



# FINANCE AND CORPORATE COMMITTEE

## AGENDA

# Wednesday 12 September 2018

10:30 am Council Chamber  
Level 2 Phillip Laing House, 144 Rattray Street, Dunedin

### **Membership**

Cr Doug Brown *(Chairperson)*  
Cr Andrew Noone *(Deputy Chairperson)*  
Cr Graeme Bell  
Cr Michael Deaker  
Cr Carmen Hope  
Cr Trevor Kempton  
Cr Michael Laws  
Cr Ella Lawton  
Cr Sam Neill  
Cr Gretchen Robertson  
Cr Bryan Scott  
Cr Stephen Woodhead

### **Disclaimer**

Please note that there is an embargo on agenda items until 48 hours prior to the meeting. Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.

*For our future*

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## RECOMMENDATIONS FOR COUNCIL DECISION

### 10.2. Annual Return of Inactive Subsidiaries 2018

Recommendation:

- a) That it shall not be necessary for Regional Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.
- b) That no auditors be appointed for Regional Services Limited under section 196 (2) of the Companies Act 1993.
- c) That it shall not be necessary for Regional Pest Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.
- d) That no auditors be appointed for Regional Pest Services Limited under section 196 (2) of the Companies Act 1993.
- e) That it shall not be necessary for Regional Monitoring Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.
- f) That no auditors be appointed for Regional Monitoring Services Limited under section 196 (2) of the Companies Act 1993.

### 10.3. Wanaka Depot leasing proposal

Recommendation:

*That the Council:*

- a) **Receives** this report.
- b) **Agree** in principle to an arrangement to lease Council's Wanaka depot to the Alpine Lakes Research and Education Centre Board to establish an alpine lakes research and education centre in Wanaka.
- c) **Authorise** the Chief Executive to negotiate, agree and finalise commercial terms and conditions of lease with the Alpine Lakes Research and Education Centre Board to establish and operate an alpine lakes research and education centre in Wanaka.

## **1. APOLOGIES**

## **2. LEAVE OF ABSENCE**

Cr Ella Lawton  
Cr Sam Neill

## **3. ATTENDANCE**

## **4. CONFIRMATION OF AGENDA**

Note: Any additions must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

## **5. CONFLICT OF INTEREST**

Members are reminded of the need 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.

## **6. PUBLIC FORUM**

Mr Roger Hodgkinson re the Head Office building proposal for the Dowling Street site.

## **7. PRESENTATIONS**

Port Otago Limited – presentation of Annual Report 2017/2018

Otago Helicopter Trust – presentation of Annual Report 2017/2018

## **8. CONFIRMATION OF MINUTES**

### **Recommendation**

*That the minutes of the (public portion of the) meeting held on 2 August 2018 be received and confirmed as a true and accurate record.*

### **Attachments**

1. Minutes of Finance and Corporate - 2 Aug 2018 [8.1.1]

## **9. ACTIONS (STATUS OF COMMITTEE RESOLUTIONS)**

### **Attachments**

Nil

## 10. MATTERS FOR COUNCIL DECISION

### 10.1. CS1847 Director's Report

**Prepared for:** Finance and Corporate Committee  
**Report No.** CS1847  
**Activity:** Governance Report  
**Prepared by:** Nick Donnelly, Director Corporate Services  
**Date:** 27 August 2018

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#### 1. Précis

This report informs the Finance and Corporate Committee of significant financial and corporate activity and presents account payments to the Committee for endorsement.

#### 2. Account Payments

Schedules of payments made are referred to the Finance and Corporate Committee for endorsement. The financial commitments and payment authorisation are made in accordance with Council's financial delegations and internal control procedures.

Payment Category	July 2018
Trade payments	6,126,992.48
Payroll	1,174,008.87
<b>Total</b>	<b>7,301,001.35</b>

#### 3. Recommendation

- d) *That this report is received.*
- e) *That the payments summarised in the table above and detailed in the payments schedule, totalling \$7,301,001.35 be endorsed.*

**Endorsed by:** Nick Donnelly  
**Director Corporate Services**

#### Attachments

Nil

## 10.2. CS1841 Annual Return of Inactive Subsidiaries 2018

**Prepared for:** Finance and Corporate Committee  
**Report No.** CS1841  
**Activity:** Governance Report  
**Prepared by:** Nick Donnelly, Director Corporate Services  
**Date:** 22 August 2018

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### 1. Précis

Due to the significance and profile of the Regional Services Business Unit, the Council, solely for name protection purposes, registered the following companies in April 2006:

- Regional Services Limited;
- Regional Pest Services Limited;
- Regional Monitoring Services Limited.

The companies are inactive, and do not have constitutions. The companies are owned 100% by the Otago Regional Council, with a share issue of 100 shares in each company. We consider it important to retain these companies, as this will ensure that the names cannot be used by any other party. The use of these names would suggest a linkage to the Otago Regional Council.

Section 214 of the Companies Act 1993 requires that an Annual Return be completed for each of the above companies each year by 30 September. The Annual Return includes providing information on shareholding, auditors and Annual General Meetings.

### 2. Background

Under the Companies Act each company is to have either an Annual General Meeting, or under Section 122 of the Companies Act the shareholders may pass a special resolution that it shall not be necessary for a company to hold an annual general meeting, if everything required to be done at that meeting is done by resolution.

At an Annual General Meeting, the company must decide whether or not to appoint an auditor. A company need not appoint an auditor if a unanimous resolution is passed by all the shareholders.

Given that the companies are inactive, it is recommended that Council pass two resolutions for each of the companies, the first to not hold an Annual General Meeting, and the second to not appoint an auditor.

