
Finance Committee

OPEN MINUTES

Minutes of a Meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Thursday 19 February 2015 at 01.30pm.

PRESENT

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

In Attendance: Chief Executive (CE), Chief Financial Officer (CFO), General Manager Organisational Development, General Manager Community, General Manager Performance, General Manager City Infrastructure, General, General Manager Customer Relationships, General Manager Events and Economic Development, City Environments Group Business Manager, City Waters Unit Manager, Revenue Manager, Accounting Unit Manager, Accounting Team Leader, Project Manager Information Services, Strategic Property Unit Manager, Parks and Open Spaces Manager, Project Development Manager, Project Engineer, City Development Manager , 3 x Group Accountants, Senior Strategic Policy Analyst, Strategic Policy Analyst, Water Operations Manager, Community Occupancy Advisor, Team Leader Planning and Assets, Development Contribution Officer, Communications Unit Manager, Senior Communications Advisor, 3 x Communications Advisors, and Hamilton Gardens Manager.

Committee Advisors: Mrs J Pani, Ms B Brooke and Ms L Preiss

1. Apologies

Resolved: (Crs Pascoe/Wilson)

That the apologies from Crs Yeung, Mallett (for leaving early) and Forsyth (for leaving early) be received and accepted.

2. Confirmation of Agenda

Resolved: (Crs Pascoe/Wilson)

That the Agenda be confirmed.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

Two speakers spoke in the Public Forum:

John Gallagher, Gallagher Charitable Trust spoke in relation to Public Excluded Item C6- Gallagher Drive Intersection

Mr Gallagher gave a brief overview and background of the Gallagher Charitable Trust's history with the intersection, noting that the Gallagher Trust had previously contributed funds towards an upgrade of the intersection. He included a focus on the vast growth and expansion of buildings and businesses over the years and commented that safety was now a major concern at the intersection.

Mr Gallagher noted that the plans addressing the Gallagher Drive Intersection had been on the books for several years and urged Council to work closely with NZ Transport Agency and other interested parties, including Bunnings, to urgently action an upgrade to the intersection.

David Boersen, Bunnings Property and Store Development Manager spoke in relation to Public Excluded Item C6 - Gallagher Drive Intersection

Mr Boersen spoke about the safety and undesirable service level concerns in relation to the Gallagher Drive Intersection. He stated that to allow for economic growth in the area, sufficient infrastructure upgrade was required at the intersection.

Mr Boersen urged Council and NZ Transport Agency to work together in upgrading the intersection.

5. Finance Committee Minutes - Open - 4 December 2014

Committee Members requested that an update on Finance System Implementation Project be noted in the Action List, outlining that the project was still in progress at a cost to the vendor in terms of implementing fixes and carrying out testing. The testing was due to be completed in April 2015 and would then go live.

Resolved: (Crs Mallett/Tooman)

That Committee confirm and adopt as a true and correct record the Open Minutes of the Finance Committee Meeting held 4 December 2014.

6. Finance Committee Action List - Open - 19 February 2015

Committee Members requested further information be provided concerning the process and outcome of the Commissioner's Decision for the Waiwhakareke Smart Subdivision, particularly around zoning other planning matters.

Committee Members also requested clarification on when a six monthly Subcommittee Chair's Report would come to the Finance Committee. Staff advised that a six monthly Subcommittee Chair's Report would be coming to the Finance Committee but that the timing of this report was unknown at this stage. CFO to advise timing once confirmed.

Resolved: (Crs Pascoe/Chesterman)

That the Report be received.

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

Resolved: (Her Worship the Mayor Hardaker/Cr Tooman)

That the Report be received.

8. 10-Year Plan Monitoring Report

The CFO spoke to the Report, highlighting that the Council was reporting a positive result for the six months ending 31 December 2014 and was in a favourable position in relation to both the balancing of the books and overall debt targets.

Staff responded to questions from the Committee Members concerning the following:

- The increase in personnel costs of around 10% from \$27.8m to \$30.6m year to year. It was noted that redundancy costs of \$172,000 were high, and it was suggested that this was in part due to actual costs versus forecasted costs. Staff advised that the goal was to have the right people in the right positions and that although there were currently high redundancy costs due to restructuring, there would ultimately be further savings in the following years. Further investigation was needed to account for the increase in personnel costs and redundancy costs. Staff were asked to provide further analysis around this issue in the next 10 Year Plan Monitoring Report to the Finance Committee. Committee Members also asked that the Report cover mitigation strategies in place to ensure that Council was on track for staying within budget and outline whether this issue needed to be on the Risks and Opportunities Register.
- Development Contributions. Staff advised that annual Development Contributions were forecasted at \$10m. Estimates of Development Contributions were noted to be a floating matter with timing differences to be considered. It was confirmed that any favourable impact from Development Contributions were used to reduce debt as per the current Development Contributions Policy.
- Water revenue variance. It was explained that there had been issues with the performance of the previous contractor. A review had been initiated to look at the current processes in place. A new contractor had been appointed for water meter readings and other actions and fixes had also been put in place since the review to ensure the issue did not happen again. As a consequence of these actions it is now a matter of time to get billing back on track.
- The Financial System IT Implementation Project. Staff advised that this project needed further monitoring past the December 2014 due date outlined in the Action List. The delay in the completion of the project was due to fixes and testing needing to be done at the vendor's cost. The testing was due to be completed by April 2015 and the system would then go live. The project was to be delivered on budget in terms of any financial impact to Council.
- Overheads noted on page 59 of the Agenda were reported as being significantly up. Staff advised that although overheads were up, revenue was also up. The significance of the revenue increase was negated, as it reflected mostly 'internal customers' and internal charging. It was requested that further information be provided to Committee Members to clarify internal versus external revenue streams.

