



**PAPAIOEA**  
PALMERSTON  
NORTH  
CITY

---

# **PALMERSTON NORTH CITY COUNCIL**

---

AGENDA

## **FINANCE & AUDIT COMMITTEE**

---

**9AM, WEDNESDAY 25 AUGUST 2021**  
COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING  
32 THE SQUARE, PALMERSTON NORTH

---

# MEMBERS

---

**Susan Baty (Chairperson)**  
**Karen Naylor (Deputy Chairperson)**  
**Grant Smith (The Mayor)**

<b>Vaughan Dennison</b>	<b>Lorna Johnson</b>
<b>Renee Dingwall</b>	<b>Bruno Petrenas</b>
<b>Lew Findlay QSM</b>	<b>Aleisha Rutherford</b>
<b>Patrick Handcock ONZM</b>	<b>Stephen Armstrong</b>
<b>Leonie Hapeta</b>	

AGENDA ITEMS, IF NOT ATTACHED, CAN BE VIEWED AT

[pncc.govt.nz](http://pncc.govt.nz) | Civic Administration Building, 32 The Square  
City Library | Ashhurst Community Library | Linton Library

---

**Heather Shotter**

**Chief Executive | PALMERSTON NORTH CITY COUNCIL**

---

To Marae o Hine | 32 The Square  
Private Bag 11034 | Palmerston North 4442 | New Zealand  
[pncc.govt.nz](http://pncc.govt.nz)

**PALMY**™  
PAPAIOEA  
PALMERSTON  
NORTH  
CITY

# **FINANCE & AUDIT COMMITTEE MEETING**

25 August 2021

## **ORDER OF BUSINESS**

### **1. Apologies**

### **2. Notification of Additional Items**

Pursuant to Sections 46A(7) and 46A(7A) of the Local Government Official Information and Meetings Act 1987, to receive the Chairperson's explanation that specified item(s), which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded, will be discussed.

Any additions in accordance with Section 46A(7) must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

Any additions in accordance with Section 46A(7A) may be received or referred to a subsequent meeting for further discussion. No resolution, decision or recommendation can be made in respect of a minor item.

### **3. Declarations of Interest (if any)**

Members are reminded of their duty to give a general notice of any interest of items to be considered on this agenda and the need to declare these interests.

### **4. Public Comment**

To receive comments from members of the public on matters specified on this Agenda or, if time permits, on other Committee matters.

(NOTE: If the Committee wishes to consider or discuss any issue raised that is not specified on the Agenda, other than to receive the comment made or refer it to the Chief Executive, then a resolution will need to be made in accordance with clause 2 above.)

- 5. Confirmation of Minutes**

“That the minutes of the Finance & Audit Committee meeting of 23 June 2021 Part I Public be confirmed as a true and correct record.”

Page 7
- 6. Victoria Esplanade - Mini Golf Course Lease Proposal**

Report, presented by Bryce Hosking, Manager - Property and Kathy Dever-Tod, Parks & Reserves Manager.

Page 13
- 7. Quarterly Performance and Financial Report - Quarter Ending 30 June 2021**

Memorandum, presented by Stuart McKinnon, Chief Financial Officer and Andrew Boyle, Head of Community Planning.

Page 25
- 8. Treasury Report - 12 months ending 30 June 2021**

Memorandum, presented by Steve Paterson, Strategy Manager - Finance.

Page 109
- 9. Clearview Reserve - Easement Proposal to Powerco**

Report, presented by Bryce Hosking, Manager - Property and Kathy Dever-Tod, Parks & Reserves Manager.

Page 121
- 10. Committee Work Schedule**

Page 129
- 11. Exclusion of Public**

To be moved:

“That the public be excluded from the following parts of the proceedings of this meeting listed in the table below.

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 passing this resolution
12.	Minutes of the Finance & Audit Committee meeting - Part II Confidential - 23 June 2021	For the reasons setout in the Finance & Audit Committee minutes of 23 June 2021, held in public present.	
13.	Assurance Report on Review of Health & Safety	Safety and Health Safety	s6(b) and s7(2)(d)
14.	Tamakuku Terrace - Negotiations with Affordable Housing Providers	Negotiations	s7(2)(i)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as stated in the above table.

Also that the persons listed below be permitted to remain after the public has been excluded for the reasons stated.

*[Add Third Parties]*, because of their knowledge and ability to assist the meeting in speaking to their report/s [or other matters as specified] and answering questions, noting that such person/s will be present at the meeting only for the items that relate to their respective report/s [or matters as specified].



## **PALMERSTON NORTH CITY COUNCIL**

### **Minutes of the Finance & Audit Committee Meeting Part I Public, held in the Council Chamber, First Floor, Civic Administration Building, 32 The Square, Palmerston North on 23 June 2021, commencing at 9.01am**

**Members Present:** Councillor Susan Baty (in the Chair), The Mayor (Grant Smith) and Councillors Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Mr Stephen Armstrong.

**Non Members:** Councillors Brent Barrett, Rachel Bowen, Zulfiqar Butt, Billy Meehan and Orphée Mickalad.

**Apologies:** Councillor Orphée Mickalad (early departure on Council business).

Councillor Vaughan Dennison entered the meeting at 9.03am after consideration of clause 47. He was not present for clause 47.

Councillor Orphée Mickalad left the meeting at 11.18am during consideration of clause 53. He was not present for clauses 53 to 55 inclusive.

#### **47-21 Apologies**

Moved Susan Baty, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

1. That the Committee receive the apologies.

Clause 47-21 above was carried 16 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Susan Baty, Brent Barrett, Rachel Bowen, Zulfiqar Butt, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor, Billy Meehan, Orphée Mickalad, Bruno Petrenas, Aleisha Rutherford and Mr Stephen Armstrong.

Councillor Vaughan Dennison entered the meeting at 9.03am.

#### **48-21 Petition: PNCC – Keep the parking times as they are**

Mr Gerry Keating presented a petition signed by 2,547 residents of Palmerston North, and a further 168 people residing in the surrounding area (Foxton, Levin, Bulls, Feilding).

Mr Keating spoke to the petition focusing on his concerns regarding parking meter times being extended into late-week evenings and weekends, and the effect this could have on people attending events and shows at local theatres and venues.

Moved Susan Baty, seconded Rachel Bowen.

The **COMMITTEE RESOLVED**

1. That the Finance & Audit Committee receive the petition from Gerry Keating for information.

Clause 48-21 above was carried 17 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Susan Baty, Brent Barrett, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor, Billy Meehan, Orphée Mickalad, Bruno Petrenas, Aleisha Rutherford and Mr Stephen Armstrong.

**49-21**

**Confirmation of Minutes**

Moved Susan Baty, seconded Vaughan Dennison.

The **COMMITTEE RESOLVED**

1. That the minutes of the Finance & Audit Committee meeting of 26 May 2021 Part I Public be confirmed as a true and correct record.

Clause 49-21 above was carried 17 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Susan Baty, Brent Barrett, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor, Billy Meehan, Orphée Mickalad, Bruno Petrenas, Aleisha Rutherford and Mr Stephen Armstrong.

**50-21**

**Palmerston North Airport Limited - Final Statement of Intent for 2021/22**

Memorandum, presented by Steve Paterson, Strategy Manager – Finance, David Lanham, Palmerston North Airport Limited (PNAL) Chief Executive and Murray Georgel, PNAL Board Chair.

Moved Grant Smith, seconded Patrick Handcock ONZM.

The **COMMITTEE RECOMMENDS**

1. That the Statement of Intent for Palmerston North Airport Limited for 2021/22, presented to the Finance & Audit Committee on 23 June 2021, be agreed.

Clause 50-21 above was carried 17 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Susan Baty, Brent Barrett, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor, Billy Meehan, Orphée Mickalad, Bruno Petrenas, Aleisha Rutherford and Mr Stephen Armstrong.



