
Finance Committee

OPEN MINUTES

Minutes of a Meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Thursday 21 April 2016 at 1:30pm.

PRESENT

Chairperson	Cr R Pascoe
Deputy Chairperson	Cr G Mallett
Members	Her Worship the Mayor J Hardaker
	Cr G Chesterman
	Cr M Forsyth
	Cr M Gallagher
	Cr K Green
	Cr A King
	Cr D Macpherson
	Cr L Tooman
	Cr P Yeung

In Attendance:	Chief Executive – Richard Briggs
	General Manager City Infrastructure – Chris Allen
	General Manager Community – Lance Vervoort
	General Manager Corporate – David Bryant
	General Manager City Growth – Kelvyn Eglinton
	Director H3 and Events – Sean Murray
	Financial Controller – Tracey Musty
	Revenue Manager – John Gibson
	Group Business Manager Community – Helen Paki
	Community Development and Leisure Manager – Deanne McManus-Emery
	Manager Social Development – Andy Mannering
	Strategic Property Manager – Nicolas Wells
	Programme Manager Analysis and Research – Mark Brougham
	Manager Swimming and Recreation – Mathew Bayliss
	Building Control Manager – Cory Lang
	Principal Building Advisor – Phil Saunders
	Procurement Manager – Scott Copeland
	Communications Advisor – Jeff Neems
	Waters Manager – Andrew Parsons
	Paul Ryan – Senior Planner

Manager, Gallagher Academy of Performing Arts – Jeremy Bell

Committee Advisors: Mrs B Brooke & Mr B Stringer

1. Apologies

Resolved: (Her Worship the Mayor Hardaker/Cr Tooman)

That the apologies from Crs O’Leary and Wilson be received and accepted.

2. Confirmation of Agenda

Resolved: (Cr Pascoe/Her Worship the Mayor Hardaker)

That the Agenda be confirmed, noting the following:

Items 11 (Provision of Unfluoridated Water Source), 16 (Riverlea Theatre-Sale and Purchase), and 14 (Gallagher Academy of Performing Arts Annual Report 2015) would be taken ahead of Item 8 (10-Year Plan Monitoring Report) to accommodate members of the public in attendance and a guest speaker.

Item 17 (Contract 11050 – Internal Audit Services) would be taken after Item 9 (Key Projects Monitoring Report).

Late Item (Supplementary Agenda) – Consideration and Approval of Council’s Draft 1 Submission to the MFE’s Consultation Document ‘Next Steps for Freshwater’ to be taken as Item 19.

Incorrect Attachment in the hard copy of the Agenda for Item 13 (Claudelands Event Centre Reporting). The correct attachment had been circulated.

There was no physical page 68 in the Agenda, as a result of a change from A4 to A3 paper.

3. Declarations of Interest

Cr Pascoe declared a Conflict of Interest in relation to Item 17 (Internal Audit Services). Deputy Chair Cr Mallett would take over as Chair during this Item.

4. Public Forum

Lois Livingstone (Chair Riverlea Theatre and Arts Centre) - Item 16 (Riverlea Theatre – Sale and Purchase). Ms Livingstone expressed her disappointment in the Staff Report, particularly that it did not mention a letter and email from Lawyers (Stace Hammond) sent to the Hamilton City Council Chief Executive outlining further options for the sale of the Theatre to be considered.

The Riverlea Theatre had tried in good faith to raise the sum of money to meet the valuation of the property but had unfortunately fallen short. The fundraising carried out by the Theatre Group had significantly impacted the Theatre’s ability to raise funds for its standard operating costs. Ms Livingstone asked that Committee Members consider varying the sale of purchase agreement to be on a par with what Council had done to support other Theatre Groups in Hamilton, as per option 1 in the Staff Report.

The Stace Hammond letter and email mentioned above was tabled during the Meeting while Ms Livingstone responded to questions from Committee Members concerning the option of subdividing the land.