### 3. Recommendation

- a) That it shall not be necessary for Regional Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.
- b) That no auditors be appointed for Regional Services Limited under section 196 (2) of the Companies Act 1993.
- c) That it shall not be necessary for Regional Pest Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.
- d) That no auditors be appointed for Regional Pest Services Limited under section 196 (2) of the Companies Act 1993.

- e) That it shall not be necessary for Regional Monitoring Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.
- f) That no auditors be appointed for Regional Monitoring Services Limited under section 196 (2) of the Companies Act 1993.

**Endorsed by:** Nick Donnelly  
**Director Corporate Services**

**Attachments**  
Nil

### 10.3. CS1843 Wanaka Depot leasing proposal

**Prepared for:** Finance and Corporate Committee  
**Report No.** CS1843  
**Activity:** Community: Governance and Community  
**Prepared by:** Ian McCabe, Executive Officer  
**Date:** 7 September 2018

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#### Purpose

- [1] To seek the Council's agreement in principle to an arrangement to lease Council's Wanaka depot to the Alpine Lakes Research and Education Centre (ALREC) Board to facilitate the establishment of an alpine lakes research and education centre in Wanaka, and to instruct the Chief Executive to negotiate, agree and finalise the contractual details.

#### Background

- [2] At its meeting in June 2018, the Council considered a report outlining a proposal received from the ALREC Board to lease Council's Wanaka depot to facilitate the establishment of an alpine lakes research and education centre.
- [3] ALERC's objective is to support the community vision for pristine lakes. The proposed facility is to be a centre of research excellence and community engagement that will:
- be an effective and adequately resourced field base for freshwater research;
  - attract researchers to deliver new knowledge about the South Island alpine lakes and related freshwater ecosystems;
  - collate a coherent knowledge base regarding that state and change in South Island alpine lakes and their associate freshwater ecosystems;
  - facilitate new research projects and new research collaborations; and,
  - build stakeholder relationships related to research and uptake of research findings.
- [4] The ALERC Board proposed leasing the older of the two buildings located at the Council's Wanaka Depot facility for research purposes, with the possibility of establishing a relocatable building on-site to provide accommodation for between 10-12 people.
- [5] The Board was seeking a 10-year lease period. Some financial investment was required to ensure the building and ground were made fit-for-purpose. This was to include some further landscaping and tree planting to screen the site off from the road.
- [6] The report to Council in June 2018 sought direction from Council about whether the initiative should be considered and progressed. It sought guidance from Council around whether it wished to support community groups such as ALERC either financially or in-kind, and if it did, whether it would support entering into a lease agreement with ALERC for some or all the Wanaka Depot site. The report also sought authorisation for the Chief Executive to carry out negotiations and guidance on acceptable lease terms and rental if it were to be other than normal market conditions.



- [7] Discussion of the matter centred around setting any precedence for leasing the depot to a catchment group, potentially protecting Council's future use of the site, rental costs expectations and term, partnership expectations and benefits to Council's works programme for the alpine lakes and Upper Clutha catchment.
- [8] Council also discussed proposed amendments to the recommendations of the report to allow for the Chief Executive to negotiate mutually acceptable terms for leasing the Wanaka Depot site, and that ALERC would be responsible for rates, insurance and building maintenance and be provided a three-year renewable lease.
- [9] The matter was left to lie on the table for future discussion.

### **Proposal**

- [10] ALERC's proposal has evolved since the Council last discussed it in June 2018.
- [11] ALERC is now proposing a shorter-term lease arrangement of a three-year lease with a one year right of renewal. The lease agreement would include provision for a six month notice of Council's intention to sell the site and/or demolish either or both buildings.
- [12] ALERC is no longer promoting residential accommodation on-site.
- [13] ALERC propose a peppercorn rental, yet to be determined or negotiated, for occupying the site.
- [14] ALERC also propose they be responsible for rates, insurance, maintenance and upkeep, and other operating costs for the facility and site.
- [15] Opportunities for Council that would arise out of this proposal may include:
- co-branding/naming of facility;
  - Council access to facility – e.g. citizen science/Enviroschools;
  - state of the environment/freshwater monitoring;
  - Council meeting space; and/or,
  - co-branded/co-sponsored research.
- [16] The value proposition to Council of realising any or all these potential opportunities is difficult to quantify at this time. It will stem mainly from any benefits to Council's various work programmes. Co-branding would likely raise the profile of the Council in Wanaka in a positive way and a flexible agreement allowing for some Council use of the facility may have some limited financial benefit.

### **Discussion**

- [17] This is the only proposal Council has to consider in regard to the Wanaka Depot. Alternative proposals have not been sought or received. Council has been approached by ALERC and should consider that proposal on its merits because it was put to us, not because we are looking for any specific commercial opportunities.

- [18] From an operational perspective, Council currently has one staff member who operates out of the Wanaka Depot site. This is a matter of convenience rather than necessity – the staff member lives in the area. Council services into the Wanaka area could be adequately provided from the Cromwell depot or the other premise on site that is not included in the proposal to lease.
- [19] Fencing may be required on-site if Council maintain an ongoing operational presence. ALERC has signalled a willingness to provide some landscaping and tree planting to screen the site off from the road. Additional internal fencing might be part of the “landscaping” and will likely be a matter of further negotiation.

### **Policy Considerations**

- [20] Council is considering a specific request to occupy and use Council owned land and facilities that are underutilised. The proposal should be considered on its merits.
- [21] This decision is not significantly inconsistent nor is anticipated to have consequences that will be inconsistent with any policy adopted by Council or any plan required by the Local Government Act 2002 or any other enactment.
- [22] Any question around whether Council wishes to support community groups either financially or in-kind remains on the table. There are already existing several mechanisms available to Council to support community groups. Council should continue with considering any other approach that does not align with its existing mechanisms on their merits.

