



NOTICE OF MEETING

**Notice is hereby given of the Meeting of the
Finance and Policy Committee
to be held in the Council Chamber,
First Floor, Civic Administration Building,
101 Esk Street, Invercargill on
Tuesday 25 June 2019 at 4.00 pm**

Sir T R Shadbolt, KNZM JP
Cr D J Ludlow (Chairman)
Cr G D Lewis (Deputy Chair)
Cr R L Abbott
Cr R R Amundsen
Cr I R Pottinger
Cr L S Thomas

EIRWEN HARRIS MITCHELL
MANAGER, SECRETARIAL SERVICES

Council's Values:

- Responsibility Take ownership of decisions and outcomes, both collectively and individually.
- We willingly share our knowledge.
 - We acknowledge our mistakes, work to resolve them and learn from them.
 - We give and receive feedback in a constructive manner to resolve issues.
 - We do our job with total commitment.
- Respect Everyone is important, as are their views.
- We support and care for each other.
 - We stop to listen, learn and understand.
 - We communicate in an honest, up-front and considerate manner.
 - We maintain confidences and avoid hurtful gossip.
- Positivity Always look on the bright side of life.
- We are approachable, interested and friendly.
 - We are open and receptive to change.
 - We acknowledge and praise the efforts of others.
 - We work together as a team to get the job done.
- Above and Beyond Take opportunities to go the extra mile.
- We take the initiative to improve our work practices to get the best results.
 - We challenge ourselves and each other to make it better.
 - We take pride in providing the best possible outcomes.
 - We are ambassadors for our Council at all times.

Council's Vision for the City:

Enhance our City and preserve its character, while embracing innovation and change.

Council's Vision:

We are an energised, fun and innovative team that makes it better for each other and our community.

Council's Mission:

Making it better by making it happen.

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Moved, seconded that the public be excluded from the following parts of the proceedings of this meeting; namely

(a) Freeholding of Land – 150 Spey Street.

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)(d) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Freeholding of Land – 150 Spey Street	Enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(i)

**INVERCARGILL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER**

A2279220

ELECTED MEMBERS			
NAME	ENTITY	INTERESTS	PROPERTY
RONALD LINDSAY ABBOTT	Invercargill City Council Kiwi-Pie Radio 88FM Invercargill Invercargill Art Gallery Invercargill Venues and Events Management	Councillor Director / Broadcaster Council Representative / Board Member Director	
REBECCA RAE AMUNDSEN	Invercargill City Council Arch Draught Ltd BP Orr Ltd Task Ltd Arts Murihiku Dan Davin Literary Foundation Heritage South Glengarry Community Action Group SMAG Board Venture Southland Southland Regional Heritage Committee	Councillor Director Director Director Trustee Trustee/Chair Contractor Events Co-ordinator (Volunteer) Council Representative Council Representative Council Representative	

**INVERCARGILL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER**

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ALLAN JAMES ARNOLD	Invercargill City Council Ziff's Café Bar Ltd Buster Crabb Ltd Ziff's Tour Ltd Ziff's HR Ltd Ziff's Trust NZMCA Southland Aero Club Invercargill Club Invercargill East Rotary Southland Aero Club	Councillor Executive Director Executive Director Executive Director Executive Director Trustee Administrator Member Member Member Member Committee Member	
KAREN FRANCES ARNOLD	Invercargill City Council Funding Scheme	Councillor Trustee/Chair	
TONI MARIE BIDDLE	Invercargill City Council Invercargill Venue and Events Management Limited Southland Museum and Art Gallery Trust Board McIntyre and Dick Waihopai Runaka	Councillor Director Trustee Husband (Kris MacLellan) – Chief Executive Officer As a contractor	

**INVERCARGILL CITY COUNCIL ELECTED MEMBERS
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ALEX HOLLY CRACKETT	Invercargill City Council Ride Southland Southland Youth Futures Advisory Board Venture Southland and Sub Committee Sport Southland McIntyre Dick	Councillor Chair Chair Council Representative Trustee Marketing Manager	High Street Invercargill
IRWIN LLOYD ESLER	Invercargill City Council Bluff Community Board Bluff Maritime Museum Otatara Landcare Group	Councillor Council Representative Council Representative Member	
GRAHAM DAVID LEWIS	Invercargill City Council Invercargill City Holdings Limited Southland Indoor Leisure Centre Charitable Trust Bluff 2024 Rejuvenation Invercargill Community Recreation & Sports Trust Hospice Southland Invercargill City Properties	Councillor Director Trustee Officer Trustee Trustee Director	