Ms Livingstone advised that the Theatre would not be supportive of subdividing the land to compromise for a lower purchase price, as there were future plans in place for the use of the currently unused land. She noted that it was not the intention of Sir Ross Jansen and his Council that the land be subdivided and sold to be used for other purposes and that had they thought this may have happened, safeguards would have been put in place.

Sarah Nathan (Creative Waikato CEO) - Item 16 (Riverlea Theatre – Sale and Purchase)

Ms Nathan noted that she had not been involved directly on the process of the sale of the Riverlea Theatre land, but that it was important that Council, in their decision making process, took a fresh look at theatres as a whole and the important role that Riverlea Theatre and other theatres played in holding the cultural ecosystem of the arts sector together.

Alistair Barrett – (Riverlea Theatre Group) - Item 16 (Riverlea Theatre – Sale and Purchase)

Mr Barrett provided a brief history of the Riverlea Theatre and the value it had added to the community. He outlined the issues the theatre faced in having to use funds normally reserved for operating costs for purchasing the land and also noted that subdividing and selling the currently unused land would not be the best use of the land and would stifle current plans the theatre had for the land.

5. Finance Committee Minutes - Open - 18 February 2016

- On page 8, Item 6, Paragraph2, the date should be 21 April 2016.
- On page 13, Item 11 – The weight of concerns around safety were not fully captured and needed to better reflect Committee Members concerns.

Resolved: (Cr Pascoe/Her Worship the Mayor Hardaker)

That the Open Minutes of the Finance Committee Meeting held on 18 February 2016 come back to the 19 May Finance Committee Meeting to be confirmed and adopted, with noted amendments.

6. Finance Committee Action List - Open - 21 April 2016

Resolved: (Crs Pascoe/Mallett)

That the Report be received.

7. Recommended dates for reports to be presented to Finance Committee

Resolved: (Crs Pascoe/Macpherson)

That the Report be received.

11. Provision of Unfluoridated Water Source

The Waters Manager acknowledged members of Fluoride Free Hamilton in attendance and advised that the group had indicated that they strongly supported the Recommendations from Management.

He noted that the Claudeland's option outlined in the Staff Report would come in slightly over budget and that a further \$10,000 of capital budget would be required. It was also noted that the Government might shift future fluoride decision matters to District Health Boards (DHB) and that Council would then receive direction from the DHB in terms of water fluoridation. He responded to questions from Committee Members concerning:

- **The risk the DHB could instruct Council to fluoridate all water sources:**
The risk was very small and unlikely. Staff would strongly advocate for community choice in the event that any government decision affected the unfluoridated water sources.
- **The quality of the bore water at Taitua Aboretum:**
The bore had grade 'B' water which was still perfectly safe and considered a good grade. The reason it did not achieve a grade 'A' was because it did not get treated with chlorine as a sterilising agent.
- **Naturally occurring fluoride:**
There was a small amount of naturally occurring fluoride that comes from the ground with the water supply from the bore but that the Claudeland's option would have very low, to zero naturally occurring fluoride, as the technology treatment process would remove it.
- **Claudeland's option practicalities:**
The flow rate of the water from treatment technology would be slow but was acceptable to stakeholders.
- **Additional costs associated with the options:**
It was anticipated that there would not be extra costs associated with access or parking as both sites would be open 7 days a week. The Claudeland's option would come in at around \$10,000 above budget and proposed that this be reported on the risks and opportunities register.
- **Education around storage of the water:**
It was important that the water collected from both water sources was stored correctly after it was taken, Council would mitigate any risks associated with this by having educational signage at the sites. There would be a small cost associated with this.

Action Point: Committee Members discussed the need for Council to put in a submission to Central Government around their recommendations on the Fluoride issue at an appropriate time. *(Action to be added to the Strategy and Policy Committee Action List)*

Resolved: (Her Worship the Mayor Hardaker/Cr Macpherson)

- a) That the Report be received,
- b) That:
 - (i) Council endorse Taitua Arboretum as a public source of non-fluoridated water
 - (ii)** Council approve the Claudelands Event Centre option as a public source of non-fluoridated water as outlined in this report.
 - (iii) staff report the estimated additional \$10,000 capital budget requirement as part of the Risks and Opportunities Register.