**51-21**

**Health, Safety and Wellbeing Report January to March 2021**

Memorandum, presented by Alan Downes, Health, Safety and Wellbeing Manager and Patrick Watson, Chief People & Performance Officer.

Moved Brent Barrett, seconded Aleisha Rutherford.

The **COMMITTEE RESOLVED**

1. That the memorandum titled 'Health, Safety and Wellbeing Report January to March 2021', presented to the Finance & Audit Committee on 23 June 2021, be received for information.

Clause 51-21 above was carried 17 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Susan Baty, Brent Barrett, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor, Billy Meehan, Orphée Mickalad, Bruno Petrenas, Aleisha Rutherford and Mr Stephen Armstrong.

The meeting adjourned at 10.47am.

The meeting resumed at 11.05am.

The Mayor (Grant Smith) and Councillors Vaughan Dennison and Billy Meehan were not present when the meeting resumed.

**52-21**

**Assurance Report on Review of Council Policy Framework**

Memorandum, presented by Masooma Akhter, Business Assurance Manager and Julie Macdonald, Strategy & Policy Manager.

Councillor Billy Meehan entered the meeting at 11.07am.

The Mayor (Grant Smith) entered the meeting at 11.12am.

Councillor Vaughan Dennison entered the meeting at 11.13am.

Moved Karen Naylor, seconded Leonie Hapeta.

The **COMMITTEE RESOLVED**

1. That the memorandum titled 'Assurance Report on Review of Council Policy Framework' and its attachment, presented to the Finance & Audit Committee on 23 June 2021, be received for information.

Clause 52-21 above was carried 16 votes to 0, with 1 abstention, the voting being as follows:

**For:**

Councillors Susan Baty, Brent Barrett, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor, Billy Meehan, Orphée Mickalad, Bruno Petrenas, Aleisha Rutherford and Mr Stephen Armstrong.

**Abstained:**

The Mayor (Grant Smith).

**53-21 Business Assurance Accountability Report**  
Memorandum, presented by Masooma Akhter, Business Assurance Manager.

Councillor Orphée Mickalad left the meeting at 11.18am.

Moved Susan Baty, seconded Leonie Hapeta.

The **COMMITTEE RESOLVED**

1. That the memorandum titled 'Business Assurance Accountability Report' presented to the Finance & Audit Committee on 23 June 2021, be received for information.

Clause 53-21 above was carried 16 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Susan Baty, Brent Barrett, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor, Billy Meehan, Bruno Petrenas, Aleisha Rutherford and Mr Stephen Armstrong.

**54-21 Committee Work Schedule**

Moved Susan Baty, seconded Aleisha Rutherford.

The **COMMITTEE RESOLVED**

1. That the Finance & Audit Committee receive its Work Schedule dated June 2021.

Clause 54-21 above was carried 16 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Susan Baty, Brent Barrett, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor, Billy Meehan, Bruno Petrenas, Aleisha Rutherford and Mr Stephen Armstrong.

## ***EXCLUSION OF PUBLIC***

**55-21 Recommendation to Exclude Public**

Moved Susan Baty, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

1. That the public be excluded from the following parts of the proceedings of this meeting listed in the table below.

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 passing this resolution
13.	Minutes of the Finance & Audit Committee meeting - Part II Confidential - 26 May 2021	For the reasons set out in the Finance & Audit Committee minutes of 26 May 2021, held in public present.	
14.	Business Assurance Accountability Report - Confidential Items	Third Party Commercial, Health Safety and Gain Advantage	s7(2)(b)(ii), s7(2)(d) and s7(2)(j)
15.	Award of Contract 4058 - Supply of Pipes and Fittings - 2021-22	Third Party Commercial	s7(2)(b)(ii)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as stated in the above table.

Clause 55-21 above was carried 16 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Susan Baty, Brent Barrett, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor, Billy Meehan, Bruno Petrenas, Aleisha Rutherford and Mr Stephen Armstrong.

The public part of the meeting finished at 11.25am

Confirmed 25 August 2021

**Chairperson**



## **CONFIDENTIAL REPORTPORT**

**TO:** Finance & Audit Committee

**MEETING DATE:** 25 August 2021

**TITLE:** Victoria Esplanade - Mini Golf Course Lease Proposal

**PRESENTED BY:** Bryce Hosking, Manager - Property and Kathy Dever-Tod, Parks & Reserves Manager

**APPROVED BY:** Sarah Sinclair, Chief Infrastructure Officer

---

### **RECOMMENDATION(S) TO COUNCIL**

**1. That Council agrees to:**

- a) Approve the extended lease term of ten (10) years for The Lions Club of Middle Districts Incorporated to enable development of an 18-hole mini golf course within the Play Zone of the Victoria Esplanade, and remove the early termination clause within the Lease;

or

- b) Approve the extended lease term of ten (10) years for The Lions Club of Middle Districts Incorporated to enable development of an 18-hole mini golf course within the Play Zone of the Victoria Esplanade, and retain the early termination clause within the Lease.

**SUMMARY OF OPTIONS ANALYSIS FOR**

<p><b>Problem or Opportunity</b></p>	<p>The Victoria Esplanade Masterplan 2018 has provision for an 18-hole mini golf course to be located within the Play Zone of the Victoria Esplanade.</p> <p>The Lions Club of Middle Districts Incorporated ("the Lions") provided a submission as part of the 2018-28 Ten Year Plan to develop and operate the mini golf facilities at their cost. This was approved by Council.</p> <p>Once the Lions had obtained the resource consent in early 2021, negotiations commenced to determine the proposed lease terms.</p> <p>Council's policy for leasing land within reserves directs that the length of the lease term is no longer than five (5) years with a single right of renewal of another five (5) years. It is also standard practise for an early termination clause to be included in all recreational leases.</p> <p>Given the Lions' level of capital investment in the Project, they have requested a ten (10) year lease term with a right of renewal of another ten (10) years. In addition, they have also requested that the early termination clause be removed from the lease documentation.</p> <p>As the Lion's request differs from Council's policy and standard practice, this report seeks approval from Council of these extended terms, so a lease can be formally entered into.</p>
<p><b>OPTION 1:</b></p>	<p><b>Approve the extended lease term and remove the early termination clause within the Lease</b></p>
<p>Benefits</p>	<p>This is the Lion's preferred Option.</p> <ul style="list-style-type: none"> <li>• A 20-year lease term will provide security to the Lions and will support their internal fund-raising efforts for the project.</li> <li>• The longer lease term will support the Lions to continue to invest in the project through ongoing maintenance expenses for the operation of the mini golf facilities.</li> </ul>
<p>Risks</p>	<ul style="list-style-type: none"> <li>• Should the mini golf course not be operating in accordance with the consent conditions or the general principles of the proposal consented upon, or the course not be operating in a way that meets Council's expectations and these matters cannot be resolved through arbitration, Council would not be able to bring the Lease to an end without the agreement of the Lions.</li> <li>• The lease term of 20 years may limit Council's strategic options around the future use of the lease area. However,</li> </ul>

