



NOTICE OF MEETING

Notice is hereby given of the Meeting of the Finance and Projects Committee to be held in the Council Chamber, First Floor, Civic Administration Building, 101 Esk Street, Invercargill on Tuesday 24 January 2023 at the conclusion of the Community Wellbeing Committee meeting

Cr G M Dermody (Chair)
Mayor W S Clark
Cr A J Arnold
Cr T Campbell
Cr D J Ludlow
Cr I R Pottinger
Cr L F Soper
Cr B R Stewart

CLARE HADLEY
CHIEF EXECUTIVE

Finance and Projects Committee - Public

24 January 2023

Agenda Topic

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1. Apologies
2. Declaration of Interest
 - a. 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.
 - b. Elected members are reminded to update their register of interests as soon as practicable, including amending the register at this meeting if necessary.
3. Public Forum
4. [Minutes of the Finance and Projects Committee Meeting Held on 22 November 2022 \(A4169242\)](#) 4
5. Public Excluded Session

Public Excluded Session

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

- a) *Confirmation of Minutes of the Public Excluded Session of the Finance and Projects Committee Meeting Held on 22 November 2022*
- b) *Project 1225 Design Programme Update*

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 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
a) Confirmation of Minutes of the Public Excluded Session of the Finance and Projects Committee Meeting Held on 22 November 2022	Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
b) Project 1225 Design Programme Update	Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

**MINUTES OF FINANCE AND PROJECTS COMMITTEE, HELD IN THE COUNCIL CHAMBERS,
FIRST FLOOR, CIVIC ADMINISTRATION BUILDING, 101 ESK STREET, INVERCARGILL ON
TUESDAY 22 NOVEMBER 2022 AT 3.10 PM**

Present:
Cr G M Dermody
Mayor W S Clark
Cr A J Arnold
Cr T Campbell
Cr D J Ludlow
Cr I R Pottinger
Cr L F Soper
Cr B R Stewart

In Attendance:
Cr R I D Bond (via zoom)
Cr P M Boyle
Cr N D Skelt
Rev E Cook – Māngai – Waihopai (via zoom)
Mrs P Coote – Kaikaunihera Māori – Awarua
Mrs C Hadley – Chief Executive
Mr M Day – Group Manager – Finance and Assurance
Ms T Hurst – Group Manager – Customer and Environment
Ms E Moogan – Group Manager – Infrastructure Services
Mr S Gibling – Group Manager – Leisure and Recreation
Mr A Cameron – Strategic Advisor/GM – ICHL
Mr M Morris – Manager – Governance and Legal
Mrs P Christie - Manager – Financial Services
Ms R Suter – Manager – Strategy and Policy
Mr R Pearson – Manager – Strategic Asset Planning
Mr L Butcher – Project Director – Project Management Office
Ms L Knight – Manager – Strategic Communications
Mr G Caron – Digital and Communications Advisor
Ms M Cassiere – Executive Governance Officer

Note: The meeting commenced at 3.10 pm due to technical difficulties with live stream.

1. Apologies

Nil.

2. Declaration of Interest

Rev Cook declared a conflict of interest with regard to discussion around Southland Museum and Trust Board.

3. Minutes of the Extraordinary Meeting of Finance and Projects Committee held on Tuesday 1 November 2022

A4136885

Moved Cr Pottinger, seconded Cr Campbell and **RESOLVED** that the minutes of the Extraordinary Meeting of the Finance and Projects Committee held on Tuesday 1 November 2022 be confirmed.

4. Public Forum

4.1 Mr Noel J Peterson – Museum Rebuild and City Debt

In addition to his written submission, Mr Noel J Peterson took the meeting through the main points in his submission, and read aloud excerpts from newspaper articles about the museum. The articles were about the need to strengthen the existing building instead of building a new one and around the need for Council to consider climate change mitigation/impact and environmental footprint as well.

In response to a query whether the opportunity for a new building might create the chance to do a green design, Mr Peterson responded in the affirmative and said that it would be essential and that it should be open and transparent. He said that there was not a lot of detail about the building provided to the public.

