Minutes of a meeting of the Finance Committee held in Council Chamber, 401 Grey Street, Hamilton East on Tuesday 19 September 2017 at 1.30pm.

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: D Walker from Audit New Zealand

Staff M Garrett – Chief Financial Officer
J Becker – Finance Manager
D Thurlow – Democracy Advisor
Apologies
(Agenda Item 1)

The apology received from Councillor Mahuta was accepted.

Confirmation of Agenda
(Agenda Item 2)

Cr Hennebry moved/Cr Vercoe seconded

RESOLVED
FC17/57
THAT the agenda of the Finance Committee of 19 September 2017 be confirmed as the business for the meeting.

The motion was put and carried (FC17/57)

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 the Finance Committee meetings
File: 03 04 03 (Agenda Item 4) (Doc # 10999483)

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:
- Bev Gatenby was engaged by the Maungatautari Ecological Island Trust to undertake a governance review. Members were advised that in undertaking the review she will engage with key stakeholders, namely the Waikato Regional Council, Waipa District Council and the DV Bryant Trust.
- In relation to the General Manager’s position, which will become vacant in December 2017 because of John Simmon’s resignation, the Committee was advised that a transition plan has been put in place for the role of General Manager for the Maungatautari Ecological Island Trust.
- The Chief Financial Officer advised that the Maungatautari Ecological Island Trust is in a better financial position as a result of a grant received from Trust Waikato which was used to reduce the Trust's debt. It was acknowledged that the Trust is very reliant on ongoing successful grant funding applications to support cashflow.
- The Chief Financial Officer advised that the Rates Postponement Policy will be considered as part of the Long Term Plan discussions given the low uptake.

Councillor Minogue arrived at the meeting at 1.40pm.
RESOLVED
THAT the report ‘Issues and actions from the Finance Committee meetings (Doc # 10999483) dated 25 August 2017 be received.
The motion was put and carried (FC17/58)

SECTION B: (FOR RECOMMENDATION TO COUNCIL)

Annual Report for the Year Ended 30 June 2017
File: 01 14 16A (Agenda Item 5) (Doc # 11020794, 11060351 & 11058528)

Finance Manager (J Becker) provided the Committee with an update on the audit of the Waikato Regional Council for the year ended 30 June 2017, and presented the attached 2016/17 Annual Report and Annual Report summary for approval and recommendation to the Council for adoption.

The Finance Manager tabled Document # 11019001 – Changes made to the Annual Report financial statements since the Finance Committee agenda closed and tabled the committee through the changes.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Staff advised that the 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. A member questioned whether consideration is given in the Long Term Plan for an adjustment to be made each year. In response staff advised, that consideration will need to be given through the Long Term Plan to adjusting the funding of depreciation in anticipation of future revaluation changes.

The Finance Manager spoke to the graph ‘Operations control benchmark’ on page 19 which shows a track record of the benchmark being met in 2012/13, 2013/14, 2014/15, 2015/16. However, for 2016/17 the graph indicates that the benchmark has not been met. In explaining the variance, it was noted that actual returns from the Council’s investment fund have been classified as revenue from investing activities, whereas the budgeted cashflow statement treated this as revenue from operating activities. Overall, the balance of cash and cash equivalents at the end of the financial year was $5.488 million compared to an annual plan budget position of $4.685 million.

During questions, answers and related discussion Committee members raised or noted the following matters:
- In relation to the carryover of $11.89 million to provide for the completion of key projects, either currently underway or planned, concern was expressed that the level of carry-over required is continuing to grow year on year. Staff advised that a concerted effort will be made through the Long Term Plan process to address this issue.
- A member questioned whether the Annual Plan could be condensed down in size. Whilst the Chief Financial Officer and David Walker from Audit New Zealand
agreed that the document was large, it was noted that the document contains statutory reporting requirements that Council must give effect to.
- In relation to the salary and wages expense, Audit New Zealand advised that detailed testing is undertaken during the audit process to assess whether appropriate controls are in place.
- Discussion centred on fraud protection given the recent cases in the media. The Chief Financial Officer advised that Council has a Whistle blower Policy which provides nominees for staff to go to, one being the independent Chair of Audit and Risk committee.
- Discussion centred on whether information relating to salaries and wages should be included in the Annual Report Summary. David Walker from Audit New Zealand advised that the Summary should be a fair reflection of the Annual Report and should report on matters of significance that have taken place. Members felt there was no need to put further detail into the summary.