### **Financial Considerations**

- [23] Commercial lease terms, even a non-market rental, will provide a return on the asset, particularly given that ALERC will cover other costs – i.e. rates, insurance, maintenance and upkeep. This minimises the cost to Council in the short term while still maintaining the longer-term benefits of ownership.

### **Staff Recommendation**

*That the Council:*

- 1) **Receives** this report.
- 2) **Agree** in principle to an arrangement to lease Council’s Wanaka depot to the Alpine Lakes Research and Education Centre Board to establish an alpine lakes research and education centre in Wanaka.
- 3) **Authorise** the Chief Executive to negotiate, agree and finalise commercial terms and conditions of lease with the Alpine Lakes Research and Education Centre Board to establish and operate an alpine lakes research and education centre in Wanaka.

**Endorsed by:** Sarah Gardner  
**Chief Executive**

### **Attachments**

Nil

## 10.4. CS1846 Passenger Transport Update

**Prepared for:** Finance and Corporate Committee  
**Report No.** CS1846  
**Activity:** Transport – Public Passenger Transport  
**Prepared by:** Julian Phillips, Team Leader Public Transport Dunedin  
Stephen Patience, Senior Public Transport Officer Queenstown  
Gerard Collings, Manager Support Services  
**Date:** 27 August 2018

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### 1. Précis

This report provides the Finance and Corporate Committee with an update on the required change to the Regional Public Transport Plan (RPTP) for the Peninsula Service, the implementation of the Dunedin Central Bus Hub, and an overview of the performance of both the Dunedin and Wakatipu public transport networks.

This report also recommends service adjustments for the existing Waverley – Belleknowes service in Dunedin, the Lake Hayes Estate – Jacks Point service in Queenstown, and recommends Council support World Car Free Day.

### 2. Peninsula Service

Council has been consulting on the proposed variation to Regional Public Transport Plan 2014 (the RPTP), which would change Route 18, the Peninsula bus service (Dunedin). This consultation, undertaken in accordance with the Land Transport Management Act 2003, as a non-significant variation to the RPTP, has been targeted at current users of this route. Staff made consultation material available on-bus and online through the “Your Say” on-line platform. The submission period ran from Monday 13th to Friday 24th August.

The next step is to hear those who wish to present feedback in person. This hearing is scheduled for 18 September 2018. The Finance and Corporate Committee needs to establish a hearing panel to hear submitters, and to make recommendations to Council on all submissions, both oral and written.

The Committee Chairs have requested that the submissions be heard by an independent commissioner.

Recommendation:

That the Finance and Corporate Committee;

- establish a hearing panel consisting of an independent commissioner to hear submissions and make recommendations on all submissions on the proposed variation to Regional Public Transport Plan 2014 for the Peninsula bus route to Council;

### 3. Dunedin Network Performance

Appendix 1 provides an overview of network performance on a month by month basis for the last year showing a strong performance in both patronage and revenue for the 12

month period. July 2018 patronage is up on the same period 2017 by 11%, whilst revenue is up by 10%.

The strong performance of the Dunedin network is as expected; a result of the increased levels of service and higher fuel prices.

#### **4. Dunedin Public Transport Satisfaction Survey**

The 2018 survey, conducted in July, shows an increase in passenger satisfaction, despite some significant changes to the network over the past 12 months. The overall satisfaction with the Dunedin network is 93% (up from 87% in 2017).

The introduction of more frequent services is evident in the 90% satisfaction for 'how often the service runs', up from 70% in 2017. The satisfaction with travel time at 96%, is an increase from 83% in 2017. Significant revisions to the website and social media – including an improved journey planner, dynamic timetables and a new alert system – are reflected in increases in 'ease of getting route information' and 'information about services and delays', both increasing by around 20% from 2017.

The full survey review is attached in the Appendix.

#### **5. Bus Hub**

Physical construction of the Dunedin Central Bus Hub is now well underway with work being undertaken by Fulton Hogan. Great King street is now currently one way to allow the significant pavement work required to be undertaken. The contractor has been working with local businesses to endeavour to minimise the impact on foot traffic accessing their premises while trying to ensure that work is undertaken in a timely manner.

With this site effectively being the original harbour edge the on-going monitoring of the excavation for heritage items is a requirement of the designation. The contractor has had the heritage advisor undertake several site visits to supervise the excavation of some minor artefacts which have been recorded and a report will be provided to council once the work is complete.

