
Finance Committee

OPEN MINUTES

Minutes of a Meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Thursday 21 May 2015 at 1.30pm.

PRESENT

Chairperson: Cr R Pascoe
Deputy Chairperson: Cr G Mallett
Members: Her Worship the Mayor J Hardaker
Cr G Chesterman
Cr M Gallagher
Cr K Green
Cr A King
Cr D Macpherson
Cr A O'Leary
Cr L Tooman
Cr E Wilson
Cr P Yeung

In Attendance: Chief Executive (CE), Chief Financial Officer (CFO), General Manager Organisational Development, General Manager Performance, General Manager City Infrastructure, General Manager Events and Economic Development, General Manager Community, General Manager Customer Relationships, Revenue Manager, Accounting Unit Manager, Chief Information Officer, Corporate Projects Accountant, Parks & Open Spaces Manager, Unit Manager Strategy and Research, PMO Manager, Project Associate, Water Operations Manager, Principal Building Advisor and Senior Communications Advisor.

Also In Attendance: Stuart Henderson (PWC)
Brent Kendrick (Microsoft)

Democracy Advisors: Ms L Preiss and Mrs J Pani

1. Apologies

Resolved: (Crs Pascoe/Mallett)

That the apologies from Councillor Forsyth (absence), Cr Macpherson (for arriving late) and Cr Mallett (for leaving early) be received and accepted.

2. Confirmation of Agenda

Resolved: (Crs Pascoe/Mallett)

That the Agenda be confirmed.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

There were no Public Forum speakers.

5. Finance Committee - Open Minutes - 23 April 2015

Page 8 of the Agenda, bullet 2, in relation to excess nursery stock, needed to be placed on the action list.

Page 8 of the Agenda, bullets 3 and 4 also needed to be placed on the action list and it would be noted on the Minutes that the theatres' budget and variance for the Customer Relationship Group had to be considered by the CFO as part of the 10-Year Plan Budget.

Resolved: (Crs Pascoe/Mallett)

That the Committee confirm and adopt as a true and correct record the Open Minutes of the Finance Committee Meeting held on 23 April 2015, subject to the above noted actions.

6. Finance Committee Action List - Open - 21 May 2015

That the Action List be updated as noted above in relation to the Finance Committee Minutes dated 23 April 2015.

Resolved: (Crs Pascoe/Mallett)

That the Report be received.

7. Recommended dates for Reports to be presented to Finance Committee

Resolved: (Crs Pascoe/O'Leary)

That the Report be received.

8. Six Monthly Report from the Chair of the External Funding Subcommittee to the Finance Committee

The General Manager Community, in the absence of the Chair of the Subcommittee, spoke to the Report and highlighted the following:

- Good progress had been made on updating systems and processes, especially in terms of the monitoring matrix (available online) which set out priorities and funding amounts sought for and obtained.
- Over the last year, the External Funding Subcommittee had secured \$1.5million out of \$13million sought, which included one large project that was not granted.
- Several HCC projects attracted external funding and a document could be drafted showing how much money had been obtained for each project, which would be reported back to the Finance Committee once completed.
- Overall the External Funding Subcommittee used a successful strategic and methodological approach in terms of all projects.

Resolved: (Crs Pascoe/Gallagher)

That the Report be received.

9. Six Monthly Report from the Chair of the Event Sponsorship Subcommittee to the Finance Committee

The Chair of the Event Sponsorship Subcommittee spoke to the Report and highlighted the following:

- At the last application round, the Subcommittee approved funds to the Gallagher's Great Race and the UCI Track Cycling World Cup 2015, which meant that out of a funding pool of \$222,596 (as proposed in the 10-year Plan) only around \$180,000 was still available.
- HCC previously funded three iconic events, including the Gardens Festival, the Balloons over Waikato and the Christmas events. If HCC proposed to keep funding these three events at the same level, then there would be no other funds available to any other events.
- Accordingly, it was recommended for the General Manager Events and Economic Development to take over the allocation of the leftover funds. However, matters to consider included:
 - whether or not the proposed funding pool would remain the same;
 - whether the three iconic events should be supported to the same levels as in previous years;
 - the original intent of the Subcommittee was to give seed money to events to get on their feet and three iconic events were already established; and
 - whether to put the three iconic events in the Budget as items in their own right.
- Further discussion on these points was needed and the matter would be looked at after the 10-year Plan (and the Subcommittee's budget) was finalised. The role and purpose of the Event Sponsorship Subcommittee could then be re-evaluated by Council.

Resolved: (Crs Pascoe/Yeung)

That the Report be received.

Cr Macpherson (1:50pm) arrived at the Meeting during the above item, he was present when the matter was voted on.

10. 10-Year Plan Monitoring Report

The CFO spoke to the Report and noted that it was a Summary Report and gave a brief synopsis of the Report.

The General Manager Customer Relations and General Manager Events and Economic Development gave updates on their areas as set out on page 29 of the Agenda.

