



COUNCIL 26. 6. 2014

FINANCE COMMITTEE
TUESDAY 3 JUNE 2014

A meeting of the Finance Committee
was held in the No. 1 Committee Room
on Tuesday 3 June 2014 at 9am.

PRESENT: Councillor Manji (Chairperson)
Councillors Turner (Deputy Chair), Buck, Chen, Gough, Johanson, Livingstone and
Lonsdale

IN ATTENDANCE: Nil.

APOLOGIES: An apology for lateness and early departure was received and accepted from
Councillor Buck who arrived at 9.05am and departed at 10.15am and was absent
for Clauses 4, 5, 7 9 and part of Clauses 1 and 4.

The Committee reports that:

PART A - MATTERS REQUIRING A COUNCIL DECISION

1. PERFORMANCE REPORT FOR THE NINE MONTHS TO 31 MARCH 2014

		Contact	Contact Details
General Manager responsible:	Chief Financial Officer		Peter Gudsell
Officer responsible:	Corporate Finance Manager Corporate Performance Manager	Y	Diane Brandish Peter Ryan
Author:	Planning and Reporting Manager		Bruce Moher

1. PURPOSE OF REPORT

- 1.1 This report provides an update on service delivery, financial, and capital works programme performance results for the nine months to 31 March 2014. The budgets and targets in this paper are based on those approved by the Council in the 2014-16 Three Year Plan, (TYP).
- 1.2 The report includes an updated overview on the financial impact of the earthquake response and recovery for the nine months to 31 March 2014.
- 1.3 This report is provided for information purposes only, no decision is required.
- 1.4 Attached are appendices showing summaries of:
 - Levels of Service graph as at 31 March 2014 (**Appendix 1**)
 - Levels of Service that are forecast to fail to meet target as at 31 March 2014 (**Appendix 1a**)
 - Levels of Service where intervention is required to meet target as at 31 March 2014 (**Appendix 1b**)
 - Levels of Service that require updating (**Appendix 1c**)
 - Financial performance for the nine months to 31 March 2014 (**Appendix 2**)
 - Significant capital projects (>\$250,000) as at 31 March 2014 (**Appendix 3**)

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- Housing Development fund and Christchurch Earthquake Mayoral Relief fund as at 31 March 2014 (**Appendix 4**).
- Building consents trend data (**Appendix 5**)

2. EXECUTIVE SUMMARY

- 2.1 Of the four reported financial areas below, three are financially positive in terms of signalling less borrowing required than planned. The cash operating shortfall remains an issue, albeit improved by an increase in the CCHL dividend. While the forecast deficit is under \$1m, there is risk that this could increase by several million due to unforeseen costs associated with the recent weather. Clearly, ongoing control of operational costs and revenue is vital if we are to avoid funding the deficit through an increase in next year's rates.

3. LEVELS OF SERVICE

- 3.1 The Council maintains performance targets across all its services as part of the Long Term Plan (or in this instance, the Three Year Plan.) Current forecasts show that the Council is likely to deliver 83.9 percent of its levels of service to targets set by Council as part of the TYP.
- 3.2 Performance targets in bold are those published to the community. They are intended to provide transparency to ratepayers about what each service delivers (quantity, quality and compliance with legislation). Non-bold measures are oriented at management of the service ie unit cost, efficiency, etc. Both types of target are normally reported to the Council.
- 3.3 Appendix 1a lists those Levels of Service that are forecast to fail their target, along with staff commentary. Appendix 1b lists those targets that are marginal at present, but which may be achieved if remedial actions are successful. Appendix 1c lists Levels of Service changes arising from Council decisions or the consent re-accreditation process.
- 3.4 Appendix 5 provides trend data from the Building consents area for the three months, January to March 2014.

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4. FINANCIAL PERFORMANCE SUMMARY