	<p>the risk is low as this proposal has been consulted and approved by Council in the Long Term Plan and the Esplanade Master Plan.</p>
Financial	<ul style="list-style-type: none"> <li>• Council will receive an annual rental of \$150 + GST.</li> </ul>
<b>OPTION 2:</b>	<p><b>Approve the extended lease term but retain the early termination clause within the Lease</b></p>
Benefits	<ul style="list-style-type: none"> <li>• The Lions are still provided with considerable lease security and can continue to invest in the project through ongoing maintenance expenses for the operation of the mini golf facilities with confidence.</li> <li>• In the event that the mini golf is not operated in accordance with the resource consent conditions or the general principles of the proposal consented upon, or the course is not operating in a way that meets Council's expectations and these matters cannot be resolved through arbitration, the inclusion of the early termination clause helps to mitigate Council's risk to enable Council to bring the lease to an end.</li> </ul>
Risks	<ul style="list-style-type: none"> <li>• The lease term of 20 years may limit Council's strategic options around the future use of the lease area.</li> <li>• The inclusion of a termination clause will be viewed negatively by the Lions as they consider it reduces their lease security moving forward.</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• Council will receive an annual rental of \$150 + GST.</li> </ul>
<b>OPTION 3:</b>	<p><b>Decline the current proposed lease terms, with Council Officers entering back into negotiations to determine new lease terms in line with Council's policy and standard practice</b></p>
Benefits	<ul style="list-style-type: none"> <li>• Council Officers will negotiate the lease terms in accordance with existing policy and standard practice, consistent with the approach taken for other community groups.</li> </ul>
Risks	<ul style="list-style-type: none"> <li>• The Lions may not agree with the terms in line with Council's policy and standard practice which may delay or jeopardise the project.</li> <li>• The Lions may perceive Council as being difficult to deal with and causing unnecessary delays.</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• As negotiations would be recommencing, no rental income will be received until terms have been reached.</li> <li>• It is likely that the final rental received will remain the</li> </ul>

	same at \$150 + GST as this is already in line with Council's policy.
--	-----------------------------------------------------------------------

**RATIONALE FOR THE RECOMMENDATIONS**

**1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY**

- 1.1 The Victoria Esplanade Masterplan 2018 has provision for an 18-hole mini golf course to be located within the Play Zone of the Victoria Esplanade.
- 1.2 The Lions Club of Middle Districts Incorporated ("the Lions") provided a submission as part of the 2018-28 Long Term Plan to develop and operate the mini golf facilities at their cost. This was approved by Council.
- 1.3 Once the Lions had obtained the resource consent in early 2021, negotiations commenced to determine the proposed lease terms.
- 1.4 The proposed location and site plan approved under the resource consent is shown in Figure 1.



*Figure 1: Mini golf course plan as per Resource Consent*

- 1.5 Council's policy for leasing land within reserves directs that the length of the lease term is no longer than five (5) years with a single right of renewal of another five (5) years. It is also standard practise for an early termination clause to be included in all recreational leases.
- 1.6 Given the Lions' level of capital investment in the Project, they have requested a ten (10) year lease term with a right of renewal of another ten (10) years. In addition, they have also requested that the early termination clause be removed from the lease documentation.



1.7 As the Lion's request differs from Council's policy and standard practice, this report seeks approval from Council of these extended terms, so a lease can be formally entered into.

**2. BACKGROUND**

2.1 The Victoria Esplanade Masterplan was developed in 2017 and 2018 to guide the development of the Victoria Esplanade.

2.2 It identified the Lions' mini golf as a development project within the Play Zone, as per Figure Two.

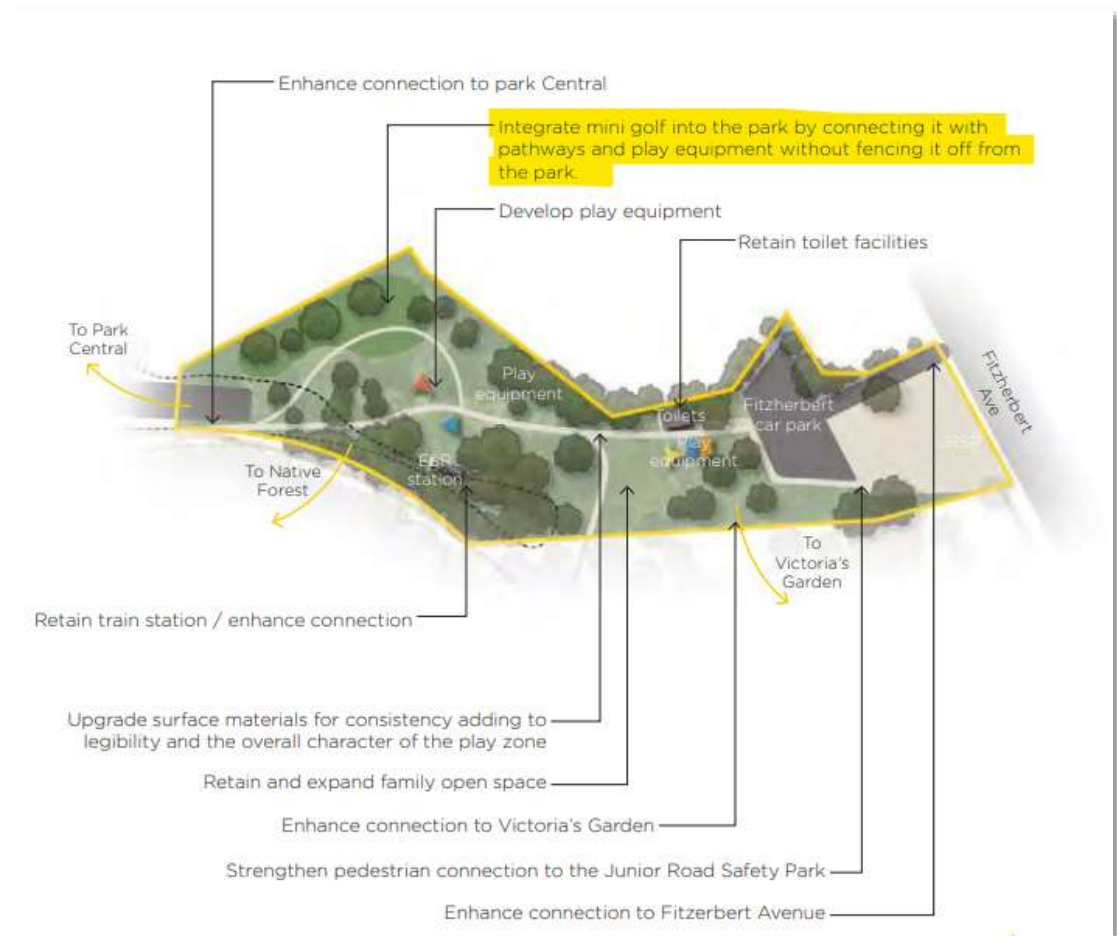


Figure 2: Mini golf in the Victoria Esplanade Masterplan - page 89

2.3 The Masterplan was consulted with the Victoria Esplanade User Group and community, and the mini golf proposal was well received.

Extended Lease Terms

2.4 For most of Council's existing recreation leases, the lease terms are capped to no more than ten (10) years in accordance with the existing Council Policy, ie. a 5-year term with a right of renewal of another 5 years.

2.5 There are seven (7) approved leases that have lease terms longer than 10 years. These leases are:

Tenant	Location	Lease Term
Manawatu Smallbore Rifle Association	Totara Road	15 Years
Manawatu Cricket Association	Practice-wicket, Park Road	15 Years
Palmerston North Golf Club	Brightwater Terrace	30 Years
Menzshed Manawatu	Rangitāne Pavilion	25 Years
Palmerston North Esplanade Scenic Railway	The Esplanade	20 Years
YMCA Central	Park Road	31 Years
The Scout Association NZ	Ashhurst Domain	20 Years

2.6 The above leases were granted extended lease terms to provide additional security of lease term to reflect the organisation's considerable financial investment into their respective facilities.

**3. LEASE TERMINATION**

3.1 Within Council's standard lease documentation for recreational leases or leases on reserves there are two clauses that enable Council to terminate a lease early; a clause for a breach of lease conditions, and a more broadened early termination clause. These are explored below.

