
Council Controlled Organisations Subcommittee

OPEN MINUTES

Minutes of a Meeting of the Council Controlled Organisations Subcommittee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Wednesday 22 April 2015 at 9.30am.

PRESENT

Chairperson: Cr G Mallett
Members: Cr R Pascoe
Cr P Yeung

In Attendance: Chief Financial Officer, General Manager Events and Economic Development,
Treasury Accountant and Accounting Unit Manager.

Thomas Gibbons – Vibrant Hamilton Trust (Chair)
Earl Rattray – Innovation Waikato Ltd (Acting Chair)
Stuart Gordon – Innovation Waikato Ltd (Chief Executive Officer)
George Clarke – Waikato Regional Airport Ltd (General Manager Commercial)
Simon Hollinger – Waikato Regional Airport Ltd (General Manager Operations)

Committee Advisor: Miss L Preiss.

1. Apologies

Resolved: (Crs Mallett/Yeung)

That the apologies from Her Worship the Mayor and Councillor King be received and accepted.

2. Confirmation of Agenda

Resolved: (Crs Mallett/Pascoe)

The Committee to confirm the Agenda.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest. However, Cr Pascoe requested that it be noted that he was a director of a company that was a tenant of WIPL.

4. Council Controlled Organisations (CCO) Subcommittee - Open Minutes - 14 October 2014

Page 8, bullet 7, paragraph 2 should have read: "The Subcommittee's preference would be..." as opposed to the original sentence of "Their preference would be...".

Page 8, bullet 8, paragraph 2 should have read: "The Trust had to live within the requirements of the Deed" as opposed to the original sentence of "The Trust had to live within the means of the Deed".

Resolved: (Crs Mallett/Yeung)

That the Subcommittee confirm and adopt as a true and correct record the Open Minutes of the Council Controlled Organisations Subcommittee Meeting held 14 October 2014 subject to the above noted amendments.

5. Council Controlled Organisations Subcommittee Action List - Open - 22 April 2015

Most matters in the Action List had been completed and were further addressed in the General Manager's Report.

Resolved: (Crs Mallett/Pascoe)

That the Report be received.

6. General Manager's Report

The General Manager Events and Economic Development spoke to the Report and highlighted the following:

- **Soda Inc:** HCC had surrendered its shares in Soda Inc and WINTEC had become the full owner. Only the press statement, to advise of the surrender of shares, remained to be completed and that had been drafted and was awaiting WINTEC's approval.
- **WRAL Airfares:** Page 17 of the Agenda set out a snapshot of same day airfare prices across the country. The snapshot aimed to compare flights on the same time of day over different locations. The concern was that Hamilton Airport was disadvantaged with higher fares compared to other domestic airports. Auckland though cheaper, was a completely different airport than Hamilton. When compared to other similar centers Hamilton was not disadvantaged. Essentially, analysis showed that prices for domestic flights were increasing all over the country and that booking early was the key.
- **Vibrant Hamilton Trust:** Vibrant Hamilton Trust had asked for ongoing guidance from HCC in relation to annual grant distributions. It was proposed that the External Funding Subcommittee be tasked to advise Vibrant Hamilton accordingly.

Resolved: (Crs Mallett/Yeung)

That:

- a) the Report be received; and
- b) the External Funding Subcommittee be tasked to determine and notify Council's advice to the Vibrant Hamilton Trust on its grant distribution each year.

7. Civic Assurance Draft Statement of Intent 31 December 2015

The Chair thanked the Treasury Accountant (David Leong) for his support to HCC during the last 15 years and wished him well for his future.

The Treasury Accountant took the Report as read and questions were responded to as follows:

- Civic Assurance (Civic) had been through legal challenges in relation to claims by underwriters (AIG and R+V) regarding the Canterbury earthquakes. One arbitration outcome was in favour of Civic, but many claims remained outstanding.
- Paragraph 16 on Page 30 of the Agenda showed that Civic owed \$588million to claimants; it was a priority for the Board to settle these claims.
- HCC did not use Civic, but staff could join Civic's Kiwisaver products.
- No specifics in relation to profits for the upcoming year were provided by Civic; under the SOI specific financials were not required, but as a shareholder HCC could request them.

Resolved: (Crs Mallett/Pascoe)

That:

- a) the Report be received; and
- b) Council provides a written response Civic Assurance, advising the CCO Subcommittee approves the draft Statement of Intent with no amendments.