In response to a query whether Mr Peterson read the re-envisioning Te Unua document against which the consultation had taken place last year, Mr Peterson said that he had not seen the document.

The Chair thanked Mr Peterson for taking the time to attend the meeting.

5. Museum Acceleration Report (Project 1225)

A4155831

Ms Erin Moogan and Mr Lee Butcher spoke to the report. Ms Moogan provided a summary on the background of the museum project. She said that with the incoming Council, staff had been asked whether the delivery of the museum project could be accelerated with a base building itself being constructed by December 2025, with the fit-out piece being completed afterwards. Staff had brought back information with two options as to how this could be achieved. Plan A would retain building the storage site at Tisbury and a new building constructed on the current site. Plan B would retain the existing museum building, not build a storage site in Tisbury, and build a new building adjacent to the current museum site.

Mr Butcher took the meeting through a presentation of both plans. He concluded that Plan A would be the recommended option to achieve the delivery date of December 2025.

Cr Skelt commended and thanked the staff for their hard work. He further noted that Plan A solved two issues through the protection of the heritage by building the storage facility and by accelerating the timeframe of the museum build. He further said that the

biggest risk would be in not doing this project and that the overall risk was minimal compared to other projects, which Council had undertaken in the past.

Mr Butcher was asked to provide information around Plan B. He said that in Plan B the Tisbury storage project and other areas were removed to see if that would have a positive effect. He said that with this plan, the alternative site would need to go through a change of use process that could take six to eight months. This process would then push other aspects, such as design to a later stage, and the delivery of the overall project would then be pushed to April 2026. He further noted in case the change of use was challenged, it would push the entire project out even further.

In response to a query whether there was report around other builds taking place in South Island, which could affect this project, it was noted that a brief market analysis had been conducted. However, since the current market was hyper-inflated, a report would not be possible due to the changing scenarios.

In response to query whether using the current museum as a storage facility, could prove to be a risk such as a fire hazard, it was responded in the affirmative.

Moved Cr Soper, seconded Cr Ludlow that the Finance and Projects Committee:

1. Receive the report Museum Acceleration Report (Project 1225).
2. Note that Project 1225 is a response to the desire by Council to have a museum building completed by December 2025.
3. Note the background to the existing museum development programme as set out in the previous consultation documents and other material in support of that decision making including that:
 - a) Council committed in its Long Term Plan 2021-2031 to invest \$39.4 million to redevelop the city's museum. This was to be part of a \$52.5 million total budget including \$13.1 million of third party funding.
 - b) Based on public feedback and the findings of the Museum Governance Group, Council also decided through the 2022/23 Annual Plan process to:
 - i. Deliver a new museum building in Queens Park to be completed in the 2026/2027 financial year at a total cost of \$65.5m made up of \$54.5m of Council investment and \$11m of external funding;
 - ii. Keep Queens Park as the site of the new museum;
 - iii. Provide a new home for the Tuatara near the new museum providing a connection with other Queens Park facilities; and
 - iv. Construct a separate storage facility at Tisbury to support the redevelopment.
4. **Recommend to Council** that it:
 - a) Confirm the accelerated delivery of the new museum to achieve Project 1225 through a new building completion date (excluding fit out) of December 2025;
 - b) That it direct staff that acceleration is to be achieved through the proposed Plan A, a new museum building on the existing pyramid site and construction of the separate storage facility at Tisbury.
5. **Recommend to Council** that in light of the decision on recommendation 2, staff be requested to proceed with the storage project for the Tisbury site.

6. **Recommend to Council** that it accepts:
- a) That accelerating the programme places the project outside Council's risk appetite adopted on 21 June 2021 of Medium for projects (Risk and Assurance Minutes A3432968).
 - b) That cutting the programme by ten months increases the project risk profile and that it is prepared to accept that level of project risk to achieve the Project 1225 goals and asks staff to report back on steps to mitigate them.
 - c) The acceleration risks outlined in the attached risk table particularly in the areas of procurement and tendering acceleration.
 - d) There is likely to be additional cost to the business to de-risk, where possible, the consequences of the accelerated program.
 - e) The seven Project Pillars and six Critical Success Factors developed to guide the project as outlined in the attached Annual Plan consultation document.