16. Riverlea Theatre - Sale and Purchase – Recommendation to Council

The Strategic Property Manager introduced the Staff Report, outlining the background of the sale. He noted that the valuation provided in the Report was 19 months out of date and there had been significant upwards movement of around 16% in the market since then. In his view, Riverlea Theatre would be getting a very good deal if the property was sold for the recommended amount in the Report. Council had a policy in place that stipulated that Council land and property be sold at market value. He responded to questions from Committee Members concerning:

- **The Stace Hammond letter mentioned in the Public Forum and why it had not been circulated sooner:**

The Strategic Property Manager advised that the letter had been mentioned in paragraph 8 of the Staff Report and that Riverlea Theatre's preferred option was option 1 in the Report. He apologised that the whole letter had not been included as an attachment to the Report.

- **Value of the property:**

The Strategic Property Manager advised that although the property could potentially achieve a higher price on the open market, it was not likely to do so, due to the fact that the building was a purpose built theatre and had more value as a community facility. Riverlea Theatre were the only ones who could fully liberate the value of the facility.

- **Option 2 – Subdividing the land:**

The Strategic Property Manager advised that there was some risk associated with subdividing the land; Council could chose to subdivide the land in question as it was not officially part of the lease. There would initially be high costs associated with subdivision, but that in the long term there may be benefits. The other risk was that subdividing the land could negatively affect Riverlea Theatre in terms of their future plans and what the future use of the subdivided land would potentially be used for by a commercial developer. The Strategic Property Manager noted that he genuinely believed that the Riverlea Theatre was the best purchaser for the property in order to preserve inherent value.

Motion: (Crs Chesterman/Gallagher)

That:

- (a) the Report be received;
- (b) Council accepts the Riverlea Theatre and Arts Centre's request and resolves to vary the Agreement for Sale and Purchase of the land described in the schedule, and sell the land for \$350,000 (plus GST if any), with a purchase settlement on or before 1 September 2016; and
- (c) Council authorises the Chief Executive Officer to execute any instruments required to give effect to the resolution.

SCHEDULE

All that land contained in Certificate of Title SA1031/22 South Auckland Registry legally described as Lot 15 DPS 988 comprising 1.0459 hectares more or less and physically located at 83 Riverlea Road, Hamilton [Riverlea Theatre].

Amendment: (Crs King/Green)

That:

- a) report be received;
- b) Council agrees to vary the Agreement for Sale and Purchase of the land described in the schedule by reducing the area of land to be sold to Riverlea Theatre and Arts Centre to 7,459 square metres shown in yellow on Attachment 1 for \$350,000 plus GST (if any);
- c) the area shown in blue on Attachment 1 is Subdivided and that land is placed for sale on the open market through a competitive sales process;
- d) Council confirms clause d) of the resolution of 25 September 2014 that if the property is not sold to the existing lessee then Council markets the property for sale through a public sale process for a sum not less than the current market value assessed by a registered valuer in accordance with Council policy; and
- e) Council authorises the Chief Executive Officer to execute any instruments required to give effect to the resolution.

SCHEDULE

All that land contained in Certificate of Title SA1031/22 South Auckland Registry legally described as Lot 15 DPS 988 comprising 1.0459 hectares more or less and physically located at 83 Riverlea Road, Hamilton [Riverlea Theatre].

The Amendment was then Put.

Those for the Amendment:

Councillors King, Green and Mallett

Those against the Amendment:

Her Worship the Mayor Hardaker,
Councillors Gallagher, Forsyth, Pascoe,
Chesterman, Yeung, Tooman and
Macpherson.

The Amendment was declared lost.

The Motion was then Put

Resolved: (Crs Chesterman/Gallagher)

That:

- (a) the Report be received;
- (b) Council accepts the Riverlea Theatre and Arts Centre's request and resolves to vary the Agreement for Sale and Purchase of the land described in the schedule, and sell the land for \$350,000 (plus GST if any), with a purchase settlement on or before 1 September 2016; and
- (c) Council authorises the Chief Executive Officer to execute any instruments required to give effect to the resolution.

