

---

## Finance Committee

### OPEN MINUTES

---

Minutes of a meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Tuesday 28 February 2017 at 9.30am.

#### PRESENT

Chairperson	Cr G Mallett
Deputy Chairperson	Cr R Pascoe
Members	Mayor A King
	Deputy Mayor M Gallagher
	Cr S Henry
	Cr J R Casson
	Cr D Macpherson
	Cr A O'Leary
	Cr P Southgate
	Cr G Taylor
	Cr L Tooman
	Cr P Yeung

In Attendance:	Chief Executive – Richard Briggs
	General Manager Corporate – David Bryant
	General Manager Community - Lance Vervoort
	General Manager City Growth – Kelvyn Eglinton
	General Manager City Infrastructure – Chris Allen
	General Manager H3 and Events – Sean Murray
	General Manager Strategy and Communications – Sean Hickey
	Executive Director Special Projects – Blair Bowcott
	Financial Controller – Tracey Musty
	Rates and Revenue Manager – Matthew Bell
	Programme Manager: Growth and Assets – Paul Gower
	Team Leader City Landscapes, Parks and Open Spaces – Gina Hailwood
	Team Leader, Growth Funding and Analytics – Greg Carstens
	Finance Officer – Heng Liang
	Communication Advisor – Jeff Neems
	Business Analyst (IS) – Malcolm Frethey

Governance Advisors:	Governance Manager - Lee-Ann Jordan
	Committee Advisors – Ian Loiterton and Amy Viggers

**1. Apologies**

**Resolved:** (Crs Mallett/Pascoe)

That the apology from Cr Bunting be accepted.

**2. Confirmation of Agenda**

**Resolved:** (Crs Mallett/Pascoe)

That the Agenda be confirmed noting:

- *Item 8 was a recommendation to Council;*
  - *Items 10 – 15 had attachments under separate cover; and*
  - *The Open Agenda as originally circulated to Elected Members contained 2 errors:*
    - *Page 20: was blank in the Agenda (should have contain Arts and Culture budget)*
    - *Page 53: the graph titled 'Debit and Cash Investments' was missing data*
- Amended copies of the above pages were available in hard copy at the Meeting.*

**3. Declarations of Interest**

No members of the Council declared a Conflict of Interest.

**4. Public Forum**

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes was set aside for a public forum.

No members of the public requested to speak at the Public Forum.



## 5. 10-Year Plan Monitoring Report - For the seven months ended 31 January 2017

The Financial Controller took the report as read, noting that Council's Senior Leadership Team had ongoing oversight of the budget during the election and transition to the new Council. In addition, the General Manager (GM) Corporate and Financial Controller met with the Chair of the Finance Committee in December to review the November accounts. Additionally, from February 2017 fortnightly meetings were held between the General Manager (GM) Corporate, Financial Controller and the Chair and Deputy Chair of the Finance Committee.

The Financial Controller and other staff as appropriate responded to questions from Elected Members concerning:

- **Higher user pays revenue:** \$0.9m in higher 'User pays revenue' was attributable to volume of usage across Council's fees and charges activities;
- **Higher rates penalties:** penalties were applied to outstanding rate payments. As these were carried over from previous financial years, the higher rate penalties were a timing issue due to part year effects and that the trend was similar to previous years;
- **Deferrals:** identified project deferrals were covered by a budget item of -\$10m to offset interest and depreciation costs. Deferred projects were largely due to third party external factors;
- **Water charges:** commercial water by meter charges were a targeted rate under legislation;
- **Library closure:** seismic testing results were being progressed and would be brought back to Council as this was expected to require unbudgeted remedial work;
- **H3 revenue:** an inconsistency with H3 revenue within the agenda, as reported in *Item 5: 10-year Monitoring Report – January 2017* as compared to *Item 9: H3 Update – Quarter Report to 31 December 2016*, was the result of different reporting periods;
- **Surplus:** budget results as at January 2017 supported a projected end of financial year surplus of \$1.5m;
- **Utility savings:** savings of \$363k in electricity and gas costs were largely the result of efficiencies generated by the Facilities team;
- **Interest rate swaps:** are a tool used by Council to protect it from volatility in the market, as Council's rates were set in advance over a 10 year period;
- **Development contributions and building consents:** it was noted there was no direct correlation between development contributions and building consents;
- **Indicative capital expenditure deferrals:**
  - Waterworld capital works were delayed for seismic testing, and due to the complexity of the project;
  - The status of Peacockes works was to be covered in *Item 6: Key Projects Monitoring Report – January 2017*;
  - Garden Place Library refurbishments to address seismic issues were delayed due to the availability of engineers;
- **Stadia building renewals:** it was requested that budgeted amounts for Financial Years 2019 and 2020 be brought forward to accommodate digital fitouts for improved audio and security functionality;
- **Authority Replacement Feasibility Study:** the Authority Replacement Feasibility Study related to scoping an upgrade of a regulatory and revenue I.T. system;