(\$m)	Year to Date Results			Forecast Year End Results			After Carry Forwards	
	Actual	Plan	Variance	Forecast	Plan	Variance	Carry Fwd	Result
<u>Council Activities</u>								
Expenditure	319.1	316.2	3.0	442.0	430.4	11.6	1.3	13.0
Revenues and Funding	-291.8	-287.6	-4.2	-420.9	-409.0	-11.9	-0.3	-12.2
Borrowing required	25.4	28.6	-3.2	21.4	21.4	0.0	-	0.0
Ratepayer cash operating shortfall (surplus)	1.9	-0.0	1.9	-0.3	0.0	-0.3	1.1	0.8
<u>Capital Programme</u>								
Expenditure	116.7	147.9	-31.2	182.3	185.6	-3.3	-	-3.3
Revenues and Funding	-59.2	-70.7	11.5	-91.9	-90.7	-1.1	-3.0	-4.1
Borrowing required	57.5	77.2	-19.7	90.4	94.9	-4.4	-3.0	-7.4
<u>Earthquake Rebuild</u>								
Expenditure	387.5	457.7	-70.2	574.2	831.3	-257.1	257.1	0.0
Recoveries and Funding	-403.4	-500.3	96.9	-594.6	-732.1	137.5	-147.8	-10.3
Borrowing required	-15.9	-42.6	26.7	-20.4	99.2	-119.7	109.3	-10.3
<u>Earthquake Response</u>								
Expenditure	51.3	52.2	-0.8	103.7	95.9	7.9	6.1	14.0
Recoveries and Funding	-32.5	-23.6	-8.8	-45.3	-29.0	-16.3	-2.4	-18.7
Borrowing required	18.9	28.5	-9.7	58.4	66.9	-8.4	3.7	-4.7
Total New Borrowing Required	85.9	91.7	-5.8	149.8	282.3	-132.5	110.1	-22.5

- 4.1 Key commentary on the four reported areas is given below. This is followed by a section for each area giving further details. A view of the Council's financial results by activity is provided in Appendix 2.
- 4.2 The Council Activities operating shortfall is slightly better than budget year to date, but forecast to be \$1 million higher than budget after carry forwards at year end. The forecast has improved by almost \$9 million this quarter mainly because of an increase in CCHL dividend (\$6 million) and building consent revenues (\$0.8 million to be on budget), accompanied by a decrease in expenditure due to lower consultants fees and lower debt servicing costs. Clause 5 provides details.
- 4.3 Capital programme expenditure is forecast to be \$3 million below budget this year after carry forwards. The forecast borrowing requirement for the capital programme is \$7 million less than budget, mainly because of higher development contributions. Clause 6 provides details.
- 4.4 Earthquake rebuild expenditure is forecast to be \$257 million under budget this year, all of which will be carried forward. The shortfall is comprised of a forecast underspend on Council delivered works (\$273 million) partially offset by SCIRT expecting to deliver ahead of programme (\$16 million). Borrowing is expected to be \$10 million less than budget mainly because of higher than budgeted recovery rates for NZTA. Clause 7 provides details.

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- 4.5 Earthquake emergency and response borrowing is forecast to be \$5 million lower than budget because of unbudgeted recoveries on stormwater temporary maintenance works. Clause 8 provides further detail.

5. COUNCIL ACTIVITIES

\$m	Year to Date Results			Forecast Year End Results			After Carry Forwards	
	Actual	Plan	Var	Forecast	Plan	Var	Net C/F	Result
Personnel costs	119.0	115.6	3.4	160.3	155.6	4.7	-	4.7
Less recharged to capital	-25.9	-23.1	-2.7	-32.2	-31.0	-1.2	-	-1.2
Grants and levies	29.2	33.1	-4.0	45.2	44.3	0.9	0.3	1.2
Operating costs	108.0	107.6	0.4	148.5	145.6	2.9	0.1	3.0
Maintenance costs	56.7	53.4	3.4	77.7	75.3	2.4	1.0	3.4
Debt servicing	32.1	29.6	2.5	42.6	40.6	2.0	-	2.0
Expenditure	319.1	316.2	3.0	442.0	430.4	11.6	1.3	13.0
Operating revenue	-86.4	-84.9	-1.5	-117.9	-117.4	-0.5	-	-0.5
Interest and dividends	-42.6	-36.8	-5.7	-81.3	-67.6	-13.7	-	-13.7
Rates income	-249.3	-251.3	2.0	-332.4	-335.0	2.6	-	2.6
Revenue	-378.3	-373.0	-5.2	-531.5	-520.0	-11.5	-	-11.5
Net Cost	-59.1	-56.9	-2.2	-89.5	-89.6	0.1	1.3	1.5
Less unavailable funds:								
Special Funds	4.3	3.3	1.0	0.4	0.8	-0.4	-0.3	-0.7
Rates to EQ / capex / debt	82.2	82.2	-	110.2	110.2	-	-	-
Available Funding Sources	86.5	85.5	1.0	110.6	111.0	-0.4	-0.3	-0.7
Borrowing required	27.3	28.6	-1.3	21.1	21.4	-0.3	1.1	0.8
Borrowing for EQ deficit and capital grants	25.4	28.6	-3.2	21.4	21.4	-	-	-
Cash operating shortfall	1.9	-	1.9	-0.3	0.0	-0.3	1.1	0.8