Moved Cr Pottinger, seconded Cr Campbell and **RESOLVED**:

7. That the Chief Executive provide a report on the reclassification of the remaining tennis court and the building west of the museum zone for future use.

The substantive motion, now put, was **RESOLVED**.

6. City Streets Stage 1 Cost Update

A4116454

Mr Russell Pearson and Ms Erin Moogan spoke to the report. Mr Pearson provided an update on the project and noted that 70% of the project had been completed. He also stated that it would take another four months to finish the project, that costs were being monitored, and that projections showed an increase of 10% above the current budget.

In response to a query that based on the learnings from Stage 1, what should be revised in the current budget for Stage 2, it was noted that Stage 2 was a simpler project and without the multi-façade as in Stage 1, and that the budget of Stage 2 would probably not be increased.

Moved Cr Soper, seconded Cr Pottinger and **RESOLVED** that the Finance and Projects Committee:

1. Receives the report "City Streets Stage 1 Cost Update";

Recommends to Council that it:

2. Notes the current cost to complete the project is estimated to be \$20.74m or 10% above the project budget;
3. Notes the outdoor dining changes outside ICL have provided the opportunity to review the shelter component of the City Streets project;
4. Approves the remaining shelter budget of \$460,000 be reallocated to the main project fund noting that further budget will be required if additional shelter proceeds at a later date.

7. Project Management Office Status Report

A4161769

Mr Lee Butcher spoke to the report and provided a summary on the status of projects from the Project Management Office.

In response to a query whether there was plan on recouping user charges from the Bluff Boat Ramp, it was noted in the affirmative.

In response to a query whether there was communication with the Bluff Community Board and the wider Bluff community around the timeframe on the delivery of the boat ramp project, it was noted that a number of communication and media work had been done and that a project control group had been established which included members of the Bluff community.

In response to queries around the delayed timeframe on the delivery of the Healthy Homes projects and when would the project be delivered, it was noted that the project was behind by approximately three months. It was noted that the target was to finalise consents this year, that building consent applications would be submitted early next year and that contractors would be on the ground by mid next year.

In response to a query around the status update of the Bluff Hill project, it was noted that this project was being managed through the Leisure and Recreation group and that a progress report could be brought back to the Community Wellbeing Committee meeting.

A query was raised whether during the Long Term Plan financing, the estimate of \$26 million to complete the refurbishment of the Civic Administration Building was factored into the forecasting. The response noted that the \$26 million was not factored in as Council had only approved the revised figure of \$ 16 million.

In response to a query about why was the \$ 26 million figure included in the report, which went into the Risk and Assurance Committee meeting in August 2022, it was noted that the \$26 million was a quantity surveyor estimate for the full building including everything that the building would need. That report had been to provide Council an oversight on what the estimated cost would be to complete a full refurbishment of the building.

Moved Cr Pottinger, seconded Cr Campbell and **RESOLVED:**

1. That the Finance and Projects Committee receives the report "Project Management Office Status Report".

8. 2022/2023 Quarter One Performance

A4145814

Ms Rhiannon Suter and Mrs Patricia Christie spoke to the report. Ms Suter provided a summary of the service level performance and noted the uptick of visitors across Council's public facing services.

Mrs Christie provided a summary on the financial performance and noted that the first quarter was slightly better than forecasted. She noted that depreciation had gone up to \$8 million due to the asset revaluation.

Queries were raised whether the \$8 million was ongoing and whether it was based on 100% depreciation. The response noted that it was ongoing and that it was an accounting entry for the depreciation. That funding for the full depreciation had not been done yet which meant that there was some unfunded depreciation left from the rates perspective.

In response to a query whether there were levers that could be pulled going forward, it was responded in the affirmative.

