



HURUNUI *District Council*

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IF CALLING ASK FOR

18 January 2013

REF

Mr Grant Lilly
Chairperson
Hanmer Springs Thermal Pools and Spa Management Committee
19 Raumati Road
Remuera
AUCKLAND 1050

Dear Grant

LETTER OF EXPECTATION 2012/2013

Welcome to your new role as Chairperson of the Hanmer Spring Thermal Pools and Spa Management Committee. The Council and I look forward to your involvement in what is a very important part of our business and the value you will add to it.

This letter sets out Hurunui District Council's expectations for the Hanmer Springs Thermal Pools and Spa Management Committee (the Management Committee). This letter is intended to guide the Management Committee and be of assistance to it in its delivery of the 2012/2013 Statement of Intent (SOI). The Council is committed to working cooperatively and constructively with the Management Committee as it gives effect to our objectives and priorities through the SOI.

The expectations expressed in this letter have been developed from a number of sources, including the Council's vision for the district, the Council's 2012/2022 Long Term Plan (LTP), the Hanmer Springs Thermal Reserve Management Plan, and the background and history I have had with the Council and my understanding of the very positive relationship the Management Committee has enjoyed with the Council over the years.

Our goal is to have the SOI in alignment with the LTP, so that we work in a coordinated manner, with the Management Committee's actions consistent with the Council's expectations and our planning documentation, to achieve the aspirations of our residents, ratepayers and the users of our facilities and services.

The SOI and this Letter of Expectation are both new documents. They are subject to refinement and improvement in future. However, they give a good indication of the direction we wish to head in and will help us in properly aligning our joint efforts. We look forward to working with you to update and refine the next SOI in line with the timeframes set out in section 11 of the SOI.

The Hanmer Springs Thermal Pools and Spa complex and its Management Committee are integral parts of the Hurunui District Council's operational and governance structure. They

provide ratepayers, residents and visitors with important services and management oversight of a significant Council owned resource.

The lands, buildings and commercial operations as a whole on the Hanmer Springs Thermal Reserve are classified as 'Strategic Assets' and subject to the Council's Significance Policy (pages 251 to 254 of the Council's LTP refer).

The governing elected body of the Hurunui District Council expects the Management Committee to ensure the Pools and Spa complex makes a significant contribution to the overall financial performance of the Council. However, in addition to running a successful and profitable business in accordance with sound business practices and attracting increasing numbers of customers into the district, the Pools and Spa is expected to have an ethos fitting a publicly accountable organisation.

The Management Committee needs to behave in a manner consistent with the spirit of public service, openness and fairness and ensure the same behaviours from our Pools and Spa complex employees. You will need to exercise sound judgement and caution in decision making from what could be termed normal practice in a fully commercial environment.

The relationship between the Council and the Management Committee is based on a culture of cooperation and trust. A 'no surprises' policy is a critical part of this and ensures that the two parties keep each other appropriately informed of developing situations or issues. We expect that the Management Committee will be sensitive to Council's interests and advise it of any contentious issues that may generate public interest.

The Council's vision for the Hurunui is *Community Partnership in Growth and Wellbeing*. Five Community Outcomes characterise our community's overall aspirations for the future of the Hurunui district.

- A desirable and safe place to live
- A place where our traditional rural values and heritage make Hurunui unique
- A place with a thriving local economy
- A place with essential infrastructure
- A place that demonstrates environmental responsibility.

The Pools and Spa complex's operation closely aligns with the second Community Outcome – 'A place where our traditional rural values and heritage make Hurunui unique' and the third Community Outcome – 'A place with a thriving local economy'. We want people to have a range of opportunities to participate in leisure and culture activities, and we want our historic and cultural heritage protected for future generations. We also want to be seen as a good place to do business, to live and to visit.

The Council's LTP takes into account the Government's drivers for economic growth. These include Enabling better science, innovation and trade; Removing red tape and unnecessary regulation; Delivering better, smarter public services; Investing in productive infrastructure; Lifting education and skills; And creating a growth-enhancing tax system. Where relevant, the Council expects its operations, including the Pools and Spa complex to align with these drivers.

The Management Committee is required to give effect to the Council's LTP. The LTP sets out our 'plans' for the Pools and Spa complex (pages 135 to 140 refer). The LTP identifies plans for the future, major capital projects, and 3 goals and performance measures we wish to see achieved. The Council's priorities for the Pools and Spa complex are then further

identified in the SOI. The SOI sets out 8 objectives and performance targets we wish to see achieved.