- **City Safe budget savings:** delivery of City Safe services by staff had created savings compared to previous outsourcing arrangements;
- **Waikato Museum asset renewal:** it was confirmed that Council could accrue funds granted to the Waikato Museum by Trust Waikato for expenditure as and when appropriate;
- **Staffing underspend:** underspend in Council's staffing budget was stated to be no reason for concern as recruitment was generally positive, with the one exception of building staff (which was due to a nationwide skills shortage). The underspend was largely attributable to timing - for example, that recruitment of Library staff was on hold while the Garden Place Library was closed;
- **Risks and Opportunities:** a projection that depreciation would exceed budget by \$3.5m and that the Rototuna Reservoir project would deliver savings of \$3.5m would be added to the Risks and Opportunities register for the end of financial year; and
- **Election costs:** costs associated with the 2016 Council election were not included in budget figures as they were currently being reconciled, but it was anticipated that costs would be slightly under budget.

The CE and Governance Manager were asked by the Mayor to respond to a concern raised by Cr Pascoe that it had been more than six months since the previous Finance Committee meeting and that this was unacceptable, the 2016 Council election notwithstanding. The CE further explained the processes in place during the inter-triennium period and from February 2017 prior to this meeting to provide the Chair and Deputy Chair of the Finance Committee with an overview of financial matters. The CE and Governance Manager confirmed that the schedule of meetings had been unanimously approved by Council on 30 November 2016.

#### Action

*Staff were asked to provide a breakdown of the mix of residential and commercial rates penalties, and a breakdown of rate payment methods.*

*GM Corporate to organise a session to enable Elected Members the opportunity to learn more about interest rate swaps.*

*Staff to include estimates for costs/revenues in future reports until reconciled figures were available, rather than exclude these from the reports altogether.*

**Resolved:** (Crs Mallett/Pascoe)

That the Finance Committee receives the report.

***The Meeting adjourned (11.25am-11.35am).***



## 6. Key Projects Monitoring Report - January 2017

The GM Corporate took the report as read and confirmed there were no financial risks to projects that were off track.

**Resolved:** (Crs O'Leary/Mallett)

That the Finance Committee receives the report.

## 7. Overview and Update on Council Assets

The Program Manager – Growth and Assets spoke to the report and stated its purpose was to give elected members an overview of Council assets, and key asset challenges and issues that would help inform 2018-28 10-Year Plan discussions, including:

- **Community infrastructure backlog:** due to growth and previous funding prioritisation processes, there was a shortage of community infrastructure in some areas of the city
- **Council buildings:** many assets were neither modern nor not optimal for the delivery of services
- **Core infrastructure:** meeting faster than predicted city growth would be a critical challenge in relation to the provision of core network infrastructure
- **Asset management:** there was a need for continued investment in the asset management system to improve planning and long-term sustainability of Council's assets

The Program Manager – Growth and Assets responded to questions from Elected Members concerning:

