

# MINUTES



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MEMBERSHIP: Mayor Meng Foon, Deputy Mayor Rehette Stoltz  
Meredith Akuhata-Brown, Craig Bauld, Bill Burdett, Andy Cranston, Alan Davidson, Amber Dunn,  
Larry Foster, Roger Haisman, Pat Seymour, Graeme Thomson, Josh Wharehinga, Brian Wilson.

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## **MINUTES of the EXTRAORDINARY MEETING of COUNCIL**

**Held in the Council Chambers, 15 Fitzherbert Street on 22 October 2015 at 10.30am.**

### PRESENT:

Mayor Meng Foon (Chair), Councillors Meredith Akuhata-Brown, Craig Bauld, Bill Burdett, Andy Cranston, Alan Davidson, Amber Dunn, Larry Foster, Roger Haisman, Pat Seymour, Rehette Stoltz, Graeme Thomson, Josh Wharehinga and Brian Wilson.

### IN ATTENDANCE:

Chief Executive Judy Campbell, Operations Group Manager Barry Vryenhoek, Strategic Planning Manager David Wilson, Finance Manager Marianne Gillies, Legal Counsel Mel Walker, Acting Commercial Operations Manager Matt Moore, Gisborne Holdings Ltd Director and Acting Chair Rob Telfer, Gisborne Holdings Ltd Director Peter Reeves, Gisborne Holdings Ltd Acting General Manager – Commercial Matt Feisst, Democracy & Support Services Manager Heather Kohn and Minute Taker Nathan Coombs.

### **1. Apologies**

Nil.

### **2. Public Deputation**

**Secretarial Note:** The Mayor accepted a late request to speak from Tony Robinson, despite lack of written submission.

Tony Robinson noted:

- He could not see where between March and November of 2013, the decision was changed from a repair to a rebuild, and there was a black hole of information from this period.
- He calculates it will cost \$1.78m to repair the 1955 building, and under \$4m to bring the rest of the Council building safe and functioning.
- If the transfer goes through today, the conversation about whether to repair or rebuild will end.

### 3. Submissions to be Heard

a) Chamber of Commerce – represented by Ross Revington

The submitter noted their opposition to the transfer is because they believe:

1. The entity, Gisborne Holdings Ltd (GHL) would be in opposition to ratepayers.
2. Council is not an appropriate owner of commercial operations outside of Council's core business.

The submitter did not believe the Councillors were elected to approve the Council owning this type of commercial operation.

The submitter believes:

- The whole story has not been told;
- Councillors should ask themselves if they really know what is going on;
- The proposal has been driven by staff who will not admit a mistake has been made, even after receiving submissions against the proposal.

The submitter is against council controlled trading organisations (CCTOs) if they are involved in non-core activities.

b) Rick Thorpe

The submitter originally opposed the transfer because, as someone in business, he did not want to compete against his own council. Upon further investigation, he did not think the numbers stacked up.

The dividend or subvention payments from GHL, by way of the Tauwhareparae Farms ("the Farms"), only covered the interest of Council's \$15m loan. Therefore GHL's net contribution to Council is break even.

He calculates that GHL will have to from \$900k loss per year to \$8m profit per year (in only ten years) to meet the target of non-rates revenue being 10% of all of Council's revenue. He does not see how this will happen, if GHL are to be achieved through self-funding activities, and also without exceeding 10% debt.

The submitter used the example of recent forestry harvest on the Farms which is not expected to return a profit.

The submitter offered the suggestion of transferring the \$15m loan debt from Council to GHL.

The submitter did not have an alternative solution to fund the rebuild.

### 4. Deliberations and Decision

#### 4.1 15-413 Transfer of Council's Municipal Buildings to Gisborne Holdings Ltd Hearings Report

The Mayor requested officers' responses to additional submitted comments.

MOVED by Cr Seymour, seconded by Cr Wilson

That the meeting adjourn for ten minutes for the Chief Executive to meet with officers.

**CARRIED**

**Secretarial Note:** The meeting adjourned at 11.25am and reconvened at 11.38am.

Chief Executive Judy Campbell noted the following in response to comments made by submitters:

- The proposal is not her personal preference, it is her professional recommendation to Council based on recommendations made to her by experienced advisors, competent staff and consultants.
- The proposal meets the performance objective Council has set for her to achieve.
- She has not advocated a position in the media, she has only responded to comments and questions from the public.
- The question of rebuild (versus repair) has been decided through 5-6 reports to Council, as well as workshops. The Hearing is about whether to transfer the ownership to GHIL or not.
- The costs in early engineer reports are estimates from engineers (without scope), the costs submitted by tenderers are based on actual quotes in response to scoped tender documents. The cost difference between repair and rebuild, generally, was marginal. But a repair produces a repaired 50 year old building, a rebuild provides a building with built in operational cost-efficiencies and a 100 year life.
- The figures presented by Mr Thorpe were incorrect. They were not the internal rental charges, they were funds received from external rentals.
- The proposal has been audited by EY on behalf of the Office of the Auditor-General. If the proposal is adopted, it will be audited again.