**INVERCARGILL CITY COUNCIL ELECTED MEMBERS
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DARREN JAMES LUDLOW	Invercargill City Council Radio Southland Invercargill City Holdings Limited Invercargill Venue and Events Management Southland Museum and Art Gallery Trust Board Healthy Families Invercargill Murihiku Maori Wardens Southland Community Law Centre Invercargill Community Recreation and Sport Trust Invercargill City Properties	Councillor Manager Director Director / Chairman Trustee Board Member Board Member Board Member Trustee Director	770 Queens Drive Invercargill
IAN REAY POTTINGER	Invercargill City Council Southland Electronics Limited Santa Parade Organiser	Councillor Director Alice Pottinger (Wife)	171 Terrace Street Invercargill 9810
TIMOTHY RICHARD SHADBOLT	Invercargill City Council Invercargill Airport Limited Kiwi Speakers Limited SIT Ambassador	Mayor Director Director Contractor	

**INVERCARGILL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER**

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LESLEY FRANCES SOPER	Invercargill City Council Breathing Space Southland Trust (Emergency Housing) Omaui Tracks Trust National Council of Women (NCW) Active Communities Invercargill Public Art Gallery Citizens Advice Bureau Southland ACC Advocacy Trust	Councillor Chair Secretary/Treasurer Member Chair/Trustee Board Member Board Member Employee	137 Morton Street Strathern Invercargill 24 Margaret Street Richmond Invercargill
LINDSAY STEWART THOMAS	Invercargill City Council Invercargill City Holdings Limited HWCP Management Limited	Councillor Director Director	

**INVERCARGILL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER**

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EXECUTIVE STAFF			
NAME	ENTITY	INTERESTS	PROPERTY
PAMELA GARE	Invercargill City Council DJ & PM Gare Family Trust	Director of Environmental and Planning Services Trustee	
CLARE HADLEY	Invercargill City Council Hadley Family Trust	Chief Executive Trustee	
CAMERON MCINTOSH	Invercargill City Council	Director of Works and Services	
DAVID FOSTER	Invercargill City Council	Acting Director of Finance and Corporate Services Executive Director Foster and Associates Ltd	

**MINUTES OF THE FINANCE AND POLICY COMMITTEE MEETING OF THE
INVERCARGILL CITY COUNCIL HELD IN THE COUNCIL CHAMBER, FIRST FLOOR,
CIVIC ADMINISTRATION BUILDING, 101 ESK STREET, INVERCARGILL ON TUESDAY
21 MAY 2019 AT 4.00 PM**

PRESENT: Cr D J Ludlow – Chair
Cr G D Lewis – Deputy Chair
Cr R L Abbott
Cr R R Amundsen
Cr I R Pottinger
Cr L S Thomas

IN ATTENDANCE: Cr L F Soper
Cr I L Esler
Cr A J Arnold
Mrs C Hadley – Chief Executive
Mr D Foster – Interim Director of Finance
Mrs P Gare – Director of Environmental and Planning Services
Mr D Booth – Manager Financial Services
Mrs E Harris Mitchell – Manager Communications and Secretarial
Services
Ms P Horner – Building Assets Manager
Mr A Murray – Water Manager
Mr J Rees – Engineering Services Manager
Mrs K Simmonds – Accounting Technician
Mr J Botting - Management Accountant
Mr T O'Connor - Financial Accountant
Ms L Kuresa – Governance Officer

2. **APOLOGIES**

His Worship the Mayor and Cr Crackett.

Moved Cr Thomas, seconded Cr Lewis and **RESOLVED** that the apologies be accepted.

Note: Cr Abbott left the meeting at 4.02 pm.

3. **PUBLIC FORUM**

Nil.

4. **INTEREST REGISTER**

Nil.

