Finance Committee
OPEN MINUTES

Minutes of a meeting of the Finance Committee held in Council Chamber, 401 Grey Street, Hamilton East on Tuesday 21 November 2017 at 1.05pm.

Chairperson Cr J Hennebry
Deputy Chairperson Cr H Vercoe
Present Cr D Minogue
                               Cr S Kneebone
                               Cr B Quayle
Ex-officio Cr A Livingston
In attendance Cr K White
Staff V Payne – Chief Executive
             M Garrett – Chief Financial Officer
             J Becker – Finance Manager
             D Thurlow – Democracy Advisor
Apologies
(Agenda Item 1)

The Committee accepted the apology received from Councillor Mahuta.

Confirmation of Agenda
(Agenda Item 2)

The Chief Financial Officer advised that due to a number of items on the agenda involving outside presenters some items were likely to be considered out of the order listed in the agenda.

Cr Hennebry moved/Cr Minogue seconded

FC17/66

RESOLVED

THAT the agenda of the Finance Committee of 21 November 2017 be confirmed as the business for the meeting.

The motion was put and carried (FC17/66)

Disclosures of Interest
(Agenda Item 3)

There were no disclosures of interest.

SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)

Issues and Actions from Finance Committee Meetings
(Agenda Item 4) (Doc # 11219844)

Chief Financial Officer (M Garrett) outlined the actions and issues raised from previous Finance Committee meetings.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Clarification was sought in relation to the statement that revaluation of Council’s Infrastructure assets is undertaken 3-yearly, and every year an assessment is carried out to determine the movement in values to establish whether they are material enough to trigger a full revaluation and the request that consideration is given in the Long Term Plan for an adjustment to be made each year. The Chief Financial Officer advised that the intent is that projected increases that arise through revaluations are factored into the Long Term Plan to ensure depreciation keeps pace with the changes to maintain current levels of service.
- Discussion centred on depreciation, noting that depreciation is driven by the asset value and the life of the asset.
Cr Hennebry moved/Cr Quayle seconded

**FC17/67**

**RESOLVED**

THAT the report ‘Issues and actions from the Finance Committee meetings’ (Doc # 11219844 dated 11 October 2017) be received.

The motion was put and carried (FC17/67)

Councillor Vercoe arrived at the meeting at 1.16pm.

**SECTION B: (FOR RECOMMENDATION TO COUNCIL)**

**2017/18 Rates Information to 31 October 2017**

(Agenda Item 5) (Doc # 11279972)

Chief Financial Officer (M Garrett) provided 2017/18 rates information as at 31 October 2017 and sought approval for rates remission applications received where they do not fit any category for existing remissions previously approved.

During questions, answers and related discussion Committee members raised or noted the following matters:

- This application relates to a community organisation providing a public good.
- Members were advised that in the 2016/17 financial year 115 community organisations were granted a rates remission totalling $52,000.
- The Committee supported the recommendation to remit 50% of the total rates assessed which is consistent with the remission granted by Hauraki District Council.

Cr Livingston moved/Cr Quayle seconded

**FC17/68**

**RESOLVED**

1. THAT the report ‘2017/18 Rates information to 31 October 2017’ (Doc # 11279972 dated 7 November 2017) be received.

**RESOLVED**

2. THAT the remission application for valuation reference 04771/480/00, Darlington Street, Hauraki be received.

**RECOMMENDED**

3. THAT the remission request for valuation reference 04771/480/00 be approved at 50% rates remission.

The motion was put and carried (FC17/68)

**Financial Performance Monitoring and Forecast as at 30 September 2017**

(Agenda Item 6) (Doc # 11368698 & 11371776)

Finance Manager (J Becker) presented an overview of the Council’s financial performance for the first quarter of the 2017/18 financial year, together with the outcome from the first forecast undertaken. In speaking the report it was noted that staff are undertaking another forecast round which will be reported to the next meeting of the Finance Committee. As part of the forecast, staff will get a clearer picture of the anticipated capital spend for this financial year.
During questions, answers and related discussion Committee members raised or noted the following matters:

- A question was raised around the funding shortfall that the Council has for the current financial year based on capital expenditure projection. In response staff advised that health and safety costs, stop bank upgrade programmes, contract cost estimations are contributing to widening the gap between depreciation funding and the money required to deliver the capital renewal works programme. Full year capital forecast for infrastructure capital is $21.125 million including carryovers. A review of these work programmes is underway in order to determine likely delivery for the year.

