Finance Committee
OPEN MINUTES

Minutes of a meeting of the Finance Committee held in Council Chamber, 401 Grey Street, Hamilton East on 16 May 2018 at 10.05am.

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

The apology from Councillor Kneebone for early departure was accepted.

**Confirmation of Agenda**  
(Agenda Item 2)

The Chair advised that a number of items on the agenda involved outside presenters, therefore some of the items may be considered out of the order listed in the agenda.

Cr Kneebone moved/Cr Vercoe seconded

**RESOLVED**  
FC18/22  
THAT the agenda of the Finance Committee of 16 May 2018 be confirmed as the business for the meeting.

The motion was put and carried (FC18/22)

**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 # 11620281)

Chief Financial Officer (M Garrett) reported back on issues raised from previous Finance Committee meetings.

Cr Vercoe moved/Cr Quayle seconded

**RESOLVED**  
FC18/23  
THAT the report ‘Issues and actions from the Finance Committee meetings’ (Doc # 11620281 dated 8 May 2018) be received.

The motion was put and carried (FC18/23)

**Rates Information as at 30 April 2018**  
(Agenda Item 5) (Doc # 12393541)

Chief Financial Officer (M Garrett) provided a summary on rates activity for the 2017/18 financial year. In speaking to the report the Chief Financial Officer noted a correction to the report, this being that the Finance Committee are being asked to write off statute barred rates debt of $214,329 and not $193,525.75 as indicated in the report.
In providing a breakdown of the arrears, it was noted that of the net unpaid rates 45 per cent of the value relates to invoices where the original value was less than $250. 36 per cent of the value relates to invoices where the original value was between $250 and $500. $83,605 relates to invoices where the original value was greater than $5,000 across 10 properties, and $66,645 relates to invoices where the original value was between $2,500 - $5,000 across 26 properties. Staff are endeavouring to make contact with the owners to arrange payment of the outstanding amounts.

The Chief Financial Officer advised the Committee that debt from the 2011/12 rating year that has not had legal action commenced through the courts became statute barred after 20 October 2017. 72 per cent of this debt is in the invoice group where the original value due was less than $250. The total debt to be written off is $214,329 ($81,468 rates and $132,861 penalties). Of the overall total, $108,931 (50 percent) is debt related to rating units identified as multiple owned Maori Freehold land and is comprised of $47,442 rates and $61,489 penalties.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Discussion centred on the Council’s approach to the initiation of legal action that can potentially lead to rating sales for unpaid rates from prior years.

Cr Vercoe moved/Cr Minogue seconded

**RESOLVED**
1. THAT the report ‘Rates information for rates year 2017/2018 as at 30 April 2018’ (Doc # 12393541 dated 2 May 2018) be received.

**RESOLVED**
2. THAT the request to write-off statute barred rates debt of $214,329 is approved.

The motion was put and carried (FC18/24)

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

**Financial Performance Monitoring and Forecast as at 31 March 2018**
(Agenda Item 6) (Doc # 12406282 & 12413310)

Finance Manager (J Becker) presented an overview of the Council’s financial performance for the period to 31 March 2018, together with the outcome from the latest financial forecast. In speaking to the report the Finance Manager advised that paragraph 4 on page 19 of the agenda indicates a ‘favourable’ variance to forecast at the end of the year of $218,000 when it should in fact indicate an ‘unfavourable’ position.