- Deferred Capital Expenditure. Two Capital Expenditure Projects were signalled as needing to be deferred (Hamilton Ring Road and the Rototuna Reservoir). Committee Members were concerned about the deferred projects. Staff advised that the number of deferred projects had significantly reduced from previous years and that deferrals occurred for a number of reasons, including reliance on third parties and seasonality issues. Staff assured Committee Members that they were constantly looking at ways to reduce deferred capital expenditure and reminded Members that they could approve or not approve any carryover of Capital Project deferrals.
- Variances outlined on page 49 of the Agenda (City Prosperity). Committee Members requested that more information be provided in future Reports to better explain variances and deficits in this area.

It was noted that, where appropriate, graphs should be used to illustrate information represented in reports; particular mention was made in reference to the overall debt information.

Resolved: (Crs Pascoe/Chesterman)

That the Report be received and that the Risk and Opportunities Schedule be received.

9. IS Programme of Work Update

The General Manager Organisational Development spoke to the report, introducing the Information Services Project Manager. He noted that the Financial Management Project was due to go live on 1 July 2015.

Committee Members requested clarification on the table shown on page 111 and 112 of the Agenda, concerning the current and approved budget expenditure. The table provided details as to the current year's expenditure and other financial years' expenditure, but no details could be provided as to the total expenditure on projects. Staff were asked to bring an updated table to the next IS Programme of Work Update Report to the Finance Committee Meeting in May 2015.

Resolved: (Crs Chesterman/Tooman)

That the Report be received.

Cr Forsyth retired from the Meeting at 3:01pm during the above item. She was not present when the matter was voted on.

10. Community Occupancy Applications

The General Manager Community spoke to the Report. He explained the reasoning behind the staff recommendations for both of the Community Occupancy Applications as highlighted in the Report. Staff responded to questions from Committee Members concerning:

Hamilton City Bowling Club Incorporated:

- A two year term was recommended as the club was in negotiations with the squash club next door for potential joint use of facilities and this needed to be further explored. It was noted that the site is a prime location and that staff needed to keep on top of discussions and try to get the best outcome financially in terms of public perspective.

New Zealand Riding for the Disabled Association (Waikato Group) Incorporated (RDA):

- RDA applied for exceptional circumstances and staff did a comprehensive analysis on what recommendation to make to Council. Further information on their financial position was tabled at the Meeting, indicating that RDA was currently operating at a loss.
- RDA success in obtaining grants. Staff were unable to provide information around this.
- Comparison to other Councils in terms of rent charged to RDAs. Staff advised that it was difficult to compare what other Councils charged due to differences in policies and historical agreements in place.
- Other applications received in the past for remissions. Staff advised that Council had previously received an application from the Croquet club.

Staff were complimented on the high standard of the report as well as the work involved and the process followed.

Motion: (Crs Pascoe/ Her Worship the Mayor Hardaker)

That:

- a) the Report be received,
- b) following Section 54(1)(b) of the Reserves Act 1977, Council approves the granting of a new community group lease to the **Hamilton City Bowling Club Incorporated** for premises at Hinemoa Park as outlined in Attachment 1, being Section 1 SO Plan 57622, subject to the following terms and conditions:
 - (i) Term - Two years commencing 19 February 2015;
 - (ii) Rent - \$9,380.00 plus GST per annum in accordance with 5.6 of the Community Occupancy Policy;
 - (iii) All other terms and conditions in accordance with the Community Occupancy Policy and Community Occupancy Guidelines, and

The Motion was declared carried on the voices.

Further Motion: (Crs Pascoe/Mallett)

That:

In accordance with Section 5.6(iv) of the Community Occupancy Policy, Council adopts rent of **\$4019.35** plus GST per annum for **New Zealand Riding for the Disabled Association (Waikato Group) Incorporated** at Hamilton Park Cemetery, subject to annual CPI adjustments and a further review in 2018.

Amendment: (Crs Gallagher/Wilson)

That:

In accordance with Section 5.6(iv) of the Community Occupancy Policy, Council adopts rent of **\$2,187** plus GST per annum for **New Zealand Riding for the Disabled Association (Waikato Group) Incorporated** at Hamilton Park Cemetery, subject to annual CPI adjustments and a further review in 2018.

The Amendment was then put.

