Finance Committee

OPEN MINUTES

Date: Tuesday, 20 November, 2018, 10:02 am
Location: Council Chamber
Waikato Regional Council
401 Grey Street
Hamilton East

Members Present: Cr J Hennebry (Chairperson)
Cr H Vercoe
Cr D Minogue
Cr S Kneebone
Cr B Quayle
Cr A Livingston (ex officio)

Staff Present: M Garrett (Chief Financial Officer)
J Becker (Manager Finance)
J Cox (Team Leader Democracy Services)
SECTION A: UNDER DELEGATION FOR THE INFORMATION OF COUNCIL

1. **Apologies**

   Apologies were received from Cr Livingston for lateness.

   FC18/77
   Moved by: Cr Hennebry
   Seconded by: Cr Quayle
   
   THAT the apologies of Cr Livingston for lateness be accepted.
   
   The motion was put and carried

2. **Confirmation of Agenda**

   FC18/78
   Moved by: Cr Quayle
   Seconded by: Cr Minogue
   
   THAT the agenda of the meeting of the Finance Committee of 20 November 2018, as circulated, be confirmed as the business for the meeting.
   
   The motion was put and carried

3. **Disclosures of Interest**

   There were no disclosures of interest.

4. **Issues and Actions from Finance Committee Meetings**

   Presented by the Chief Financial Officer (M Garrett) the report was provided to review the actions and issues raised from the previous Finance Committee meetings.

   Members noted that they would receive the updates on the multi year projects as the information became available.

   FC18/79
   Moved by: Cr Hennebry
   Seconded by: Cr Minogue
   
   THAT the report "Issues and actions from the Finance Committee meetings" (Doc#13337428 dated 25 October 2018) be received.
   
   The motion was put and carried
5. **2018/19 Rates Information to 31 October 2018**

Presented by the Chief Financial Officer (M Garrett), and Manager Finance (J Becker), the report provided the Committee with the rates information as at 31 October 2018. The report also sought committee approval to write off $201,658 rates debt for the 2012/13 year that was now considered statute barred debt.

During questions, answers and relate discussion the members noted:

- The original debt was $81,000 and with penalties and time this has seen the debt increase to $201,000. A new policy was put in place with the adoption of the Long Term Plan to enable the write off of debts when they were identified as non payable rather than waiting until they are statute barred.
- There would be a four year staggered effect to the implementation of the new policy. The policy would make the process more efficient but wouldn’t get rid of all statute barred debts.
- Ratepayers were encouraged to set up direct debit payments so they didn’t get in to a situation where payment was not able to be made.
- The policy is not retrospective and staff undertook to look at what the impact of a retrospective application would be and report back to the committee.

**FC18/80**

**Moved by:** Cr Vercoe  
**Seconded by:** Cr Kneebone

**THAT the report "2018/19 Rates information to 31 October 2018 (Doc # 13346704 dated 6 November 2018) be received.**

The motion was put and carried

**FC18/80.1**

**Moved by:** Cr Vercoe  
**Seconded by:** Cr Kneebone

**THAT the request to write off statute barred rates debt of $201,658 is approved.**

The motion was put and carried

**SECTION B: FOR RECOMMENDATION TO COUNCIL**
6. **Financial performance monitoring and forecast as at 30 September 2018**

Presented by the Manager, Finance (J Becker) the report provided the committee with an overview of the council’s financial performance for the period to 30 September 2018, together with the outcome from the first quarter financial forecast.

During questions, answers and related discussion the following was noted:

- A member questioned whether the concern about compliance resourcing had been raised for council and whether the budget implications had been identified early enough for council. Was there sufficient information around the resourcing gap available for council to consider the financial implications when setting the budgets. Staff undertook to follow up on this matter and report back to the committee.
- A member noted concern that there was a record of $340,000 being taken from one policy budget and put in to the Healthy Rivers Project. In response it was noted that part of that funding need was related to legal costs that hadn’t been previously invoiced.
- A member noted interest in the figures on page 26 in terms of revenue relating to resource consents. In response it was noted that there were no penalties applied in terms of delay in consents and staff were not aware that discount regulations were causing an issue.
- Improving forecasting accuracy was an ongoing process and with the phasing of budgets there would be more clarity for members in the graphics relating to operating expenditure, and capital vs budget expenditure.
- It was clear that expenditure related to the assets within Lower Waikato and Waihou Piako would not occur within the last quarter of the year as that was winter, but the invoices would come through within that period and that would be reflected in the expenditure throughout the financial year.
- The risks around the implementation assumptions of the Healthy Rivers were being regularly reported through the Audit and Risk Committee. It was acknowledged that until the Plan had gone through the hearings and decision phase there were a lot of unknown factors staff were working with.