The following amendments were sought to the Annual Report:
- The Committee were of the view that the picture on page 30 should include a caption to describe what the person is doing. Staff undertook to follow up on this and assess whether there were any other pictures that require an explanation caption.
- On page 49, a member asked staff to provide detail on the how the returns on Council’s Investment Fund are applied.
- In relation to the Coastal inundation tool, it was suggested that it be reworded to encourage people to use the interactive online tool that has been tailored for public use.
- In respect to the paragraph on page 218 relating to ‘passengers were also carried to Fieldays and Lions rugby tour games, with high patronage for these events too’ it was noted that Council received partner funding contributions and therefore the paragraph should reflect this.
- A request was made to include the key statistics table on page 31 in the Annual Report Summary.
- On page 224, in relation to the first bullet point relating to higher salary and wage costs of $823,000 following a review to the way that some of our internal support functions are carried out’ a request was made to include an additional sentence stating ‘no overall increase in costs’.
- On page 224, in relation to the 1st bullet point, the statement should read ‘a new service level agreement is in place with Hamilton City Council (HCC) for Civil Defence Emergency Management staff. This means we incur additional costs for the employment of these staff, with full costs recovered from HCC ($291,000),
- On page 224, in relation to the 4th bullet point, the statement should read ‘recovery of full costs of staff providing support to both Waikato Local Authority Shared Services ($96,000) and Regional Software Holdings Ltd ($127,000).
- On page 223, in relation to the pie chart –where our funding came from, a request was made for a statement to be included giving a comparison from the previous year’s percentages.

David Walker from Audit New Zealand spoke to the Annual Report noting that they have given verbal clearance.

The Chief Financial Officer advised the Committee that the Audit and Risk Committee received a report on ‘key accounting estimates’ at its meeting held on 11 August 2017 which included the revaluation of Council’s infrastructure assets. The Audit and
Risk Committee at that meeting resolved that there were not aware of any issues that they needed to make the Finance Committee aware of in adopting the annual report.

The Committee acknowledged and thanked the Chief Financial Officer, the Finance Corporate Planning, Communications Teams for their work on the Annual Report. Cr Vercoe moved/Cr Livingston seconded

**FC17/59**

**RESOLVED**

1. **THAT the report “Annual Report for the year ended 30 June 2017” (Doc # 11020794 dated 08 September 2017) be received.**

**RESOLVED**

2. **THAT the Finance Committee approve the 2016/17 Annual Report (Doc # 11060351) and Annual Report Summary (Doc #11058528) as presented.**

**RECOMMENDED**

3. **THAT the Finance Committee recommends the adoption of the 2016/17 Annual Report to the Council.**

The motion was put and carried (FC17/59)

The Committee took Item 6- Application of Remaining 2016/17 Operating Surplus and Item 11 – Tauhei Flood Protection Scheme Project Update together.

**Application of Remaining 2016/17 Operating Surplus**

File: 08 01 50 (Agenda Item 6) (Doc # 11049378)

Chief Financial Officer (M Garrett) identified, for Council, the operating surplus that remains unallocated at 30 June 2017, and sought approval for the proposed application of those funds.