Staff responded to questions as follows:

- **Loss of Rental Revenue Through Property Sales:** When properties were sold it resulted in loss of revenue through decreased rental income. Property sales could not be factored into the budget as the timing of sales was unknown and accordingly resulted in a negative variance the accounts, offset by interest and other savings, once sales were completed. There was discussion as to whether there was a more conservative approach to try and mitigate this.
- **Customer Relationships Group:** Eight vacancies in this group were being held open to try and offset negative variances. It was noted that the call centre target was one of "75% first-call resolutions". Recent high turnover resulted in increased training required to meet that goal. Turnover was looked at and wages have now been increased to meet market rates.
- **Unfavourable Rates Outside Hamilton:** These were rates paid to other Councils for properties outside HCC boundaries including the Zoo, Newstead cemetery and numerous others. Other Councils' rates were set at the same time as HCC's and this negative variance was a result of other Councils' rates being higher than originally estimated (and budgeted for). The CFO was asked to provide a list of properties and their respective rates to Councillors.
- **Commercial Water Meters:** The billing delay issues in relation to commercial water meters, had almost been cleared. There were 46 billing routes that were run during the year. As the respective routes had been run the previously unbilled matters had been billed and mostly resolved.
- **Decrease in Waste Water Revenue:** Some commercial/industrial tank waste was prohibited at the waste water treatment plant during a biological breakdown event. Other facilities, including in Rotorua, were used. This was at no extra cost to HCC, but it did result in a loss of revenue.
- **Favourable Expenses and Personnel Costs:** The significant difference between the current figures and March figures were noted and explained through savings in electricity, utilities, consultancies, and the like.
- **City Infrastructure Group:** It was noted that the favourable personnel variance did not include the costs of consultants which potentially offset the favourable position. This depended on the definition of consultants and where they were reported in the budget.
- **Arts and Recreation:**

The Art and Recreation decrease in revenue was partly due to events going from Founders Theatre to Claudelands Event Centre, as well as the competitive nature of the market. Next year's budget would be more realistic, which should have a more positive result on the accounts.

Unfortunately there were unexpected challenges at the Hamilton Zoo in relation to maintenance costs following tree fall damage, as well as other expenditure difficulties.

The shortfall in relation to the Pools were largely due to Club Aqua. Membership structures had been reconsidered and new ones put in place to keep up with market rates. This would reduce the shortfall in time as the new memberships and payments take effect.

The increase in salaries at the Pools were also discussed. The increase was due to the extra lifeguards who were employed due to safety issues at the pools over summer.

The unfavourable salary variances at the Museum and Library were explained through adjustments in salaries to meet market rates, as per contractual obligations, as well as increased salaries for employing quality staff.

- **Nursery Revenue:** A review on the Nursery was being undertaken, which would be reported on in due course.
- **Interest Rates:** A mix of fixed and floating interest rates were used during each 10 year period. PWC, as treasury advisors, counselled HCC on the best interest rate options at any given time.
- **Graph on Page 26:** Corrected graphs needed to be produced to reflect HCC's current plan, and subsequently circulated to Councillors.

It was noted that the Report was in a good format, factual and easy to digest.

It was also noted that the financial results were pleasing with efforts to date better than expected.

Resolved: (Crs Pascoe/Mallett)

That the Report (noting the amended graphs on page 26) and the Risk and Opportunities Schedule be received.

11. Key Projects Report

The PMO Manager took the Report as read.

The brevity of the Report was appreciated, however, the total budgets and dates (of commencement and completion) of the projects also needed to be added to the information and provided at the next Finance Meeting on 23 July 2015.

Resolved: (Crs Pascoe/Wilson)

That the Report be received.

12. Update of Investment and Liability Management Policy

The Corporate Projects Accountant and Mr Stuart Henderson (PWC) took the Report as read and matters were addressed as follows:

- Track changes were required on all changes made to the Policy (and any other policy changes that come to Meetings).
- A verbal update stated some changes as follows:
 - HCC borrowing limits had been inserted into the Policy (at page 96, paragraph 7.1).
 - Fixed and Floating interest rates mix had been broken down and annual limits put in place.
 - The Policy allowed a greater degree of flexibility and a greater ability to manage forward risk.
 - Under paragraph 11.5 of the Policy there were refinancing changes which enabled greater certainty. Permissions to pre-fund projects were set out under bullet 2.
- It was noted that HCC used an 'overall debt' amount and the Local Government Funding Association (LGFA) used 'net debt'. These were different accounting measures and the 'overall debt' measure reflected HCC's more conservative position when compared to the LGFA.
- It was agreed that a 'tracked-changed' document outlining the Policy changes would be circulated to Councillors before Council's 10-Year Plan Meeting on 4 June 2015, for reconsideration of adoption of the Policy.

Resolved: (Crs Pascoe/Chesterman)

That the Report be received.