## Bus Hub Project Status:

Key Area	Project	Status	Comment
<b>Overall</b>			Construction commenced in accordance with the contract. Work is focused on the eastern side of Great King Street to ensure that the impact of that section of paving work is completed first. While the contractor has experienced some on site difficulties with regard to underground services, these are being dealt with and have not caused the contractor to request any time extension to date.
<b>Schedule (Timeline)</b>			Contract award: 5 July 2018 Site works commenced: 16 July 2018 Contract competition date: 20 Nov 2018 Forecast completion date: 20 Nov 2018
<b>Financial</b>			Approved contract: \$4.4m Actual claimed to date: \$0.41m Variations to date: \$0.03m Forecast spend at completion: \$4.43m
<b>Scope</b>			Scope of the project is defined in the construction contract with Fulton Hogan Limited. \$34.7k of variations have been claimed to date these predominantly relate to unforeseen ground conditions and underground structures. Procurement of on ground IT equipment sits outside the construction Contract. Real time data information will be introduced in conjunction with the ticketing project.
<b>Key Risks</b>			<ul style="list-style-type: none"> <li>• Below ground infrastructure – as with many parts of the City the definition of key underground infrastructure has been mapped. That said the specific detail can vary from that shown. The site engineer undertook an extensive review of all underground services prior to the letting of the contract however, until the excavation is complete ground conditions and unexpected services will continue to remain a risk.</li> <li>• Weather – remains a risk outside of Contractors control.</li> <li>• Business owners – the impact of the works on business owners is of critical concern to Council and the contractor. The contractor is using its best endeavors in keeping business owners informed of progress and issues as they arise. Maintaining customer access through the site is a contract requirement for the Contractor.</li> <li>• Safe public access – maintaining safe public access both to and through the site is critical. This provides challenges for the contractor who is constantly reviewing and monitoring public access to and through the site.</li> </ul>
<b>Issues</b>			<ul style="list-style-type: none"> <li>• H&amp;S incident – an incident relating to a member of the public has been reported and dealt with. The contractor has been reminded of their obligations and the need for vigilance with regard to onsite health and safety.</li> <li>• A kerb design issue has resulted in a small portion of kerb and channel in the vicinity of the St Andrew Street intersection having to be replaced.</li> </ul>

## **6. Waverley – Belleknowes, Route 19**

This service is scheduled to have its week day peak frequency (of 30 minutes) extended to the week day off-peak hours of operation at the end of June 2019. With the introduction of the bus hub scheduled for November this year requiring a number of service changes within the central city including this route, it is proposed to advance this service change to coincide with the introduction of the bus hub.

The gross cost of the service change was identified as a provisional item when the service was tendered at \$74,360 per annum (plus transport index adjustment and GST). This increase would be offset by the removal of an existing variation of \$30,341.94 per annum (plus transport index adjustment and GST) which was put in place to deal with the additional time in the off peak at the Waverley end of the service. Making the actual increase \$25,677.20 (plus transport index adjustment and GST) for the period between the bus hub going live and the scheduled commencement date of July 2019.

Staff are currently working with the operator to confirm these services can be advanced to coincide with the operation of the bus hub.

Subject to the operator confirming it can accommodate the new service in time it is recommended that Council approve advancing the commencement of the week day 30 minute off peak frequency to coincide with the Bus Hub becoming operational.

## **7. Queenstown Network Performance**

Queenstown fare revenue and patronage continues to rise compared to the previous year. July shows a slight increase in revenue and patronage compared to the previous month. Fare revenue from 2018 to date shows revenue is up by 5% as we reach the middle of the year, continuing to outperform projections. Patronage to date is also showing an 157% increase compared to the same time last year. July patronage is a high point for the network, being 167% higher than July 2017, with an additional 14,500 trips compared to June 2018.

Graphs and further information can be seen at Appendix 2 which provides an overview of network performance from the commencement of the new services in November 2017. While the network has exceeded expectations to date, congestion issues along SH 6 between Frankton and Queenstown continues to be of concern causing issues with some of the connecting services at Frankton Hub.

## **8. Wakatipu Public Transport Satisfaction Survey**

The first Wakatipu Public Transport satisfaction survey took place in August, and has delivered some very positive results, with an overall level of satisfaction with the network at 95%, and several categories rated between 95% and 99%.

Most results were at the 90% or above level, with the exceptions being 'how often the services run' at 78%, 'information about services and delays' at 71%, and 'bus is on time' at 85%. These results are in line with expectations, given feedback that has been received requesting additional services in certain areas, together with continued rush hour congestion and roadworks contributing to timeliness concerns.

When comparing to the Dunedin survey, there are similar levels of satisfaction but also some clear contrasts in other areas; for example, the percentage of commuters (58% 'travelling to work' versus 28% in Dunedin) and the number of Super Gold card holders (6% versus 31% in Dunedin). These figures and other results help illustrate the differing challenges facing each network.

The full survey review is attached in the Appendix.

#### **9. Lake Hayes Estate increased evening peak frequency**

The Lake Hayes Estate – Jacks Point service currently has a 30 minute morning peak, and 60 minute evening peak frequency. The evening service reliability, due to congestion, is causing connection issues at Frankton Hub. It is therefore proposed that the afternoon service be changed from the current 60 minute frequency to 30 minutes.

The gross cost of this adjustment is \$68,151 per annum (plus transport index adjustment and GST).

The timing of this change would be undertaken as soon as the contractor is able to confirm they have sufficient driver numbers to accommodate the increased frequency.

#### **10. World Car Free Day**

Last year this Council supported World Car Free Day by providing free bus travel for that day to all passengers on the Dunedin public transport network. Last year the event was not extended to the Queenstown network because it was not within Council's control at the time of the event. The event was well received by the wider community and well supported by the DCC and NZTA.

Unlike last year this year's World Car Free Day is scheduled on weekend, being Saturday 22 September. Staff recommend that Council support the initiative and extend this to include the Queenstown network.

## **Recommendation**

- a) That this report be noted.
- b) That Waverley – Belleknowes week day off peak frequency be advanced to coincide with the bus hub becoming operational, subject to the operator confirming it can meet the timing requirement.
- c) That the finance and corporate committee appoint an independent commissioner to hear submissions and make recommendations on all submissions on the proposed variation to Regional Public Transport Plan 2014 for the Peninsula bus route to Council.
- d) That the Lake Hayes Estate – Jacks Point service afternoon frequency be increased to 30 minutes as soon as practicable.
- e) That the Finance and Corporate Committee support the World Car Free Day initiative with the provision of free scheduled services on Saturday 22 September 2018.