Contractor (G Ockleston) provided an update on the Tauhei Flood Protection Scheme project, in particular:
- the recent consultation history of the Tauhei project
- recent progress on the Tauhei flood control project
- that the project engineering cost estimate has increased substantially from $4.28 million (2016/17) to $9 – 14 million (current)
- that given the increase in the estimated cost, several options on the way forward will be canvassed with Tauhei ratepayers in October 2017, ranging from proceeding with the full project, constructing a subset of the project or not proceeding with project at this point in time while reinstating maintenance that has been deferred due to expected construction; and
- that $740,000 costs sit against the capital budget; if the capital project does not proceed at this point in time, the Waikato Regional Council will need to consider funding options.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Discussion centred on the Tauhei flood control project, specifically the expenditure of $740,000 that has been incurred to date in relation to investigation, design and consultation. The Chief Financial Officer advised that
further discussions will be undertaken in October 2017 with the Tauhei community to consider the future of this project. If it is decided that the capital project should not proceed, Council will need to decide how to fund expenditure incurred to date. Therefore any ‘ring fencing’ of the surplus, is pending the decision of the Tauhei community on how or if they wish to proceed with the project.

- Discussion ensued on whether Council should rate year on year prior to when projects are initiated as opposed to rating once the project has been completed and the benefits have been realised.

- The Finance Committee were in support of allocating $140,000 for Lower Waikato flood modelling and $30,000 for the organisational culture roadmap work from the operating surplus. The Committee were of the view that Council, following consultation with the Tauhei drainage community in October 2017, will then need to determine how much of the operating surplus should be allocated to the Tauhei flood control scheme.

- The Committee requested that a report be prepared for the Audit and Risk Committee on the lessons learnt as a result of the work undertaken on the Tauhei flood control project to inform the Funding Policy and other processes.

Cr Livingston moved/Cr Quayle seconded

**FC17/60**

**RESOLVED**

1. THAT the report ‘Application of remaining 2016/17 operating surplus’ (Doc # 11049378 dated 6 September 2017) be received.

**RECOMMENDED**

2. THAT the Finance Committee recommend to Council the approval of the Lower Waikato flood modelling of $140K and the Organisational Culture roadmap work of $30K from the operating surplus as outlined in the report (Doc # 11049378).

The motion was put and carried (FC17/60)

Cr Minogue moved/Cr Vercoe seconded

**FC17/60.1**

**RECOMMENDED**

THAT a report be prepared for the Audit and Risk Committee on the lessons learnt as a result of the work undertaken on the Tauhei flood control project to inform the Funding Policy and other processes.

The motion was put and carried (FC17/60.1)

**Tauhei Flood Protection Scheme Project Update**

File: 03 04 03 (Agenda Item 11) (Doc # 11064567)

Cr Livingston moved/Cr Quayle seconded

**FC17/61**

**RESOLVED**

THAT the report ‘Tauhei Flood Control Project Update’ (Doc # 11064567 dated 12 September 2017) be received for information.
The motion was put and carried (FC17/61)

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

**Investment Fund Performance and Cash Management Report to 31 July 2017**
File: 08 11 51 (Agenda Item 7) (Doc # 11058768)

Chief Financial Officer (M Garrett) provided the Finance Committee with an update on the performance of the Council’s Investment Fund and cash management for the period ended 31 July 2017.

Cr Livingston moved/Cr Quayle seconded

FC17/62

**RESOLVED**

THAT the report ‘Investment Fund Performance and Cash Management Report to 31 July 2017’ (Doc # 11058768 dated 8 September 2017) be received for information.

The motion was put and carried (FC17/62)

SECTION B: (FOR RECOMMENDATION TO COUNCIL)

**Public Transport Fare Review Project**
File: 21 20 83A (Agenda Item 8) (Doc #11029433 & 10623261)

The Manager, Public Transport Operations (A Wilson) presented the recommendations regarding the Public Transport Fare Review Project approved by the Regional Public Transport Plan Development Subcommittee on 1 September 2017 (11118107).