Those for the Amendment: Councillors Gallagher, Green, Tooman, Wilson, Macpherson and Chesterman.

Those against the Amendment: Her Worship the Mayor Hardaker, Councillors Mallett, King, O'Leary, and Pascoe.

The Amendment was declared carried.

The Amendment became the Substantive Motion and was then put.

Those for the Motion: Councillors Mallett, Gallagher, Green, Tooman, Wilson, Macpherson and Chesterman.

Those against the Motion: Her Worship the Mayor Hardaker, Councillors King, O'Leary and Pascoe.

The Motion was declared carried.

The Meeting adjourned from 3:40pm to 3:56pm.

Crs Mallett, Macpherson and O'Leary retired from the Meeting during the adjournment.

11. Business Case for Rototuna Reservoir and Bulk Water Mains

General Manager City Infrastructure spoke to the Report, introducing the Project Manager and outlining that the Report was seeking approval for the business case to construct a new water storage reservoir and installation of associated bulk water supply and distribution mains in Rototuna.

The reservoir was needed to support existing city needs and enable city growth. Further deferral of the project would create a high risk to the city.

Staff responded to a question concerning the potential impact on the construction and ownership of a reservoir should Council choose to go in the direction of a Council Controlled Organisation (CCO) for water and associated infrastructure in the future. Staff advised that this would depend on the structure and set up of a potential CCO. As this would involve speculation at this point, the issue was not relevant to the report under consideration.

Resolved: (Crs King/Chesterman)

That:

- a) the report be received,
- b) the business case attached to this report for a new Rototuna reservoir and bulk water mains be approved,
- c) the Committee agrees to proceed with the project recommended in the business case, and
- d) that the project be monitored regularly through the Key Projects Report to the Finance Committee.

12. Business Case for New Structure to Extract Water from the Waikato River

The General Manager City Infrastructure spoke to the Report, introducing the Project Development Manager. He highlighted that the Report was to seek approval for the business case to construct and implement an interim structure to assist with abstracting water from the Waikato River for the treatment plants during periods of low river flow.

It was also noted that there were indications that the river could be getting to a critical point this summer. Staff recommended putting in place a sustainable solution in order to support a growing city and manage risk appropriately

The report recommendations were in line with current extraction consents which had been cleared with Iwi.

It was noted that paragraph 33 on page 185 of the Agenda should refer to option 1 not option 3.

Staff responded to questions concerning:

- Risk. It was noted that this was an area of risk for the city and that the current contingency plan for low water levels covered some aspects, but did not appropriately mitigate risk in terms of the frequency with which it was now required. At the moment Council relied on third parties and the recommendation was provided to decrease such reliance on third parties and to meet growth demands over the next 10 – 15 years.
- The adequacy of the skills and expertise of Council Staff in providing the right solution based on the complicated nature of the City's needs. Assurance was given that Council staff had the

appropriate skills needed to make the recommendations and where further expertise was needed, it was sought.

- Coverage of the plan and financials involved. Staff advised that this was a \$2.34m project and covered not only the physical equipment required, but also looked toward resilience plans, automation, alarms and other backups needed to ensure smooth operation. These things were currently not available or not in use by Council.

Resolved: (Her Worship the Mayor Hardaker/Cr Chesterman)

That:

- a) the report be received,
- b) the business case attached to this report (with a capital expenditure sum of \$2.34m) for a new structure to abstract water from the Waikato River in periods of low river level be approved,
- c) Committee agrees to proceed with the project recommended in the business case, and
- d) a completion Report will be provided to the Finance Committee when the project is completed.

13. Wastewater Treatment Plant Upgrade Project Close Out Report

The General Manager City Infrastructure spoke to the Report, signalling that there had been a small cost overrun of \$17,000 over the course of the project due to the re-scope as part of the 10 Year Plan process. Overall, the project had been highly successful and had delivered on all objectives.

The Committee complimented the team on the success of this project.

Resolved: (Crs Pascoe/Chesterman)

That the Report be received.

14. Resolution to Exclude the Public

Resolved: (Crs Pascoe/Chesterman)

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	Reasons for passing this	Ground(s) under section 48(1)
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to be considered	resolution in relation to each matter	for the passing of this resolution
C1. Finance Committee Minutes - Public Excluded - 4 December 2014) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Finance Committee Action List - Public Excluded - 19 February 2015) Official Information and Meetings Act 1987	
C3. Report on overdue debtors as at 31 December 2014 & Bad Debts Writeoffs 2014/15		
C4. Development Contributions Report		
C5. Hamilton Gardens Cafe Lease		
C6. Gallagher Drive Intersection		

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 protect the privacy of natural persons	Section 7 (2) (a)
	to maintain legal professional privilege	Section 7 (2) (g)
Item C5.	to maintain legal professional privilege	Section 7 (2) (g)
Item C6.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)
	to enable Council to carry out negotiations	Section 7 (2) (i)

The Meeting moved into Public Excluded at 4.30pm.

The Meeting was declared closed at 5:46pm.