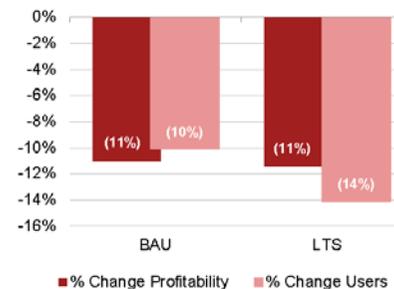
- The growth of competing swim school providers (Hilton Brown, SwimMagic and Ace Learn to Swim);
- Limited pool space; and
- The difficulty in attracting quality staff to work a small number of hours.

A more focused approach as described in the Enhanced Status Quo option may provide renewed growth for LTS.

4 Year Change in Profitability and Users by Business Unit (FY12-16)



2 Year Change in Profitability and Users by Business Unit (FY14-16)



Source: Management Data, PwC Analysis

Benchmarks

We have compared the performance of WW and GAC against the median performance of 34 aquatic facilities throughout New Zealand

Overview

We have compared the performance of WW and GAC in FY16 against the median performance of a sample of 34 aquatics facilities⁴ throughout New Zealand based on three measures:

- Number of admissions per m² of water
- Net cost per admission
- Staff cost as a percentage of revenue

Where applicable, we have also compared performance to the benchmarks proposed by Brian Milne, NZRA in the Sport New Zealand March 2013 Research Report 'Territorial authority Community Sport and Recreation Facility Management Choices in New Zealand'.

1. Number of admissions per m² of water (per annum)

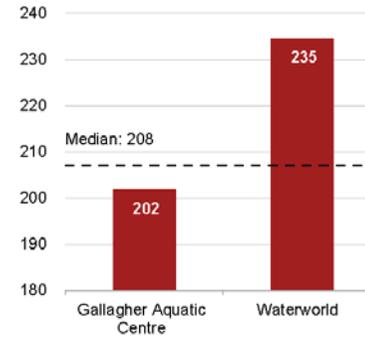
In FY16, Waterworld had 235 admissions per m², considerably above the sample median of 208. While GAC is limited due to the size of the facility (with only one 25 metre pool and a paddling pool) its admission levels are similar to that of the median, achieving 202 admissions per m².

The sample ranges from a low of 26 to a high of 653 admissions per m², with both extremes being in-house models. The contracted out facilities fall within this range and don't appear to be significantly different to the results achieved by in-house facilities of similar size and population density.

Only 18% of our sample met or exceeded the NZRA target of 295 admissions per m². These facilities were predominantly in high population areas, such as Auckland.

⁴Sources of the sample data include interviews with Aquatics Management, Yardstick and NZRA.

Admissions per M² of Water



Source: Management Data, PwC Analysis, NZRA, Yardstick

Benchmarks

Both facilities compare favourably on the basis of net cost per admission, but less so when comparing staff costs

2. Net cost per admission

The net cost per admission, which is measured as direct costs less revenue, varied widely from a low of negative \$0.28 (revenue) to a high of \$18.21, with a median of \$5.52 per admission. Both GAC and Waterworld costs were below the median with costs per admission of \$4.90 and \$2.32 respectively.

Only four facilities in the sample met or exceeded the NZRA target of \$2.58 per admission, which included Waterworld, two contracted out facilities and one in-house model.

3. Staff cost as a percentage of revenue

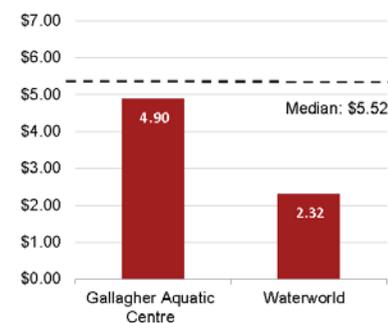
Staffing costs varied from a low of 24% of revenue to a high of 383% of revenue. Median staffing cost as a percentage of revenue was approximately 89% across our sample in 2016.

Staff costs were 86% and 126% for WW and GAC respectively, which seem high for both HCC facilities. Given the size of GAC, this could be partly attributed to the minimum staffing numbers required for safety, however given the scale of WW compared to the average NZ facility, it would be reasonable to expect that staffing costs would be significantly below average.

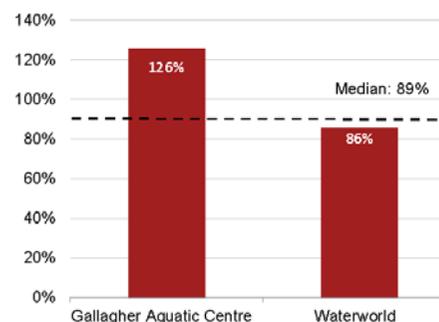
The staff cost of contracted out facilities in the sample were between 50% and 60%, indicating that this is an area where commercial providers made significant savings compared to their in-house counterparts.

