Finance Committee
OPEN MINUTES

Minutes of a meeting of the Finance Committee held in Council Chamber, 401 Grey Street, Hamilton East on Tuesday 21 February 2017 at 10.02am.

<table>
<thead>
<tr>
<th>Chairperson</th>
<th>Cr J Hennebry</th>
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<tbody>
<tr>
<td>Deputy Chairperson</td>
<td>Cr H Vercoe</td>
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<tr>
<td>Present</td>
<td>Cr D Minogue</td>
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<td></td>
<td>Cr S Kneebone</td>
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<td>Cr B Simcock</td>
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<td>Ex-officio</td>
<td>Cr T Mahuta</td>
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<tr>
<td>Staff</td>
<td>V Payne – Chief Executive</td>
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<td>M Garrett – Chief Financial Officer</td>
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<td>J Becker – Finance Manager</td>
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<td>D Thurlow – Democracy Advisor</td>
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Apologies
(Agenda Item 1)

The Committee noted the apologies received from Cr Livingston for absence and Cr Mahuta for lateness.

Confirmation of Agenda
(Agenda Item 2)

The Chair 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 Vercoe moved/Cr Minogue seconded

FC17/1 RESOLVED
THAT the agenda of the Finance Committee of 21 February 2017 be confirmed as the business for the meeting.

The motion was put and carried (FC17/1)

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 previous meeting minutes
File: 03 04 03 (Agenda Item 4) (Doc # 9135551)

Chief Financial Officer (M Garrett) presented the report on actions and issues discussed from previous Finance Committee meetings. In presenting the report he advised that WINTEC have asked to meet with Council staff to discuss a concession programme for their students. Members were also advised that Riskpool are no longer offering insurance from 1 July 2017 due to decreasing membership numbers, therefore Council will be looking at other options for insurance cover for Professional Indemnity and Public Liability including harbourmaster cover.

During questions, answers and related discussion Committee members raised or noted the following matters:
- In relation to the Healthy Rivers telephone survey, the Chair advised members that they will have the opportunity to review the questions prior to the commencement of the survey.
- The Chief Financial Officer noted that Council, at its 2017/18 Annual Plan budget meeting held on 7 February 2017, considered whether, in the case of a shortfall in returns from the Investment Fund whether the funding required for the implementation of the Regional Economic Development Strategy Implementation would be met by a drawdown from the investment fund equalisation reserve, in the same manner as applied to the annual rates subsidy.
To ensure certainty of funding for 2017/18 Council resolved to recognise funding for the implementation of Waikato Means Business in the same manner as the annual rates subsidy from the investment fund returns. He further advised that Council agreed for the current financial year to withhold $250,000 from last year’s surplus as a contingency should there be insufficient returns from the Investment Fund.

Cr Minogue moved/Cr Kneebone seconded

**RESOLVED**

THAT the report ‘Issues/Actions from the Finance Committee meetings’ (Doc # 9135551 dated 3 February 2017) be received.

The motion was put and carried (FC17/2)

**Rates Information as at 31 January 2017**

File: 08 15 08 (Agenda Item 5) (Doc # 9897789)

Chief Financial Officer (M Garrett) presented a summary on rates activity for the 2016/2017 financial year.

Councillor Mahuta arrived at the meeting at 10.16am.

During questions, answers and related discussion Committee members raised or noted the following matters:
- In terms of debt write-offs, Council will write-off statute barred debt noting that debt is considered statute barred if no formal collection process is underway after a period of seven years.
- The Chief Financial Officer outlined the process for debt collection, noting:
  - In the first instance staff will chase outstanding debts.
  - If progress is not made the matter is transferred to a debt collector (RML is the debt collection agency for Council).
  - If the debt collector is unable to collect the debt a rating sale process is initiated.
- The Chief Financial Officer undertook to bring a schedule of properties where Council is in the process of actioning rating sales to the May 2017 Finance Committee meeting.
- The Finance Manager advised that the administration costs associated with Rates Postponements were minimal due to the very low uptake.