**Endorsed by:** Nick Donnelly  
**Director Corporate Services**

## **Attachments**

- 1. Dunedin and Wakatipu Transport Network Performance July 2018 **[10.4.1]**
- 2. Dunedin Survey **[10.4.2]**
- 3. Wakatipu Survey - Stats for Committee Report **[10.4.3]**



## 11. MATTERS FOR NOTING

### 11.1. CS1842 12 Month Review to 30 June 2018

**Prepared for:** Finance and Corporate Committee  
**Report No.** CS1842  
**Activity:** Governance Report  
**Prepared by:** Mike Roesler, Manager Corporate Planning  
**Date:** 22 August 2018

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#### 1. Purpose

The purpose of this report is to present the Council's 12 month review of performance for the financial year 2017/18. The review is based on the statements of service performance adopted in the 2017/18 Annual Plan and is detailed in the attached report.

#### 2. Background

Formal reviews of progress on Council activity has been completed and reported at four, eight and twelve months. The attached report '12 Month Review to 30 June 2018' summarises the Activity progress for the 2017/18 financial year. This report forms the basis of the Statement of Service Performance in Council's 2017/18 Annual Report scheduled for adoption at its 26 September 2018 meeting.

Council's 2017/18 Annual Plan includes levels of service to be met for the significant activities undertaken by Council, and specific areas of work within the activities. Progress in achieving the levels of service and specific areas of work are reported against in each year's Annual Report.

The attached report shows financial and non-financial results compared with the Annual Plan levels of service, specific areas of work and budgets for the 12 months to 30 June 2018 is circulated with the agenda.

The report also provides commentary on variations between actual and estimated expenditure and revenue.

#### 3. Recommendation

- a) *That the '12 Month Review to 30 June 2018' report be received.*

**Endorsed by:** Nick Donnelly  
**Director Corporate Services**

#### Attachments

Attachment 1: 12 Month Review to 30 June 2018

## 11.1. CS1839 Financial Report to 30 June 2018

**Prepared for:** Finance and Corporate Committee  
**Report No.** CS1839  
**Activity:** Provisional Financial Report to 30 June 2018  
**Prepared by:** Stuart Lanham, Finance Manager  
**Date:** 29 August 2018

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### 1. Précis

The purpose of this report is to provide a summary of the Council's provisional financial performance compared to budget for the year ended 30 June 2018, and a summary of the financial position as at that date.

This report is provisional only, as the Council auditor Deloitte is currently undertaking the audit of the financial statements, and until completion of the audit process the financial report remains subject to change.

### 2. Provisional Statement of Comprehensive Revenue and Expenses

The following Statement of Comprehensive Revenue and Expenses shows income from all external revenue sources, and all external operating expenditure for the period of the report.

**Otago Regional Council**  
**Provisional Statement of Comprehensive Revenue and Expenses**  
**for the year ended 30 June 2018**

Description	Note	\$000's		
		Year to 30 June 2018		
		Budget	Actual	Variance
<b>Revenue:</b>				
Rate revenue		20,910	20,908	(2)
Government subsidies	2.1	11,926	10,893	(1,033)
Other revenue	2.2	11,449	9,407	(2,042)
Dividend from Port Otago Ltd	2.3	9,000	9,000	-
Interest & investment income	2.4	1,512	2,598	1,086
Rental income		1,002	1,051	49
Investment property revaluation gain	2.5	333	312	(21)
		<b>56,132</b>	<b>54,169</b>	<b>(1,963)</b>
<b>Less expenses:</b>				
Operating expenses		40,313	40,696	(383)
Employee benefits expense		15,311	15,542	(231)
Depreciation & amortisation		2,014	2,082	(68)
Finance expenses		2	3	(1)
		<b>57,640</b>	<b>58,323</b>	<b>(683)</b>
<b>Surplus/(deficit)</b>		<b>(1,508)</b>	<b>(4,154)</b>	<b>(2,646)</b>
Income tax benefit		115	98	(17)
<b>Surplus/(deficit) after tax</b>		<b>(1,393)</b>	<b>(4,056)</b>	<b>(2,663)</b>
<b>Other comprehensive revenue &amp; expense:</b>				
Revaluation gain on POL shares	2.6	10,000	49,471	39,471
<b>Net Comprehensive Revenue and Expense</b>		<b>8,607</b>	<b>45,415</b>	<b>36,808</b>

In the statement above, bracketed variances indicate revenue less than the budgeted level, and expenditure in excess of the budgeted level.

**Note 2.1 – Government Subsidies**

Council receives subsidies from Government agencies on eligible expenditure. The level of subsidy income is therefore directly related to the level of eligible expenditure.

Subsidy income from the Public Passenger Transport project is down \$1,039,000 on the budget of \$10,258,000.

The main variance in this activity group is the electronic ticketing system replacement project. The annual budget anticipated the project would be funded from NZ Transport Agency subsidies of \$2,003,000 and drawings on transport reserves. This is a complex project involving a consortium of nine regional councils and the project is running behind the budgeted timeline. Consequently, revenue from government subsidies is down \$1,375,000 on the budget of \$2,003,000.

**Note 2.2 – Other Revenue**

The amount of other revenue earned of \$9,407,000 is \$2,042,000 less than the budgeted amount of \$11,449,000.

The budgeted other revenue income category largely comprises revenue that is directly related to the level of activity undertaken. The projects contributing significantly to the variance, and being largely due to lower levels of activity, are the resource consents and compliance monitoring projects, with a combined variance of \$866,000 against budgets totaling \$2,356,000, and external pest control contracting with a variance of \$350,000 against the budget of \$440,000 due to lower demand in that activity.