5. **MINUTES OF THE MEETING HELD 9 APRIL 2019**

Moved Cr Ludlow, seconded Cr Amundsen and **RESOLVED** that the minutes be approved.

In response to a question as to whether there was an update on whether the funds from the sale of those lands in Bond Street could be used for flood protection, Mr Booth explained that the funds could not be used for that purpose, but Council could make a special resolution to change that if it wished to.

6. **QUARTERLY FINANCIAL REPORT – 31 MARCH 2019**

Mr Foster took the meeting through the report.

In response to questions, the following answers were given:

1. Council's forecast for this final quarter is around about \$9 million for what spending will happen, which was a bit on the high side but it will not be far from that mark. The Annual Plan and the forecasting process is trying to pick out the element of ensuring that if an item is not done, staff still need to report on it.
2. In the first forecast it was assumed the capital work programme will be carried forward and in looking at the Long-term Plan Council assumed that would be subsidised. NZTA have a system that tells us how much money they can give Council and in the mix of that, it was dependent on what projects will happen. The amount of money they give Council is a set amount and it's a difficult process to get another \$2 million if Council is going to expand the capital work programme. Their planning regime says that we need to put that into the next Land Transport programme and they would decide on an amount of the subsidy.

Note: Cr Abbott returned to the meeting at 4.31 pm.

Moved Cr Lewis, seconded Cr Thomas and **RESOLVED** that the report be received;

AND THAT

It be **RECOMMENDED** to Council that Council approves the Schedule of Forecast changes.

Note: Cr Esler left the meeting at 4.37 pm.

7. **DRAFT STATEMENT OF INTENT 2019-2020 – INVERCARGILL CITY CHARITABLE TRUST**

In response to a question as to why the recommendation says that "Council makes no comment on the draft Statement of Intent, Mr Foster explained that it was not a bad or good document but there were some issues that Council needed to work through with the entity. They were issues that Council would not get a resolution to from a statement of intent point of view. The Trust alluded to issues in the statement of intent but the Trust on its own did not have the capacity to address the issue. It needed to work with Council to address the big issue, which was Rugby Park Stadium.

Cr Amundsen said that it was easier if the changes to the document were identified so that Council was aware of it and asked if this could be done. Mr Foster explained that there were not changes to all the statement of intents from the previous year.

In response to a question as to how often meetings of the Trust were held, Mrs Hadley explained that she was a member of the Trust and it was statutory matters that generated the need for meetings. There were some matter such as funding applications that were generated outside of the meeting and reported subsequently.

In response to a question as to who was operating Rugby Park, Cr Ludlow explained that IVEM managed the facility but it did not own it.

Mrs Hadley explained that as Chief Executive responsible for IVEM and any management contract relating to Council services, she had sought a review of the arrangements and some clarity on the matters. The Committee could rest assured that a report would be coming to Council in the relatively near future.

Moved Cr Abbott, seconded Cr Pottinger and **RESOLVED** that the report be received;

AND THAT

It be **RECOMMENDED** to Council that Council makes no comment on the Draft Statement of Intent.

8. **DRAFT STATEMENT OF INTENT – INVERCARGILL VENUE AND EVENTS MANAGEMENT LIMITED**

Moved Cr Lewis, seconded Cr Amundsen and **RESOLVED** that the report be received;

AND THAT

It be **RECOMMENDED** to Council that Council makes no comment on the Draft Statement of Intent.

9. **DRAFT STATEMENT OF INTENT – SOUTHLAND MUSEUM AND ART GALLERY TRUST BOARD**

Moved Cr Thomas, seconded Cr Lewis and **RESOLVED** that the report be received;

AND THAT

It be **RECOMMENDED** to Council that Council makes no comment on the Draft Statement of Intent.

10. **DRAFT ANNUAL PLAN 2019/2020**

Mr Booth took the meeting through the report and the Draft Annual Plan 2019/2020. The Committee asked questions for clarity on the Annual Plan document.

In response to a question as to what the timeline process was going forward, Mr Foster explained that the Annual Plan could be adopted at the 28 May Council meeting as opposed to June. The key reason why it was brought to the Finance and Policy Committee was as Council was not consulting on the Annual Plan, there should a preliminary element in public discussion of what the Plan looked like. Council may decide to adopt the Plan in May or adopt it in June.