- 5.1 Operating expenditure for Council activities is \$3 million higher than budget for the nine months to March. An overspend in the Building Control area of \$7 million is reduced by the timing of heritage grants payments and the District Plan Review. Operating expenditure is forecast to be \$13 million higher than budget after carry forwards mainly because of the following:

- Building Control reorganisation - \$9 million
- Earthquake related rates remissions and legal costs - \$1.4 million
- Professional advice - \$1 million for the restructure of the Chief Executive's Office and legal advice on earthquake claims.

- 5.2 Revenue for Council activities is currently \$5 million higher than budget mainly because of higher interest, fines and Burwood Landfill revenues. These are partially offset by lower rates, building inspections and housing revenues. Revenue is forecast to improve to \$11 million over budget due to the following:

- Interest - \$5.4 million (CERA interest recovery)
- Inspection and Enforcement fines - \$1 million
- Burwood landfill revenues - \$1.8 million
- Increased CCHL dividend - \$6 million

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partly offset by lower:

- Rates income - \$2.6 million because of slower residential growth and residential demolitions.
- Building inspections income - \$1 million

The net cost of individual activities is shown in Appendix 2.

6. CAPITAL PROGRAMME

\$m	Year to Date Results			Forecast Year End Results			After Carry Forwards	
	Actual	Plan	Var	Forecast	Plan	Var	C/F	Result
Three Waters	35.4	54.7	-19.4	73.0	95.0	-22.0	23.1	1.1
Roads and Footpaths	26.8	24.4	2.4	46.0	61.3	-15.3	15.1	-0.2
Parks	17.8	23.3	-5.5	26.0	31.2	-5.2	3.2	-2.0
Strategic Land	14.9	13.8	1.1	14.5	18.3	-3.8	3.8	-0.0
Other	21.8	31.9	-10.1	43.5	54.8	-11.3	9.2	-2.1
Less Planned Carry Forwards not identified	-	-0.2	0.2	-20.7	-75.0	54.3	-54.3	-0.0
Expenditure	116.7	147.9	-31.2	182.3	185.6	-3.3	-	-3.3
Development Contributions	-17.5	-9.8	-7.8	-23.0	-13.0	-10.0	-	-10.0
NZTA Capital Subsidy	-10.3	-19.6	9.3	-16.9	-22.0	5.1	-3.0	2.1
Capital Grants/Revenue	-0.1	-0.1	-	-0.1	-0.1	-	-	-
Water Connection Fees	-1.0	-0.6	-0.4	-1.1	-0.8	-0.3	-	-0.3
Misc Capital Revenues	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-	-0.0
Asset Sales	-2.0	-0.9	-1.1	-2.4	-1.2	-1.2	-	-1.2
Capital Revenues	-31.0	-31.0	0.0	-43.6	-37.1	-6.5	-3.0	-9.5
Net Cost	85.8	116.9	-31.2	138.7	148.5	-9.8	-3.0	-12.8
Rates (Renewals / Landfill / Tsfrs)	-34.3	-34.3	-	-46.4	-46.4	-	-	-
Special Funds	6.1	-5.5	11.5	-1.9	-7.3	5.4	-	5.4
Available Funding Sources	-28.2	-39.7	11.5	-48.3	-53.6	5.4	-	5.4
Borrowing Required	57.5	77.2	-19.7	90.4	94.9	-4.4	-3.0	-7.4

- 6.1 Capital Programme expenditure is \$31 million below budget year to date. The largest variances are: parks and open spaces (\$5 million); water supply (\$10 million); stormwater and flood protection (\$5 million); and wastewater (\$5 million).
- 6.2 Capital expenditure after carry forwards is forecast to be \$3 million below budget at year end mainly due to the Cashmere Forest Park project not going ahead (\$3 million) and delays to social housing works (\$3 million), partially offset by an overspend on the diversion of a pressure main at the wastewater treatment plant (\$2 million). These are identified in Appendix 3.
- 6.3 Group of activity level variance commentary is shown in Appendix 2.
- 6.4 Financial details of significant capital projects are shown in Appendix 3.