In presenting the overview of Council’s financial performance a summary of variance explanations was provided, which included:
- Investment fund performance continues to be ahead of budget. To date, $3.046 million has been transferred to the investment equalisation reserve after allowing for third quarter inflation. Returns for March have been flat. After a positive start to the month, volatility returned to markets in the latter half of the month due to uncertainty regarding the implications of trade tariffs announced by the US and China. The lower provision for inflation-proofing the fund also contributes to the favourable performance reported against this measure.
- Regulatory revenue percentage has increased from 65% in January. Revenue from consent processing and compliance monitoring is $501,000 unfavourable to the year to date budget of $2.647 million. Within this, consent processing revenue is unfavourable ($239,000), offset in part by lower contracted services costs, while compliance monitoring is unfavourable ($120,000). Staff are expecting that, with the completion of contracted works that will be on-charged, and an increasing focus on compliance monitoring over the remainder of the year, that revenue budget will be met.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Members were advised that the Total Budget on page 24 of the agenda recognises budget carry overs from previous financial years into the current year.
- Discussion centred on whether Council has a mechanism to calculate depreciation to account for increased asset replacement costs as a result of environmental standards and health and safety requirements. The Finance Manager advised that the issue arises from asset values being based on a “like for like” replacement value that doesn’t incorporate the additional costs for environmental or health and safety requirements that are incurred when the asset is renewed. The gap between capital expenditure and depreciation funding is met through debt funding from the respective zones. This issue is one of the matters that the council will need to consider as part of its review of the long-term sustainability of its infrastructure assets that is to be undertaken over the next two years, and will provide a key input into the 2021 Long Term Plan.
- A question was raised around the revaluation of Council’s assets that is carried out every 3-years, specifically what happens in the intermediate years, and whether the values are adjusted to account for inflation. In response the Finance Manager advised that the values aren’t changed, however a desktop assessment is undertaken in the in between years to assess whether there is a significant movement that would require a new revaluation to be undertaken. Depreciation is adjusted on an annual basis to anticipate the change in values and to avoid a three-yearly jump in depreciation funding requirements.
- In respect to the Healthy Rivers Wai Ora project a member questioned the budget of $18.541 million for the development of policy and the budget of $1.163 million for implementation of the policy. The Chief Financial Officer advised that this budget for direct costs had largely remained unchanged but there had been a reallocation of budgeted labour (with a consequent overhead allocation) to the Healthy Rivers Plan implementation budget.
- A question was asked as to why the forecast budget adjustments sought are being recommended to Council for approval. In response the Chief Financial Officer advised that the forecasting process ensures that funds can be allocated to where they are required to deliver planned work programmes ensuring appropriate delegations are in place. This provides certainty to staff in relation to the budget they are required to manage to. It was also noted that the Chief Executive’s delegations are only in relation to the annual plan, or other council-approved budget.

Cr Vercoe moved/Cr Livingston seconded

FC18/25

RESOLVED
1. THAT the report “Financial performance monitoring and forecast as at 31 March 2018” (Doc #12406282) dated 2 May 2018 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 $849,000
   ii) An increase in operating expenditure of $339,000
   iii) Transfers to reserves of $646,000 as a result of the changes in revenue and expenditure above
   iv) The provisional carry over of operating funds to 2018/19 of $2.397 million, noting that finalisation of carry over requests will be dependent on funds remaining available at the end of the financial year
   v) A reduction in operational capital expenditure of $2.938 million
   vi) A reduction in infrastructure capital expenditure to $1.398 million
   vii) The provisional carry over of capital funds to 2018/19 of $5.404 million, noting that finalisation of carry over requests will be dependent on funds remaining available at the end of the financial year.

The motion was put and carried (FC18/25)

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

2017/18 Third Quarter Non-financial Performance Results
(Agenda Item 7) (Doc # 12318698 & 12317898)

Corporate Planning Manager (N Hubbard) presented the 2017/18 third quarter non-financial performance results. In speaking to the report it was noted that there are 42 performance measures in Council’s 2015-2025 Long Term Plan. At the end of the third quarter, no result is available for 6 measures as work is yet to commence. Of the remaining 36 measures, 15 are ‘Achieved’ (42%), 14 are ‘On track’ to be achieved (39%), 2 are ‘Achieved in part’ (6%), 1 is to be ‘Monitored’ (3%), 2 are ‘Not achieved’ (6%) and 2 are ‘Not applicable’ (6%) for the 2017/18 financial year.

During questions, answers and related discussion Committee members raised or noted the following matters:
- In relation to Measure: Over 1% of patronage growth increase on contracted Hamilton services, a question was raised around the benefit of advertising to increase patronage. In response the Chief Financial Officer advised that there have been significant changes in services, which have contributed to patronage growth. The advertising has supported the increase in patronage growth. Since the implementation of improvements, patronage on Hamilton based services has grown by 1.74% when compared to the same period last year. In the event that patronage growth continues it is possible the 1% patronage growth target for current financial year will be achieved.
- In response to a question about fare increases, the Chief Financial Officer advised that the Hamilton Public Transport Joint Committee resolved to request that the CE submission amend the budget for the increase to be spread over 2 years and only a 2.5 per cent increase applied in 2018/19 ($179,348) and the increased fares only commence from when the new electronic ticketing system is implemented ($43,420)
Cr Livingston moved/Cr Kneebone seconded

**RESOLVED**

*FC18/26*

*THAT the report ‘2017/18 third quarter non-financial performance results’ (Doc #12316898 dated 16 May 2018) be received for information.*

The motion was put and carried (**FC18/26**)

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

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


(Agenda Item 11) (Doc #12402213)

As the newly appointed CEO for the Trust, Mr Lyons took the opportunity to introduce himself to the Committee.