In speaking to the report it was noted that the following recommendations were approved by the Regional Public Transport Plan Development Subcommittee on 1 September 2017:

*That the Regional Public Transport Plan Development Committee:*

1. Receive the report ‘Public Transport Fare review Project 2018’ (Doc # 10623261 dated 18 August 2017) for information,
2. That the RPTP sub-committee endorses the proposals to:
   1. implement a zonal fare structure encompassing the entire region,
   2. extend free passengers transfers across all public services within the Waikato region in association with the use of smartcards only,
   3. exclude free passenger transfers in association with cash tickets,
   4. rationalise ticketing products and minimise use of cash,
   5. set cash fares at a standardised premium of 40% relative to smartcard fares (rounded to the nearest 10 cents) across all routes and services within the region,
   6. utilise standard (adult) smartcard fare as the common reference point for all other fares,
VII. standardise the concession discount at 30% off the standard adult smartcard fare for all concession groups and products, and;
   recommends that the proposals be adopted by the Waikato Regional Council and implemented as part of installation of the new ticketing system in 2018,
3. That the RPTP sub-committee endorses the proposal to phase out of the 60 plus concession over time being included in the updated RPTP and be subject to public consultation,
4. That the RPTP sub-committee recommends that further feasibility work be undertaken to determine the viability and business rules that would enable:
   I. Fare capping for passengers,
   II. Short distance fare discounts, and;
   Notes, that if proven viable, fare capping and short distance fares products are likely to be implemented after the new ticketing system goes live in 2018.

Councillor Vercoe left the meeting at 3.22pm.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Council, in time, will look at options that would enable passengers travelling from the Waikato to use just one card to travel into Auckland.
- Super Gold cardholders are eligible for concessions (during off-peak times) across the entire network with the exception of the Thames pilot.
- The Committee supported the recommendations by the Regional Public Transport Plan Development Subcommittee.

Councillor Kneebone left the meeting at 3.35pm.

Cr Quayle moved/Cr Livingston seconded

FC17/63

RESOLVED
1. THAT the report ‘Public Transport Fare Review Project’ (Doc # 11029433 dated 4 September 2017) be received for information.

RECOMMENDED
2. THAT the Finance Committee endorse the recommendations as outlined in the report and approved by the Regional Public Transport Plan Development Subcommittee (Doc # 10623261).

The motion was put and carried (FC17/63)

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

Regional Software Holdings Limited Audited Annual Report to 30 June 2017
File: 08 40 00 (Agenda Item 9) (Doc # 11060123)

Chief Financial Officer (M Garrett) presented the Regional Software Holdings Limited Audited Annual Report to 30 June 2017 to the Finance Committee.

Councillor Kneebone returned to the meeting at 3.38pm.

During questions, answers and related discussion Committee members raised or noted the following matters:
- The Chief Financial Officer advised that during the year Regional Software Holdings Limited (RSHL) responded to a request for proposal issued by the
Hawkes Bay Regional Council. Following a competitive evaluation process, they selected the proposal and will implement the IRIS system as a customer with the option of becoming a shareholder in the future. This is a good indicator of how successful IRIS is proving to be.

- In respect to the Hawkes Bay Regional Council coming on board with IRIS, the Chief Financial Officer advised that the timeframe associated with becoming a shareholder is open ended.
- The Chief Financial Officer outlined the role of Datacom noting their role is provide the technical expertise to IRIS. Generally, RSHL is happy with their service delivery. Following a recommendation from Audit New Zealand staff are working on some key performance indicators around their service performance.

Cr Livingston moved/Cr Kneebone seconded

**FC17/64**

**RESOLVED**

THAT the report ‘Regional Software Holdings Limited Audited Annual Report to 30 June 2017’ (Doc # 11060123 dated 8 September 2017) be received for information.

The motion was put and carried (FC17/64)

**Civic Financial Services Half-Yearly Accounts to 30 June 2017**

File: 04 05 21 (Agenda Item 10) (Doc # 11012190 & 10916280)

The Finance Committee took the Civic Financial Services half-yearly accounts to 30 June 2017 as read.

Cr Livingston moved/Cr Quayle seconded

**FC17/65**

**RESOLVED**

THAT the report ‘Civic Financial Services Half Yearly Accounts to 30 June 2017’ (Doc # 11012190 dated 29 August 2017) be received for information.

The motion was put and carried (FC17/65)

Meeting closed at 3.47pm.