Finance Committee
OPEN MINUTES

Minutes of a meeting of the Finance Committee held in Council Chamber, 401 Grey Street, Hamilton East on Tuesday 20 February 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 T Mahuta
Staff V Payne – Chief Executive
M Garrett – Chief Financial Officer
J Becker – Finance Manager
D Thurlow – Democracy Advisor
**Apologies**  
(Agenda Item 1)

The Committee accepted the apologies from Councillor Vercoe for lateness and Councillor Livingston for absence and Councillor Mahuta for early departure.

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

Cr Hennebry moved/Cr Minogue seconded

**FC18/1**  
**RESOLVED**

THAT the agenda of the Finance Committee of 20 February 2018 be confirmed as the business for the meeting.

The motion was put and carried (FC18/1)

**Disclosures of Interest**  
(Agenda Item 3)

There were no disclosures of interest.

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

**Issues and Actions following 21 November 2017 Finance Committee meetings**  
(Agenda Item 4) (Doc # 11620281)

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:
- In respect to Maungatautari Ecological Island Trust reporting, the Chair emphasised the need for the Council to receive cash flow reporting on a quarterly basis.
- The Committee indicated their support for retaining the rates postponement scheme.

Cr Kneebone moved/Cr Minogue seconded

**FC18/2**  
**RESOLVED**

THAT the report ‘Issues and actions from the Finance Committee meetings’ (Doc # 11620281) dated 13 February 2018 be received.

The motion was put and carried (FC18/2)
Chief Financial Officer (M Garrett) provided the 2017/18 rates information as at 31 January 2018 and sought approval for a rates remission application received where it doesn’t fit any category for existing remissions previously approved.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Discussion centred on the precedent effect that may result if the application for a rates remission was approved.
- The Chief Financial Officer emphasised the importance of Council having a rates remission policy that is equitable to assist in Council’s decision-making.
- In regard to the property in Wellington that offer the same services as the property for which the remission is being sought in Hamilton, staff advised that Wellington City Council has remitted the rates for the property. On this basis the Committee supported the rates remission at 100 percent.

Cr Quayle moved/Cr Kneebone seconded

**RESOLVED**

1. THAT the report ‘2017/18 Rates information to 31 January 2018’ (Doc # 11796326 dated 7 February 2018) be received.

2. THAT the remission application (Doc # 11627664 received 19 December 2017) for valuation reference 04183/395/00, 66 Bartholomew Drive, Hamilton, be received.

3. THAT remission request for valuation reference 04183/395/00 be approved at 100% rates remission.

The motion was put and carried (FC18/3)

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

**Financial Performance Monitoring and Forecast as at 31 January 2018**

Finance Manager (J Becker) presented an overview of the Council’s financial performance for the first quarter of the 2017/2018 financial year, together with the outcome from the second forecast undertaken (Doc # 11863344).

In speaking to the report the Finance Manager advised that the overall forecast indicates an unfavourable year end position of $700,000 which will be offset by a previous forecast of $56,000 favourable bringing the net position to $644,000 unfavourable. Key drivers for the unfavourable position include a reduction in anticipated working capital interest, provision for Stage 2 project work on the Tristram Precinct proposal, reduction in rates penalty income reflecting improved collection of prior year rates, increase in fines revenue, offset by associated legal costs, and carry over of $500,000 for plan reviews and Hauraki Plan change 2.
Chief Financial Officer (M Garrett) noted that following the forecast, staff don’t believe that Council is in a position where savings can be identified to fund the Stage 2 costs for the Tristram Precinct project ($420,000) and advised that staff will be recommending to Council that it utilises some of the investment fund income equalisation reserve surplus to fund this piece of work on the basis that this is a strategic investment.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Regulatory income is made up of compliance monitoring costs and consent processing.
- In respect to flood recovery costs, the Finance Manager advised members that Council has the ability to draw funding from the disaster recovery reserves, approval for which is sought through the respective Zone Committees.
- The key variance for the Healthy Rivers Wai Ora Proposed Plan Change 1 relates to staff time which will require an internal reallocation of resources but does not result in an increase in total costs for the council.
- The Committee supported the use of surplus funds from the investment fund to fund Stage 2 of the Tristram Precinct project on the basis that everyone across the Waikato Region will benefit from the investment in the building.

Cr Minogue moved/Cr Mahuta seconded

FC18/4

RESOLVED
1. THAT the report ‘Financial performance monitoring and forecast as at 31 January 2018 (Doc # 11841128 dated 15 February 2018) be received.