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- 6.5 Capital Revenues are currently on budget but forecast to be \$10 million ahead at year end due to Development contributions revenue which is currently \$8 million higher than budget. The current forecast has been revised down by \$4 million from December based on actual revenue to date. NZTA subsidies are \$2 million below budget after carry forwards mainly because funding has not yet been confirmed for some projects.
- 6.6 Special fund drawdowns are forecast to be \$5 million less than budget due to Cashmere Forest Park and Housing funding not being required.
- 6.7 Net borrowing for the Capital Programme is forecast to be \$7m less than budget principally due to extra development contribution revenue.

7. EARTHQUAKE REBUILD

\$m	Year to Date Results			Forecast Year End Results			After Carry Forwards	
	Actual	Plan	Var	Forecast	Plan	Var	Net C/F	Result
Infrastructure - SCIRT	353.7	366.7	-13.0	505.4	488.7	16.7	-16.7	-0.0
Infrastructure - Non SCIRT	13.2	50.6	-37.4	33.5	142.2	-108.7	106.8	-1.9
Transitional / Recovery Projects	1.3	12.8	-11.5	3.1	27.2	-24.0	24.0	0.0
Facilities Rebuild	19.3	27.6	-8.3	31.9	139.1	-107.2	107.2	0.0
Unallocated Budget	-	-	-	0.3	34.2	-33.8	35.8	1.9
Expenditure	387.5	457.7	-70.2	574.2	831.3	-257.1	257.1	0.0
CERA Recoveries	-155.2	-145.5	-9.7	-212.8	-222.3	9.5	-11.8	-2.3
NZTA Recoveries	-62.5	-83.9	21.4	-99.3	-129.8	30.5	-41.9	-11.4
Insurance Recoveries	-19.8	-45.7	25.9	-48.2	-124.1	75.9	-65.7	10.2
Other Recoveries	-0.2	-0.2	-0.1	-0.8	-0.2	-0.6	-	-0.6
Land Sales	-24.1	-	-24.1	-47.5	-74.6	27.1	-27.1	-0.0
Recoveries	-261.7	-275.3	13.5	-408.7	-551.1	142.3	-146.4	-4.1
Net Cost	125.7	182.4	-56.6	165.5	280.3	-114.8	110.7	-4.1
Rates (Renewals & Metro Levy)	-41.7	-41.7	-	-55.6	-55.6	-	-	-
Housing Account	-1.7	-3.2	1.4	-3.3	0.5	-3.8	-1.3	-5.1
EQ Recovery Fund	-98.2	-180.1	81.9	-126.9	-125.9	-1.1	-	-1.1
Available Funding Sources	-141.6	-225.0	83.3	-185.9	-181.0	-4.9	-1.3	-6.2
Borrowing Required	-15.9	-42.6	26.7	-20.4	99.2	-119.7	109.3	-10.3
Rates-funded Borrowing	-	-	-	10.0	10.0	-	-	-
EQ Borrowing	-15.9	-42.6	26.7	-30.4	89.2	-119.7	109.3	-10.3

- 7.1 Rebuild costs of \$387 million year to date include \$354 million of work delivered by SCIRT: wastewater (\$162 million); roading (\$36 million); stormwater (\$5 million); water supply (\$3 million); and \$148 million which is yet to be split by asset type.

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- 7.2 Rebuild expenditure is forecast to be \$257 million below budget, all of which has been flagged to be carried forward. This is mainly due to an underspend in Council infrastructure and facilities works (\$274 million), partially offset by SCIRT forecasting to be \$17 million ahead of Council budget. SCIRT is forecasting to be ahead of budget in wastewater (\$64 million), partially offset by an underspend in roading (\$21 million), stormwater (\$16 million), and water supply (\$10 million). The facilities underspend mainly relates to repairs to libraries, metro sports facility, parking, art gallery and suburban centres betterment (general facilities).
- 7.3 Rebuild recoveries are forecast to be \$409 million, \$142 million below budget, as a result of reduced forecast expenditure identified above in paragraph 7.2. Carry forwards of \$146 million have been identified, resulting in a net recovery of \$4 million over budget. The \$4 million variance is due to unbudgeted SCIRT setup recoveries and a higher rate of recovery than budgeted for NZTA.
- 7.4 Details of life to date earthquake related costs and recoveries are shown in Appendix 2.