SCHEDULE

All that land contained in Certificate of Title SA1031/22 South Auckland Registry legally described as Lot 15 DPS 988 comprising 1.0459 hectares more or less and physically located at 83 Riverlea Road, Hamilton [Riverlea Theatre].

Those for the Motion: Her Worship the Mayor Hardaker,
Councillors Gallagher, Forsyth, Pascoe,
Chesterman, Yeung, Tooman and
Macpherson.

Those against the Motion: Councillors King, Green and Mallett.

The Motion was declared carried.

8. Hamilton Gardens Development Project Progress Report

The General Manager Community spoke to the Staff Report, providing an update on the financial status of the Hamilton Gardens Development Project (the Project). Just over 7 million was needed for the project. One third of the amount was rates funded and approximately 3.5 million had been raised through external funders. There was still approximately 1.1 million left to fund. Staff were comfortable that this would be achieved.

There had been a 10% increase in visitor numbers to the Gardens over the last year and the Project had recently been awarded the Innovation Award and the Supreme Award at the Society of Local Government (SOLGM) Annual Excellence Awards.

Committee Members congratulated and thanked the team involved in the Project for the critical role they had played in creating a positive outcome for the city and making it a better place.

Resolved: (Crs Mallett/Chesterman)

That the Report be received.

9. Gallagher Academy of Performing Arts Annual Report 2015

The Manager Social Development spoke to the Staff Report and introduced Jeremy Bell (Manager, Gallagher Academy of Performing Arts). They both responded to questions from Committee Members concerning:

- **The difference between the Community and Education group categories in the Academy Report:**
Mr Bell advised that Education groups mainly comprised of schools whereas Community groups were, for example, drama, music and religious groups.
- **Recognition of Council's contribution to the Academy and community usage of the facilities:**
Mr Bell acknowledged that without Council's contribution and continuing support for the Academy, it would never have been established. Council was a cornerstone in the development of the Academy, but further work was needed to make full use of the facilities from a community perspective. He noted that the University and Council Staff needed to work in partnership moving forward, to ensure the best use of the facilities and to increase community usage.

Action Point: As per the Community Group current work programme, HCC Staff were to work in partnership with Gallagher Academy of Performing Arts to increase community usage of the Academy facilities in the future and look into current contract limitations. A update Report will come back to Council in 2017.

Resolved: (Crs Gallagher/Mallett)

That the Report be received.

Cr Chesterman left the Meeting (4.20pm) during the above Item. He was not present when the matter was voted on.

As per the Declarations of Interest, Cr Pascoe vacated the Chair and Cr Mallett assumed the Chair during the below Item. Cr Pascoe did not take part in the discussion or voting on this matter.

17. Contract 11050 - Internal Audit Services

General Manager Corporate spoke to the Staff Report noting that PricewaterhouseCoopers (PwC) had been Council's Internal Auditors for the last three years and that their knowledge had proved valuable in providing a level of continuity for the new Finance Team. The current contract with PwC allowed for a contract extension and a further \$150,000 for a right of renewal. He responded to questions from Committee Members concerning:

- **Risk Framework and Identified Risks:**
Council identified risks to be added to the Risk Framework which then drove Council's internal audit programme of work, with PwC managed.
- **Quality and Value of Service:**
PwC charged per piece of work done within the agreed contract amount, the programme of work was set through the risk framework. It was noted that PwC had been appointed as Council's Internal Auditors by the last Council and that PwC reported to and were managed by the Audit and Risk Committee. Their role was to investigate and provide recommendations on reducing risk in Council's areas of concern or identified risks. The Reports provided and presented by PwC were very detailed. The Audit and Risk Committee had found the Reports very useful and they had enabled changes to be made where a further reduction of risk was needed.

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

That:

- a) the Report be received;
- b) the additional one year right of renewal for Contract 11050 for Internal Audit Services with PricewaterhouseCoopers (PwC) be approved;
- c) the Approved Contract Sum is extended from the existing \$810,000 to \$960,000 to allow for the costs of the additional twelve month contract extension; and
- d) the contract for Internal Audit Services for Council is publicly tendered prior to the expiry of the renewed agreement on 1 May 2017.