Cr Kneebone moved/Cr Vercoe seconded

**RESOLVED**

THAT the report ‘Rates Information for rates year 2016/2017 as at 31 January 2017’ (Doc # 9897789 dated 3 February 2017) be received for information.

The motion was put and carried (FC17/3)

Councillor Mahuta left the meeting at 10.25am.
SECTION B: (FOR RECOMMENDATION TO COUNCIL)

Financial performance monitoring report to 31 December 2016
File: 08 01 50 (Agenda Item 6) [Doc # 9898192, 9934384 & 9925562]

Finance Manager (J Becker) provided an overview of the financial performance results for the period to 31 December 2016 and summarised the outcome of the forecast of financial performance for the year that been undertaken based on these results. In presenting the report the Committee was advised that staff are working through a process to mitigate the $1.2m deficit that has been identified through the forecast.

The Chief Executive (V Payne) provided an update on the Hauraki Settlement, noting that the Settlement signed late last year related specifically to land and excluded the harbour the gulf. In respect to the Healthy Rivers Plan Change, discussions with Hauraki Iwi relate specifically to the land.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Staff undertook to provide members with the dollar values that have been attributed to salaries and the cost of contractors.
- The unfavourable result in the Science and Strategy Directorate relates to the annual consent holder charge which was $250,000 less revenue than what was budgeted. This was due to the fact that the charges to geothermal consent holders were not set at a high enough level to fully recover the share of costs in accordance with the funding policy, combined with the delay in the issuing of farm water consents that would attract a consent holder charge. Staff undertook to provide the Committee with further explanation on the geothermal charges matter.
- The January 2017 forecast notes that $803,000 will be reallocated from the Hauraki Plan Change 2 project to the Healthy Rivers project to meet the additional direct costs incurred to date.
- In respect to the $367,854 unfavourable result in the Resource Use Directorate, staff advised that the staff time spent on the development of the Healthy Rivers Implementation Plan has been transferred to the Implementation Project which sits in the Resource Use Group of Activities ($418,000).

Funding to date for Healthy Rivers Wai Ora Project

The Director Science and Strategy (T May) provided an overview of costs to date incurred for the Healthy Rivers Wai Ora Project for the Waikato and Waipa Catchments. In presenting the report, the Committee was advised that the 2014/15 Annual Plan anticipated that internal borrowing may be required to spread the funding requirement over two financial years. However, in light of actual expenditure incurred, this internal borrowing was not required.

The Chief Financial Officer (M Garrett) noted that when costing projects there are three components, these being:
1. Direct costs
2. Labour
3. Overheads
Corporate overheads are allocated based on labour hours. Where additional staff
time is charged to a project, this brings with it additional overhead costs.

During questions, answers and related discussion Committee members raised or
noted the following matters:
- The increase in projected spend over 2014/15 and 2015/16 was directly related
to the gathering of evidence to inform the Collaborative Stakeholder Group and
the increased frequency in which the CSG and its sub-groups had to meet. It was
also noted that the phasing of spend over the project has been adjusted at each
annual plan discussion, taking account of the deferred notification date.
- The Chief Executive noted that compared to a traditional policy process, Council
would have used its own staff to formulate a Plan Change, however Council, in
this case, choose to use independent resources in order to achieve independence
which resulted in increased costs. He further noted that an increased level of
agreement has been achieved through the collaborative process as opposed to a
typical consultation approach. In terms of costs, and to put the cost of the
project into the context, the Waikato Region is New Zealand’s most important
catchment, economically, socially and environmentally. Over $1 billion profit
comes out of the Waikato Region annually for the rural sector, therefore the
spend is $3 million annually to protect the region’s asset.
- Several members noted that they were unaware that the project had reached a
cost of $13 million. Instead of focussing on the costs of the project year by year,
staff undertook to provide Council with a cumulative amount of the total cost of
the project at year end. It was noted that each year through annual plan
discussions any budget variance had been identified
- A member questioned whether a cost comparison could be undertaken to assess
the costs of a typical consultation approach versus the collaborative approach
taken with the Healthy Rivers Plan Change. In response, the Director Science and
Strategy advised that evaluations of the process are being undertaken both
internally and externally to establish the lessons learnt and the areas which
Council can learn from. Having gone through a collaborative process the
learnings will assist Council on future projects.
- The Committee was reminded that costs attributable to Collaborative
Stakeholder Group members included meeting attendance fees and mileage and
did not take into account the enormous amount of work required outside of the
meetings.
- In respect to the Waihou Piako Plan Change, a member questioned the approach
that Council will take. In response, the Director Science and Strategy advised the
learnings from the Waikato Healthy Rivers Plan Change will be used to inform the
approach taken for the Waihou Piako catchment. The approach for this Plan
Change will be driven by the community within the catchment.
- The reallocation of $803,000 from the Hauraki Plan Change 2 project to the
Healthy Rivers project will go towards the cost of summarising submissions and
pre-hearing work in advance of the Hearings.