The CEO (P Lyons) and Sanctuary Manager (M Stinton) from Maungatautari Ecological Trust outlined the financial position for the period January to March 2018 as outlined in Funding Deed between the Waikato Regional Council and the Trust. In speaking to the report the CEO advised that the Maungatautari Ecological Island Trust has secured a $100,000 multi-year grant from Trust Waikato. The CEO noted that a key focus for the Trust will be around revenue generation and relationship development in the community.

During questions, answers and related discussion Committee members raised or noted the following matters:
- The Trust advised that the multi-year grant from Trust Waikato spans a three-year period.
- In terms of the capacity to hold kiwi on Maungatautari, the Trust advised that the numbers are around 500; that being said this is something that is monitored closely by the Trust to ensure this does not create any adverse effects on the other kiwi population.
- The Visitor Centre, which is currently held in trust by the Waipa District Council, will be recognised in the Trust’s Balance Sheet once the outstanding debt has been paid at which time the asset will be passed over the Trust. The CEO for the Trust advised that they are in negotiations with the Waipa District Council to establish whether part of the asset can be incorporated onto the Trust’s balance sheet.
- A Councillor advised that they had recently requested information on kiwi numbers from the Maungatautari Ecological Island Trust to establish whether kiwi numbers were in decline. In terms of process, individual Councillor Requests that can have financial implications for the respective agency to provide the information, need to be sanctioned by Council and should not be raised as part of formal Committee meeting. The Chief Financial Officer undertook to work with the Councillor and the Director on this matter.
- The CEO for the Trust confirmed that tagged funds are used for specific projects of which the Trust is required to undertake accountability reporting for. For grants that aren’t specifically tagged, those funds are used to undertake a variety of services for the Trust.
Cr Minogue moved/Cr Kneebone seconded

**FC18/27**

**RESOLVED**


The motion was put and carried (FC18/27)

With the consent of the meeting Item 10 was considered at this time.

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

**Draft Funding Deed to Maungatautari Ecological Island Trust for 2018/19 to 2021/22**

(Agenda Item 10) (Doc # 12350598 & 12317304)

Chief Financial Officer (M Garrett) presented the draft funding deed for the Natural Heritage Fund grant made to Maungatautari Ecological Island Trust in February 2018, for approval. In speaking to the report it was clarified that the Funding Deed specifies that the Trust attend one Council meeting per year, quarterly reporting by the Trust to Waikato Regional Council staff and that every second quarter a report would be provided to the Finance Committee.

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

- The Committee supported the approach of the Trust presenting in person to Council on an annual basis. However some Councillors were of the view that the Trust’s quarterly report to Council should continue to be placed on Finance Committee agendas, given that the Trust, as part of its Funding Deed, is required to report quarterly, which would not impose any further work for the Trust. Other Committee members had a differing view and supported the 6-monthly reporting to the Finance Committee on the basis that if there were any issues in the in between months that staff would keep Council informed.

Cr Kneebone moved/Cr Vercoe seconded

**FC18/28**

**RESOLVED**

1. THAT the report ‘Draft Funding Deed for Maungatautari Ecological Island Trust for 2018/19 to 2021/22’ (Doc # 12350598 dated 1 May 2018) be received.

**RECOMMENDED**

2. THAT Funding Deed for Maungatautari Ecological Island Trust for 2018/19 to 2021/22’ (Doc # 12317304) be approved.

The motion was put and carried (FC18/28)
Cr Hennebry moved/Cr Vercoe seconded

THAT the Maungatautari Ecological Island Trust provide quarterly reporting to the Finance Committee.

The motion was put and lost on a show of hands

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

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

Councillor Kneebone left the meeting at 11.35am.

**Tenders Board Contracts for period 1 January to 31 March 2018**
(Agenda Item 12) (Doc # 12381028)

Chief Financial Officer (M Garrett) presented the contracts awarded by the Tenders Board for the period 1 January to 31 March 2018.

During questions, answers and related discussion Committee members raised or noted the following matters:
- A question was raised about whether, following harvesting of the Kuaoiti Woodlot Forest, would be replanted, if yes, with what plants. The Chief Financial Officer undertook to follow up on this question.

Cr Livingston moved/Cr Minogue seconded

**FC18/29**

RESOLVED
THAT the report ‘Tenders Board Contracts for the period 1 January to 31 March 2018’ (Doc # 12381028 dated 20 April 2018) be received.