Cr Chesterman (4.30pm) re-joined the Meeting during the above Item. He was present when the matter was voted on.

Cr Macpherson (4.30pm) left the Meeting during the above Item. He was not present when the matter was voted on.

Cr Pascoe resumed the Chair at the conclusion of the above Item.

10. 10-Year Plan Monitoring Report - YTD March 2016

The General Manager Corporate spoke to the Staff Report, noting that Council was on target for delivering on the 2015-16 Annual Plan and continuing the year to date surplus trend of \$19.8m which was \$14.8m above budget predictions.

Overall debt was currently \$342.0m which was \$64.8m less than the year end budget target of \$406.8m. This was largely attributable to increased revenue received from development contributions.

The Risks and Opportunities Schedule was tracking well. There were three drivers that would affect the capital expenditure forecast as outlined on page 30 of the Staff Report.

There were 29 projects that had been identified as not being able to be completed by the end of the financial year. The General Manager Infrastructure advised that most of the projects sat within the infrastructure area and were deferred due to a number of reasons, including third party influences. He outlined that the Ring Road project spend had been less than predicted but that a further deferral had resulted. The main impact of this would be managing community expectation on the finishing time of the project. The Rail Trail project would be pushed out to the end of the calendar year rather than the end of the financial year. The deferral balances for this project would be shared between Hamilton City Council and NZ Transport Authority (NZTA).

The General Manager Corporate and other Staff responded to questions from Committee Members concerning:

- **Year to date surplus trend:**
The year to date surplus trend was lower than the previous year mainly due to swaps and interest rates.
- **Building Consent Trends:**
It was explained that although Building Consents were down from last year, there was still an upwards trend.
- **Parking debt write off:**
Parking debt had been written off due to not receiving revenue from unpaid fines.
- **Arts and Culture subsidy and grants:**
The subsidy and grant for Arts and Culture on page 41 of the Staff Report was a one off lotteries grant.
- **On street parking variances:**
The finance team were going to be reviewing this area as part of their work programme to help identify trends.
- **Support services review:**
It was advised that the support services review would come in under budget and the savings would be used towards the River Plan.
- **Claudlands Bridge management:**
The spend relating to the Claudlands Bridge was related to a safety structural check that was required.

- **Deferred Capital projects:**
 - 17 of the deferred capital projects sat within the infrastructure area.
 - The installation of the chillers at the museum were going to take longer than anticipated due to technical issues.
 - The lake public toilet refurbishment was delayed due to the difficulty in securing contractors to do the work in the current environment.
 - Information services deferral related to the fact that the current IT technology was not ready to receive a system upgrade.

- **Loss on swaps:**

Committee Members were advised that Stuart Henderson was going to be speaking at the next Council Briefing regarding swaps and interest rates.

Action Points:

- Committee Members asked that future 10 – Year Plan Monitoring Reports ensure up to date explanatory notes adequately explained reported variances, with appropriate background information included where needed.

- Future 10 Year Plan Monitoring Report to include a section covering deferred projects within Council’s control.

- An IT update Report was to come to the 19 May 2016 Finance Committee Meeting.

Resolved: (Her Worship the Mayor Hardaker/Chesterman)

That the Report be received.

Cr Macpherson re-joined the Meeting (4.50pm) during the above Item. He was present when the matter was voted on.

Cr Mallett retired from the Meeting (5.15pm) during the above Item. He was not present when the matter was voted on.

Cr Forsyth retired from the Meeting (5.20pm) during the above Item. She was not present when the matter was voted on.

9. Key Projects Monitoring Report - March 2016

General Manager Corporate spoke to the Staff Report noting that the only Item that had changed in terms of risk was the Ring Road project.

Action Point: Committee Members requested that an update on costs and time impacts concerning the Cobham Dr Pedestrian Overbridge options be provided to Elected Members prior to the 19 May 2016 Finance Committee Meeting.