Therefore, there may be merit in reviewing staff costs at both facilities.

Cost per Admission



Staff Cost as a Percentage of Revenue



Source: Management Data, PwC Analysis, NZRA, Yardstick

4. Service Delivery Options

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Options Overview

Eight options were identified with Aquatics Management and subsequently analysed

Long List Options

The following eight options were identified with Management and subsequently analysed and considered.

Option 1. Status Quo

This option would involve retaining the management of aquatic operations in-house and maintaining the existing processes, structures, and efficiency levels.

Option 2. Enhanced Status Quo (ESQ)

This option would involve retaining the management of aquatic operations in-house while improving the efficiency of existing processes and structures by reducing costs and/or identifying new revenue streams.

Options 3. Full Service Contract Out (FSCO)

This would involve contracting out the management and maintenance of HCC's aquatic services to an external provider.

Option 4. Outsourced Management Model (OMM)

Under this option the management of the aquatics facilities would be outsourced to a commercial provider under a contract with a set fee. Unlike a full service contract out model, under an OMM, HCC would continue to employ the staff, and can benefit from a profit sharing relationship with the contractor.

Option 5. Stand Alone Business Unit (SABU)

This option involves hiring dedicated support staff such as IT, Finance, HR and Marketing directly into the aquatics team, making them self sufficient.

Option 6. Charitable Trust

This option involves registering the aquatics facilities as a charitable trust in order to receive alternative revenue sources such as grants.

Option 7. Council Controlled Organisation (CCO)

This would involve setting up an arms length entity, independent of HCC, to perform the aquatics functions. A CCO is a company, trust or similar entity, where Council owns 50 percent or more of the shares or voting rights.

Option 8. Shared Services

This would involve creating an aquatics unit that is shared amongst several Councils and could take the form of a CCO.

Mixed Models

In addition, mixed models that would include the contracting out of some business units, while maintaining others in-house were considered. After discussions with Aquatics Management and industry experts it was concluded that a partial contract out would not be a commercially viable option, and was excluded from further analysis.

Long List Selection

Each option has been assessed within a Suitability, Feasibility and Acceptability (SFA) framework

Background

Each of the options identified above have been assessed at a high level within a Suitability, Feasibility and Acceptability (SFA) framework in order to derive a shortlist for further analysis. Those options that best meet the criteria below are considered further in the 'shortlisted options' section of the report.

Each of the options has been assessed against the criteria (H, M, L) and are colour-coded in our analysis according to the key opposite.



Shortlisting framework



Should we consider the option?

Suitability deals with the overall rationale of the option in relation to Council strategy.

A suitable strategy:

- Would align with HCC's 10 year plan;
- Reflect the Council capabilities;
- Derives optimum cost effectiveness;
- Captures opportunities, and avoid threats; and
- Derives competitive advantage(s).

Could we do it?

Feasibility is concerned with whether or not Council has the resources required to implement the option such as:

- Capital;
- People;
- Expertise;
- Capacity; and
- Market access.

Would the option meet stakeholder expectations?

Acceptability is concerned with the expectations of Council stakeholders (e.g. ratepayers, employees, customers).

It is important that the option is acceptable to stakeholders, assuming a clear understanding of the potential risks, impacts on financial outcomes, working conditions, service standards and delivery.

Long List Analysis

Option	Suitability	Feasibility	Acceptability
<i>Status Quo</i>	<ul style="list-style-type: none"> Continues Council provision of recreation learning and leisure. Compromises balancing the books as budgeted to cost Council almost \$42m over the 10 year plan. 	<ul style="list-style-type: none"> Council has the capacity to continue with this option; however, there is an opportunity cost of not freeing up funding (i.e \$42m) that could be used productively elsewhere. 	<ul style="list-style-type: none"> With the constraints inherent in this option and the forecast financial outcomes, there is a likelihood of increased cost to Council.
<i>Enhanced Status Quo</i>	<ul style="list-style-type: none"> Continues Council provision of recreation learning and leisure. In principle, opportunities to secure efficiencies and maintain Council operational control. 	<ul style="list-style-type: none"> Council has the capacity for this option and there are several efficiency opportunities available. Council does not have the specialised systems, agility and IP to substantively improve the financial performance. 	<ul style="list-style-type: none"> Risk of failure to implement or secure efficiency gains due to Council systems/processes.
<i>Full Service Contract Out</i>	<ul style="list-style-type: none"> Scope for a specialist operator who can develop new market led value propositions, new revenue, lower cost systems and delivery. Lowers Council cost and operational performance risk. Allows Council to apply resources elsewhere (e.g. development). Increased predictability of cost to council. 	<ul style="list-style-type: none"> Cost to implement (including legal, consulting and restructuring costs) could be high so would rely on negotiating a contract price that made the option attractive. Contract negotiated would need to include provisions for pricing, community benefit service provision (no/low profit making programmes) and KPIs. 	<ul style="list-style-type: none"> Risk of poor contractor performance (e.g the contractor runs down/neglects the facility). Standard/provision of community good programmes may decrease due to commercial focus. Loss of operational control for an extended period (5-10 years).