Fare revenue in relation to the passenger transport activity is down \$650,000 on the budget of \$7,040,000 due to the timing of service changes being introduced later than planned in the budget. Dunedin network changes were budgeted from 1 July 2017 and introduced in September 2017. The new Council funded service in Queenstown was budgeted from 1 October 2017 and was introduced in November 2017.

**Note 2.3 – Dividend Income from Port Otago Limited**

The total dividends received during the year amount to \$9.0 million, comprising interim ordinary dividends for the June 2018 year of \$7.0 million, a special dividend of \$1.5 million and a final dividend of \$0.5 million for the June 2017 year received in September 2017.

**Note 2.4 – Interest and Investment Income**

This revenue line comprises interest earned on term deposits and bank accounts of \$1,069,000, and an increase in fair value of the managed fund portfolio of \$1,529,000.

The increase in fair value of the managed fund incorporates income received, and changes in the market value of investments due to price changes, and foreign exchange rates where applicable. The overall change in fair value is subject to monthly fluctuations due to movements in the market valuation factors.

**Note 2.5 – Investment Property Revaluation Gain**

Investment property is revalued by an external valuer annually as at 30 June. The June 2018 valuation of \$11,137,000 has resulted in a revaluation gain of \$312,000, reflecting a gain of 2.9% on the previous year valuation amount. The revaluation gain has been transferred to the Property Revaluation Reserve.

**Note 2.6 – Revaluation Gain on Port Otago Ltd Shares**

The Council's 100% shareholding in Port Otago Limited is revalued annually by an external valuer as at 30 June. It is noted that the valuation comprises Port Otago Limited and all entities in which the company has an interest, including Chalmers Properties Ltd.

The June 2018 valuation of \$488.508 million, has resulted in a revaluation gain of \$49.471 million, representing an 11.27% gain on the previous year valuation.

The revaluation gain of \$49.471 million exceeds the budgeted gain of \$10.0 million by \$39.471 million, and is the most significant variance in the net comprehensive revenue and expense variance of \$36.808 million.

The revaluation gain has been transferred to the Available-for-Sale Revaluation Reserve.

### 3. Provisional Statement of Financial Position

A Provisional Statement of Financial Position follows, and shows the Council's financial position at 30 June 2018, along with budgeted amounts for the financial position at 30 June 2018, and comparative amounts as at 30 June 2017.

<b>Otago Regional Council Provisional Statement of Financial Position as at 30 June 2018</b>				
<i>\$000's</i>				
<b>Description</b>	<b>Note</b>	<b>Budget 30 June 2018</b>	<b>Actual 30 June 2018</b>	<b>Actual 30 June 2017</b>
<b>Current assets</b>				
Other financial assets	3.1	41,198	40,311	54,057
Cash and cash equivalents	3.1	3,765	8,125	4,433
Trade and other receivables	3.2	3,286	8,709	3,568
Property held for sale		1,284	214	1,093
Other current assets		207	231	261
		<b>49,740</b>	<b>57,590</b>	<b>63,412</b>
<b>Non-current assets</b>				
Shares in Port Otago Ltd	3.4	438,239	488,508	439,037
Property plant and equipment		93,922	89,536	86,313
Investment property	3.5	11,431	11,137	10,825
Intangible assets		3,357	2,196	2,066
Deferred tax asset		98	98	98
		<b>547,047</b>	<b>591,475</b>	<b>538,339</b>
<b>Total assets</b>		<b>596,787</b>	<b>649,065</b>	<b>601,751</b>
<b>Liabilities – all current</b>				
Trade and other payables		4,134	9,022	7,159
Employee entitlements		1,483	1,701	1,665
		<b>5,617</b>	<b>10,723</b>	<b>8,824</b>
<b>Net assets</b>		<b>591,170</b>	<b>638,342</b>	<b>592,927</b>
<b>Public equity and revaluation reserves</b>				
Public equity		133,746	128,536	133,549
Available-for-sale revaluation reserve	3.4	418,239	468,508	419,037
Asset revaluation reserve	3.5	9,370	9,076	8,764
		<b>561,355</b>	<b>606,120</b>	<b>561,350</b>
<b>Other reserves</b>				
Building reserve		13,770	13,096	13,614
Kuriwao endowment reserve		6,339	6,432	6,361
Asset replacement reserve		4,560	6,978	5,820
Emergency response reserve		4,168	4,182	4,033
Water management reserve		736	1,039	1,427
Environmental enhancement reserve		242	495	322
		<b>29,815</b>	<b>32,222</b>	<b>31,577</b>
<b>Total equity and reserves</b>		<b>591,170</b>	<b>638,342</b>	<b>592,927</b>

### **Note 3.1 – Other Financial Assets and Cash and Cash Equivalents**

Funds surplus to the Council's immediate and short-term requirements are managed on Council's behalf by the BNZ. An investment portfolio and term deposits with durations of 4-12 months are included in the classification 'Other financial assets'. Current bank balances and term deposits with durations of less than four months are included in 'Cash and cash equivalents'.

### **Note 3.2 – Trade and Other Receivables**

The receivables amount at 30 June of \$8.709 million includes receivables and accruals of \$5.257 million in respect of transport operations, comprising NZTA subsidy claims, receivables from Councils associated with the Electronic Ticketing System consortium, and receivables from other Councils and parties in respect of Dunedin and Queenstown transport operations.

Other significant receivables are rates debtors of \$393,000 and a net GST refund of \$1,031,000.

### **Note 3.4 – Shares in Port Otago Ltd and Available-for-sale Revaluation Reserve**

As referred to in note 2.6 earlier in this report, the shares in Port Otago Ltd have been revalued as at 30 June 2018, and the revaluation gain of \$49.471 million has been transferred to the available-for-sale revaluation reserve.