Cr Kneebone moved/Cr Minogue seconded

**RESOLVED**

THAT the report ‘Financial performance monitoring report to 31 December 2016’
(Doc # 9898192 dated 3 February 2017) be received.

The motion was put and carried (FC17/4)
Cr Hennebry moved/Cr Kneebone seconded

FC17/4.1

RECOMMENDED
THAT the Finance Committee approve forecast budget adjustments as set out in the report, being:

a) A net reduction in operating revenue of $535,000 and a net increase in operating expenditure of $767,000, giving a reduction in the net operating surplus of $1,302,000. This results in a reduction in operating reserves of $81,000 and a decrease in retained earnings of $1,222,000.

b) The transfer of $150,000 of capital expenditure to operating expenditure to fund additional annual IT licence costs.

c) A net increase in operational capital expenditure of $118,300.

d) A net increase in infrastructure capital expenditure of $52,000.

The motion was put and carried (FC17/4.1)

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

2016/17 Second Quarter Non-Financial Performance Results
File: 01 14 16Q (Agenda Item 7) (Doc # 9687707)

The Chief Financial Officer (M Garrett) presented the 2016/17 second quarter non-financial performance results noting that there are 42 performance measures in the Council’s 2015-2025 Long Term Plan. At the end of the second quarter, no result is available for 7 measures as work is yet to commence. Of the remaining 35 measures, 24 are ‘achieved’, 6 are ‘on track to be achieved’, 1 is ‘achieved in part’, 3 are ‘not achieved’ and 1 is ‘not applicable’ for the 2016/17 financial year.

During questions, answers and related discussion Committee members raised or noted the following matters:
- The Committee commended staff on a good result for the second quarter.
- In respect to patronage decline on urban Hamilton services across the majority of routes, the Chief Financial Officer advised that a number of quality enhancements are underway which should contribute to patronage growth.
- The Chief Financial Officer undertook to provide detail on whether there has been any decline during peak periods.

Cr Simcock moved/Cr Kneebone seconded

FC17/5

RESOLVED
THAT the report ‘2016/17 second quarter non-financial performance results’ (Doc # 9687707 dated 20 January 2016) be received for information.

The motion was put and carried (FC17/5)

The meeting adjourned at 11.18am and reconvened at 11.24am when, with the consent of the meeting, Item 10 was considered.
Councillor Mahuta returned to the meeting at 11.24am.

Maungatautari Ecological Island Trust Quarterly Report
File: 03 04 03 (Agenda Item 10) (Doc # 9899365)

The General Manager, John Simmons, and Trustees Don Scarlett and Tim Densem, of the Maungatautari Ecological Island Trust presented on the operational and financial activity for the second quarter (October 2016 – December 2016) prepared to meet the Waikato Regional Council’s requirements (Doc # 10044070). In presenting the report the General Manager noted that a cash deficit of $103,000 has been forecast at 30 June 2017. To reduce the anticipated deficit, the Trust advised that it will be running an appeal to all of its supporters in order to generate donations to offset the deficit.