Long List Analysis (continued)

Option	Suitability	Feasibility	Acceptability
OMM	<ul style="list-style-type: none"> A specialist operator may be able to develop value propositions, revenue, lower cost systems and delivery. Access to a large network of like businesses/IP. Lowers Council cost and performance risk. 	<ul style="list-style-type: none"> Specialist operators bring efficiencies of scale to administrative functions such as IT systems, reporting, training and management. Upside shared between contractor and Council. Maintains some control compared to FSCO option. 	<ul style="list-style-type: none"> OMM has not been done in NZ before, but anecdotally has been successful in Australia. Risk of poor contractor performance. Retains Council operational staff. 
SABU	<ul style="list-style-type: none"> Enables the continued Council provision for recreation learning and leisure. Maintains operational control but with ability to make decisions at a faster pace. In principle, opportunities to secure efficiencies. 	<ul style="list-style-type: none"> New overhead and administrative costs may be prohibitive given size of the unit. May accrue no more upside than Enhanced Status Quo. 	<ul style="list-style-type: none"> Would require a new Council unit, which would increase costs and has a lower net benefit than other options. Financial impact to Council of potential stranded overheads. 
Charitable Trust	<ul style="list-style-type: none"> Enables the continued provision of recreation learning and leisure with a community focus. In principle, there is scope to receive funding from non-Council sources. 	<ul style="list-style-type: none"> Funders consider aquatics services as a Council responsibility; therefore, unlikely to provide funding to subsidise operations. The only two examples of Charitable Trust aquatics funding found were to partially fund the construction of new facilities. 	<ul style="list-style-type: none"> A Charitable Trust structure is unlikely to improve operational performance or financial outcomes. 

Long List Analysis (continued)

Option	Suitability	Feasibility	Acceptability
CCO	<ul style="list-style-type: none"> • Scope for a specialist operator who can develop new market led value propositions, new revenue, lower cost systems and delivery. • Lowers Council cost and operational performance risk. • Allows Council to apply resources elsewhere (e.g. development). 	<ul style="list-style-type: none"> • Setup costs may be prohibitive given size of the unit, with total net assets of \$17.7m compared to average New Zealand CCO net assets of \$2.2b⁴. • The CCO model can derive significant efficiencies when it is financially independent of Council. Aquatics makes a net loss and therefore a CCO for Aquatics may be inappropriate. 	<ul style="list-style-type: none"> • Loss of operational control and therefore scope to influence service design & delivery priorities (e.g. community vs commercial). 
Shared Services	<ul style="list-style-type: none"> • Continues Council provision for recreation learning and leisure. • Improved cost-effectiveness as overheads shared. • More holistic approach to service provision across the region. 	<ul style="list-style-type: none"> • Could lead to indirect costs if Councils are not aligned on priorities. 	<ul style="list-style-type: none"> • We understand potential partner Councils have alternative arrangements which preclude the set up of a shared services arrangement. 

⁴ Data sourced from City Council annual reports and consists of a sample of 10 CCOs from Auckland, Wellington, Christchurch and Hamilton

Option Comparison

Based on the SFA framework, we have shortlisted three options: Enhanced Status Quo; Full Service Contract Out; and Outsourced Management Model

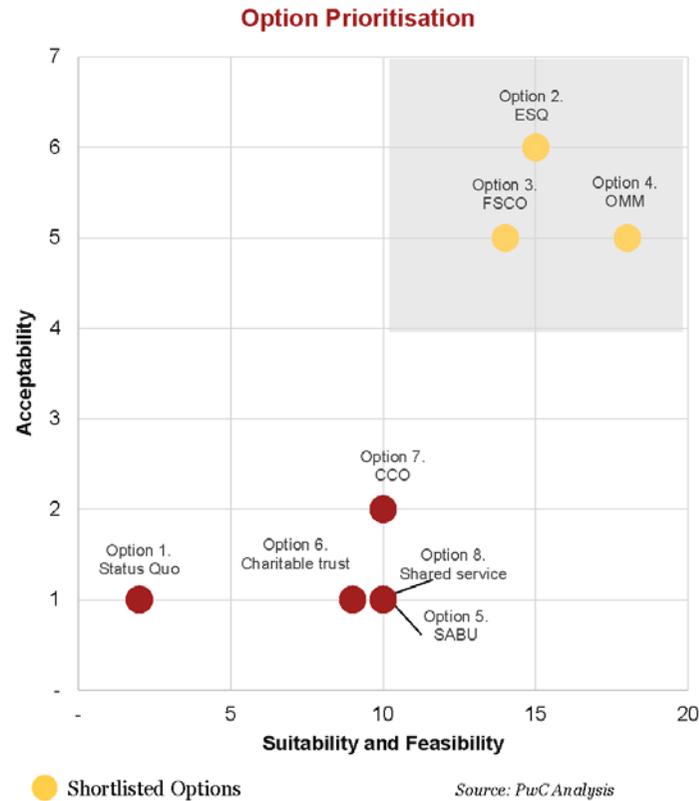
The table opposite shows the results of the prioritisation process, based on the SFA framework, with each option plotted by their level of suitability and feasibility on the Y axis and acceptability on the X axis.