### **Note 3.5 – Investment Property and Asset Revaluation Reserve**

As referred to in note 2.5 earlier in this report, investment property has been revalued as at 30 June 2018, and the revaluation gain of \$312,000 has been transferred to the property revaluation reserve.

## **4. Activity Expenditure**

Activity Expenditure to 30 June 2018 is reported upon in a separate report to the Finance and Corporate Committee so is excluded from this report.

## **5. Recommendation**

- a) *That this report is received.*

**Endorsed by:** Nick Donnelly  
**Director Corporate Services**

## **Attachments**

## 11.2. CS1849 Property Update

**Prepared for:** Finance and Corporate Committee  
**Report No.:** CS1849  
**Activity:** Governance Report  
**Prepared by:** Ian McCabe, Executive Officer  
**Date:** 7 September 2018

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### Purpose

- [1] To provide a summary of the costs arising from establishing the new Council Chamber and associated workspaces at Philip Laing House, and the costs associated with most recent investigation and preliminary design for Council's principle premise replacement.

### Background

- [2] In March 2016, Council resolved that its long-term accommodation needs would not be met at the existing head office premise in Stafford Street, and the Council should plan to vacate the existing premises within three years. Staff were instructed to commence work on identifying potential sites and include opportunities for potential reuse of existing buildings, including options for heritage buildings.
- [3] In June 2016, Council resolved to confirm its preference to own its Head Office premises and land, and confirm the site at 15 Dowling Street be investigated for the development of concept designs and construction estimates.
- [4] Following a comprehensive tender evaluation, staff engaged a collaborative partnership of McCoy Wixon Architects of Dunedin, and Warren and Mahoney of Christchurch to provide architectural design services. Their initial brief was to carry out the observation, survey and data collection phases of the project and to develop a design philosophy and preliminary concept design.
- [5] Staff also engaged Rawlinsons as its quantity surveyor to provide preliminary cost estimates for the project.
- [6] The design philosophy and preliminary concept design for Dowling Street were delivered in July 2017. Further detailed investigation and design was then halted while negotiations to purchase Dowling Street continued.
- [7] In August 2017, Council authorised staff to secure additional space at Philip Laing House as an interim accommodation measure to address staff occupancy pressures at the Stafford Street head office until the longer-term accommodation measures were eventually resolved with constructing and occupying a new premise.
- [8] The lease was signed in September 2017.
- [9] Staff subsequently engaged the head office design team of McCoy Wixon Architects + Warren and Mahoney to provide architectural services for the fitout. This engagement

was carried out as a variation to the existing head office architectural services contract. The design brief included applying the design philosophy for head office to the new space.

- [10] Council approved the contract to carry out the physical works in December 2017.
- [11] The completed floor was handed over to Council in July 2018.
- [12] In June 2018, Council resolved to withdraw its offer to purchase Dowling Street when it became apparent that an acceptable deal was unlikely to eventuate. Staff were instructed to consider other sites for potential purchase. That work is underway.

**Philip Laing House**

- [13] Philip Laing House was largely completed and handed over to Council in late July 2018.
- [14] The new Council Chamber was blessed, and the first Committee meetings held there on Wednesday 1 August 2018.
- [15] Staff from Council’s passenger transport and integrated ticketing teams moved in on Friday 3 August 2018.
- [16] Total cost for the project as at 3 August 2018 is set out in the following table compared with the original project cost estimate approved by Council in December 2017.

Item	Project Cost Estimate	Project Cost Actual
Tenant Fitout (ORC)	\$414,477	\$362,502
Contingency	\$20,723	\$11,215
FF&E		
FF&E – Less Furniture and AV	\$46,100	\$16,428
Furniture	\$186,909	\$146,001
Audio Visual	\$160,000	\$126,464
Contingency	\$18,750	0
Consultant/Professional Fees	\$221,840	\$264,407
Contingency	\$22,184	0
Local Authority Costs	\$3,000	\$4,137
<b>TOTAL ORC COSTS</b>	<b>\$1,075,984</b>	<b>\$931,154</b>
Landlord Fitout	\$453,422	\$260,844
<b>TOTAL PROJECT COSTS</b>	<b>\$1,529,406</b>	<b>\$1,191,998</b>

- [17] While there were significant savings found in the fitout costs and with FF&E, the project overspent in consultant and professional fees. This came about in two key areas. Firstly, the design and specification required rework due to changes requested by Council staff during detailed design. Secondly, project management costs were a little higher than originally anticipated as the project timeline was extended. This was primarily due to unanticipated work required in the services riser of the building that had to be resolved by the building owner.



- [18] Staff are currently considering signage requirements for the foyer of Philip Laing House and for the tenancy. Signage was not included in the original budget estimates for the project. Staff considered it appropriate to wait until the fitout was completed before signage requirements were scoped and costed.

#### Principle Premise Replacement – Dowling Street

- [19] Work on replacing the principle premise (i.e. Stafford Street head office) since June 2016 has centred around Council's preferred site of 15 Dowling Street. The costs of the work carried out since June 2016 are set out in the following table.