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8. EARTHQUAKE RESPONSE

\$m	Year to Date Results			Forecast Year End Results			After Carry Forwards	
	Actual	Plan	Var	Forecast	Plan	Var	Net C/F	Result
Rebuild Financial & Commercial	1.6	2.3	-0.6	2.8	3.0	-0.2	-	-0.2
Corporate Services	0.5	-	0.5	0.5	-	0.5	-	0.5
Capital Programme Group	13.0	13.5	-0.4	16.6	17.9	-1.3	3.6	2.3
Community Services	1.9	0.2	1.7	2.6	0.3	2.4	-	2.4
City Environment	32.4	36.1	-3.7	49.0	44.5	4.5	2.5	7.0
Building Control & Rebuild	0.4	0.1	0.3	0.4	0.1	0.3	-	0.3
Corporate Transactions	1.6	-	1.6	31.7	30.0	1.7	-	1.7
Expenditure	51.3	52.2	-0.8	103.7	95.9	7.9	6.1	14.0
CERA Recoveries	-16.8	-12.9	-3.9	-25.1	-14.8	-10.4	-	-10.4
NZTA Recoveries	-2.6	-3.0	0.4	-3.1	-4.0	0.9	-	0.9
Insurance Recoveries	-5.7	-5.0	-0.7	-8.2	-6.7	-1.5	2.4	-3.8
Other Recoveries	-2.9	-1.1	-1.8	-3.2	-1.4	-1.8	-	-1.8
Recoveries	-28.0	-22.0	-6.0	-39.6	-26.9	-12.8	2.4	-15.1
Net Cost	23.4	30.2	-6.8	64.1	69.0	-4.9	3.7	-1.2
Housing Account	-4.5	-1.6	-2.9	-5.7	-2.1	-3.5	-	-3.5
Available Funding Sources	-4.5	-1.6	-2.9	-5.7	-2.1	-3.5	-	-3.5
Borrowing Required	18.9	28.5	-9.7	58.4	66.9	-8.4	3.7	-4.7

8.1 Emergency response costs of \$51 million have been incurred year to date, mainly comprising infrastructure (\$33 million), facilities (\$12 million), increased costs of working (\$3 million) and geotech (\$2 million). Costs are forecast to be \$8 million over budget mainly because of three waters temporary maintenance works (\$7 million) and housing assessments and repairs.

8.2 Response recoveries are currently ahead of budget, and are forecast to be \$13 million higher than budget mainly due to the higher three waters temporary maintenance spend and unbudgeted stormwater recoveries.

8.3 The net response cost to Council is forecast to be \$5 million below budget after net carry forwards of \$4 million

9. CAPITAL WORKS PROGRAMME BUDGET CHANGES

9.1 As part of the draft 2014/15 Annual Plan process, Council approved recommended changes in the Wastewater Growth Programme capital budgets (page 96 of the Draft Annual Plan), reflecting project development timing combined with timing needed to meet requirements of the Land Use Recovery Plan. The reprogramming included offsetting changes in the current year budgets which were not shown in the Annual Plan information approved, and therefore need formal approval as they are required to give full effect to the overall programme change.

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9.2 Detail of the current year changes (nil net cost) is as follows:

Description	FY14 increase/(decrease) \$m
WW Northern Relief & PS	(0.88)
WW Wigram PM & PS 105 - SCIRT	5.72
WW Pump Station 60 Upgrade SCIRT	0.09
WS Wilmers Road Pump Station SCIRT	0.10
WW New Mains Programme	1.15
WW New Pumping Stations for Growth	1.06
Victoria Reservoirs 2 & 3 Replacement - SCIRT	0.48
WS New Headworks Secondary Station (Growth)	(0.58)
WW Northern Trunk Sewer	(0.75)
Major Trunk Expansion (inc SW)	(6.39)
Net	<u>-</u>

10. STAFF RECOMMENDATIONS

It is recommended that the Council:

10.1 Receive the report.

10.2 Approve the 2013/14 budget changes relating to the Wastewater Growth Programme capital programme.

11. COMMITTEE CONSIDERATION

The Committee requested that staff prepare a report with a break down of the costs associated with the Crown Manager.

The Committee further requested that the Crown Manager be invited to meet with the Finance Committee to discuss the short and medium term costs associated with the Building Control area reorganisation and how it is tracking against the action plan.

12. COMMITTEE RECOMMENDATION

That the staff recommendation be adopted.