During questions, answers and related discussion Committee members raised or noted the following matters:
- In terms of generating income, the Trust encourage guided tours as these tours generate higher returns.
- The Trust is in the process of putting a concession application together to Waipa District Council to operate on the scenic reserve which will provide additional opportunities for guided tours.
- In terms of visitor numbers for 2016/17 the Trust has a goal of 20,000 visitors as opposed to 12,000 for 2015/2016. The General Manager undertook to include the cumulative tally of visitor numbers into the information provided to the Finance Committee each quarter.
- Marketing is primarily done through TRENDS, an annual travel expo focussed on in bound tour organisers.
- The Trust is looking at package deals for the Asian markets.
- Under the heading ‘income’, specifically ‘service and merchandise sales’, members were advised that ‘service’ relates to guided walks. Under the heading ‘expenditure’, the term ‘visitors’ relates to the visitor centre expenditure. The General Manager undertook to elaborate on the descriptions in his reports.
- A number of grants are spread over several years; some of which are tagged to specific activities.

Cr Kneebone moved/Cr Mahuta seconded

RESOLVED
THAT the report ‘Maungatautari Ecological Island Trust Quarterly Report for the period October 2016 to December 2016’ (Doc # 9899365 dated 2 January 2017) be received.

The motion was put and carried (FC17/6)

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

Natural Heritage Fund Proposal – Waiwhakareke Natural Heritage Park
File: 01 16 41 (Agenda Item 11) (Doc # 9891615)

Project Manager, Biodiversity and Funding (J van Rossem) introduced Kemble Pudney, the spokesperson for Tui 2000.
Ms van Rossem presented a proposal for a Natural Heritage Fund grant from Tui 2000, a Hamilton-based community organisation and partner in the Waiwhakareke Natural Heritage Park restoration project.

Waiwhakareke Natural Heritage Park is a 60ha park located on the northwest outskirts of Hamilton, near to the Hamilton Zoo and bounded by Baverstock, Rotokauri and Brymer Roads. The vision for the park is to create a self-sustaining habitat sanctuary that represents the original ecosystem diversity of the Hamilton Basin. This involves a reconstruction from farmland of native lowland and wetland ecosystems once widespread, but now rare in the Waikato region. The park includes a peat lake (Waiwhakareke) that was, before recent control operations, surrounded by introduced willow trees. Restoration plantings on the formerly grazed pasture are being staged in planting zones, originally focussing on the lake margin and now expanding onto the hill slopes and ridge crests.

The applicant, Tui 2000, is a long-standing community group within Hamilton City comprising a large number of retired professionals and community representatives. The group’s spokesperson and primary contact, Kemble Pudney, is an ex Hamilton City Council manager from the Parks and Gardens Unit and is currently chair of the Predator Free Hamilton Trust and Chair of ACRE. Since 2009, Tui 2000 has raised nearly $500,000 to implement the restoration planting to date at Waiwhakareke. This includes some earlier contributions to the project from Waikato Regional Council including a $10,000 Environmental Initiatives Fund grant in 2009 to develop a business plan, and further contributions totalling $120,000 from 2010 to 2012 from the Natural Heritage Fund.

Five years on, Tui 2000 are now seeking a four year grant from 2018 to 2020 of $314,378 to fund further planting – mainly pioneer species with some infill and enrichment planting and a contribution to the monitoring costs (75% of the total project costs). At this stage there are no confirmed additional funders to cover the remaining 25% of the project costs; however, Tui 2000’s strategy for future funding is to work with other funders such as Vibrant Hamilton Trust, the Ministry for the Environment and the Department of Conservation to resource the large scale pioneering, infill and enrichment plantings; to take advantage of opportunities for corporate sponsorship related to smaller brandable projects such as minor visitor infrastructure; and to work with Hamilton City Council to establish a strategy for the provision of large scale infrastructure.