We note that options 5 and 8 received the same scores and are plotted on the same point.

Based on this underlying analysis and prioritisation thereof, the shortlisted options are as follows:

- Option 2 – Enhanced Status Quo
- Option 3 – Full Service Contract Out
- Option 4 – Outsourced Management Model

We consider the shortlisted options in more detail in the following section of this report.



5. Shortlisted Options

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Shortlist Assessment Criteria

We have assessed each of the shortlisted options against a further seven criteria

Criteria

Each of the shortlisted options have been assessed against the following criteria:

Advantages

The advantages of the option when compared to the other options.

Disadvantages

The disadvantages of the option when compared to the other options.

Risks

An assessment of the major risks inherent in the option.

Precedents

Examples of other Councils currently using that method, and comparisons where applicable.

In addition we have also used the following criteria to provide a view of the outcome from implementing each option:

Ease of Implementation

Provides a view of how easy (or difficult) the organisation would find implementing the option and includes the associated implementation risks.

Benefit Realisation

An assessment of the likelihood of the option being able to deliver the potential efficiency improvements, including both financial and non-financial benefits.

Cost-Effectiveness

An assessment of the relative value for money that the option would provide based on the NPV or implied savings required.

Option 2 – Enhanced Status Quo

Qualitative Considerations

Criteria	Considerations
Overview	<i>Under this option the Aquatics facilities would remain in-house, while making several efficiency improvements to maximise the cost-effectiveness. The main efficiency improvements proposed at GAC are an increase in pool temperature to allow it to become a second hydrotherapy pool, and increase its attractiveness as a learn to swim provider. The main opportunity to improve efficiency at WW is optimising the hours and staffing levels of Educare.</i>
Advantages	<ul style="list-style-type: none"> • Ensures Council maintains direct control over operations and in particular quality practices and outcomes • Maintains community focused programmes • Retention of industry and community knowledge • Enhancements would improve service delivery, cost-effectiveness and increase competitiveness • Avoid setup costs and disruption incurred by other options • No redundancies
Disadvantages	<ul style="list-style-type: none"> • Unable to leverage benefits of scale that some of the outsourced providers may be able to achieve, including management oversight • Council processes may be less flexible and responsive than other options • Outsourced providers may be able to provide the same level of service but at a lower cost • No significant cost savings (efficiencies brought about through new revenue generation)
Risks	<ul style="list-style-type: none"> • No Service level risk – services will be unchanged or improved • Efficiency plans do not get implemented, or do not generate anticipated efficiencies • May be public objection to variation of use of GAC (i.e. lane swimming available on more restrictive basis and pool temperature higher than normal for this activity).
Ease of Implementation	<ul style="list-style-type: none"> • Medium
Benefit Realisation	<ul style="list-style-type: none"> • Medium
Precedents	<ul style="list-style-type: none"> • Most NZ aquatic facilities operate under an in-house model.

Option 2 – Enhanced Status Quo

Quantitative Considerations

The tables opposite show 10 year NPVs for the Enhanced Status Quo under 'best case' and 'worst case' scenarios.

Efficiency improvements were identified in consultation with Aquatics Management during interviews and include:

Educare

- Educare could improve significantly by increasing operating hours and optimising staffing levels as per the recommendation in the Waterworld Options Analysis Report (June 2016).
- The net benefits of \$94k-\$241k per annum in Year 1 are based on the calculations in the Options Analysis Report, with the worst case scenario assuming existing capacity utilisation of 55% and enhanced capacity utilisation of 80% under the best case scenario.

Café

- The café at Waterworld is currently underperforming with revenue at \$12k per year. Additional revenue of \$35k (worst case) to \$50k (best case) could be gained if the contract was renegotiated and services improved.