Moved Cr Soper, seconded Cr Ludlow and **RESOLVED** that the Finance and Projects Committee:

1. Receives the report "2022/2023 Quarter One Performance" and the Quarter One Performance Report (A4135079)

Recommends to Council that it:

2. Acknowledges that 68 of the 99 performance measures are currently on target, with six confirmed as not met for the year.
3. Recognises the lift in visitor numbers across Council's public facing services demonstrating a rebound after Covid, noting the exception of passenger transport.
4. Recognises that the financial performance is slightly above forecast, principally due to lower expenditure.
5. Recognises the importance of non-financial indicators to financial performance and seeks an amendment to the Governance Statement that the integrated quarterly performance report is within the delegated authority of the Finance and Projects Committee.
6. Approve the forecast changes outlined Schedule of Forecast Changes in the Quarter One Performance Report (A4145814).

Note: Cr Bond left the meeting at 4.00 pm.

9. Financial Update

A4154151

Mrs Patricia Christie spoke to the report. She noted that at the end of the first quarter Council had \$101 million of debt outstanding and \$58.04 million of cash and cash investments, resulting in a Net Debt balance of \$42.96 million. The average weighted interest rate was 2.51% and would be expected to rise significantly in the next quarter, as new borrowing would be taken on at much higher interest rate. She spoke about the loan to Invercargill Central Limited (ICL) and noted that it was currently sitting at \$18.95 million and was still below the maximum of \$31.45 million. She stated that there might be a risk if the loan was not repaid by December 2023.

Mrs Christie said that Council had retained its Fitch Credit Rating of AA+, which provided a stable outlook and assured surety going forward. She noted that cash and cash

investments, and borrowings were all currently within tolerance. She further spoke about debt management and that it was being closely monitored.

In response to a query around the frequency of meetings with ICL around their ability to repay the loan, it was noted that Council was in regular discussions with ICL.

In response to a query whether the indications pointed to ICL being able to repay the loan, it was noted that at the last update, they had indicated that they could repay a portion of the loan on time.

In response to a query as to when would ICL provide the next update with the actual numbers to Council, Mr Andrew Cameron noted that the update would take place when the Holding Company presented to Council on 1 December 2022. He said that the Holding company managed that investment and would be able to provide that update.

In response to a query about the decrease of rates arrears, it was noted that collection was ongoing which is why the arrears had decreased.

Note: Cr Bond re-joined the meeting at 4.13 pm.

In response to a query whether there was analysis around the reason for the arrears, it was noted that it was not currently noticeable however, such information would come forth as a number of people had indicated that they would not be paying rates.

In response to a query whether Council had recourse through banks and mortgages, it was responded in the affirmative.

In response to a query about the benefits from the LGFA fee compared to the open market, it was noted that Council borrowed only from LGFA and that they were still the cheapest source.

Note: Cr Soper acknowledged and commended the staff for their hard work and display of prudent management around the Fitch AA+ rating, and the remark by the Bancorp Treasury on Council's cost of funds being one of the lowest in the local government sector.

Moved Cr Campbell, seconded Cr Stewart and **RESOLVED** that the Finance and Projects Committee:

1. Receives the report 'Financial Update'.

Recommend to Council

2. That it notes:
 - a. At 30 September 2022, Council had \$101 million of debt outstanding and \$58.04 million of cash and cash investments, resulting in a Net Debt balance of \$42.96 million.
 - b. Outstanding debt has increased by \$0.7 million to \$1.4 million at 31 October 2022. The most significant increases are in the one and three-month overdue amounts and the Finance team will continue its collection activities.

10. Public Excluded Session

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

- a. *Minutes of the Public Excluded Session of the Extraordinary Meeting of the Finance and Projects Committee Held on 1 November 2022*
- b. *Financial Update*

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 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
a. <i>Minutes of the Public Excluded Session of the Extraordinary Meeting of the Finance and Projects Committee Held on 1 November 2022</i>	Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
b. <i>Financial Update</i>	Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

There being no further business, the meeting finished at 4.32 pm.