Lease Termination – Breach of Lease

3.2 If a tenant is breaching the lease conditions such as not paying rent or not using a lease area for the use prescribed/ agreed to within the lease, Council can terminate the lease through Clause 9.2. This clause reads:

*“If the Landlord after making such enquiries as it thinks fit and giving the Tenant the opportunity of explaining the usage of the property is satisfied that the property is not being used or being sufficiently used for the Prescribed Use then the Landlord may terminate this lease on such terms as it thinks fit but without prejudice to any antecedent right or action which the Landlord may have against the Tenant however it arose.”*

3.3 In the situation where a breach of lease had occurred, prior to any termination of the lease being sought, the two parties would always look to engage in a thorough arbitration process to try to resolve the issues. However, should the issue/s not be able to be resolved, the legal process to terminate the lease can begin.

3.4 This clause will remain in all lease documentation, including the proposed lease discussed in this report with the Lions.

3.5 However, providing a tenant is not breaching the terms of a lease, this clause does not allow Council to terminate a lease should the operation of that facility not meet Council's expectations, ie. providing poor service, not being opened for desired hours, not upkeeping the facility to Council's desired standards, etc.

Early Termination Clause

3.6 To reduce Council's risk in relation to the operation of the facility not meeting Council's expectations, it is standard practice for Council to also include a more broadened early termination clause in its lease documentation, in addition to Clause 9.2, for recreational leases or leases on reserves. This is Clause 47 which reads:

*“Notwithstanding any other provision in this Lease, the Landlord may terminate this Lease by giving three (3) months' notice in writing to the Tenant. Termination pursuant to this clause shall not give the Tenant any right or claim whatsoever against the Landlord.”*

3.7 For clarity, an arbitration process like that mentioned above to resolve lease issues would still be undertaken in this instance, however, should a resolution of issues that do not constitute a breach of lease not be able to be reached, Council will have the ability to terminate a lease. If this clause is not included in the lease, these types of issues are very difficult to address.

3.8 Whilst this clause is included in leases to help mitigate Council's risk, Council does have two (2) approved leases which have had this clause removed. They are:

Tenant	Location	Lease Term
Manawatu Cricket Association	Practice-wicket, Park Road	15 Years
YMCA Central	Park Road	31 Years

3.9 As with the extended lease terms, the early termination clause was removed from these leases to reflect the considerable financial investment from the organisations into their respective facilities.

**4. DESCRIPTION OF OPTIONS**

4.1 Council has three (3) options to consider:

- Approve the extended lease term and remove the early termination clause within the Lease;
- Approve the extended lease term but retain the early termination clause with the Lease; or
- Decline the current proposed lease terms, with Council Officers entering back into negotiation to determine new lease terms in line with Council's policy and standard practice.

## 5. ANALYSIS OF OPTIONS

### **OPTION 1: Approve the extended lease term and remove the early termination clause with the Lease**

- 5.1 Option 1 sees Council enter a lease with the Lions within the Victoria Esplanade.
- 5.2 The lease is proposed to be for a ten (10) year lease term with a right of renewal of another ten (10) years. In addition, the Lions have requested that the standard early termination clause be removed from the lease documentation.
- 5.3 This is the Lion's preferred option.
- 5.4 Note: The benefits and risks within this report relate to the options being considered, not in relation to having a mini golf course within the Victoria Esplanade.

#### Benefits

- 5.5 Option 1 has the following benefits:
- A 20-year lease term clause will provide security to the Lions and will support their internal fund-raising efforts for the project.
  - The added security of the lease will support the Lions to continue to invest in the project through ongoing maintenance expenses for the operation of the mini golf facilities with confidence.
  - The Lions perceive that the removal of the early termination clause will give them more security of the Lease.

#### Risks

- 5.6 The risks identified for Option 1 are:
- Should the mini golf course not be operating in accordance with the consent conditions or the general principles of the proposal consented upon, or the course not be operating in a way that meets Council's expectations and these matters cannot be resolved through arbitration, Council would not be able to bring the Lease to an end without the agreement of the Lions.
  - The lease term of 20 years may limit Council's strategic options around the future use of the lease area. However, the risk is low as this proposal has been consulted and approved by Council in the Long Term Plan and the Esplanade Master Plan.

#### Financial

- 5.7 Council will receive an annual rental of \$150 + GST.

- 5.8 There will be no ongoing operational costs to Council associated with the lease as it is a land lease only. The club will be responsible for their own repair and maintenance of the mini golf facilities.

**OPTION 2: Approve the extended lease term but retain the early termination clause with the Lease.**

- 5.9 As with Option 1, Option 2 sees Council enter a lease with the Lions within the Victoria Esplanade.
- 5.10 Again, the lease is proposed to be for a ten (10) year lease term with a right of renewal of another ten (10) years. However, this option will retain the early termination clause in the lease documentation in line with Council's standard practice.

Benefits

- 5.11 Option 2 has the following benefits:
- The Lions are still provided considerable lease security and can continue to invest in the project through ongoing maintenance expenses for the operation of the mini golf facilities with confidence.
  - In the event that the mini golf is not operated in accordance with the resource consent conditions or the general principles of the proposal consented upon, or the course was not operating in a way that meets Council's expectations and these matters cannot be resolved through arbitration, the inclusion of the early termination clause helps to mitigate Council's risk to enable Council to bring the lease to an end.

Risks

- 5.12 The risks identified for Option 2 are:
- Given the proposed lease will be potentially 20 years, this may limit Council's strategic options around the future use of the lease area.
  - The inclusion of a termination clause will be viewed negatively by the Lions as they consider it to reduce their lease security moving forward.

Financial

- 5.13 Council will receive an annual rental of \$150 + GST.
- 5.14 As with Option 1, there will be no ongoing operational costs to Council associated with the lease as it is a land lease only. The club will be responsible for their own repair and maintenance of the mini golf facilities.

**OPTION 3: Decline the current proposed lease terms, with Council Officers entering back into negotiations to determine new lease terms in line with Council's policy and standard practice**

- 5.15 Option 3 sees Council decline the current proposed lease terms and directs Council Officers to go back to the Lions and renegotiate terms that are in line with Council's policy and standard practice.
- 5.16 This would be the least favourable option for the Lions and will at minimum cause delays to the project.

Benefits

- 5.17 Council Officers will negotiate the lease terms in accordance with existing policy and standard practice.

Risks

- 5.18 The risks identified for Option 3 are:
- The Lions may not agree with the terms in line with Council's policy and standard practice which may delay or jeopardise the project.
  - The wider public and the Lions may perceive Council as being difficult to deal with and causing unnecessary delays.

Financial

- 5.19 As negotiations would be recommencing, no rental income will be received until terms have been reached.
- 5.20 It is likely that the final rental received will remain the same at \$150 + GST as this is already in line with Council's policy.

**6. CONCLUSION**

Options 1 and 2

- 6.1 Despite the extended lease term limiting Council's future use of the site upon which it will sit, given the mini golf course was included in the 2018 Victoria Esplanade Masterplan, this is considered a low and unlikely risk to Council.
- 6.2 The removal of the early termination clause increases Council's risk should the venture not be operated in a way that meets Council's expectations. Whilst this is also considered an unlikely risk, Council will need to decide whether they are willing to accept this risk.

Option 3

- 6.3 Unlike the risks for Options 1 and 2, the risks associated with Option 3 are considerably more likely to occur and will potentially have a much higher impact.

- 6.4 The risks around delay, straining Council's relationship with the Lions, and even jeopardising the project altogether if terms cannot be reached, are considered to far outweigh the benefits of this option.
- 6.5 Considering the above, it is recommended that Council proceed with either Option 1 or 2 depending on their risk appetite around the removal of the early termination clause.

**7. NEXT ACTIONS**

- 7.1 Proceed with signing a Deed of Lease between Council and The Lions for the mini golf course land within Victoria Esplanade.

