

# **OPEN**

# **MINUTE ITEM**

# **ATTACHMENTS**

**Ordinary meeting of the**  
**Audit, Risk and Finance Subcommittee**

**Wednesday 14 October 2015**  
**Commencing at the conclusion of the Commercial Subcommittee**  
**Ruma Mārama**

**Level 2A, Civic House**  
**110 Trafalgar Street, Nelson**

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## TRAFALGAR CENTRE – FINANCING

This is a complex issue which 5 minutes can't do justice to, but I will attempt to cover the basic points.

I want to start by addressing the LTP and what is expected from it, and then move into criticism of the way the Trafalgar Centre debacle has been handled.

To Council's credit, the LTP process established a cap on the Trafalgar Centre expenditure of \$10M which was put on the work for "affordable reasons". Opus was attempting to promote expenditure of \$19.6M. Council's stance disciplined that proposition. Mrs Hadley, also, in her email to me of June 2015, clearly accepted that \$10M was the maximum agreed to, quote: "The Long Term Plan makes provision for \$10M, and that is the amount we are working to." End quote.

To allow the use of the "Significance Policy" when facts were known at the time the LTP was ratified, is nothing more than cunning manipulation of the process and would have to be contrary to the intention of the policy. Therefore this committee must tell Council that the cap of \$10M holds.

The spectre of liquefaction has dissipated, yet Opus continues to attempt to argue the opposite. Accepting facts would reduce costs significantly. Alternatively the northern end proposal will have to wait until the next round of Annual Plan discussions again determines what is affordable.

The Auditor General's severe criticism of Kaipara Council and councils in general must be acknowledged and acted on.

### Extracts from the Auditor General's Report

#### **The following are appropriate to the TC issue:**

1. Draw out lessons so other communities can avoid facing similar challenges.
2. KDC relied too heavily on its professional advisers and had a practice of receiving briefings and effectively making decisions in informal workshops.
3. Public entities should expect to be tested by members of the public, the media or the courts, and public entities need to be ready to explain themselves.
4. Need for members of a governing body to have the courage to keep asking questions until they understand what they are deciding.
5. Compliance with the law is not optional, near enough is not good enough. There have been too many examples in recent years of public entities being too cavalier about matters of compliance. All public entities need to pay careful attention to both the spirit and the letter of their legal obligations if they are to retain the trust of the people they serve. Audit New Zealand also expects committees to allow free and frank debate.

### Turning now to Mr Kirby's Report of July 23<sup>rd</sup> 2015:

Mr Kirby has gone into a deal before the Arup Report and peer review has been released – see minutes, July 23<sup>rd</sup>. The report is expected on October 23<sup>rd</sup>. The contract should not have been allowed to be signed before details of the critical report is known. Incidentally, most of the proposed expenditure is due to the intransigence of those responsible for the reckless desk top guesstimating that occurred initially.

**The following clauses refer to his report.**

8.5 The issue of cost increases has the makings of another open-ended contract.

8.13 Identifies \$12.956M plus \$667,000.

12.2 Audit Committee was not given the facts. \$1.745M spent to date:

\$320,000	Consultants and legal
\$600,000	Transferred to Saxton Stadium from TC Capital Expenditure account
\$20,000	Pile investigation
\$45,000	Bickers meeting
\$450,000	Project allocation
\$250,000	Project allocation
\$60,000	Latest seismic investigation
\$1.745M	Total to date

13.1.1 Increase over budget \$4.5M, not \$3.6M. An approximate 50% increase cannot be labelled insignificant.

**General Points**

Several positions in the LGA 2002 are integrity focused. Quote: “All local authorities are required by law to adopt and implement codes of conduct to ensure business is carried out in an open, transparent and democratically accountable manner.” End quote. This has not happened. Those with the facts have been severely restricted in their efforts to present the facts. A five minute slot in an adversarial arena is not conducive to good governance. The Act requires from the Audit Committee impartiality, integrity, honesty and transparency. On that basis the community would expect the Audit and Risk Committee to demand refunds from the negligent parties, who through assumptions, not facts, created all the chaos in the first place.

The agenda for the Council meeting of 15<sup>th</sup> October 2015 identifies two further items that require explanation:

1. Under the heading of Annual Plan Report, Audit New Zealand comments on Clause 5.7 an initial expenditure of \$644,000 on the Trafalgar Centre. This needs to be acknowledged.
2. Under the heading Trafalgar Centre – Northern Building Concept Plans, 7.2 states that \$667,000 is included in the \$12.956M figure. Mr Kirby’s report of September 3<sup>rd</sup> 2015 states that the \$667,000 is additional to the \$12.956M.

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13 October 2015  
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