The motion was put and carried (FC18/29)

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

**Councillor and Chief Executive Expenses for Quarter Ended 31 March 2018**
(Agenda Item 13) (Doc # 12400028)

Chief Financial Officer (M Garrett) provided a summary of the Councillors and Chief Executive’s expenses for the quarter ended 31 March 2018, noting that at the request of the Audit and Risk Committee the Chief Executive’s expenses have, and will continue to be reported on quarterly.

Cr Vercoe moved/Cr Minogue seconded

**FC18/30**

RESOLVED
THAT the report ‘Councillor and Chief Executive Expenses for the quarter ended 31 March 2018’ (Doc # 12400028 dated 1 May 2018) be received.

The motion was put and carried (FC18/30)
With the consent of the meeting Item 14 was considered at this time.

Civic Financial Services Statement of Intent for Year Ended 31 December 2018
(Agenda Item 14) (Doc # 12400028)

Chief Financial Officer (M Garrett) presented the Civic Financial Services Statement of Intent for year ended 31 December 2018.

Cr Livingston moved/Cr Vercoe seconded

FC18/31

RESOLVED
THAT the report ‘Civic Financial Services Statement of Intent for the year ended 31 December 2018’ (Doc # 12395965 dated 30 April 2018) be received.

The motion was put and carried (FC18/31)

Investment Fund Performance and Cash Management Report to 31 March 2018
(Agenda Item 8) (Doc # 12387085)

Chief Financial Officer (M Garrett) presented an update on the performance of the Council’s investment fund and cash management for the period ended 31 March 2018.

Cr Hennebry moved/Cr Quayle seconded

FC18/32

RESOLVED

The motion was put and carried (FC18/32)

Mercer Investment Monitoring Report to 31 March 2018
(Agenda Item 9) (Doc # 12424936 & 12430690)

Simon Cox from Mercer provided an update on quarterly investment monitoring to 31 March 2018 (Doc # 12478151).

Cr Vercoe moved/Cr Minogue seconded

FC18/33

RESOLVED
THAT the report ‘Mercer Investment Monitoring Report to 31 March 2018’ (Doc # 12424936 dated 8 May 2018) be received.

The motion was put and carried (FC18/33)

Councillor Livingston left the meeting at 12.02pm.
Resolution to Exclude the Public  
(Agenda Item Pt Item 9)

Cr Hennebry moved/Cr Vercoe 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:

<table>
<thead>
<tr>
<th>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>
</tr>
</thead>
<tbody>
<tr>
<td>Pt 9 Update on Investment Fund Managers</td>
<td>Good reason to withhold exists under Section 7.</td>
<td>That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)</td>
</tr>
</tbody>
</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:

<table>
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<tr>
<th>Item No</th>
<th>Interest</th>
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<tr>
<td>Pt 9</td>
<td>Protect the privacy of natural persons, including that of deceased natural persons (Schedule 7(2)(a))</td>
</tr>
</tbody>
</table>
| Pt 9    | 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)) |

THAT Simon Cox from Mercer be permitted to remain at this meeting, after the public has been excluded, because of his knowledge of Item 9. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because of his role as Council’s Investment Fund Portfolio Manager.

The motion was put and carried (FC18/34)
Return to Open Meeting at 12.10pm.

**Preparation for Establishment of External Borrowing Programme**
(Agenda Item 15) (Doc # 12381280 & 12420645)

The update on the activities that staff are undertaking in anticipation of the commencement of an external borrowing programme from 1 July 2018 was taken as read.

Cr Quayle moved/Cr Vercoe seconded

**RESOLVED**

THAT the report ‘Preparation for establishment of external borrowing programme’ (Doc # 12381280 dated 26 April 2018) be received.

The motion was put and carried (FC18/35)

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

**FC18/36**

Resolutions to Exclude the Public

Cr Vercoe 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:

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<td>17 Corporate Systems Replacement Project Update</td>
<td>Good reason to withhold exists under Section 7.</td>
<td>That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)</td>
</tr>
</tbody>
</table>
18  **Lower Waikato Zone Land Purchase for Furniss Stopbanks and Huntly North Pump Station**  
Good reason to withhold exists under Section 7.  
That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)

19  **Non-rates Debtors**  
Good reason to withhold exists under Section 7.  
That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)

19  **Non-rates Debtors – Write-offs**  
Good reason to withhold exists under Section 7.  
That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)

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>18, 19 &amp; 20</td>
<td>Protect the privacy of natural persons, including that of deceased natural persons (Schedule 7(2)(a))</td>
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| 18, 19 & 20 | 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)) |
| 17 | Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities (Schedule 7(2)(h)) |

The motion was put and carried (FC18/36)
Return to Open Meeting at 12.32pm.

Meeting closed at 12.32pm