**8. OUTLINE OF COMMUNITY ENGAGEMENT PROCESS**

- 8.1 The Victoria Esplanade is subject to the Palmerston North Reserves Act 1922 and has its own Reserve Management Plan and therefore is not subject to the consultation requirements of the Reserves Act 1977.
- 8.2 Given this the lease proposal was not required to be publicly notified.
- 8.3 The Esplanade Steering Group was consulted on this lease proposal and there were no objections.
- 8.4 Council Officers presented the Club's proposal in the bimonthly meeting with Rangitāne o Manawatu on 28 June 2019 and Iwi representatives were supportive of the lease term and suggested that the signage have dual English and Te Reo wording to be consistent with new signage across the city. This recommendation was adopted as a condition of the resource consent.
- 8.5 Iwi were further consulted on this matter in July 2021 as part of the July 2021 bimonthly meeting with Council Officers. They had no objections to either option 1 or option 2.

**COMPLIANCE AND ADMINISTRATION**

Does the Committee have delegated authority to decide?	<b>No</b>
Are the decisions significant?	<b>No</b>
If they are significant do, they affect land or a body of water?	<b>No</b>
Can this decision only be made through a 10 Year Plan?	<b>No</b>
Does this decision require consultation through the Special Consultative procedure?	<b>No</b>
Is there funding in the current Annual Plan for these actions?	<b>Yes</b>
Are the recommendations inconsistent with any of Council's policies or plans?	<b>No</b>
The recommendations contribute to Goal 2: A Creative and Exciting City	
The recommendations contribute to the achievement of action/actions in Active	

<p>Communities</p> <p>The action is: To carry out recreation and reserves planning functions under the Palmerston North Reserves Act 1922 and Local Government Act including the preparation of Reserve Management and Development Plans and Master Plans.</p>	
<p>Contribution to strategic direction and to social, economic, environmental and cultural well-being</p>	<p>This aligns will with the direction to create a city that has great places for all people, particularly families, and have the most active community in New Zealand (Priorities 1 and 5, Creative Land Liveable Strategy).</p>

**ATTACHMENTS**

Nil



## **MEMORANDUM**

**TO:** Finance & Audit Committee

**MEETING DATE:** 25 August 2021

**TITLE:** Quarterly Performance and Financial Report - Quarter Ending 30 June 2021

**PRESENTED BY:** Stuart McKinnon, Chief Financial Officer and Andrew Boyle, Head of Community Planning

**APPROVED BY:** Stuart McKinnon, Chief Financial Officer

---

### **RECOMMENDATION(S) TO COUNCIL**

1. That the memorandum entitled 'Quarterly Performance and Financial Report - Quarter Ending 30 June 2021', presented to the Finance & Audit Committee on 25 August 2021, be received.
  2. That Council note that the capital expenditure carry forward values in the 2021/22 Long Term Plan Budget will be increased by \$2.44M, capital revenue will be increased by \$562K and operational expenditure will be increased by \$131K as per the details in Appendix 4 of this report.
  3. That Council note that capital expenditure carry forward values in the 2021/22 Long Term Plan Budget relating to the three water reform funding will be increased by \$1.74M, capital revenue will be increased by \$1.74M, operational expenditure will be increased by \$744K and operational revenue will be increased by \$744K as per the details in Appendix 4 of this report.
- 

### **1. ISSUE**

To provide an update on the performance and financial achievements of the Council for the period ending 30 June 2021.

### **2. BACKGROUND**

Details of operating and financial performance are included in the following sections. Reports are against the goals as detailed in the 10 Year Plan 2018-28.

### **3. NEXT STEPS**

The next performance and financial report will be provided after the end of the September 2021 quarter.

**4. COMPLIANCE AND ADMINISTRATION**

Does the Committee have delegated authority to decide?	<b>Yes</b>
Are the decisions significant?	<b>No</b>
If they are significant do they affect land or a body of water?	<b>No</b>
Can this decision only be made through a 10 Year Plan?	<b>No</b>
Does this decision require consultation through the Special Consultative procedure?	<b>No</b>
Is there funding in the current Annual Plan for these actions?	<b>No</b>
Are the recommendations inconsistent with any of Council's policies or plans?	<b>No</b>
The recommendations contribute to Goal 5: A Driven and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy.	
The recommendations contribute to the achievement of action/actions in a plan under the Driven and Enabling Council Strategy	
The action is: to enable Council to exercise governance by reviewing financial performance and operating performance and provide accountability for these to the public.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	As above.

**ATTACHMENTS**

1. Quarterly Performance and Financial Report - Quarter Ending 30 June 2021 - CE and Catalyst Report [↓](#)
2. Quarterly Performance and Financial Report - Quarter Ending 30 June 2021 - Performance Measures [↓](#)
3. Quarterly Performance and Financial Report - Quarter Ending 30 June 2021 - Supplementary Material [↓](#)
4. Quarterly Performance and Financial Report - Quarter Ending 30 June 2021 - Revision to carry forwards 2021-22 [↓](#)

## Quarterly Report to Council – June 2021

### Chief Executive's Quarterly Report to Council

#### For June 2021

##### Introduction

It has been an extraordinary year with the advent of COVID-19 and the world wide effect of this virus. Our budgets were adjusted based on predictions coming out of a nation-wide lockdown without knowledge of how the economy or our own finances would be affected and as such it has been a year of two halves. With a 1.9% rates increase for the year and some early predicted budget overruns, we took a precautionary approach to our expenditure repressing salary increases and holding vacancies until we had a clearer picture of what lay ahead. The economy bounced back more strongly than anticipated, including our revenue. The fact that we have remained at Alert Level 1 has enabled our venues to operate at a capacity not predicted and development in the City is thriving. The labour market across all highly skilled workforces and supply chains in the construction industry have been affected as demand has far exceeded supply. The second half of the year has been one of readjusting to a much more dynamic market which has resulted in an uplift in expenditure including a greater investment into safety as we work to keep pace with these increasing demands.

##### Financial

For the 2021 financial year, our net operating position is \$4M favourable against budget. This year operating revenue has exceeded predictions of the COVID-19 pandemic effect, increased revenue has come from; city development consenting, venues, parking, roading and recycling. City development consenting, venues and roading revenue is \$4.5M higher than anticipated, although this increased revenue has been met with \$4.1M of increased expenditure.

In the final quarter, expenditure was accelerated following a precautionary approach in the first half of the year. This resulted in increased delivery of services in the final quarter. There was a large uptake of contracted services in roading, property, reserves and sports fields. Internally, increased expenditure was focused on addressing; digital strategic planning, staff training, remuneration and substantial safety improvements.

During the financial year the capital budget was increased by \$13.9M (20%) from the annual plan. This significant increase to the revised budget is primarily due to three waters stimulus funding. The capital new programme delivered 107 projects over the course of the financial year. This resulted in expenditure of \$39.9M against a revised budget of \$55.5M. This outcome led to 72% of the capital new revised budget being spent compared with 46% the previous year. The capital renewal programme delivered 101 projects over the course of the financial year, resulting in expenditure of \$23.3M (81%) spent against a revised budget of \$28.8M.

Carry forward capital works (excluding three water reform funded programmes) is requested to be increased by \$2.44M, based on programmed works not able to be completed within the financial year. Growth programmes, which rely on third party development to occur contribute \$2.1M of the carry forward total. Three water reform funded capital programme carry forwards are requested to be increased by \$1.74M and operational expenditure to be increased by \$744K.























































































































































































## MEMORANDUM

**TO:** Finance & Audit Committee

**MEETING DATE:** 25 August 2021

**TITLE:** Treasury Report - 12 months ending 30 June 2021

**PRESENTED BY:** Steve Paterson, Strategy Manager - Finance

**APPROVED BY:** Stuart McKinnon, Chief Financial Officer

---

### RECOMMENDATION(S) TO COUNCIL

1. That the performance of Council's treasury activity for the 12 months ending 30 June 2021 be noted.
- 

#### 1. ISSUE

To provide an update on the Council's treasury activity for the 12 months ending 30 June 2021.