- **Purpose of the report:** to help inform the Long Term Plan process;
- **Water reservoirs:** the GM City Infrastructure clarified that reservoirs, or assets more broadly, which were identified as being in 'poor' to 'very poor' condition would be scheduled for repair/replacement works. This was to be expected, as the purpose of repair/replacement works was not to focus on assets that were in good condition;
- **Seismic testing:** a comprehensive seismic test would be carried out in instances where a preliminary test identified potential issues for a building or structure;
- **Asset management budget:** a budget increase for asset management system upgrades would be needed to keep improving Council's asset management programme;
- **Reporting of risks:** the Risk and Emergency team was involved in asset management strategies and reported to Council on identified issues including severity/nature of risk, potential impact on service levels and cost/strategy to rectify the issue;
- **Rototuna:** it was clarified that the focus on Rototuna in the report's discussion on community infrastructure backlogs (page 69, paragraphs 29 - 32 of the Agenda) was an example of proposed assets that had previously been deferred as part of Council's Long Term Planning processes. It was noted that the role of asset management was to plan for the future as well as providing an assessment of current assets;

- **Community consultation:** it was noted that Council was required by legislation to undertake community engagement in relation to any significant changes in service. Council used a range of strategies, and balanced the need to not over use consultation. Planning of community infrastructure was informed by a range of strategies, including best practice guidelines and Council's own needs analysis/planning processes; and
- **10-Year Plan:** asset management processes would create a financial baseline in the 10-Year Plan.

Action

*Staff to provide a breakdown of larger assets in the future reporting of 'Condition summary of asset groups', particularly as it relates to large traffic bridges (as compared to small pedestrian bridges etc.).*

*Staff to provide detail in relation to inflows into significant waterways that were assessed as being of 'poor' quality or worse.*

**Resolved:** (Crs Mallett/Pascoe)

That the Finance Committee receives the report.

**8. Waikato Local Authority Shared Services - Appointment of Director (Recommendation to Council)**

The Chief Executive (CE) and Executive Director Special Projects took the report as read.

The CE confirmed that he nominated the Executive Director Special Projects to the Director position, as he was the best placed staff member in Council to perform the role.

**Resolved:** (Crs Tooman/Pascoe)

That the Finance Committee:

- a) receives the report; and
- b) recommend to Council that it approves Blair Bowcott, Executive Director Special Projects as the appointed Director of Waikato Local Authority Shared Services Ltd. to replace Richard Briggs, Chief Executive effective immediately.

**Cr Henry Dissenting.**



## 9. H3 Update - Quarter 2 Report to 31 December 2016

The GM H3 and Events spoke to the report, noting that it would provide greater transparency to Elected Members. He responded to questions from Elected Members concerning:

- **Waikato Regional Theatre Project:**
  - Council was represented on the Project's Panel by the GM H3 and Events, who advised the Panel that Council would not contribute any more than \$30m to the Project, and that planning would need to consider ongoing operational costs;
  - A consultant, Charcoalblue, had been engaged to consult with user groups and scope the project, and that it was expected that a report with recommendations would come to Council in June 2017; and
  - The GM H3 and Events stated that he saw his role in the Project as providing objective information and support to the consultant and Panel.
  
- **H3 Focus:**
  - The best value add for the City was to increase overnight stays by out of town visitors;
  - H3's venue charges were benchmarked against similar venues across New Zealand; and
  - Discounts on venue hire were available for eligible groups, noting the costs of external equipment hire could be prohibitive for community groups; and
  - A report would come to a future meeting of the Community and Services Committee to consider community/commercial business models.
  
- **Revenue:** the H3 budget was tracking above target and the end of financial year result was expected to be close to budget; and
  
- **Founders Theatre Closure:** while efforts had been made to redirect shows to Claudelands Arena and Clarence Street Theatre, there was a gap in the market as a result of the Founders Theatre closure and this would have resulted in some loss of business

**Resolved:** (Crs Mallett/Pascoe)

That the Finance Committee receives the report.



**10. Local Authority Shared Services - Annual Report 2016**

The Financial Controller took the report as read.

Action

*As no representatives of Local Authority Shared Services were in attendance at the meeting, it was requested that representatives attend when its Statement of Intent was considered by the Committee (expected to be in April 2017).*

**Resolved:** (Crs Pascoe/Mallett)

That the Finance Committee receives the report.

**Cr Macpherson Dissenting.**

**11. Innovation Waikato Ltd and Group - Annual Report 2016**

The Financial Controller took the report as read.