**FC18/81**
Moved by: Cr Hennebry  
Seconded by: Cr Vercoe

That the report “Financial performance monitoring and forecast as at 30 September 2018” (Doc #13290495 dated 30 October 2018) be received, and

The motion was put and carried
FC18/81.1
Moved by: Cr Hennebry
Seconded by: Cr Vercoe

THAT the committee recommend to council the approval of the forecast budget adjustments as set out in this report (Doc#13290495).

The motion was put and carried

SECTION A: UNDER DELEGATION FOR THE INFORMATION OF COUNCIL

7. **2018/19 first quarter non-financial performance results**

Presented by Chief Financial Officer (M Garrett) the report informed the committee of the 2018/19 first quarter non-financial performance results.

During questions, answers and related discussion the following was noted:

- A member noted the recent industrial action with First Union and the Go Bus drivers who were striking and questioned whether there would be compensation for the council and ratepayers. It was noted for members that there was a clause within the contract that would see Go Bus being charged an abatement by council due to the reduced services being delivered.
- Members noted that there would be reputational damage to the public transport network as a result of the industrial action. Council respected the drivers’ right to protest and noted that members would receive an update through the week.

FC18/82
Moved by: Cr Kneebone
Seconded by: Cr Quayle

THAT the report “2018/19 first quarter non-financial performance results” ((Doc #13205199 dated 26 October 2018) be received for information.

The motion was put and carried

8. **Treasury Management and Monitoring Report to 30 September 2018**

Presented by the Manager Finance (J Becker) the report provided an update on the performance of the council's investment fund and cash management for the period ended 30 September 2018 and the status of the council's borrowing programme.

During questions, answers and related discussion the following was noted:

- A member questioned the amount that was borrowed and asked whether it was all needed at one time or whether the borrowing could be spread. In terms of the borrowing it was noted for members that the LGFA undertook tenders for borrowing
every 6 weeks. The paperwork that related to an application was comprehensive so the option to borrow a larger amount was seeking to reduce the staff time and effort that was required with each application.

- Borrowing rates are currently similar to on call deposit rates in that a term deposit over a 90 day period, cash was invested at 3.2%.
- In terms of the maximum that council could borrow, the LGFA equation was 1.75 x revenue and with a formal credit rating that would extend to 2.5 x revenue. The maximum for council would equate to $190 million. In term of the proposed Long Term Plan borrowing, council had only identified the need to borrow $50 million.

Members received a presentation (Doc #) from Director of PwC (A Wondergem).

Cr Livingston joined the meeting at 10:39 am.

During questions, answers and related discussion the following was noted:

- The ability to accurately forecast the cost of debt declined over time as there is less understanding of where interest rates were going to be over the ten year period.
- Of the $10 million that council has currently borrowed, 90% is hedged. Of the most recent borrowing of $12 million, interest rate swaps for $10 million are recommended.
- A member noted that it was good that council had found a cheaper way to borrow money, and highlighted their concern that with borrowing the prioritising of spending might go out the window. This would be a concern to ratepayers.
- In response a member noted that council still needed to "live within it's means" and still provide the requirements under legislation. Council may need to challenge those demanding the increased services to ensure they were aware of the financial consequences and would still be prepared to pay.

**FC18/83**

Moved by: Cr Hennebry
Seconded by: Cr Quayle

THAT the report "Treasury Management and Monitoring Report to 30 September 2018" (Doc # 13354927 dated November 2018) be received.

The motion was put and carried

With consent of the meeting Agenda Item 10 Tender Board Contracts was considered at this time.
9. **Tenders Board Contracts for the period 1 July to 30 September 2018**

Presented by the Chief Financial officer (M Garrett) the report presented the contracts awarded by the Tenders Board for the period 1 July to 30 September 2018.

During questions, answers and related discussion the following was noted:

- A member questioned whether the monitoring programme referred to on page 77 of the agenda was the length of the whole programme. It was noted that 7 months was the term of the contract and staff undertook to find out the length of the whole programme and report back to the committee.

Cr Kneebone left the meeting at 11:16 am.

FC18/84
Moved by: Cr Livingston
Seconded by: Cr Vercoe

That the report “Tenders Board Contracts for the period 1 July to 30 September 2018 (Doc #13353124 dated 9 November 2018) be received.

The motion was put and carried

With consent of the meeting Agenda Item 11 - CE and Councillor expenses was considered at this time.