GAC hydrotherapy

- GAC is currently underutilised during the day. An alternative to the current model is to increase the temperature of the pool to allow it to be used for hydrotherapy. In addition, it could increase the attractiveness of Learn to Swim for babies and those with disabilities.
- Marketing costs of between \$20k and \$40k are assumed in Year 0 to raise awareness of the change of use of the facilities.
- The net benefits are conservatively estimated to be between \$70k and \$145k after a 3 year phase in period.

Option 2: Worst Case

\$ in 000s	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Educare	1	94	96	99	101	104	106	109	112	115	118
Café	0	35	35	35	35	35	35	35	35	35	35
GAC Hydrotherapy	(40)	20	43	70	70	70	70	70	70	70	70
Club Aqua	(350)	120	120	120	120	(230)	120	120	120	120	(230)
Net Benefit (Cost)	(389)	269	294	324	326	(21)	331	334	337	340	(7)

Option 2: Best Case

\$ in 000s	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Educare	145	241	247	254	260	266	273	280	287	294	302
Café	0	50	50	50	50	50	50	50	50	50	50
GAC Hydrotherapy	(20)	45	92	145	145	145	145	145	145	145	145
Club Aqua	(250)	120	120	120	120	(130)	120	120	120	120	(130)
Net Benefit (Cost)	(125)	456	509	569	575	332	588	595	602	609	367

	Worst Case	Best Case
NPV (in 000's)	1,568	3,823

Source: Management Data, PwC Analysis

Club Aqua

- Efficiencies could be made by purchasing the gym equipment directly at a cost of \$250k to \$350k and replace the assets on a 5 year rotation, rather than renting it at \$120k per year.

Additional assumptions required to estimate efficiency improvements and set up costs (such as estimating changes in costs and user numbers under each scenario) were made in consultation with Management.

Under these assumptions the NPV is between \$1.6m and \$3.8m.

Option 3– Full Service Contract Out

Qualitative Considerations

Criteria	Considerations
Overview	<i>Under this option the full management and operations of the Aquatics Services would be outsourced to a commercial provider under a contract with a set fee.</i>
Advantages	<ul style="list-style-type: none"> • Commercially operated businesses typically provide increased focus and clarity of objectives and a more business-like discipline • Commercial focus could lead to an increase in user numbers and a better return • Potential for the contractor to have processes and systems that provide more flexibility and market responsiveness than Council's • Long-term contract provides stability and predictability of costs • Doesn't require HCC to have specialised expertise in aquatics • Some decisions can be made and implemented faster than under an in-house model
Disadvantages	<ul style="list-style-type: none"> • Could result in redundancy costs • Would incur new contract management costs, including auditing, increasing administrative costs and potential for duplication of staff/functions between Council and the provider e.g. customer service • Control exercised through contract rather than direct operational control • Will result in 'stranded' overheads (e.g. Finance, IT, HR) within HCC • Relies on contractor to respond to public queries and complaints • Outsourced providers profit focus has the potential to conflict with community service provision • Once outsourced it may be cost prohibitive to bring the operations back in-house
Risks	<ul style="list-style-type: none"> • A contractor may prioritise higher revenue generating activities (such as LTS) over loss making community focused activities (such as Aqua Ed), which may not be consistent with Council's vision • Contractor may run down/neglect the asset as they have no incentive to maintain it properly • The contract may exclude conditions that are critical to Council (such as price controls, provision of community focused activities and data ownership) and cause quality or service provision issues
Ease of Implementation	<ul style="list-style-type: none"> • Low
Benefit Realisation	<ul style="list-style-type: none"> • Medium
Precedents	<ul style="list-style-type: none"> • Genesis Energy Recreation Centre (Masterton) – CLM Limited • Riverside Pool and Fitness Centre (Nelson) – CLM Limited • Freyberg Community Pool and Lido Aquatic Centre (PN) – CLM Limited

Option 3 – Full Service Contract Out

Quantitative Considerations

Under this option a third party would manage the operations of the aquatic facilities for a fixed contract value. The current net cost to Council of operating the facilities is \$3.2m per annum (excluding depreciation). The top table opposite shows an illustration of how sensitive the NPV is to the estimated contract value. If contract savings are estimated to be 11% (\$350k) or less, the NPV is lower than the Enhanced Status Quo ('ESQ'). If contract savings are 19% (\$600k) or greater, then outsourcing would be the most cost-effective option.

Therefore, we have calculated the savings that would be required to make this option equally attractive (on an NPV basis) as the ESQ option. The contract saving required is between \$352k and \$545k, implying a contract value requirement of between \$2.85m and \$2.66m.

The following assumptions are also considered:

- Set up costs include costs relating to organisational restructuring, consulting and tendering and range between \$207k and \$347k.
- It is assumed that an additional resource with a cost of \$90k would be required for quality and contract management under the worst case scenario, but that it could be managed by existing staff under the best case scenario.