Note to the Council: Two further recommendations that were omitted from the paper presented to the Finance Committee are included for the Council's consideration:

10.3 Approve the changes to the 2013/14 capital budget as detailed in paragraph 9.2.

10.4 Approve the recommended changes to Levels of Service as detailed in Appendix 1C.

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2. EARTHQUAKE CLAIMS UPDATE AS AT 30 APRIL 2014

		Contact	Contact Details
General Manager responsible:	Chief Financial Officer		
Officer responsible:	Corporate Finance Manager	Y	Diane Brandish DDI: 941 8454
Author:	Earthquake Claims Manager		

1. PURPOSE AND ORIGIN OF REPORT

1.1 This report is a regular monthly update on insurance matters relating to the earthquakes. It provides details of the status of these matters as at 30 April 2014.

2. EXECUTIVE SUMMARY

2.1 Attached are appendices with brief notes of explanation showing summaries of:

2.1.1 Recoveries summary status as at 30 April 2014 (**Appendix 1**) – provides information on costs incurred and recoveries accrued and received.

2.1.2 Main Claim Head progress summary as at 30 April 2014 (**Appendix 2**) – provides a brief summary of the current insurance status for each claim head and the actions planned for the next two months.

2.1.3 Insurance update and progress on anchor projects as at 30 April 2014 (**Appendix 3**) – provides the project and insurance status and payment on claims' details for each of the major facilities.

2.1.4 Earthquake claim progress summary as at 30 April 2014 (**Appendix 4**) – provides financial information for each of the main claim heads, including major facilities. It is anticipated that pro-forma claims for all assets will be lodged by 31 May 2014.

2.1.5 Building and Infrastructure Improvement Allowance balance as at 30 April 2014 (**Appendix 5**) – provides details of allocations made from the allowance and the current balance available.

2.2 Overall, progress continues to be made in working through the insurance claim process although there has been little movement reported in the appendices.

3. COMMENT

3.1 Claim Status

3.1.1 Our focus on all asset categories is to continue to quantify the damage on as many claims as possible.

3.1.2 Claims on large assets continue to be prepared and formally lodged. It is anticipated that this process will be completed by the end of May 2014.

3.1.3 The Crown – CERA paid SCIRT \$15.1 million in April for their estimated share of SCIRT March works. A wash-up payment of \$26 million covering costs to 30 June 2013 is still outstanding. This claim was lodged in September 2013.

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3.1.4 Insurance claims – details of the status of each main claim head are outlined in Appendix 2. Councillors have been briefed on the reinsurance issues that our insurer is working through. Appendix 4 outlines financial information for each main claim head.

3.2 Building/Infrastructure Improvement Allowance Borrowing

3.2.1 There have been no allocations from the allowance during April.

3.2.2 There are a number of projects that are being funded from the allowance ahead of insurance settlements. The insurance estimates at the time of Council funding approvals were \$3.97 million. Any insurance proceeds for these projects will be credited to the allowance as funds are received. There is also \$1.15 million allocated as pitch underwrites which will be credited to the allowance once recoveries are received.

3.2.3 A full list of allocations made from the allowance is attached to this report as Appendix 5.

4. **FINANCIAL IMPLICATIONS**

4.1 There are no direct financial implications from this report.

5. **STAFF RECOMMENDATION**

It is recommended that the Council receive the report.

6. **COMMITTEE CONSIDERATION**

The Committee requested that staff provide a map of the red zone land given to the Crown.

7. **COMMITTEE RECOMMENDATION**

That the staff recommendation be adopted.

3. **VBASE LIMITED DRAFT STATEMENT OF INTENT 2014/15**

		Contact	Contact Details
Executive Leadership Team Member responsible:	Chief Financial Officer		
Officer responsible:	Corporate Finance Manager		
Author:	External Reporting and Governance Manager	Y	Patricia Christie 941-8113

1. **PURPOSE AND ORIGIN OF REPORT**

1.1 This report presents the draft Statement of Intent (SOI) for Vbase Limited (Vbase) a Council Controlled Organisation (CCO) for the year ended 30 June 2015, for review and comment.

1.2 The origin of this report is the Local Government Act 2002, which requires a CCO to provide its shareholder/stakeholder by 1 March with a draft SOI for review and comment. The CCO is required to consider shareholder/stakeholder comments made on the draft SOI which are received by the CCO by 1 May. The CCO must issue a final SOI by 30 June.