#### 2. BACKGROUND

The Council's Annual Budget for 2020/21 forecast additional debt of \$35.643m would need to be raised during the year to fund the \$46.754m of new capital expenditure programmes (including assumed carry forwards from 2019/20). In June 2020 the Council resolved to specifically authorise the raising of up to \$36m of additional debt. In August 2020 the Council approved increasing the new capital expenditure programme for the year by a further \$3.8m due to a revised assessment of the level of carry forwards from 2019/20. In December 2020 the Council approved further additional capital expenditure of approx. \$1.27m. As there was a high likelihood the full capital expenditure programme for the year would not be achieved there was no change to the additional debt that was authorised for either of these changes.

Council's Financial Strategy (updated version adopted 25 June 2018) contains the following ratios which the Council has determined to be prudent maxima:

- Net debt as a percentage of total assets not exceeding 20%
- Net debt as a percentage of total revenue not exceeding 200%
- Net interest as a percentage of total revenue not exceeding 15%
- Net interest as a percentage of annual rates income not exceeding 20%

An updated version of the Treasury Policy (embracing the Liability Management and Investment Policy), adopted by the Council in August 2020, also contains a number of other criteria regarding debt management. On 7 July 2021 Council adopted its updated Financial Strategy for 2021-31. No changes were made to these prudent debt ratios.

### 3. PERFORMANCE

Following the annual review published on 3 May 2021 Council's S&P Global Rating's credit rating remained unchanged at AA / A-1+.

**Schedule 1** attached shows the details of Council's debt as at 30 June 2021. Debt levels were within the policy parameters outlined in section 2 of this report.

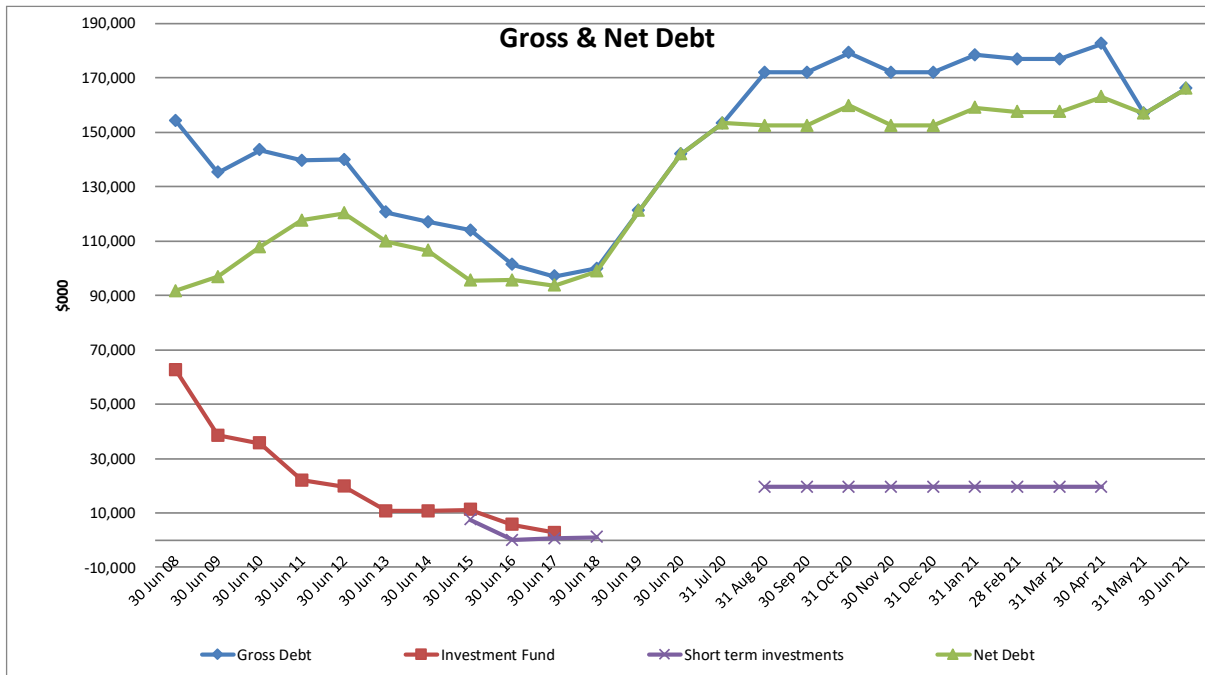
The summarised gross term debt movements are shown in the following table:

	Annual Budget for year (2020/21) \$000	Actual – 3 months (2020/21) \$000	Actual – 6 months (2020/21) \$000	Actual – 9 months (2020/21) \$000	Actual – 12 months (2020/21) \$000
Debt Balance at 1 July 2020	142,597	142,000	142,000	142,000	142,000
New Debt #	35,643	30,000	30,000	35,000	44,125
Debt repayments #					(20,000)
Closing Balance	178,240	172,000	172,000	177,000	166,125
<u>Comprising:</u>					
Bank advance (on call)					9,125
LGFA short term advance					0
LGFA & Council stock		172,000	172,000	177,000	157,000

# A portion of the Council's debt is drawn on a daily basis – daily drawdowns and repayments are not included in these figures but the net draw or repayment for the year to date is shown as part of new debt or debt repayment as appropriate.

Gross debt at 30 June 2021 was \$166.125m compared with \$142m at 1 July 2020.

Movements in recent years are shown in the following graph:



Actual finance costs incurred during the 12 months (including interest, line fees and the effects of payments relating to swaps) amounted to \$4.975m compared with the budget for the year of \$5.557m. \$168k of this expense related to \$20m of new loans raised in August 2020 to prefund debt maturing on 15 May 2021. This cost was more than offset by unbudgeted interest income of \$242k received from short term investment of this \$20m. The effective average interest rate for the year was 2.9% compared with the budgetary assumption of 3.4% and this translated to a saving of approximately \$825k.

The Council has entered financial instruments related to its debt portfolio utilising swap trading lines established with Westpac, ANZ and BNZ. The details of these are shown in **Schedule 2** attached.

The value of these instruments is measured in terms of its 'mark-to-market', ie. the difference between the value at which the interest rate was fixed and the current market value of the transaction. Each of these transactions was valued at the date they were fixed and again at the reporting date. Financial reporting standards require the movement in values to be recorded through the Council's Statement of Comprehensive Income (Profit & Loss Account). They have been revalued as at 30 June 2021 and show a reduction in the book value liability of \$779k for the quarter and \$7.575m for the year.

Swaps with a notional value of \$18m matured during the year and new forward start swaps with a notional value of \$40m (maturing in 2027 and 2028) were entered in June 2021. These new swaps were entered to ensure the Council remained within its interest rate risk policy framework.

The Council's Treasury Policy contains guidelines regarding the measurement of treasury risk as follows:

- Funding and liquidity risk is managed by the Council maintaining a pre-set portion of its debt in a range of maturity periods, eg. < 3 years, 3 - 7 years, 7 years +.
- Interest rate risk is managed by the Council maintaining the ratio of debt that is subject to floating versus fixed interest rates within pre-set limits.

The position compared to the policy is illustrated in the graphs in **Schedule 3 attached**.

The funding & liquidity risk position can be summarised as follows:

- Council's liquid position complies with policy, and debt that matured in May 2021 was repaid using sums raised in advance and temporarily invested.
- Since 30 June \$20m of term debt has been raised. \$10m of this is to pre-fund debt maturing in April 2022 and has been invested in the meantime at a rate that more than covers the cost of the interest expense. The remainder is funding activity in the 2021/22 year.