In addition, Management have advised that asset upgrades would be required before the facilities could be contracted out. Neither the financial impact or the timing of upgrading the assets has been factored into this analysis and would require further consideration.

Illustration (\$ in 000's): NPV sensitivity to estimated contract savings

Contract Value	Contract Savings	Contract Savings %	NPV - Worst Case	NPV - Best Case	Outcome
2,853	350	11%	1,584	2,381	ESQ recommended
2,703	500	16%	2,699	3,490	Similar to ESQ
2,603	600	19%	3,442	4,230	Recommended option

Option 3: Worst Case

\$ in 000s	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Set up costs	(347)	-	-	-	-	-	-	-	-	-	-
Administrative costs	-	(90)	(90)	(90)	(90)	(90)	(90)	(90)	(90)	(90)	(90)
Contract savings	-	352	352	352	352	352	352	352	352	352	352
Net Benefit (Cost)	(347)	262	262	262	262	262	262	262	262	262	262

Option 3: Best Case

\$ in 000s	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Set up costs	(207)	-	-	-	-	-	-	-	-	-	-
Administrative costs	-	-	-	-	-	-	-	-	-	-	-
Contract savings	-	545	545	545	545	545	545	545	545	545	545
Net Benefit (Cost)	(207)	545	545	545	545	545	545	545	545	545	545

Implied Contract Value (p.a)	Worst Case	Best Case
Current cost to Council	3,203	3,203
Less: Required savings	(352)	(545)
Implied contract value	2,851	2,658

(in 000's)	Worst Case	Best Case
NPV	1,568	3,823
Contract savings	352	545

Source: Management Data, PwC Analysis

Option 4 – Outsourced Management Model (OMM)

Qualitative Considerations

Criteria	Considerations
Overview	<i>Under this option the management of Aquatics Services would be outsourced to a commercial provider under a contract with a set fee. Unlike a full contract out model, under an OMM HCC would continue to employ the staff, and can benefit from a profit sharing relationship with the contractor.</i>
Advantages	<ul style="list-style-type: none"> • Commercially operated businesses typically provide increased focus and clarity of objectives and a more business-like discipline • Potential for the contractor to have processes and systems that provide more flexibility and market responsiveness than Council's • Manager brings their IP and staff training expertise • Long-term contract provides stability and predictability of costs • HCC don't require specialised expertise in aquatics in-house • Improvements can be implemented faster than under an in-house model • HCC maintains control over staffing, and can therefore control redundancies
Disadvantages	<ul style="list-style-type: none"> • Would incur new contract management costs, including quality control, increasing administrative costs and potential for duplication of staff/functions between Council and the provider e.g. customer service • Would result in some loss of direct control over the operations • Will result in 'stranded' overheads (e.g. Finance, IT, HR) within HCC • Confusion by the public on who is accountable for service provision • Outsourced providers profit focus has the potential to conflict with community service provision
Risks	<ul style="list-style-type: none"> • A contractor may prioritise higher revenue generating activities (such as LTS) over loss making community focused activities (such as Aqua Ed), which may not be consistent with Council's vision • Contractor may run down/neglect the asset as they have no incentive to maintain it properly • The contract may exclude conditions that are critical to Council and cause quality or service provision issues • Responsibilities not clearly defined
Ease of Implementation	<ul style="list-style-type: none"> • Medium
Benefit Realisation	<ul style="list-style-type: none"> • Medium
Precedents	<ul style="list-style-type: none"> • No precedents in NZ • Several in Australia

Option 4 – Outsourced Management Model

Quantitative Considerations

Under this option a third party would manage the facilities for a fixed contract value, while maintaining Council staff and sharing any profits with HCC. The current net cost to Council (expenditure less revenue) of operating the facilities is \$268k (excluding staff costs and depreciation).

Similarly to option 3, we have calculated the savings that would be required to make this option equally attractive (on an NPV basis) as the ESQ option. The contract savings required is between \$342k and \$540k, implying the contractor would need to forego any fixed contract fee and contribute profit sharing cash flows of between \$74k and \$272k per annum to HCC.

The following assumptions are also considered:

- Set up costs include costs relating to organisational restructuring, consulting and tendering of between \$173k and \$279k.
- It is assumed that an additional resource with a cost of \$90k would be required for quality and contract management under the worst case scenario, but that it could be managed by existing staff under the best case scenario.

In addition, Management have advised that asset upgrades would be required before the facilities could be contracted out. Neither the financial impact or the timing of upgrading the assets has been factored into this analysis and would require further consideration.