Ms van Rossem advised the Committee that she was aware of two additional Natural Heritage Funding applications that will be coming to the May 2017 Finance Committee for consideration, each requesting grants for around $200,000 to $250,000. The Committee was advised that the total budget in the Natural Heritage Reserve for the 2016/17 is $1.556 million which takes into account current commitments.

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

- In terms of priority, Lake Waiwhakareke is ranked 21st out of 36 peat lakes in the region. Although it is not high-ranking, the site scores highly in terms of multi-agency collaboration and ecological potential.
- Contributions totalling $120,000 from 2010 to 2012 have been granted from the Natural Heritage Fund to Lake Waiwhakareke.
- A member was of the view that Tui 2000 could apply for funding from the Natural Heritage Fund on an annual basis, however this view was not supported by the Committee.
- Members were advised that four years of funding allows the Group to place forward orders for plants from nurseries and to secure good prices. It also helps with planning planting days and securing regular volunteer commitment.
- In relation to the 5.1 hectare neighbouring parcel of land which was added to the park, Kemble Pudney was relatively comfortable that this will be appropriately rezoned by the Hamilton City Council over time.
- Given that the funding for the Waiwhakareke Natural Heritage Park has been ‘patchy’ over the past nine years, the Committee were in support of continuity of funding and therefore in favour of the request.

Cr Simcock moved/Cr Kneebone seconded

**RESOLVED**

1. **THAT** the report “Natural Heritage Fund Proposal – Waiwhakareke Natural Heritage Park” (Doc #9891615 dated 1 February 2017) be received.

**RESOLVED**

2. **THAT** the Finance Committee approve, in principle, a Natural Heritage Fund grant of $319,500 over four years to Tui 2000 for planting at Waiwhakareke Natural Heritage Park in Hamilton, subject to the following conditions:
   (i) the preparation of a funding deed approved by Council; and
   (ii) the grant will be paid in four instalments (Year 1: $83,000; Year 2: $77,000; Year 3: $77,000; Year 4: $82,500). Each instalment will be conditional upon satisfactory evaluation of annual progress reports by staff.

   The motion was put and carried (FC17/7)

With the consent of the meeting Item 9 was considered at this time.

**Mercer Investment Monitoring Report to 31 December 2016**

File: 08 11 55M (Agenda Item 9) (Doc # 9906401 & 9929649)

Simon Cox and Russell Garrett from Mercer presented the report which provided an update on the quarterly investment monitoring report to 31 December 2016 provided by Mercer (Doc # 9988168). In presenting the report the Committee was advised that Council’s fund is performing well against the benchmark, noting that returns are slightly lower than what Council has experienced in the past.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Members were assured that Council’s Investment Fund portfolio has been designed to best protect fund returns given global uncertainties.
- PIMCO, who manage a portion of Council’s Investment portfolio, have had a series of organisation structural changes which have resulted in good performance.
- The Democracy Advisor undertook to provide members with a copy of Mercer’s presentation.

Councillor Mahuta left the meeting at 12.34 pm.

The meeting adjourned for lunch at 12.44 pm and reconvened at 1.11 pm when Item 9 was further considered.

Cr Vercoe moved/Cr Simcock seconded

FC17/8

RESOLVED
THAT the report ‘Mercer Investment Monitoring Report to 31 December 2016’ (Doc # 9906401 dated 10 February 2017) be received for information.

The motion was put and carried (FC17/8)

Investment Fund Performance and Cash Management Report to 31 December 2016
File: 08 11 51 (Agenda Item 8) (Doc # 9899077)

Chief Financial Officer (M Garrett) provided an update on the performance of the Council’s investment fund and cash management for the period ended 31 December 2016.