The interest rate risk position describes the portion of the overall forecast debt that is fixed versus floating and can be summarised as follows:

- Changes to the Treasury Policy adopted in August 2020 mean the calculations are no longer based on the rolling debt forecast for the next 12 months but rather the rolling debt forecasts for up to 11 years plus.
- There is significant uncertainty about forecast levels of future debt – this very much depends on a number of factors including future Council decisions on the proposed capital expenditure programme and Government decisions on the future structure of the provision of three waters.
- At the present time the strategy being adopted is to use the forecast debt figures from the recently adopted 2021-31 10 Year Plan but reducing them by 30% each year. Past experience is the Council has struggled to deliver its full programme of budgeted work so it is prudent to assume this reduced requirement. Failing to do this would likely lead to the Council's portfolio becoming over hedged.
- At the present time projected debt levels that exclude debt assigned for three waters programmes are also being considered to make sure the Council is not over hedged if water related debt is effectively transferred (or paid off) on 30 June 2024.
- At the present time interest rates are being fixed at or near policy minimums based on the debt forecasts mentioned above and that is the position as at 30 June. This approach is kept under constant review in the light of changing market conditions.

As at 30 June 2021 all policy targets had been met.



Council's credit lines with the banks include a \$18m four-year credit facility with Westpac Bank (maturing 31 July 2022) and a revolving \$25m three-year facility with ANZ Bank (maturing 31 March 2024).

**4. CONCLUSION & NEXT STEPS**

Finance costs for the year (including interest, line fees and the effect of swaps) was \$4.975m compared with budget for the year of \$5.557m. The variances from budget were due to a variety of factors including prefunding of maturing debt, actual interest rates lower than the budget assumption, capital expenditure and consequentially debt being lower than budget.

In conjunction with Council's treasury advisors hedging instruments are regularly reviewed in an effort to ensure the instruments are being utilised to best advantage as market conditions change. The level of hedging cover is also reviewed as the forecasts of future debt levels are revised.

Council's borrowing strategy is continually reviewed, in conjunction with Council's treasury advisors, to ensure best advantage is taken of Council's quality credit rating. In recent weeks there has been upward market movement in NZ short term interest rates (90 Bank bill rates) and these will be reflected in the 90 interest rate resets for Council's floating rate borrowing. However margins for present borrowing are fixed. Council's hedging strategy is based on the use of forward start swaps. These are influenced by international market movements for long term bonds and there has been little movement in these – if anything they have reduced in recent months.

A further performance report will be provided after the September 2021 quarter.

**5. COMPLIANCE AND ADMINISTRATION**

Does the Committee have delegated authority to decide?	<b>Yes</b>
Are the decisions significant?	<b>No</b>
If they are significant do they affect land or a body of water?	<b>No</b>
Can this decision only be made through a 10 Year Plan?	<b>No</b>
Does this decision require consultation through the Special Consultative procedure?	<b>No</b>
Is there funding in the current Annual Plan for these actions?	<b>Yes</b>
Are the recommendations inconsistent with any of Council's policies or plans?	<b>No</b>
The recommendations contribute to Goal 5: A Driven & Enabling Council This report outlines the outcomes of a fundamental administrative activity of the Council.	
Contribution to strategic direction and to	Managing the Council's treasury activity is a fundamental component of day to day administration of the Council.

social, economic, environmental and cultural well- being	
----------------------------------------------------------------------	--

**ATTACHMENTS**

1. Schedules 1 to 3 [↓](#) 















## **REPORT**

**TO:** Finance & Audit Committee

**MEETING DATE:** 25 August 2021

**TITLE:** Clearview Reserve - Easement Proposal to Powerco

**PRESENTED BY:** Bryce Hosking, Manager - Property and Kathy Dever-Tod, Parks & Reserves Manager

**APPROVED BY:** Sarah Sinclair, Chief Infrastructure Officer

---

### **RECOMMENDATION(S) TO COUNCIL**

- 1. That Council, as the administering body of Clearview Reserve (legally described as Part of Lot 1 DP 69185), authorise the granting of an easement to convey electricity, to Powerco.**
- 2. That Council, in exercise of the powers conferred on it by delegation under the Reserves Act 1977, authorise the granting of an easement to convey electricity, to Powerco.**
- 3. That Council note that the requirements of Section 4 of the Conservation Act 1987 have been satisfied in relation to consultation with Iwi over granting an easement to convey electricity at Clearview Reserve.**
- 4. That Council note that the requirements of Sections 119 and 120 of the Reserves Act 1977 have been satisfied in relation to public notification prior to the resolution to grant an easement to convey electricity over Clearview Reserve.**

**SUMMARY OF OPTIONS ANALYSIS FOR**

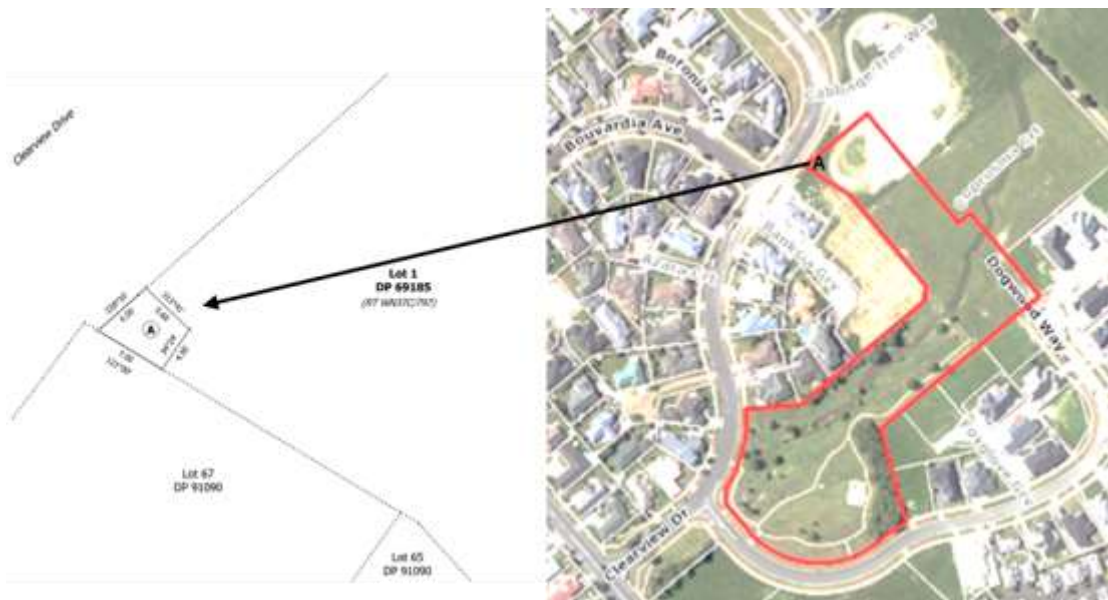
<p><b>Problem or Opportunity</b></p>	<p>Powerco has existing transformer and associated services within Clearview Reserve for the supply of electricity to Clearview Drive. These utility services were established within the reserve land in 2003 as part of the Clearview Drive Subdivision.</p> <p>The Reserves Act 1977 requires utility services on reserve land to be covered by an easement, however, there is currently no easement registered for this matter within Clearview Reserve.</p> <p>Powerco has identified this matter during their recent upgrade work and has requested an easement be created to ensure the legal status of these utilities align with the Reserves Act.</p> <p>The public consultation process has been completed in accordance with Section 48 of the Reserves Act 1977. There were no submissions received.</p> <p>This report seeks approval from Council to grant the formal easement for this matter.</p>
<p>Community Views</p>	<ul style="list-style-type: none"> <li>• The transformer has physically been in place since its establishment in 2003. Council has never received any feedback in relation to this transformer during this time.</li> <li>• The public consultation process was completed and there were no submissions received.</li> <li>• Iwi were consulted and were in support of the easement being granted.</li> </ul>
<p><b>OPTION 1:</b></p>	<p><b>Approve the proposed easement at Clearview Reserve to Powerco</b></p>
<p>Benefits</p>	<ul style="list-style-type: none"> <li>• Registering an easement within Clearview Reserve is considered good governance and ensures the activity is compliant with the requirements of the Reserves Act 1977.</li> </ul>
<p>Risks</p>	<ul style="list-style-type: none"> <li>• None.</li> </ul>
<p>Financial</p>	<ul style="list-style-type: none"> <li>• There are no financial implications with this easement as all costs are met by Powerco as the owner of the services as per Council's Easements Policy.</li> </ul>
<p><b>OPTION 2:</b></p>	<p><b>Decline the proposed easement to Powerco at Clearview Reserve and require the services to be relocated</b></p>
<p>Benefits</p>	<ul style="list-style-type: none"> <li>• None.</li> </ul>
<p>Risks</p>	<ul style="list-style-type: none"> <li>• If a formal easement is not granted Powerco will need to relocate the transformer which will cause disruption to the</li> </ul>