RECOMMENDED
2. THAT the Finance Committee support the use of surplus funds from the investment fund to fund stage 2 of the Tristram Precinct project.

The motion was put and carried (FC18/4)

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

2017/2018 Second Quarter Non-Financial Performance Results
(Agenda Item 7) (Doc # 11739269 & 11739865)

Chief Financial Officer (M Garrett) presented the 2017/18 second quarter non-financial performance results. In speaking to the report it was noted there are 42 performance measures in the Council’s 2015-2025 Long Term Plan. At the end of the second quarter, there was no result for 8 measures as work is yet to commence. Of the remaining 34 measures, 15 are ‘Achieved’ (44%), 13 are ‘On track’ to be achieved (38%), 1 is ‘On track to be achieved in part’ (3%), 2 are to be ‘Monitored’ (6%), 1 is ‘Not achieved’ (3%) and 2 are ‘Not applicable’ (6%) for the 2017/18 financial year.

In respect to the key performance indicator relating to the proportion of total service costs that are covered by passenger fares (farebox recovery), which is listed as ‘not achieved’ the Chief Financial Officer advised that the 43% target set three years ago in the public transport plan will not be achieved due to declining patronage levels in years 1-2 of the Long Term Plan. As part of updating the public transport plan in 2018 staff will be advocating for an updated, more realistic target for farebox recovery.
In respect to the key performance indicator relating to over 1 percent patronage growth increase on contracted Hamilton Services, which is currently ‘on track to be achieved’, it was noted that there has been a decrease of patronage for the West Hamilton routes but this decline has been more than offset by positive growth on the East Hamilton routes.

For the month of November and December 2017 Eastern routes patronage grew by 11.44% and 3.16% respectively when compared to the same month last year. The increase for the Eastern routes is predominately due to new simplified routes and increased Orbiter patronage which has an increase of 8.0% and 13.3% in November and December on the same period last year.

The decline experienced in the Western side of Hamilton is attributable to the time taken for the new operator to bed in, new timetables and bus network changes. However, the Western patronage decrease has been offset to some extent due to some routes on the Western side being extended to The Base which has attracted additional patronage. New services and routes are being implemented across the eastern routes from 29 January 2018 which should see further patronage growth.

For the key performance Measure relating to Compliance with Resource Management Act legislative planning requirements, the Chief Financial Officer advised that the Resource Management Act and National Direction is mostly on track however it should continue to be monitored due to the following exceptions:

- NPSFM swimmability targets, draft targets to be published by March 2018. Contribution has been made to a sector report on swimmability targets. The regional sector has been working closely with the Ministry for the Environment officials in order to obtain a direction from the Minister that the sector report on swimmability targets, to be released in March, will constitute draft targets in relation to Policy A6.
- Statutory commencement of review of the Regional Plan (due to "commence" in calendar year 2017) mostly met.
- Joint Management iwi "agreement to commence" is now delayed to early 2018.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Members expressed their frustration around the moving goal posts from the Government associated with freshwater management.

Cr Minogue moved/Cr Kneebone seconded

**RESOLVED**

THAT the report ‘2017/18 second quarter non-financial performance results’ (Doc # 11739269 dated 30 January 2018) be received.

The motion was put and carried (FC18/5)

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

**Tenders Board Contracts for the period 1 October 2017 to 31 December 2017**

(Agenda Item 10) (Doc #11744364)

Chief Financial Officer (M Garrett) outlined the contracts awarded by the Tenders Board for the period 1 October 2017 to 31 December 2017.
During questions, answers and related discussion Committee members raised or noted the following matters:
- While Waikato Regional Council is not providing any funding towards the Thames Coromandel District Council Public Transport Trial Service, Council is required to procure the service as part of the New Zealand Transport Agency requirements who is providing a level of funding towards the service.
- In respect to the Criterion Bridge stop logs contract, it essentially takes a manual gate system to one that is fully automated and addresses Health and Safety risks.
- The Committee was advised that flood levels have been taken into account with respect to the building height of the Paeroa office premises and are in line with the requirements of the District Plan.

Cr Minogue moved/Cr Quayle seconded

FC18/6

RESOLVED
THAT the report ‘Tenders Board Contracts for the period 1 October 2017 to 31 December 2017’ (Doc # 11744364 dated 24 January 2018) be received.

The motion was put and carried (FC18/6)

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

Contracts Subcommittee Minutes
(Agenda Item 11) (Doc # 11772723)

The minutes of the Contracts Subcommittee meeting held on 30 January 2018 were taken as read.