Action

*As no representatives of Innovation Waikato Limited and Group were in attendance at the meeting, it was requested that representatives attend when its Statement of Intent was considered by the Committee (expected to be in April 2017).*

**Resolved:** (Crs Mallett/Pascoe)

That the Finance Committee receives the report.

**Cr Macpherson Dissenting.**

**12. Vibrant Hamilton Trust (VHT) - Annual Report 2016**

The Financial Controller took the report as read.

The GM Community, as a member of the VHT, responded to questions from Elected Members concerning:

- **Purpose of VHT:** the general purpose of the VHT was to support Council's activities; the future role of the VHT was the subject of ongoing discussions; and
- **Promotion of the Trust:** the GM Community was not aware of any promotion of the VHT's grants to potential applicants outside of Council.

Action

*The GM Community to add the matter of the Trust's role and purpose to a future Elected Member Briefing.*

**Resolved:** (Crs Mallett/Pascoe)

That the Finance Committee receives the report.

**13. NZ Local Government Funding Agency - Annual Report 2016**

The Financial Controller took the report as read and, together with the CE and GM Corporate, responded to questions concerning:

- **Purpose:** the NZ Local Government Funding Agency enabled Councils to leverage long term loans that would not otherwise be readily available in the marketplace;
- **Guarantee:** Council's role as a guarantor of the NZ Local Government Funding Agency was understood to be limited to payment of Council's own debt, not as a guarantor of the total debt of the Agency, but the GM Corporate would confirm this.

Action

*As no representatives of the NZ Local Government Funding Agency were in attendance at the meeting, it was requested that representatives attend when its Statement of Intent was considered by the Committee (expected to be in April 2017).*

*GM Corporate to confirm the implications of Council's status as guarantor of the NZ Local Government Funding Agency and advise Cr Pascoe.*

**Resolved:** (Crs Mallett/Pascoe)

That the Finance Committee receives the report.

*Cr O'Leary left the meeting (12.45pm) during the above item and was not present when the matter was voted on.*



**14. Waikato Regional Airport Ltd - Annual Report 2016**

The Financial Controller took the report as read.

Action

*As no representatives of Waikato Regional Airport Ltd. were in attendance at the meeting, it was requested that representatives attend when its Statement of Intent was considered by the Committee (expected to be in April 2017).*

**Resolved:** (Crs Mallett/Pascoe)

That the Finance Committee receives the report.

**Cr Macpherson Dissenting.**

*Cr O'Leary re-joined the meeting (12.50pm) during the above item and was present when the matter was voted on.*

**15. Civic Assurance - Half Year Report to 30 June 2016**

The Financial Controller took the report as read.

The CE stated that Council had considered selling its small shareholding in Civic Assurance but there were currently no interested buyers; Council would continue to be open to the idea.

**Resolved:** (Crs Mallett/Pascoe)

That the Finance Committee receives the report.

**16. Resolution to Exclude the Public**

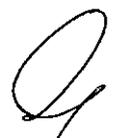
**Resolved:** (Crs Tooman/Mallett)

**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. Report on overdue debtors as at 31 January 2017 & Bad Debts Writeoffs 2016/17	) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Update on Innovation Waikato Ltd and Group of Companies - Review of Council Investment	) Official Information and Meetings Act 1987	
C3. Development Contributions Remissions Report - Six Months to 31 December 2016		
C4. Victoria on the River (VOTR) Contract Approval		

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 protect the privacy of natural persons	Section 7 (2) (a)
Item C2.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C3.	to protect the privacy of natural persons	Section 7 (2) (a)
	to maintain legal professional privilege	Section 7 (2) (g)
Item C4.	to enable Council to carry out negotiations	Section 7 (2) (i)

***The Meeting went into a Public Excluded session at 12.55pm.***

***The Meeting adjourned (12.55 - 1.30pm).***

***The Meeting was declared closed at 3.50pm.***

Confirmed:   
 \_\_\_\_\_  
 Chairperson  
 1 May 2017  
 \_\_\_\_\_  
 Date



11

11

11

11

11