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2. **EXECUTIVE SUMMARY**

- 2.1 The Vbase draft SOI together with the comparison to its 2013/14 SOI are attached as **Attachments 1 and 2.**
- 2.2 A CCO is required by statute to submit an annual SOI to Council. A SOI must set out the entity's objectives and performance measures as well as certain other information.
- 2.3 It is noted that the draft SOI has been received by Council after 1 March.

3. **COMMENT**

- 3.1 Vbase has made some minor changes to its non-financial operating targets for 2014/15 when compared to the measures in the 2013/14 SOI. This reflects the current number of events that are being hosted across the venues.
- 3.2 There is an improvement in the financial performance for 2014/15 when compared to its 2013/14 SOI. This reflects the better than expected performance year to date at a number of venues.
- 3.3 The SOI also includes a conservative estimate of revenue from 'ilex' the café and function venue at the Botanic Gardens.
- 3.4 While Vbase is considered by Council to be a Council Controlled Trading Organisation that operates with a view to making a profit there are some activities which Vbase undertakes as part of its contribution to the earthquake recovery which provide little to no contribution to its overall financial result. Outlined below are the main examples of such activities:
 - 3.4.1 AMI Stadium Addington – Vbase assisted with the development of the stadium and has a management contract for it. At the request of Council Vbase were asked to participate with the project on the understanding that it could recover its direct costs and overhead allocation but not make any profit.
 - 3.4.2 ICC World Cup Cricket 2015 – The Council has asked Vbase to provide the venue management services at the Hagley Oval which Council had agreed with the organisers. At present the nature of the agreement is such that Vbase will not recover its full costs in providing the services. Vbase is negotiating an additional charge with Council that will compensate it for staff time and overheads in providing this service. Vbase expects the revenue to be in the region of \$200,000 (GST exclusive) for the event.
 - 3.4.3 FIFA Under 20 World Cup – Vbase is providing venue management services for the event. At present the nature of the agreement is such that Vbase will not recover its full costs from the venue management services it provides. Vbase is negotiating an additional charge with Council that will compensate it for staff time and overheads in providing the venue management services. Vbase expects the revenue to be in the region of \$200,000 (GST exclusive) for the event.

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3.4.4 Venue discounts/sponsorship and partnerships – Vbase has always acknowledged that as a CCO it is required to contribute to its community. A key cornerstone of this is the venue discounts that it provides to local community and charitable organisations including sporting and cultural organisations. Since the earthquakes these discounts have allowed groups to use venues that are less than ideal by reducing the cost. The SOI includes a target for venue discounts to these organisations exceeding \$300,000 for 2014/15. Examples of the organisations who have received a discount that has contributed towards the target in 2013/14 include the Cancer Society of New Zealand, Special Childrens Christmas Party, Christchurch Symphony Orchestra, Cantamath and Christchurch Primary Schools Cultural Festival. In providing such discounts / sponsorships and partnerships Vbase acknowledges that it does not make a commercial return on the events.

3.5 While the SOI states that Vbase is seeking compensation for the staff time and overheads associated with providing venue management services for the ICC Cricket World Cup 2015 and FIFA Under 20 World Cup this has not been included within the financial targets. The total additional revenue for the two events is expected to be in the region of \$400,000 (GST exclusive). This has not been included in the forecast revenue in the SOI.

3.6 The SOI signals that Vbase will have repaid \$29.5 million of its debt to Council by the end of 2014/15 and \$42.2 million by the end of 2015/16 when compared to the targets in its 2013/14 SOI.

4. FINANCIAL IMPLICATIONS

4.1 There are no financial implications to this paper

5. STAFF RECOMMENDATION

5.1 That Council accept the draft statement of intent for Vbase Limited.

6. COMMITTEE RECOMMENDATION

That the staff recommendation be adopted.

PART B - REPORTS FOR INFORMATION

4. DEPUTATIONS BY APPOINTMENT

Nil.

5. DECLARATION OF INTEREST

Councillor Gough declared an interest in Clause 3 as he is a Board Member of Vbase.

Councillor Lonsdale declared an interest in Clause 3 as he is a Board Member of Vbase.

PART C – DELEGATED DECISIONS

6. RESOLUTION TO EXCLUDE THE PUBLIC

The Committee resolved that the resolution to exclude the public as set out on page 113 of the agenda, be adopted.

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The meeting concluded at 11.34am.

CONSIDERED THIS 26 DAY OF JUNE 2014

MAYOR