13. Proposed Amendments to New Zealand Local Government Funding Agency (NZLGFA) Documents

The Corporate Projects Accountant and Mr Stuart Henderson (PWC) took the Report as read and questions were answered as follows:

- The need for 'track-changed' documents was reiterated.
- It was noted that if the original documents were read with the three pages of amendments all the changes were captured.
- All the changes were in terms of compliance and regulatory requirements and some improvements had been made to processes.
- The changes were reviewed by Simpson Grierson on behalf of all Councils and HCC additionally had PWC check the changes for its purposes.
- HCC had a debt proportion with LGFA at 55% and that was estimated to increase into 80% due to added benefits.
- THE CFO to contact Simpson Grierson for a tracked changed version, if available, of the documents and to circulate these to Committee members.

Resolved: (Crs Pascoe/Mallett)

Recommendation to Council

That:

- a. The Report be received; and
- b. The Committee recommends that the changes to the documents be approved by Council.

14. IS Programme of Work - Quarterly Update

The General Manager Organisational Development and the Chief Information Officer spoke to the Report and answered questions as follows:

- Attachment 1 of the Report set out the plan to manage costs associated with the consumption model. The consumption model was more about the way items were procured than used. Staff agreed that tighter reigns needed to be placed on purchases and that waste would be better managed.
- There would always be growth and therefore more consumption. However, this model should keep HCC within its forecast.

Resolved: (Crs Mallett/Wilson)

That the Report be received.

15. Community Occupancy Applications - Graham Park and Beetham Park

The Parks & Open Spaces Manager took the Report as read.

It was confirmed that the Waikato Kindergarten Association was a not-for-profit company which fitted the Community Occupancy Policy criteria. Accordingly it could take over the lease on the same terms and conditions as the Hamilton Childcare Services Trust.

Resolved: (Crs O'Leary/Chesterman)

Recommendation to Council

That:

- a. The Report be received;
- b. Council consents to the Hamilton Childcare Services Trust assignment of lease at Beetham Park to the Waikato Kindergarten Association; and
- c. Council approves a variation to Clause 30(a) of the River Glade Archers Incorporated Licence to Occupy at Graham Park.

16. Refuse Transfer Station - Proposed Fee Changes

The General Manager City Infrastructure and Water Operations Manager took the Report as read and the following matters were addressed:

- The fact that a press release, from HCC, about this item went out prior to the Finance Meeting was questioned. It was agreed that there should be a set process in terms of formal press releases, which the CE would follow up on.
- The lease with the Operator had a clause in the agreement to advise HCC when costs increased and to then give an opportunity for HCC to consider subsidising the increased costs.
- A point was raised about the potential correlation of recycling charges and inner city littering problems. It was suggested that research about waste minimization, together with recycling charges and litter issues, should be looked at prior to any further discussions about comprehensive Recycling/Waste Management Policies.
- The Report had shown comparisons with centres at other areas, and noted that the fees were relatively in line with the market. However, the Organic Waste Centre was not looked at and it did not mention that every time the Refuse Station increased price, so did the Organic Centre.
- Staff were asked to request that the increase in fees by the Refuse Station were timed to coincide with when HCC looked at its fees and charges schedule as part of the budgets (if this is possible under the contract); and next year when Refuse Station fees Report was considered, five and/or 10 year comparisons should also be made.

Resolved: (Crs Mallett/Chesterman)

That:

- a. The Report be received; and
- b. Council notes the increase in RTS gate fees proposed by Waste Management to be implemented 1 July 2015 and declines the opportunity to offer a Council funded subsidy of these fees as detailed in lease arrangements.

Those for the Motion:	9	Councillors Mallett, King, Green, Yeung, Chesterman, O'Leary, Pascoe and Tooman
Those against the Motion:	3	Councillors Gallagher, Wilson and Macpherson

Her Worship the Mayor (3:55pm) left the Meeting during the above item, she was not present when the matter was voted on.

Matter addressed by CE - Frankton Railyards – Tyres

An updated Report on the Frankton Railyards would be in the Open section of the Agenda at the 28 May 2015 Council Meeting.

No further payments would be made in relation to this matter until it was discussed at Council.

17. Resolution to Exclude the Public

Resolved: (Crs Chesterman/Gallagher)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this Meeting, namely consideration of the public excluded agenda.

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 follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Finance Committee - Public Excluded Minutes - 23 April 2015) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Finance Committee Action List - Public Excluded - 21 May 2015) Official Information and Meetings Act 1987	
C3. Report on overdue debtors as at 30 April 2015 & Bad Debts Writeoffs 2014/15)	
C4. Update for Weathertight Commercial Buildings		

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, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C3.	to protect the privacy of natural persons	Section 7 (2) (a)
Item C4.	to enable Council to carry out negotiations	Section 7 (2) (i)

The Meeting adjourned between 4:00pm and 4:15pm.

Crs Mallet and Green retired from the Meeting during the adjournment.

The Meeting moved into Public Excluded between 4:15pm and 4:45pm.

The Meeting was declared closed at 4:45pm.