Gisborne Holdings Ltd Acting General Manager – Commercial Matt Feisst noted the amount charged by Council's Commercial Operations team to Council departments for internal rent is approximately \$870k per annum for the Fitzherbert Street site.

MOVED by Cr Seymour, seconded by Cr Dunn

That the Council

1. receives the report
2. considers the Hearings report and recommendations after submitters have been heard
3. approves the officer responses contained in Appendix 1
4. instructs staff to further refine options for Fitzherbert Street and report back on:
  - i) costings for strengthening proposal of buildings marked A, B2 and B3, and rebuild of B1 and C
  - ii) a total rebuild on the Fitzherbert Street site
5. explore the funding options for Council while retaining municipal land and buildings in Council ownership.

Cr Seymour strongly believes Council should own the building from which it does business.

Cr Thomson raised concerns that the documents that would govern the relationship between Council and GHIL, the letter of intent et cetera, had not been completed, and he is therefore concerned to support the staff recommendations.

Cr Bauld noted that Council decision incorporate risk and are not always certain, and signalled his intention to move the staff recommendation if Cr Seymour's amendment lost.

Cr Stoltz noted she and other councillors are not the specialists, that they task staff to talk to specialists, and that tax and law specialists have addressed Council on the matter.

Cr Foster was satisfied with the amount of documentation and the advice received.

Cr Haisman, while comfortable with the concept of GHIL ownership, was not convinced a rebuild is necessary, and staff can work in separate locations, as they do now.

Cr Dunn preferred to leave the rebuild in year two of the Long Term Plan, and seek clearer, more robust information, getting sounder reasoning and checking assumptions. Councillors need to have direct responsibility for the core function of administration building ownership. She was also concerned about the lack of agreements between Council and GHIL.

Cr Akuhata-Brown understood the risk and called it the proposal a bold move, and supported it.

Cr Burdett needed more time and more information.

Cr Cranston would prefer more time to consider the information presented today by submitters.

Cr Davidson did not have any problem with CCTOs undertaking commercial operations.

Cr Wharehinga questioned what would happen should the proposal not be adopted. He was directed back to the report which outlined the implications. The Chief Executive reminded Council that rates would not be able to be held at a 2% increase.

Cr Wilson noted he was in support of the proposal.

The Mayor noted:

- the Local Government Act 2002 (LGA) governs councillor decision making – that is most cost effective services to businesses and households. He also noted that the organisation has delivered significant efficiencies and effectiveness while keeping overall rate increases at 2%;
- the building is a building, not a 'core Council activity'. Taking into account the directions given by the LGA, the transfer to GHIL was the only option he could see.

Cr Seymour believes a rebuild is an audacious waste of ratepayer money. She also noted:

- the Office of the Auditor-General (OAG) has recently reported on governance and accountability of CCTOs;
- the OAG found examples where a CCTO has been pulled back from their activities.

### **Voting by Division**

#### **FOR**

Cr Burdett  
Cr Cranston  
Cr Dunn  
Cr Haisman  
Cr Seymour  
Cr Thomson

#### **AGAINST**

Cr Akuhata-Brown  
Cr Bauld  
Cr Davidson  
Mayor Foon  
Cr Foster  
Cr Stoltz  
Cr Wharehinga  
Cr Wilson

**LOST**

**Secretarial Note:** The Infrastructure Services Committee meeting was scheduled to commence at 1pm.

MOVED by Cr Thomson, seconded by Cr Wilson

That the Infrastructure Services Committee be opened, and then adjourned until 1.30pm.

**CARRIED**

MOVED by Cr Bauld, seconded by Cr Stoltz

That the Council

1. receives the report
2. considers the Hearings report and recommendations after submitters have been heard
3. approves the officer responses contained in Appendix 1
4. approves the proposal to transfer the municipal buildings to Gisborne Holdings Ltd
5. instructs staff to amend the 2015-2025 Long Term Plan for approval at Council's meeting on 19 November 2015.

#### **Voting by Division**

##### **FOR**

Cr Akuhata-Brown  
Cr Bauld  
Cr Davidson  
Mayor Foon  
Cr Foster  
Cr Haisman  
Cr Stoltz  
Cr Wharehinga  
Cr Wilson

##### **AGAINST**

Cr Burdett  
Cr Cranston  
Cr Dunn  
Cr Seymour  
Cr Thomson

**CARRIED**

There being no further business, the meeting concluded at 1.02pm.

Meng Foon  
**Mayor**