- Members were advised that the plant and equipment budget includes two key items, one being the provision of a replacement barge in the Lower Waikato Zone (which is unlikely to happen this financial year), the other being the real time information system for public transport, therefore the budget variance relates to the timing of expenditure.

- Staff are working on the financial implications associated with the delays with Plan Change 1A.

- A member requested that the costs associated with the development of the Coastal and Regional Plans could be expanded upon in the financial reporting going forward.

Cr Vercoe moved/Cr Minogue seconded

**FC17/69**

**RESOLVED**

1. THAT the report “Financial performance monitoring and forecast as at 30 September 2017” (Doc #11368698 dated 9 November 2017 be received.

**RECOMMENDED**

2. THAT the Finance Committee recommend to Council the approval of the forecast budget adjustments as set out in this report, being:
   i) An increase in operating revenue of $123,000.
   ii) An increase in operating expenditure of $1,249,000.
   iii) Drawdowns from reserves of $1,041,000 to offset the increase in expenditure above.
   iv) An increase in operational capital expenditure of $2,699.
   v) An increase in infrastructure capital expenditure to $80,000.

The motion was put and carried (FC17/69)

**SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)**

**2017/18 First Quarter Non-financial Performance Results**

(Agenda Item 7) (Doc #: 11281080)

Chief Financial Officer (M Garrett) informed the Committee of the 2017/18 first quarter non-financial performance results. In speaking to the report it was identified that the measure relating to the target of 43% farebox recovery set three years ago in the Public Transport Plan will not be achieved due to declining patronage levels in years 1-2 of the Long Term Plan. It was further noted that two measures are being ‘monitored’, these being ‘Percentage of river instability enquiries responded to within 3 days, and appropriate actions taken on a prioritised basis’ and ‘Compliance with Resource Management Act legislative planning requirements’. 
During questions, answers and related discussion Committee members raised or noted the following matters:
- A member questioned the definition of river instability. Staff advised that all enquiries from the public that are relevant to river instability require a response. River instability is defined as a river or stream erosion or a condition likely to cause erosion (excluding drains and canals).
- The Chief Financial Officer advised that the public transport patronage decline is a national trend, noting that Auckland and Wellington were the only metros in the country that had patronage growth.

Cr Vercoe moved/Cr Kneebone seconded

**FC17/70**

**RESOLVED**

THAT the report ‘2017/18 first quarter non-financial performance results’ (Doc # 11281080 dated 6 November 2017) be received.

The motion was put and carried (FC17/70)

With the consent of the meeting Item 14 was considered at this time.

**Waikato Local Authority Shared Services Limited Audited Annual Report to 30 June 2017**

(Agenda Item 14) (Doc # 11373271)

Chief Financial Officer (M Garrett) presented the Waikato Local Authority Shared Services Limited Audited Annual Report to 30 June 2017.

During questions, answers and related discussion Committee members raised or noted the following matters:
- A member questioned the reasons why the Board, who has the ability to appoint up to three professional directors to supplement the Directors’ expertise, had not taken this up. The Chief Financial Officer advised that a review of Waikato Local Authority Shared Services Limited governance structure has been undertaken, which recommends that the Board take up the option of appointing three external independent directors.

Cr Hennebry moved/Cr Kneebone seconded

**FC17/71**

**RESOLVED**

THAT the report ‘Waikato Local Authority Shared Services Limited Audited Annual Report to 30 June 2017’ (Doc # 11373271 dated 10 November 2017) be received.

The motion was put and carried (FC17/71)

With the consent of the meeting Item 11 was considered at this time.

**Tenders Board Contracts for the period 1 July 2017 to 30 September 2017**

(Agenda Item 11) (Doc # 11352599)

Chief Financial Officer (M Garrett) presented the contacts awarded by the Tenders Board for the period 1 July 2017 to 30 September 2017.
During questions, answers and related discussion Committee members raised or noted the following matters:
- The Chief Financial Officer clarified that the additional $75,000 required for the Onewhero Pump Station Upgrade was due to site conditions.

Cr Vercoe moved/Cr Livingston seconded

**RESOLVED**
**FC17/72**
THAT the report ‘Tenders Board Contracts for the period 1 July 2017 to 30 September 2017’ (Doc # 11352599 dated 8 November 2017) be received.

The motion was put and carried (FC17/72)

With the consent of the meeting Item 12 was considered at this time.

**Councillor Expenses for Quarter Ended 30 September 2017**
(Agenda Item 12) (Doc # 11356283)

The summary of Councillor Expenses for the quarter ended 30 September 2017 was taken as read.