Cr Kneebone moved/Cr Minogue seconded

FC17/9

RESOLVED

The motion was put and carried (FC17/9)

Tenders Board Contracts
File: 08 00 30 (Agenda Item 12) (Doc # 9856411)

Chief Financial Officer (M Garrett) presented the contracts awarded by the Tenders Board for the period 1 July to 31 December 2016.

Cr Simcock moved/Cr Kneebone seconded

FC17/10

RESOLVED
THAT the report ‘Tenders Board Contracts 1 July to 31 December 2016’ (Doc # 9856411 dated 25 January 2017) be received for information.

The motion was put and carried (FC17/10)

Waikato Local Authority Shared Services – Draft Statement of Intent 2017-18 and Six Monthly report to Stakeholders to 31 December 2016
File: 51 04 09B (Agenda Item 13) (Doc # 9907616 & 9920046)

Chief Financial Officer (M Garrett) presented the Waikato Local Authority Shared Services Draft Statement of Intent 2017-18 and six monthly report to shareholders to 31 December 2016.
During questions, answers and related discussion Committee members raised or noted the following matters:
- In respect to Futureproof, members were advised that effectively Waikato LASS acts as the banker, managing the finances for the project on behalf of Hamilton City Council, Waikato and Waipa District Councils, the Waikato Regional Council, Tāngata Whenua and the New Zealand Transport Agency.
- Specific funding formulas are used to determine the portion that the individual councils pay into LASS.

Cr Vercoe moved/Cr Kneebone seconded

**RESOLVED**

1. THAT the report ‘Waikato Local Authority Shared Services Draft Statement of Intent 2017-18 and six monthly report to shareholders to 31 December 2016’ (Doc # 9907616 dated 10 February 2017) be received for information.

**RESOLVED**

2. THAT the Finance Committee endorse the draft Waikato Local Authority Shared Services Statement of Intent 2017-18 (Doc # 9920046).

The motion was put and carried (FC17/11)

**Councillor Expenses for six months ended 31 December 2016**

File: 02 10 02 (Agenda Item 14) (Doc # 9913257)

Chief Financial Officer (M Garrett) presented a summary of Councillors expenses for the six months ended 31 December 2016, noting that expenses will be reported to the Finance Committee on a quarterly basis.

During questions, answers and related discussion Committee members raised or noted the following matters:
- The variations with telecommunications are due to the fact that some Councillors provide their own phones and make individual claims.
- Individual expenses are assessed against the policy. For those claims that fall outside of the policy they are referred to the Chair who has oversight of the Policy.

Cr Vercoe moved/Cr Kneebone seconded

**RESOLVED**

THAT the report ‘Councillors expenses for the six months ended 31 December 2016’ (Doc # 9913257 dated 8 February 2017) be received for information.

The motion was put and carried (FC17/12)
RESOLVED

THAT in accordance with the provisions of Standing Orders NZS 9202:2003 Incorporating Amendment No 1, Appendix A&B (p40/42) and Section 48 of the Local Government Official Information and Meetings Act 1987, 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:

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Name and general subject of each matter to be considered</th>
<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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</thead>
<tbody>
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<td>16</td>
<td>Non-rates debtors update</td>
<td>Good reason(s) to withhold exist(s) under Section 7</td>
<td>Section 48 (1) (a)</td>
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<tr>
<td>17</td>
<td>Non-rates debtors write-offs</td>
<td>Good reason(s) to withhold exist(s) under Section 7</td>
<td>Section 48 (1) (a)</td>
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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 relevant part of the proceedings of the meeting in public are as follows:

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<tr>
<th>Item No</th>
<th>Reason/s for withholding official information</th>
<th>Section/s</th>
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<tr>
<td>16, 17</td>
<td>Prejudice commercial position</td>
<td>S7 (b) (ii)</td>
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<td>16, 17</td>
<td>Protection of privacy of natural persons</td>
<td>S7 (a)</td>
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The motion was put and carried (FC17/13)

Return to Open Meeting at 2.02pm.

Meeting closed at 2.02pm.