Option 4: Worst Case

\$ in 000's	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Set up costs	(279)	-	-	-	-	-	-	-	-	-	-
Administrative costs	-	(90)	(90)	(90)	(90)	(90)	(90)	(90)	(90)	(90)	(90)
Contract savings	-	342	342	342	342	342	342	342	342	342	342
Net Benefit (Cost)	(279)	252	252	252	252	252	252	252	252	252	252

Option 4: Best Case

\$ in 000's	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Set up costs	(173)	-	-	-	-	-	-	-	-	-	-
Administrative costs	-	-	-	-	-	-	-	-	-	-	-
Contract savings	-	540	540	540	540	540	540	540	540	540	540
Net Benefit (Cost)	(173)	540	540	540	540	540	540	540	540	540	540

Implied Contract Value (p.a)	Worst Case	Best Case
Current cost to Council	268	268
Less: Required savings	(342)	(540)
Implied contract value	(74)	(272)

(in 000's)	Worst Case	Best Case
NPV	1,568	3,823
Contract savings	342	540

Source: Management Data, PwC Analysis

Shortlisted Option Comparison

We have summarised below the analysis undertaken on the preceding pages relating to cost-effectiveness, qualitative considerations and non-delivery risk.

1. Cost-Effectiveness – the extent to which the option is more cost-effective than the status quo

The efficiency improvements identified under the Enhanced Status Quo result in an NPV of between \$1.6m and \$3.8m. To achieve the same level of NPV under the Full Service Contract Out option, the business would need to achieve contract savings of \$352k to \$545k per annum. To the extent that savings of greater than \$545k (17%) could be made, then outsourcing may be the more cost-effective option.

To achieve the same level of NPV under the OMM option, a contractor would have to provide a net return to HCC of \$74k to \$272k per annum.

2. Qualitative Considerations – advantages, disadvantages and ease of implementation

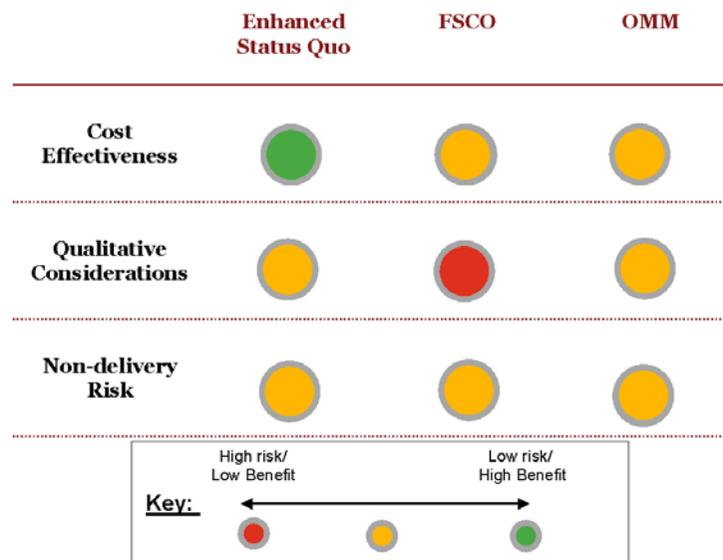
Under the Enhanced Status Quo option, Council maintains the control to ensure community needs are met. This may mean it is not the cheapest option, due to community good programs. In addition, in-house models experience slower change and a lack of pooled resources and specialised expertise. The viability of this option relies on the change in use of GAC to a hydrotherapy pool, which will take some time and resources to implement.

Both the FSCO and OMM options have the advantage of specialised expertise, pooled resources and increased predictability of costs. The disadvantages could include decreased service quality or provision of community good programs. A FSCO is difficult to implement, with the structure and contract negotiation being imperative to the success of the option. An OMM is less disruptive, but still requires a management transition, and a clear, well negotiated contract in place.

3. Non-delivery Risk – the risk that stated benefits fail to be realised

Under all options, there is a medium risk that the benefits fail to be realised. Under the Enhanced Status Quo option this could be because efficiency measures are not put in place properly or in a timely manner.

Under both the FSCO and OMM options, there is a risk that favourable contract price or contract terms cannot be negotiated, or there are significant cost overruns.



Conclusion

We recommend Option 2 – Enhanced Status Quo as the preferred option

Conclusion

In summary, when assessing the different service delivery options against the review criteria we identified the following:

Option 4. Outsourced Management Model would be the most cost-effective option if the contractor could provide a net return of greater than \$272k per annum.

This option would provide more predictability over costs for Council and would be less disruptive than a full service contract out model. However, the fact that this model has not been tried in New Zealand, and the risk that favourable contract terms may not be able to be negotiated make this a higher risk strategy.

Option 3. Full Service Contract Out would be the most cost-effective option if contract value was less than \$2.6m (i.e. contract savings of greater than \$545k are achieved when compared to the status quo). Based on the benchmarking provided on pages 14 and 15, there may be savings relating to staff costs, however this could also be achieved under an in-house model. With the exception of staff costs, we do not have evidence to suggest that contracting out would significantly reduce costs.