During questions, answers and related discussion Committee members raised or noted the following matters:
- In respect to the training budget allocation for Councillors, members were advised that there is the ability for individuals to carry over their allocation during their three-year term.

Cr Livingston moved/Cr Kneebone seconded

**RESOLVED**
**FC17/73**
THAT the report ‘Councillor expenses for the quarter ended 30 September 2017’ (Doc # 11356283 dated 8 November 2017) be received.

The motion was put and carried (FC17/73)

With the consent of the meeting Item 16 was considered at this time.

**SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)**

**FC17/74**

**Resolutions to Exclude the Public**

Cr Kneebone moved/Cr Hennebry seconded

**RESOLVED**
That the public be excluded from the following part/s of the meeting:

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:
This resolution is made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 7 of that Act, which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

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| 17 & 18 | Protect information where the making available of the information  
(i) would disclose a trade secret; or  
(ii) would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information (Section 7(2)(b)) | S7 (b) (ii) |
| 17 & 18 | Protect the privacy of natural persons, including that of deceased natural persons (Section 7(2)(a)) | S7 (a) |

The motion was put and carried (FC17/74)

Return to Open Meeting at 1.51pm.

With the consent of the meeting Item 13 was considered at this time.

**Maungatautari Ecological Island Trust Quarterly Financial Report – July to September 2017**  
(Agenda Item 13) (Doc # 11368132)

Poto Davies, Co-Chair, and Melissa Sinton, Acting General Manager, from Maungatautari Ecological Island Trust presented on operational and financial activity for the period July to September 2017 and the findings of the governance review.

During questions, answers and related discussion Committee members raised or noted the following matters:
- In relation to the marketing budget, a member questioned the reason for the difference between the year to date budget and the year to date actual. The Acting General Manager advised that this is not an underspend the difference is merely a timing issue.
- The total visitor revenue decrease from the last financial year reflects a discount afforded to frequent visitor passes.
- Whilst the Committee values the quarterly reporting, which is currently being delivered in person from the Maungatautari Ecological Island Trust, the necessity
of this was questioned given it is not a requirement of the funding agreement with Council. Notwithstanding this, and given the projects that will arise through Predator Free 2050, the practicality of having a number of these groups presenting to the Committee on a quarterly basis was noted. The Acting General Manager advised that there is a lot of reporting required from the Trust to a number of its key funders, therefore reporting less frequently would be appreciated. A number of members were in support of reporting less frequently and asked whether there was an opportunity for Maungatautari Ecological Island Trust to streamline the reporting to its key funders. The Acting General Manager indicated that the key funders have different reporting requirements; however, it was felt some streamlining could be achieved. In relation to the contribution that Council provides to the Trust, the Chief Financial Officer confirmed that the funding for Maungatautari Ecological Island Trust was agreed to in 2015 for a three-year term, and that Council would be asked to reconfirm the funding for the Trust in 2018 as part of its Long Term Plan via the Natural Heritage Fund. A member suggested, that at the point of reconfirming funding for the Trust, that the reporting requirements be established. The Committee acknowledged the value in the dialogue with Allan Saunders and Dave Byers from Council’s Integrated Catchment Directorate and the Trust in ensuring that the Trust is compliant with the requirements of the grant. As such it was suggested that Council look at the option of the Committee receiving annual reports from the Trust and six-monthly reports from staff.

- The Maungatautari Ecological Island Trust advised that it has applied to the National Heritage Fund for funding.
- A member asked that the reports detail the fundraising undertaken by the Trust.
- The Committee acknowledged and congratulated the Maungatautari Ecological Island Trust whom is being recognised nationally for an environmental sustainability award.

Cr Kneebone moved/Cr Quayle seconded

FC17/78

RESOLVED
THAT the report ‘Maungatautari Ecological Island Trust Quarterly Financial Report July to September 2017’ (Doc # 11368132 dated 9 November 2017) be received.

The motion was put and carried (FC17/78)

With the consent of the meeting Item 15 was considered at this time.

SECTION B: (FOR RECOMMENDATION TO COUNCIL)

Public Transport – Proposal to Introduce Fare Capping
(Agenda Item 15) (Doc # 11386897)

Public Transport Manager (A Wilson) sought endorsement from the Finance Committee to implement a public transport fare capping scheme within the Waikato Region.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Members were advised that fare capping will not impact on SuperGold Cards.
- Fare capping encourages users to make more trips by inducing a perception of free or highly discounted travel after a threshold defined by the cap. Fare
capping also serves to improve equity and consistency in allocation of benefits across users with different purchasing powers.