Cr Ludlow noted that the proposed general rates increase was below the target that was shown in the Long-term Plan for the next financial year, which was a positive step. With more accurate financial reporting, Council was testing more vigorously the carry forwards, so Council was in a position to adopt the Draft Annual Plan without consulting.

Moved Cr Ludlow, seconded Cr Abbott and **RESOLVED** that the report be received;

AND THAT

The Annual Plan be adopted at the 28 May 2019 Council meeting.

11. **URGENT BUSINESS**

11.1 **Minor Late Item – Costs of Professional Advice for Matters Relating to City Block**

Moved Cr Amundsen, seconded Cr Lewis and **RESOLVED** that the report on the Costs of Professional Advice for Matters Relating to City Block be received;

AND THAT

The matter be dealt with at tonight's Finance and Policy Committee Meeting under Public Excluded Session.

12. **PUBLIC EXCLUDED SESSION**

Moved Cr Ludlow, seconded Cr Thomas and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, namely:

- (a) *Minutes of meeting held 9 April 2019.*
- (b) *Film Otago Southland Invoice.*

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
(a) Minutes of meeting held 9 April 2019	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(i)
(b) Film Otago Southland Invoice	Protect the privacy of natural persons, including that of deceased natural persons	Section 7(2)(a)

There being no further business, the meeting finished at 5.38 pm.

TO: FINANCE AND POLICY
FROM: DAVE FOSTER, ACTING DIRECTOR OF FINANCE
MEETING DATE: TUESDAY 25 JUNE 2019

INVERCARGILL VENUES AND EVENTS MANAGEMENT LIMITED (IVEM)

SUMMARY

This report considers whether Invercargill Venue and Events Management Limited should continue to be a separately accounted for entity within the Invercargill group.

RECOMMENDATIONS

That the report “Invercargill Venture and Events Management” be received; and

That the Finance and Policy Committee recommend to Council that option 2 be accepted; and

That having taken into consideration the matters contained in section 7(5) of the *Local Government Act 2002* the Invercargill City Council resolve that Invercargill Venues and Events Management Limited is a small organisation, is not a council-controlled trading organisation and is exempted under Section 7 from being a council controlled trading organisation for the purposes of section 6 of that Act.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> No
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council’s Policy on Significance?</i> No, service levels remain the same
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> No
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> No
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> Yes. No implications

BACKGROUND

IVEM is a profit-oriented entity incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The company is 100% owned by Invercargill City Council. It is a Council Controlled Organisation as defined in Section 6(1) of the Local Government Act 2002 and is registered under the Companies Act.

The primary objective of the company is to manage and operate the Civic Theatre, the Scottish Hall and Rugby Park as well as promote events in Southland.

The total revenue of the entity is \$903,000 per annum of which \$306,000 comes from a Council grant. Costs are \$792,000 of which \$564,000 is paid as costs for services provided by Council.

Based on the revenue and expenses IVEM is a small entity that is tightly linked to Council for its operating viability.

The Assets of the Civic Theatre, Scottish Hall and Rugby Park are not owned by IVEM but are owned by Council or another Council entity. Responsibility for asset management and facility maintenance rests with Council. The staff employed are Council staff with the staff cost being reimbursed by IVEM to Council.

The costs of the structure being separately accountable are only moderate being the audit fee of \$107,000 plus officer administration fees. These would bring the total cost for separation up to around \$50,000 to \$60,000 per annum.

A review of IVEM operations indicates that it achieves results similar or identical to what could be achieved and indeed what were achieved prior to its formation. Staff have indicated that being fully part of the Council operation would not have a negative impact on operations. Directors are of a similar view.

OPTIONS

There are 4 options:

1. Transfer the undertaking to Council and wind up the company.
2. Transfer the undertaking to the Council and make the company exempt from the CCO and accounting provisions of the LGA.
3. Retain the entity with the current operating structure as a management entity.
4. Retain the company and transfer all assets into the company.