For major capital projects it is our expectation that as conceptual plans develop and progress through to ultimate Management Board approval, high value and significant capital projects will then be brought through to Council for final approval. The \$2m allocated in the current 2012/13 year for the administration block and changing room upgrade is an example of this requirement.

The Pools and Spa complex consists of 4 distinct business areas, being the Pools, Spa, Café and Visitor Information Centre. While each of these business unit's operations requires careful monitoring, I would draw your attention to the Café and the Visitor Information Centre. Until relatively recently the Café was managed by a private provider. The Management Committee decided it would be advantageous to have this aspect of the business run in-house. Our initial in-house operation of the Café has been a learning curve. This is an area of the business that should be carefully monitored by the Management Committee to ensure that the outcomes and financial returns materialise as expected. Most Visitor Information Centres in New Zealand are loss making. Our expectation is that our Visitor Information Centre will be break even or better.

An outcome of the Council's recent review of the management and governance of the Hanmer Springs Thermal Pools and Spa activity area is that we wish to see a closer alignment between the complex and the rest of the Council organisation. This particularly relates to compliance with local government legislation and wider organisational policy. We expect you as Chairperson to work with our CEO and the Hanmer Springs Thermal Pools and Spa General Manager to make pragmatic improvements in this area.

The Pools and Spa complex now accounts for 32% of the Council's annual revenue. At the end of each financial year the Council is audited and receives a report from Audit NZ, which can make recommendations for improvements. Given the proportional size and importance of the business, Audit NZ will include the Pools and Spa activity in their audit. We expect the Management Committee to give due consideration to any Audit NZ recommendations that apply to its area of business and to make the improvements deemed appropriate.

The Council has developed and adopted a formal Risk Register. It sets out risks for the Pools and Spa complex. Controls in place to manage these risks are identified, as are actions required to further reduce risks. The Management Committee should periodically review and update the register, which should then be reported through to the Council's Audit and Risk Committee.

The Management Committee is a subcommittee of Council, which reports through to the Council's Strategy and Policy Committee. All councillors receive the Management Committee's agendas and reports (both public and public excluded material). Moving forward we seek an improved flow of information between the Management Committee and the Council. In addition to your normal Management Committee meetings, 2 meetings with the Strategy and Policy Committee, and 2 meetings with the Audit and Risk Committee will be scheduled each year. We would like you to report twice a year (or as otherwise required) to the Strategy and Policy Committee on delivery of the SOI, general matters, budget and financial recommendations and policy decisions. We would like you to report twice a year (or as otherwise required) to the Audit and Risk Committee on financial performance (after an audited set of annual accounts is available) and risk management matters.

The Pools and Spa complex can be viewed in a sense as being 'owned' by the whole district. The Council strongly believes the complex has a responsibility to the Hanmer Springs

community, and also to the wider Hurunui district. These obligations need to be carefully considered and understood. Commercial opportunities may conflict with local business sustainability. The complex's wider involvement in and influence on Hanmer Springs and the district's overall health need to be a 'sounding point' when making decisions.

The Hanmer Springs Thermal Pools and Spa complex and its Management Committee is modelled as close to a Council Controlled Organisation as possible, but is still actually a business unit of Council. Final accountability for the Management Committee's decisions rests with the Council. As such, significant new budget items (such as a large capital project or item requiring additional funding) or changes to entry fee pricing, need to come to Council for final approval.

The Council will be adopting its Draft Annual Plan for the 2013/2014 year (DAP) at its 28 February 2013 meeting. The DAP will be consulted on from 11 March to 12 April. We will deliberate on submissions on 13 and 14 May and reconfirm our decisions at our 30 May Council meeting. The final Annual Plan for the 2013/2014 year (commencing from 1 July 2013) will be adopted on 27 June 2013.

The Hanmer Springs Thermal Pools and Spa complex budget for the 2013/2014 year was approved at the Council's December 2012 budget workshop. Given the nature of the Pool's business we understand finalising financials at this time is challenging and that further refinement may need to take place within the timeframes outlined above. Any public submissions we receive concerning the Hanmer Springs Thermal Pools and Spa complex will be forwarded through to Pool's management for comment between 15 April and 10 May 2013.

I look forward to working with you over the coming year.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Winton Dally', written in a cursive style.

Winton Dally
Mayor

Encl.