In addition, the risk that the contract could incur significant cost over-runs (particularly if it is not set up well) and potential disruption caused by the transition, make this option a higher risk strategy. Furthermore, the quality of work provided may decrease due to the increased focus on profitability by a commercial provider.

Option 2. Enhanced Status Quo provides a positive NPV of between \$1.6m and \$3.8m while limiting disruption, maintaining flexibility and continuing to deliver community focused outcomes under the existing structure.

The benchmarking undertaken earlier in this report, while limited, does show that the aquatics facilities generally operate at or below cost levels of comparable Councils, including those who contract out this function. In addition, these metrics should significantly improve once the recommended efficiency improvements, particularly the transition of usage at GAC, is put into place.

In addition, no significant additional investment is required and the flexibility to choose an alternative model in the future is maintained.

Under this option, there is a risk that efficiency measures are not put in place properly or in a timely manner, which could erode some or all of the anticipated benefits. We would therefore advise that a formal transition plan with a set timeframe is developed and responsibilities are made clear. We would expect that this transition could be achieved within an 18 month timeframe.

Recommendation

We recommend Option 2 – Enhanced Status Quo as the preferred option. That is, that the aquatics facilities are retained in house and identified efficiency opportunities are prioritised and undertaken.

In addition, we recommend that Council concurrently prepares a non-binding Expression of Interest to seek offers from outsource providers. This two pronged approach will allow Council to compare cost savings and/or improved returns of the options and make an informed decision on the most effective option.

6. Appendices

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Appendix One: Disclaimer

This report has been prepared in accordance with the terms of reference set out in our letter of engagement dated 18 October 2016.

This report has been prepared solely for the purposes stated herein and pursuant to the terms and conditions set out in the terms of reference and should not be relied upon for any other purpose. We accept no liability to any party should it be used for any purpose other than that for which it was prepared.

This report is strictly confidential and (save to the extent required by applicable law and/or regulation) must not be released to any third party without our express written consent which is at our sole discretion.

To the fullest extent permitted by law, PwC accepts no duty of care to any third party in connection with the provision of this report and/or any related information or explanation (together, the "Information"). Accordingly, regardless of the form of action, whether in contract, tort (including without limitation, negligence) or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the organisation for which work is completed. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.

The statements and opinions expressed in this report are based on information available as at the date of the report.

We reserve the right, but will be under no obligation, to review or amend our report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

Appendix Two: Glossary of terms used in this document

Term	Meaning
CCO	Council Controlled Organisation
ESQ	Enhanced Status Quo
FSCO	Full Service Contract Out
GAC	Gallagher Aquatic Centre
HCC or Council	Hamilton City Council
In-house	A facility managed and operated by Council
KPI	Key Performance Indicator
NPV	Net Present Value
NZRA	New Zealand Recreation Association
OMM	Outsourced Management Model
SABU	Standalone Business Unit
SDR	Service Delivery Review
WW	Waterworld

Committee: Council

Date: 09 March 2017

Report Name: Waikato Regional Theatre
Development Planning -
Update

Author: Sean Murray

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan</i>
Financial status	<i>There is budget allocated Amount \$100,000 (Contribution towards concept design cost)</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations i considered to have a high degree of significance</i>

1. Purpose of the Report

- To inform Council of a change in the reporting date for a Heads of Agreement and Concept Design Recommendation to Council on the proposed new Waikato Regional Theatre.

Recommendation from Management

That the report is received noting the new date for a future report to Council on the development of a new Waikato Regional Theatre.

3. Attachments

- There are no attachments for this report.

5. Background

- At its 28 July 2016 meeting, Council resolved for the Chief Executive to be delegated authority to prepare a Heads of Agreement with Momentum Waikato for delivery of the new performing arts theatre (known as the Waikato Regional Theatre Project) and report back to Council in February 2017 with that agreement and the Concept Design recommendation for Council approval.
- Council's Chief Executive has engaged with Momentum Waikato who has appointed a panel of experts to lead and oversee the development of a master plan, build programme, and funding model for a new theatre in Hamilton. Council is represented on the panel by the Executive Director of H3 (in an advisory capacity only).

- 8. The Panel has advised that due to the depth and complexity of the work required, it would not be able to report back to Council with an agreement and concept design recommendation until August/September 2017.
- 9. In addition, the Chairs of Momentum Waikato and the Panel will present a status update on their work to date at the 4 April 2017 meeting of the Community and Services Committee.

Signatory

Authoriser	Sean Murray, Executive Director H3 and Events
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Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Council Minutes - Public Excluded - 8 February 2017	) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987))))	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1. to prevent the disclosure or use of official information for improper gain or improper advantage Section 7 (2) (j)