OPTION EVALUATION

- *Option 1 Transfer the undertaking and wind up IVEM Ltd*

Based on the scale of the operation and the costs of the separate accountability when compared to what the Council could achieve as an internal entity, there is little reason to retain the operation within IVEM. This would lead to savings of around \$50,000 per annum. Around \$35,000 of that saving would be in non-severable costs but would mean staff could use their time on more productive purposes.

Winding up the company could make sense however; it is worth noting that the costs of retaining the company are very low, if the company is not operating. Under Section 7 of the LGA a Local Authority may resolve that a subsidiary is exempt from being a CCO.

This is not the preferred option.

- *Option 2 Transfer the undertaking and Make IVEM Ltd an exempt organisation*

Based on the scale of the operation it makes sense to transfer the undertaking back to Council. Winding up the company would be wise if Council sees no further benefit or opportunity for the entity IVEM Ltd.

It is understood that the entity was formed to enable consolidation of a range of facilities in Council and Community ownership to be able to be operated on a consolidated basis. This would have the effect of the different entities not competing with each other for a limited number of events.

There is almost no cost in keeping a company as a shelf company, and wind up of a company is easier as more time elapses. This is due to creditors having more time to establish whether any debts are outstanding.

This is the preferred option.

- *Option 3 Retain the entity with the current undertaking*

This is the status quo. As stated earlier in the report, it is not an excessively expensive structure to maintain, but it is not achieving anything within the structure, which could not be achieved if it were part of Council. At present the staff are Council staff and nearly 70% of all expenditure is through Council. In addition Council pays an annual grant to the entity which is what enables the organisation to make a profit. The profit for 2018 was \$119,000 on which tax of 28% is charged. Tax payable is \$35,000. While Council should not adopt an alternate structure to eliminate a tax obligation, it does not seem reasonable to be paying a 100% owned entity in order for it to make a taxable profit. However if IVEM was achieving results which could not be achieved within Council then the taxation of those gains would be reasonable.

- *Option 4 Retain IVEM and transfer the managed assets into the company*

This would make the entity the owner and manager of the facility. A difficulty with this as an option is these are regarded as Community facilities and transferring into a CCO will almost certainly create some ill-will in the community.

If the assets were transferred then the entity would not be able to afford the maintenance of the facilities in the long term. This would make it difficult to get directors and it is likely that the facility maintenance rather than the use of the facility would become a core focus of the business. The Company would seek to get a larger grant from the Council as the depreciation on the buildings would put the company into an on-going operating loss. While some may think this would be good from a tax position, it is likely that the structure would not be able to claim the tax losses as there seems to be little business justification for transferring the assets. This may change over time and if circumstances change in relation to the scope of the operation.

This is not a preferred option.

CONCLUSION

Retaining the separate accountability of IVEM as a CCO is not warranted for the costs incurred. Management and accountability of Events and Venues would be as robust under the core Council operation and no benefits of separation have been identified. Therefore, transfer of the undertaking back to Council should occur to coincide with the end of the financial year.

Council should retain the company, Invercargill Venues and Event Management Limited, as a separate entity for a few years and then consider whether the company should be wound up. It is easier to wind a company up after some time has passed to ensure there are no residual liabilities to be dealt with. If the scope of Venues and Event Management changes prior to the company being wound up then the entity can be used for that purpose.

Council can resolve under Section 7 of the Local Government Act that an entity is exempt from being a CCO. Those clauses are extracted below.

- (3) *A local authority may, after having taken account of the matters specified in subsection (5), exempt a small organisation that is not a council-controlled trading organisation, for the purposes of [section 6\(4\)\(i\)](#).*
- (4) *An exemption must be granted by resolution of the local authority.*
- (5) *The matters are—*
 - (a) *the nature and scope of the activities provided by the organisation; and*
 - (b) *the costs and benefits, if an exemption is granted, to the local authority, the council-controlled organisation, and the community.*

S7 Local Government Act 2002.

If IVEM Ltd is not trading, which would be the case if the undertaking transferred to Council, then the exemption could be resolved and all assets could be purchased at fair value by Council. Liabilities could be settled out of the proceeds of the asset sales and from current cash holdings. Any surplus cash could be returned to Council by declaring a dividend. When this is complete the only cost of the entity will be to file an annual return to the Companies Office.