- The Committee supported the proposal to implement a value based fare-capping scheme for public transport within the Waikato region as part of implementing a new ticketing system in 2018.

Cr Vercoe moved/Cr Quayle seconded

**FC17/79**

**RESOLVED**

1. THAT the report ‘Public Transport – Proposal to introduce fare capping’ (Doc # 11386897 dated 14 November 2017) be received.

**RECOMMENDED**

2. THAT the Finance Committee endorse, in principle, a proposal to implement value based fare-capping scheme for public transport within the Waikato region as part of implementing a new ticketing system in 2018.

The motion was put and carried (FC17/79)

**Investment Fund Performance and Cash Management Report to 30 September 2017**

(Agenda Item 8) (Doc # 11343570)

Chief Financial Officer (M Garrett) provided an update on the performance of the Council’s investment fund and cash management for the period ended 30 September 2017.

During questions, answers and related discussion Committee members raised or noted the following matters:
- A member was of the view that the $5 million currently on call was too high. Staff noted that the reason for holding a higher than usual on call balance was due to the payment of GST on rates.
- Discussion centred on internal borrowings and the option of whether Council should move to borrowing to externally. The Chief Financial Officer advised that analysis on this was underway and that this would be considered by Council as part of the Long Term Plan discussions.

Cr Quayle moved/Cr Hennebry seconded

**FC17/80**

**RESOLVED**

THAT the report ‘Investment Fund Performance and Cash Management Report to 30 September 2017’ (Doc # 11343570 dated 6 November 2017) be received.

The motion was put and carried (FC17/80)

**SECTION B: (FOR RECOMMENDATION TO COUNCIL)**

**2017/18 Cash Flow Forecast**

(Agenda Item 9) (Doc # 11357705)
Chief Financial Officer (M Garrett) presented, for approval, a plan to address forecast cash flow requirements over the 2017/18 financial year because of projected capital expenditure programmes.

During questions, answers and related discussion Committee members raised or noted the following matters:
- The Committee approved the proposed approach to the management of Council’s cashflow requirements for the 2017/18 financial year as outlined in the staff report.

Cr Quayle moved/Cr Minogue seconded

**FC17/81**

**RESOLVED**

1. THAT the report ‘2017/18 cash flow forecast (Doc # 11357705 dated 8 November 2017) be received.

**RECOMMENDED**

2. THAT the Finance Committee approve the proposed approach to the management of the Council’s cashflow requirements for the 2017/18 financial year as set out in the report (Doc # 11357705).

The motion was put and carried (FC17/81)

The meeting adjourned at 3.04pm and reconvened at 3.14pm when Item 10 was considered.

**SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)**

**Mercer Investment Monitoring Report to 30 September 2017**

(Agenda Item 10) (Doc # 11366225)

Simon Cox from Mercer provided an update on the quarterly investment monitoring report to 30 September 2017 (Doc # 11424399).

**FC17/82**

**Resolutions to Exclude the Public**

Cr Hennebry moved/Cr Minogue seconded

**RESOLVED**

That the public be excluded from the following part/s of the meeting:

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:

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<th>Reason for passing this resolution in relation to each matter</th>
<th>Ground(s) under Section 48(1) for the passing of this resolution</th>
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<tr>
<td>Part of</td>
<td>Mercer Investment</td>
<td>Good reason(s) to</td>
<td>Section 48 (1) (a)</td>
</tr>
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</table>
This resolution is made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 7 of that Act, which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

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<td>Protect information where the making available of the information&lt;br&gt; (i) would disclose a trade secret; or&lt;br&gt; (ii) would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information (Section 7(2)(b))</td>
<td>S7 (b) (ii)</td>
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<td>Protect the privacy of natural persons, including that of deceased natural persons (Section 7(2)(a))</td>
<td>S7 (a)</td>
</tr>
</tbody>
</table>

The motion was put and carried (FC17/82)

Return to Open Meeting at 3.32pm.

Presentation by Stewart Investors

Hugh O’Neil, Felicity Masson and Nick Edgerton from Stewart Investors provided an update on its performance of the portion of the Council’s Investment Fund that it manages (Doc # 11442855).

The Chair thanked the presenters for their informative presentations and for taking the time to present to the Committee.

Cr Hennebry moved/Cr Livingston seconded

**FC17/84**

**RESOLVED**

THAT the report ‘Mercer investment monitoring report to 30 September 2017’ (Doc # 11366225 dated 13 November 2017) be received.

The motion was put and carried (FC17/84)

Meeting closed at 4.19pm.