Resolved: (Her Worship the Mayor Hardaker/Chesterman)

That the Report be received.

12. Contract 15216 for Supply of Library Collection Material

Resolved: (Her Worship the Mayor Hardaker/Cr Chesterman)

That:

- a) the report be received;
- b) the tender submitted by Wheeler Book Club Limited for Contract 15216 for Supply of Library Collection Material is accepted by Hamilton City Council;
- c) The Chief Executive is delegated to negotiate and approve final contract terms with Wheeler Book Club Limited based on the Hamilton City Council Request for Proposal;
- d) the Approved Contract Term is set at three years with a right of renewal of two years at Councils sole discretion; and
- e) the Approved Contract Sum for the first three years of the contract is set One Million Nine Hundred Thousand Dollars (\$1,950,000) being the estimated total spend over the first three years of the contract.

13. Claudelands Event Centre Reporting - Quarter 3

The Director H3 and Events spoke to the Staff Report, noting that Claudelands Event Centre was tracking below budget. Whilst he had previously indicated Claudelands was tracking on par with last year in terms of budget, this was not currently the case, the shortfall had not been able to be rectified within the budget this year. Staff had been successful in offsetting the shortfall by reducing expenditure. The market was currently very challenging and the loss of a few large events had taken their toll.

Resolved: (Crs Pascoe/Chesterman)

That the Report be received.

11. Weathertight Homes Update

The Principal Building Advisor spoke to the Staff Report, noting that Council was continuing to see a reduction in the number of new claims being made. There was one claim that was previously ineligible, that was now eligible to make a claim due to a legislation change. He responded to questions from Committee Members concerning the risk involved with the legislation change. The Principal Building Advisor outlined that as the eligibility period to make a claim had been redefined in the legislation, it was possible that more claims that had previously been ineligible, may now be eligible to make a claim.

Resolved: (Crs Pascoe/Yeung)

That the Report be received.

Cr King left the Meeting (5.35pm) during the above Item. He was not present when the matter was voted on. He re-joined the Meeting (5.35pm) at the start of the below Item.

19. Consideration and Approval of Council's Draft 1 Submission to the MFE's Consultation Document 'Next Steps for Freshwater'

The Water Manager and Senior Planner spoke to the Staff Report, noting that the submission had been drafted with the guidance of feedback from Elected Members at the 19 April Briefing.

Committee Members provided feedback it was felt that the feedback had not been fully captured and that staff needed to undertake further work on the submission. Committee Members also discussed the need for Council to be involved and provide feedback with regards to the emerging debate at a Central Government Level on water ownership/selling rights.

Resolved: (Her Worship the Mayor Hardaker/Cr Macpherson)

That:

- a) the report be received;
- b) further feedback provided by Elected Members is noted;
- c) a further draft is circulated to Elected Members early next week and the submission is included as a Late Agenda Item for the Council Meeting on Thursday 28 April 2016; and
- d) staff seek an extension from MFE of one week to submit the submission, and in the event that is not approved, staff are to submit the draft submission advising MFE that it is a draft and may be subject to change following the April 2016 Council Meeting.

Cr Green retired from the Meeting (6.00pm) during the above Item. She was not present when the matter was voted on.

8. Resolution to Exclude the Public

Resolved: (Crs Pascoe/Tooman)

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. Finance Committee Minutes - Public Excluded - 18 February 2016) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Finance Committee Action List - Public Excluded - 21 April 2016) Official Information and Meetings Act 1987	
C3. Report on overdue debtors as at 31 March 2016 & Bad Debts Writeoffs 2015/16		
C4. Development Contributions Report		
C5. Waterworld Operations Report		

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 protect the privacy of natural persons	Section 7 (2) (a)
Item C4.	to protect the privacy of natural persons	Section 7 (2) (a)
	to maintain legal professional privilege	Section 7 (2) (g)
Item C5.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)

Cr Macpherson left the Meeting (6.05pm) at the conclusion of the above Item.

The Meeting moved into a Public Excluded session (6.15pm-6.50pm).

The Meeting was declared closed 6.50pm.