	<p>surrounding residents.</p> <ul style="list-style-type: none"> <li>Declining an easement may be perceived as causing unnecessary disruption.</li> </ul>
Financial	<ul style="list-style-type: none"> <li>None.</li> </ul>

**RATIONALE FOR THE RECOMMENDATIONS**

**1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY**

- 1.1 Powerco has existing transformer and associated services within Clearview Reserve for the supply of electricity to Clearview Drive.
- 1.2 The location of the transformer within Clearview Reserve is shown below:



- 1.3 The Reserves Act 1977 requires any form of utility for services on reserve land to be covered by an easement, however, there is currently no easement registered for this utility within Clearview Reserve.
- 1.4 Powerco identified this matter during their recent upgrade work to connect a new cable from Dogwood Way to the transformer and have requested an easement be created to ensure the legal status of these utilities align with the Reserves Act.
- 1.5 The public consultation process has been completed in accordance with Section 48 of the Reserves Act 1977. There were no submissions received.
- 1.6 This report seeks approval from Council to grant the formal easement for this matter.

## **2. BACKGROUND AND PREVIOUS COUNCIL DECISIONS**

- 2.1 Powerco's utility services at Clearview Reserve include a transformer and associated services such as underground cables. These utility services were established within the reserve land in 2003 as part of the Clearview Drive Subdivision.
- 2.2 In general Council encourages, wherever possible, service companies to locate their services in the road corridor. Road corridors are often increased in new subdivisions to include 'alcoves' that will house transformers. This allows service companies to operate under a standard roading corridor right-of-way.
- 2.3 This is not always possible or an appropriate outcome however, hence on occasion these utility services are required to be located within reserve land.
- 2.4 In these situations, Council encourages companies to situate these utility services underground. In this case the transformer needed to be located above ground for access, so the best outcome was to set this back off the road or footpath and to be located 'out of the way'.

### Requirement for Easements

- 2.5 In 1968 the Electricity Act provided the legal basis for utilising land for the purposes of conveying electricity. In 1977 this method of utilising land in reserves for the purposes of conveying electricity was superseded by the Reserves Act 1977.
- 2.6 In recent years Powerco has been bringing the legal status of all their electricity conveyance utilities in line with the Reserves Act, including the establishment of easements when required.
- 2.7 The easements proposed cover the transformer site and the recent upgrade works area.

### Previous Council Decisions

- 2.8 The Finance and Audit Committee received a report on the proposed easement at their meeting on 24 February 2021.
- 2.9 Council subsequently approved the proposal to proceed to community consultation.
- 2.10 Community consultation occurred during the period 28 April to 27 May 2021. There were no submissions received.

**3. DESCRIPTION AND ANALYSIS OF OPTIONS**

Community Views

- 3.1 The transformer has physically been in place since its establishment in 2003. Council has never received any feedback in relation to this transformer during this time.
- 3.2 The public consultation process was completed and there were no submissions received.
- 3.3 Iwi were consulted and were in support of the easement being granted.

**Option 1: Approve the proposed easement at Clearview Reserve to Powerco**

- 3.4 Option 1 sees Council authorise the granting of an easement to convey electricity to Powerco within Clearview Reserve.

Benefits

- 3.5 The registration of an easement is an administrative matter. As such registering this easement within Clearview Reserve is considered good governance and ensures the activity is compliant with the requirements of the Reserves Act 1977.

Risks

- 3.6 No risks have been identified for this option.

Financial Implications

- 3.7 There are no financial implications with this easement as all costs are met by Powerco as the owner of the services as per Council's Easements Policy.

**Option 2: Decline the proposed easement to Powerco at Clearview Reserve and require the services to be relocated**

- 3.8 Option 2 would see Council declining the proposed easement and require Powerco to relocate the transformer and its associated services off Clearview Reserve.

Benefits

- 3.9 No benefits have been identified for this option.

Risks

- 3.10 If a formal easement is not granted Powerco will need to relocate the transformer which will cause disruption to the surrounding residents.

3.11 Given the transformer and its services have been in place since 2003, declining an easement may be perceived as causing unnecessary disruption by both Powerco and the general public.

Financial Implications

3.12 No costs will be incurred.

**4. CONCLUSION**

4.1 As this is an administrative matter, Option 1 is considered good governance and will ensure the activity is compliant with the requirements of the Reserves Act 1977.

4.2 Council has met the requirements of the Reserves Act and Conservation Act in considering the easement.

4.3 There was no submission in support or opposition received from the community consultation and no concerns raised by Rangitāne.

4.4 It is recommended that Council proceeds with Option 1 and grants an easement to Powerco at Clearview Reserve.

**5. NEXT ACTIONS**

5.1 The easement instrument will be entered between Council and Powerco and added to the relevant property title.

**6. OUTLINE OF COMMUNITY ENGAGEMENT PROCESS**

6.1 Public notification was undertaken through an advertisement in the Manawatu Standard and on the Palmerston North City Council website from 28 April 2021 until 27 May 2021.

6.2 No submissions or objections were received.

6.3 Iwi were consulted on this matter both in January 2021 and as part of the July 2021 bimonthly meeting with Council Officers. They were in support of the easement being granted.

**COMPLIANCE AND ADMINISTRATION**

Does the Committee have delegated authority to decide?	<b>No</b>
Are the decisions significant?	<b>No</b>
If they are significant do, they affect land or a body of water?	<b>No</b>
Can this decision only be made through a 10 Year Plan?	<b>No</b>
Does this decision require consultation through the Special Consultative procedure?	<b>No</b>

Is there funding in the current Annual Plan for these actions?		<b>No</b>
Are the recommendations inconsistent with any of Council's policies or plans?		<b>No</b>
The recommendations contribute to Goal 3: A Connected and Safe Community		
The recommendations contribute to the achievement of action/actions in Economic Development		
The action is: Carry out recreation and reserves planning functions under the Reserves Act 1977 and LGA including the preparation of Reserve Management and Development Plans and Master Plans.		
Contribution to strategic direction and to social, economic, environmental and cultural well-being	This action ensures Council meets its legal obligations under the Reserves Act 1977 with regards to reserves planning and legislative requirements for utilities sited in reserves.	

**ATTACHMENTS**

Nil





## **COMMITTEE WORK SCHEDULE**

**TO:** Finance & Audit Committee

**MEETING DATE:** 25 August 2021

**TITLE:** Committee Work Schedule

---

### **RECOMMENDATION(S) TO FINANCE & AUDIT COMMITTEE**

1. That the Finance & Audit Committee receive its Work Schedule dated August 2021.

### **ATTACHMENTS**

1. Committee Work Schedule\_August 2021 [↓](#) 