Cr Quayle moved/Cr Mahuta seconded

FC18/7

RESOLVED
THAT the minutes of the Contracts Subcommittee meeting held on 30 January 2018 (Doc # 11772723) be received as a true and correct record.

The motion was put and carried (FC18/7)

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

Councillor Expenses for the Quarter Ended 31 December 2017
(Agenda Item 12) (Doc # 11792384)

Chief Financial Officer (M Garrett) presented a summary of Councillors expenses for the quarter ended 31 December 2017.

During questions, answers and related discussion Committee members raised or noted the following matters:
In respect to accommodation and meals, staff undertook to check year to date actual with the second quarter actuals as the actual is very low for one particular councillor based on the amount of travelling required.

- The Chief Financial Officer undertook to model the year end impact for the changes that were recently made to travel and travel time allowances for elected members.
- Staff undertook to follow up on the variances with year to date actuals relating to meeting expenses.

Cr Kneebone moved/Cr Mahuta seconded

FC18/8

**RESOLVED**

THAT the report ‘Councillor expenses for the quarter ended 31 December 2017’ (Doc # 11792384 dated 7 February 2018) be received.

The motion was put and carried (FC18/8)

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

SECTION B: (FOR RECOMMENDATION TO COUNCIL)

**Exemption of Martha Trust as a Council Controlled Organisation**
(Agenda Item 13) (Doc # 11811385 & 1165468)

Chief Financial Officer (M Garrett) sought approval by Council to reconfirm the exemption of Martha Trust as a Council Controlled organisation.

During questions, answers and related discussion Committee members raised or noted the following matters:
- A member questioned whether there is a timeframe for the completion of the mine. The Chief Financial Officer undertook to follow up on this with the Regulatory Team.

Cr Kneebone moved/Cr Mahuta seconded

FC18/9

**RESOLVED**

1. THAT the report ‘Exemption of Martha Trust as a Council Controlled organisation’ (Doc # 11811385 dated 9 February 2018) be received.

**RECOMMENDED**

2. THAT, in accordance with section 7(3) of the Local Government Act 2002, the Martha Trust be exempt as a Council Controlled Organisation, and that the exemption be reviewed and reassessed either when the mine closes or on the receipt of further funds and at least within three years from granting this exemption.

The motion was put and carried (FC18/9)

With consent of the meeting Item 14 was considered at this time.
SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)

FC18/10 Resolution to Exclude the Public
(Agenda Item 14)

Cr Mahuta 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:

<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>15 Public Excluded Minutes of the Contracts Subcommittee meeting held on 30 January 2018</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>
<tr>
<td>16 Non-Rates Debtors</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>
<tr>
<td>17 Non-Rates Debtor Write-offs</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>
<tr>
<td>17 Update on Investment Fund Manager</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>
<thead>
<tr>
<th>Item No</th>
<th>Interest</th>
</tr>
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<tbody>
<tr>
<td>16 &amp; 17</td>
<td>Protect the privacy of natural persons, including that of deceased natural persons (Schedule 7(2)(a))</td>
</tr>
<tr>
<td>15, 16, 17 &amp; 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>
</tbody>
</table>

THAT Russell Garrett from Mercer be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of Item 18. 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 (FC18/10)

Return to Open Meeting at 11.25am.

**Investment Fund Performance and Cash Management Report to 31 December 2017**

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 2017.

Cr Kneebone moved/Cr Quayle seconded

**FC18/16**

**RESOLVED**

THAT the report ‘Investment Fund Performance and Cash Management Report to 31 December 2017’ (Doc # 11819823 dated 12 February 2018) be received.

The motion was put and carried (FC18/16)

**Mercer Investment Monitoring Report to 31 December 2017**

Russell Garrett from Mercer presented an update, via video conference, on the quarterly investment monitoring report to 31 December 2017 (Doc # 11861673).
Councillor Mahuta left the meeting at 11.55am.

Councillor Vercoe arrived at the meeting at 12.10pm.

During questions, answers and related discussion Committee members raised or noted the following matters:
- Given that the markets are volatile, and based on discussions about moving the investment fund to more equity investments in terms of obtaining a higher long term return a member questioned whether now is an optimum time to make an adjustment. Mercer’s view at this time, is that there is no immediate need for the council to increase its exposure to equity investments.

Cr Minogue moved/Cr Vercoe seconded

**FC18/17**

**RESOLVED**

THAT the report ‘Mercer Investment Monitoring Report to 31 December 2017’ (Doc # 11812248 dated 9 February 2018) be received.

The motion was put and carried (FC18/17)

Meeting closed at 12.34pm.