10. **Councillor and Chief Executive Expenses for quarter ended 30 September 2018**

Presented by the Chief Financial Officer (M Garrett) the report provided a summary of the councillors and Chief Executive’s expenses for the quarter ended 30 September 2018.

During questions, answers and related discussion the following was noted:

- There was a correction to the cost attributed to the running of the Chair's vehicle where it was showing within the first part of the report and the costs were corrected at the bottom of the table.
- The costs for the training related to the CE showed a minimal amount spent through July, August and September and further costs would be reported through training.

Cr Kneebone joined the meeting at 11:19 am.
FC18/85

Moved by: Cr Quayle
Seconded by: Cr Minogue

That the report “Councillor and Chief Executive Expenses for the quarter ended 30 Sept 2018” (Doc #13315635 dated 2 November 2018) be received.

The motion was put and carried

With consent of the meeting Agenda Item 9 - Mercer Investment Monitoring Report was considered.

11. Mercer Investment Monitoring Report to 30 September 2018

Presented by the Chief Financial Officer (M Garrett) the report provided an update on the quarterly investment monitoring report to 30 September 2018 provided by Mercer.

Members received a presentation (Doc #) from Mercer Investment (B Kearney and R Garrett).

During questions, answers and related discussion the following was noted:

- Members discussed the position of council and the concerns of the future of the investments. It was noted that it was not possible to foresee the probable investment or inflation rates beyond a few months so it was difficult to predict the rates across the ten year period.
- The paper on the 10 lessons from the Global Financial Crisis would be provided for circulation to members.
- The revised fund position had dropped in value as October 2018 was the worst recorded month for Council’s investment returns in the last ten years. The November markets saw the investment fund moving slightly up.

FC18/86

Moved by: Cr Quayle
Seconded by: Cr Vercoe

THAT the report Mercer Quarterly Investment Monitoring Report to 30 September 2018 (Doc #13328322 dated 5 November 2018) be received.

The motion was put and carried
12. **Waikato Regional Council Fish Passage Improvement Programme, November 2018 update**

Presented by Acting Director Integrated Catchment Management (G Ryan) the report provided the committee:

- A recap of the background to this programme of work, the regulatory drivers and the decisions made by council as part of the 2018-2028 Long Term Plan.
- An update on the attainment of funding from external parties to support this programme of work; and
- An overview of several project risks that, while currently being managed, may impact on both the scope of this programme of work and the timing of the delivery.

During questions, answers and related discussion members noted:

- A member noted their concern with the nature of the report and the advised "planned delay". They noted concern that council had not planned for delay. In response it was noted that the report provided the update for members on the work that had been undertaken by staff to respond to the decision of council. External funding of $416,000 had been secured. It was noted that working within the decision of council had impacted on staff time to ensure that the funding had been obtained. While this impact did provide further risk until completion of the project, there were no major concerns at this early stage.
- A member noted concern that the release of council funding was being done in conjunction with accessing external funding and questioned whether the decision should be reviewed. In response members noted that the intent of council's discussion and decision was that project funding was tied to securing external funds.
- Staff noted that there was further work to be undertaken and they may come back to the committee if it was determined that an advance in funding was required. The report was an update on the project to date and it was noted it would require disciplined project management to achieve the milestones set for the project.
- Members noted the benefit for council in communicating with other entities to progress the project and it shouldn't be lost on council that these other parties were adding value to the project.
- A member asked whether council had exhausted the appeals to other councils across the country, and whether the learnings from the project would be held by council or shared to others. In response it was noted there was a varied acknowledgement of the issue and while there would be learnings and shared tools that would come out of it, it was important that council showed tangible improvement towards an outcome for ourselves.
- The matter of fish passage, while it was a regional issue there was a need to ensure a national approach. The amount obtained was encouraging and when others realised the importance of the project were sure to come on board. All of the work being done would take time.
FC18/87
Moved by: Cr Livingston
Seconded by: Cr Minogue

That the report "Waikato Regional Council Fish Passage Improvement Programme, October 2018 update" (Doc #13222513 dated 1 November 2018) be received.

The motion was put and carried

13. Environmental Initiatives Fund grant to Waikato Ecological Restoration Trust

Presented by the Acting Director Integrated Catchment Management (G Ryan) the report requested a change to the purpose of a recent Environmental Initiatives Fund grant to the Waikato Ecological Restoration Trust for the Waipa Rerenoa Restoration Project.

Members noted their agreement with the report and staff recommendation. The motions were put without further discussion.