Item	Year			Total
	16/17	17/18	18/19	
<b>Principle Premise Replacement</b>				
Professional Fees	\$280,000	\$42,884	-	\$323,069
Other	\$1,483	-	-	\$1,483
Office Sundries	\$344	\$239	\$25	\$607
Staff	\$58,396	\$20,339	\$3,123	\$81,858
<b>Principle Premise Replacement Total</b>	<b>\$340,407</b>	<b>\$63,462</b>	<b>\$3,148</b>	<b>\$407,017</b>
<b>Staff Consultation Group</b>				
Professional Fees	\$13,313	-	-	\$13,313
Other	\$393	-	-	\$393
Office Sundries	\$9	-	-	\$9
Staff	\$16,520	\$37	-	\$16,557
<b>Staff Consultation Group Total</b>	<b>\$30,234</b>	<b>\$37</b>	<b>\$3,148</b>	<b>\$30,271</b>
<b>TOTAL</b>	<b>\$370,642</b>	<b>\$63,499</b>	<b>\$3,148</b>	<b>\$437,288</b>

- [20] The bulk of the expenditure was in 2016/17. McCoy Wixon Architects + Warren and Mahoney were engaged to carry out the observation, survey and data collection phases of the project and to develop a design philosophy and preliminary concept design.
- [21] The design philosophy and preliminary concept design for Dowling Street were delivered in July 2017.
- [22] The staff consultation group was also established in 2016 to provide staff input and engagement into developing the design philosophy. The group was particularly active in late 2016 and early 2017 but has not re-convened since.
- [23] Council budgeted \$2.3M in 2016/17 on the expectation that it would potentially be in a position to purchase a new site.
- [24] Council budgeted \$665,000 in 2017/18 to complete detailed design, carry out community consultation, complete construction drawings and specification, and to go out to tender for principle construction contractor. This was not commenced while negotiations to

purchase the Dowling Street site were underway and there remained no reasonable certainty that Council would own and occupy it.

#### **Next Steps**

- [25] With Council's decision to withdraw its offer to purchase Dowling Street, staff have commenced the search for a new site.
- [26] Council's existing design and project management teams are well placed to assist staff with considering the feasibility or otherwise of potential new sites. The observation, survey and data collection phases of the project are completed – the design team understand our business needs and expectations.
- [27] Furthermore, staff consider that the design philosophy and elements of the preliminary concept design promoted for Dowling Street can be applied to any new site.
- [28] Staff will report back on to Council on the search for a new site, including the feasibility or otherwise of applying the design philosophy and elements of the preliminary concept design shortly.

#### **Staff Recommendation**

*That the Committee:*

- 1) ***Receives this report.***

**Endorsed by:** Nick Donnelly  
**Director Corporate Services**

#### **Attachments**

Nil

### 11.3. CS1840 Ladies Mile - Special Housing Area

**Prepared for:** Finance and Corporate Committee  
**Report No.** CS1840  
**Activity:** Governance Report  
**Prepared by:** Nick Donnelly, Director Corporate Services  
**Date:** 27 August 2018

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#### 1. Précis

This report provides information on Councils involvement in the Ladies Mile Special Housing Area Housing Improvement Fund application including submissions made by Council and an update on recent meetings Council staff have been involved in.

#### 2. Background

At the Policy Committee meeting on 1 August 2018 it was resolved:

*“That the CE be asked to (a) prepare a paper on submissions and feedback process for the next Committee round, and (b) circulate all submissions on Council’s behalf to Councillors”.*

*“We have a meeting with QLDC to create a plan for how we dually communicate aspirations for public transport in relation to Ladies Mile by the end of August 2018.”*

This paper provides information in response to these resolutions.

#### 3. Ladies Mile Special Housing Area (SHA) and the Housing Improvement Fund (HIF)

Queenstown Lakes District Council (QLDC) formally submitted the Housing Infrastructure Fund (HIF) Detailed Business Case (DBC) for Ladies Mile on 13 July 2018. This proposal is to provide for 1,100 new homes at Ladies Mile and key assumptions focus around the transport interventions required to accommodate this level of growth in the area. This includes ambitious requirements for mode shift away from single use motor vehicles. Assuming the DBC is approved by the Crown and NZTA it is intended a Memorandum of Understanding (MOU) will be developed for the purpose of confirming the expectations around trigger points and interventions relating to State Highway 6 along Ladies Mile (between Lake Hayes and the Shotover River bridge). ORC will be expected to be a signatory to this MOU with respect to Council’s role in the public transport interventions required.

#### 4. Otago Regional Council Submissions and Feedback

As part of the finalisation of the DBC Council staff provided feedback on the DBC and supporting documentation in early July 2018. Note this was not a submission as part of a formal QLDC consultation process. Staff raised their concerns around the level of public transport intervention required in relation to the development and noted that information was required on the assumptions used to determine those requirements. Staff also noted that no funding was included for public transport in the HIF application itself.

Feedback provided on 11 July was:

*“We have some concerns about the reliance on Public Transport and how it is proposed to be achieved within the DBC.*

*The integrated transport assessment appears through 6.1 and table 12, to apply some key intervention triggers with regard to frequency that may or may not be viable especially the frequency referred to in table 12.*

*In addition, table 22 in the DBC it is unclear where the targets are set from with regard to items 3, 5, 7, and 9. It is also noted that the DBC appears to be silent on the necessary funding for PT and it is unclear what the implications are if these are not achieved.”*

**5. Meetings held in August 2018**

Council staff participated in a series of workshop meetings with staff from MBIE, QLDC and NZTA staff to work through the concerns raised by Council in its feedback on the DBC above. These meetings occurred on 16, 20 and 27 August and made progress towards getting a full understanding of what may be required from this Council. Once those requirements are fully understood separate business case processes will need to occur and funding approvals sort for any investment approved by this Council. The 2018-28 Long Term Plan doesn't specifically provide any funding for additional services in relation to Ladies Mile as those requirements and the funding amounts are yet to be determined.

**6. Recommendation**

a) *That this report is received and noted.*

**Endorsed by:** Nick Donnelly  
**Director Corporate Services**

**Attachments**

Nil