8. LASS Draft Statement of Intent 2015/16 & Half Year Report to December 2014

The Treasury Accountant took the Report as read and staff responded to questions as follows:

- The details on the Mayoral Forum Projects (Agenda - page 53) budgets would be obtained from the General Manager Performance. The Chair of the CCO Subcommittee to action this.
- Despite the fact that Local Authority Shared Service Ltd (LASS) was supposed to break even, on page 49 of the Agenda a deficit was budgeted for. This was explained by the fact that 'non cash' operating expenditures were also included on that table. When the 'cash' only incomes and expenditures were considered, a surplus budget resulted.
- As many assets were software, a concern was raised in relation to over-depreciation of assets. All depreciation was calculated subject to legislative requirements, but it was accepted that did not mean that it truly reflected when those assets actually wore out.
- Page 55 of the Agenda showed that the total capital funds remained positive.
- It was explained that the Waikato Regional Aerial Photography Services (WRAPS) were used by HCC as it provided high level, quality geographical photography. It was key for use in the specific locations of buildings for consents etc. and Google Earth and Real Estate companies also paid to use it.

Resolved: (Crs Pascoe/Yeung)

That:

- a) the Report be received; and
- b) Council provides a written response to LASS, advising the CCO Subcommittee approves the draft SOI with no amendments.

9. LGFA Draft Statement of Intent 2015/16 and Half Year Report for December 2014

The Treasury Accountant spoke to the Report and commented that the Local Government Funding Agency Ltd (LGFA) was governed well and has done better than expected. It was noted that in the last six months local authorities had increased their borrowing from LGFA by 22% which likely reflected LGFA's reduced base lending margins to Council borrowers. Staff responded to questions in relation to the following:

- HCC's total borrowings from LGFA represented 57% of all its external debt. Other HCC borrowings were from banks and other institutions and recent low interest rates at BNZ were capitalised on. All options for borrowing were looked at to get the best possible deals.
- Despite LGFA's reduced base lending margins there were some concerns about having all eggs in the same basket and that was why all options for borrowing were always considered.

Resolved: (Crs Mallett/Yeung)

That:

- a) the Report be received; and
- b) Council provides a written response to LGFA advising the CCO Subcommittee approves the draft SOI with no amendments.

Item 13 was taken at this time to accommodate the External Visitors for Item 10.

10. Consideration of the purposes of CCOs

The Treasury Accountant spoke to the Report and noted that Audit NZ required a review of the CCOs. Staff responded to questions in relation to the following:

- Page 191 of the Agenda set out the four purposes of CCOs under the Local Government Act 2002 (the LGA). The review assessed each CCO to establish why HCC initially invested in the CCO.
- HCC became part of most of its CCOs to achieve cost savings. Other CCOs were joined to encourage economic development opportunities, for example WIPL.
- All Councils must assess whether their CCOs were fit for purpose with regard to the LGA purposes (not necessarily all four). HCC concluded that all its CCOs fit some or all of the purposes as set out under the LGA as set out in the table on page 192 of the Agenda.

Resolved: (Crs Mallett/Yeung)

That the Report be received.

11. Vibrant Hamilton Trust - Draft Statement of Intent 2015/16 and Half Year Report for December 2014

Thomas Gibbons (Vibrant Hamilton Trust - Chair) attended the Meeting.

Mr Gibbons spoke to the Report and noted that it was a good year in relation to financial results. He also stated that the Vibrant Hamilton Trust (the VHT) made its first grants in the last year. The VHT focussed on bigger picture projects that benefitted Hamilton. It was good to support these projects and to see results.

Mr Gibbons noted that the VHT had to be prudent in relation to investments and when providing grants. Under the VHT Trust Deed they could only invest in projects that were recommended to the Trust Board by a strategic steering group within the community that is recognised for that purpose by HCC, or by HCC itself and accordingly it would be helpful to have a set process in place for guidance from Council.

The Chair of the Council Controlled Subcommittee advised that the External Funding Subcommittee had been delegated the responsibility to advise and guide the VHT. It was noted that the Council Controlled Organisation Subcommittee oversaw the performance of the VHT.

Questions were responded to as follows:

- The grants that had been given out by the VHT were in relation to Waiwhakareke Natural Heritage Park, the playground at the lake and the Tudor Gardens.
- Page 147 of the Agenda stated that the performance of the Portfolio Manager was satisfactory. This assessment was made through benchmarking the Portfolio Manager's performance in relation to other Portfolio Managers, though a more formal process could be put in place. It was noted that VHT used only one Portfolio Manager and careful tracking and reviews of performance would be undertaken.
- The Trust Deed of the VHT was unclear on several points, including the number of members on the Board and the process followed when making grants. The VHT were asked to review the Trust Deed and advise Council where clarity was required.