FC18/88
Moved by: Cr Livingston
Seconded by: Cr Kneebone

THAT the report “Environmental Initiatives Fund grant to Waikato Ecological Restoration Trust” (Doc #13222933 dated 15 October 2018) be received; and

The motion was put and carried

FC18/88.1
Moved by: Cr Livingston
Seconded by: Cr Kneebone

THAT the following resolution (FC18/62) approved at the 9 August 2018 Finance Committee meeting:

“That the Finance Committee approve an Environmental Initiatives Fund grant of $14,175.55 to the Waikato Ecological Restoration Trust for the purchase of equipment to undertake the maintenance of riparian plantings for the Waipa Rerenoa Riparian Management project”

be amended to read as follows:

That the Finance Committee approve an Environmental Initiatives Fund grant of $14,175.55 to the Waikato Ecological Restoration Trust for contractor costs and the purchase of equipment to undertake the maintenance of riparian plantings for the Waipa Rerenoa Riparian Management project.

The motion was put and carried

SECTION B: FOR RECOMMENDATION TO COUNCIL
14. **Preserve New Chum for Everyone Inc. – Request for Assistance from Natural Heritage Fund**

Presented by the Biodiversity Project manager (J van Rossem) the report provided the committee with an update on the New Chum/Wainuiototo Beach, and to present a request from the group Preserve New Chum for Everyone Inc. for financial assistance from the Natural Heritage Fund to undertake an ecological survey of the area and development of a collaborative ownership and protection model for the New Chum Beach landscape and protection area.

During questions, answers and related discussion members noted:

- Members noted they were interested to understand how this could pan out in the future as they were aware the problem had been ongoing for 7-8 years. Members noted concern that where a consent was granted that the purchaser of the land may have to implement the plan under the SNA. The area in question was pohutukawa and nikau and mainly related to the coastal strip. The area was approximately 1.5km long and owned by the trust with two families. There was land beyond the forest that was farmed.
- A member questioned what a collaborative model would look like and in response it was noted that it would include agencies with interest in the same area such as DOC and the District Council and may involve covenants with QE2. There was a lot of ongoing discussion and still an amount of uncertainty with the landowners and what their intentions were.
- A member noted concern that Council may be put in a position where the perception is that council had a closed mind to the consent process if council were to provide the funding for the request. Staff undertook to seek further guidance on the matter and report back through the Council meeting on 12 December 2018.
- The committee discussed additional wording to the motion to ensure that the funding was conditional on the sufficient information being provided back to council. It was further discussed that the matter be left to lie on the table until that information could be collated and reported back.

**FC18/89**

**Moved by:** Cr Minogue  
**Seconded by:** Cr Hennebry

THAT the report “Preserve New Chum for Everyone Inc. - Request for Assistance from Natural Heritage Fund” (Doc # 13280562 dated 26 October 2018) be received.

The motion was put and carried
FC18/90
Moved by: Cr Minogue
Seconded by: Cr Hennebry

Procedural motion

That the decision relating to the request by "Preserve New Chum for Everyone Inc" (Doc 13280562) be left to lie on the table for discussion at Council 12 December 2018.

THAT a provisional sum of $10,000 be allocated from the Natural Heritage Fund to the Preserve New Chum for Everyone Inc. group to prepare an ecological survey and to develop a collaborative ownership and protection model for the New Chum Beach and adjacent area.

Funding is to be conditional upon a work brief defining the scope and content of the ecological survey and ownership/protection model developed by the group and agreed with council staff.

The motion was put and carried

SECTION A: UNDER DELEGATION FOR THE INFORMATION OF COUNCIL

15. Contracts Subcommittee 13 September 2018

The minutes of the Contracts Subcommittee meeting were taken as read.

FC18/91
Moved by: Cr Vercoe
Seconded by: Cr Livingston

THAT the Minutes (open section) of the Contracts Subcommittee meeting held on 16 September 2018 be received

The motion was put and carried

FC18/91.1
Moved by: Cr Vercoe
Seconded by: Cr Livingston

THAT the decisions made in Section A of the report be noted.

The motion was put and carried
16. **Public Excluded Section**

FC18/92

**Moved by:** Cr Vercoe  
**Seconded by:** Cr Livingston

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:

<table>
<thead>
<tr>
<th>Item No</th>
<th>Interest</th>
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<tbody>
<tr>
<td>17</td>
<td>Protect the privacy of natural persons, including that of deceased natural persons (Schedule 7(2)(a))</td>
</tr>
<tr>
<td>17, 18</td>
<td>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 (Schedule 7(2)(b))</td>
</tr>
<tr>
<td>18</td>
<td>Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Schedule 7(2)(i))</td>
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The motion was put and carried

Returned to open meeting at 12.40pm.

Meeting closed at 12.40pm.