Resolved: (Crs Mallett/Pascoe)

That:

- a) the Report be received;
- b) Council provides a written response to the Vibrant Hamilton Trust, advising the CCO Subcommittee approves the draft SOI with no amendments;
- c) the VHT Trustees be requested to identify suitable candidates to fill the vacant Trustee position and to make a recommendation to CCO Subcommittee; and
- d) the Trustee Deed be reviewed by the Trustees to ensure it meets the current purpose and objectives of the Trust and to allow the Trust to function in an efficient and cost effective manner.

The Meeting moved into Public Excluded at 10:40am to accommodate External Visitors for Items 12 and 13.

14. Resolution to Exclude the Public

Resolved: (Crs Pascoe/Yeung)

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 Controlled Organisations Subcommittee - Public Excluded Minutes - 14 October 2014) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Council Controlled Organisations Subcommittee Action List - Public Excluded - 22 April 2015)	
C3. Council Ownership stake in Waikato Innovation Park and exit options		
C4. CCO Board Appointments		

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 prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C3.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C4.	to protect the privacy of natural persons	Section 7 (2) (a)

The Meeting moved back into Open at 11.00am.

12. Innovation Waikato Ltd & Group - Draft Statement of Intent 2015/16 & Half Year Report to December 2014

Earl Rattray (Innovation Waikato Ltd - Acting Chair) and Stuart Gordon (Innovation Waikato Ltd - Chief Executive Officer) attended the Meeting.

Earl Rattray stated that IWL had a clear purpose and appreciated the time with the Subcommittee to cement the process of engagement between IWL and HCC.

Stuart Gordon noted some key highlights including the investment secured from Callaghan Innovation and the new Tetra Pak Building coming in 2016, which would increase the number of tenants.

Staff responded to questions on the following:

- IWL's lease agreement with Tainui meant that IWL paid Tainui rural rental rates on unoccupied land and commercial rental rates on occupied land until such land was improved (i.e. built upon). Accordingly, when the new Tetra Building was built the rates would change to commercial rates. It was a good lease arrangement which encouraged growth.
- Page 164 of the Agenda set out IWL's key objectives for the upcoming years, which included another new building dependent upon securing appropriate tenants. IWL was at full occupancy and there was demand from tenants. No shareholders guarantees were needed.

Resolved: (Crs Pascoe/Yeung)

That:

- a) the Report be received; and
- b) Council provides a written response to the Innovation Waikato Ltd and Group, advising that the CCO Subcommittee approves the draft SOI with no amendments.

The Meeting adjourned from 11:15am to 11:40am.

13. Waikato Regional Airport Ltd Draft Statement of Intent 2015/16 and Half Year Report for December 2014

George Clarke (Waikato Regional Airport Ltd - General Manager Commercial) and Simon Hollinger (Waikato Regional Airport Ltd - General Manager Operations) attended the Meeting.

George Clarke discussed the SOI and stated that they were taking a conservative approach on growth and passenger numbers. He noted that the loss of Air NZ's service from Hamilton to Auckland meant a decrease in passenger numbers, which they were unable to replace. They had forecasted maintenance issues, but there were some unexpected costs and he also noted they were impacted by interest rate swaps. They responded to questions on the following:

- WRAL aimed to be cash neutral, they were achieving that and this was being managed closely.
- There was room for growth in revenue in relation to increased training by CDC, however, that was up to CDC, whose numbers had been static over the last few years.
- When the end of the Hamilton to Auckland service was announced it was also stated that larger flights would be looked at between other centers. This was not budgeted for in the Report as it really meant that for example: with flights from Hamilton to Palmerston North – the twice daily smaller flights could become a larger once a day flight (potentially on a bigger plane). This may increase revenue depending on the situation and the number of seats filled.
- Despite increases in the economy there had not been an increase in passenger numbers. Domestic passenger numbers in New Zealand were not showing growth.

Resolved: (Crs Pascoe/Yeung)

That:

- a) the Report be received; and
- b) Council provides a written response to WRAL, advising that the CCO Subcommittee approves the draft SOI with no amendments.

The Meeting was declared closed at 12.00pm.