

MINUTES



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MEMBERSHIP: Brian Wilson (Chair)
Meredith Akuhata-Brown, Bill Burdett, Andy Cranston, Shannon Dowsing, Larry Foster,
Malcolm MacLean, Pat Seymour, Rehette Stoltz, Graeme Thomson, Josh Wharehinga,
His Worship the Mayor (ex officio) and Robert Hunter (Independent Advisor).

MINUTES of the FINANCE & AUDIT Committee

Held Te Ruma Kaunihera (Council Chambers), Awarua, Fitzherbert Street, Gisborne on 11 October 2018 at 9am.

PRESENT:

Councillors Brian Wilson (Chair), Meredith Akuhata-Brown, Bill Burdett, Andy Cranston, Shannon Dowsing, Larry Foster, Malcolm MacLean, Pat Seymour, Rehette Stoltz, Graeme Thomson, Josh Wharehinga and Robert Hunter (Independent Advisor).

IN ATTENDANCE:

Chief Executive Nedine Thatcher Swann, Chief Financial Officer Pauline Foreman, Director Internal Partnerships James Baty, Democracy & Support Services Manager Heather Kohn (Committee Secretary).

1. Apologies

There were no apologies.

2. Declaration of Interest

There were no interests declared.

3. Confirmation of Minutes

Finance & Audit – Ordinary Meeting 13 September 2018

MOVED by Cr Burdett, seconded by Cr MacLean

That the Minutes of 13 September 2018 be accepted.

CARRIED

Action Sheet

- Heart of Gisborne/Activate Tairāwhiti amalgamation updates to go on the action sheet.
- Add Inner Harbour project delay – Financial implications update to the action sheet.

Governance Work Plan

- There was a request for a report on Roding Rates to be added. This can be integrated with the Revenue & Financing Policy review, research is currently under way. As it is required for the next Annual Plan, it should be available January or February 2019. There is a risk when looking at any one rate in isolation from the other rates.

4. Leave of Absence

There were no leaves of absence.

5. Acknowledgements and Tributes

There were no acknowledgements or tributes.

6. Public input and petitions

There was no public input or petitions.

7. Extraordinary business

There was no extraordinary business.

8. Notices of Motion

There were no notices of motion.

9. Adjourned business

There was no adjourned business.

10. Reports of the Chief Executive and staff

INFORMATION REPORTS

10.1 18-408 Treasury Report to 31 August 2018

Chief Financial Officer Pauline Foreman explained why Local Government Funding Agency (LGFA) borrowing notes were considered an asset. To be a member of the LGFA Council had to purchase borrowing notes. If these were sold it would reduce Council's overall debt therefore they are considered an asset.

MOVED by Cr Dowsing, seconded by Cr Akuhata-Brown

That the Committee

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| 1. Notes the contents of this report. |
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CARRIED

10.2 18-409 Financial Report to 31 August 2018

The net surplus is favourably ahead of the Long Term Plan (LTP) budget by \$1.6m due to receiving more emergency roading funding than was expected. Capital expenditure was underspent in July 2018 and Council has now caught up with its expenditure.

In response to a query from the Independent Advisor Robert Hunter, Pauline Foreman advised that:

- The first quarter financials were not available in time to meet the timeframes for this financial report.
- October results will be presented to the November Finance & Audit Committee.

Chief Executive Nedine Thatcher Swann confirmed:

- The increase in employee benefits was in line with what had been well signalled in the LTP process.
- Many services had been brought in house and that the LTP employee benefits were set in 2014 and now reflected what the actual costs are.

- This was an overall adjustment of \$2.99m from Year three of the 2015–2025 Long Term Plan (LTP) to Year one of the 2018–2028 LTP. The 2015–2025 LTP budget was set at the end of 2014.

Community Lifelines Director David Wilson explained the implications of the Provincial Growth Fund's impact on the timeliness of Council receiving Local Share funding. Funds are moved from Ministry of Business Innovation & Employment to New Zealand Transport Agency and then to Council.

MOVED by Cr Seymour, seconded by Cr Stoltz

That the Committee

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| 1. Notes the contents of this report. |
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CARRIED

10.3 18–412 Analysis of Capital Expenditure to 30 June 2018

In response to questions Pauline Foreman clarified as follows:

- Council raises funds for capital projects (debt).
- If the project does not take place then we do not raise the funds.
- Ratepayers are affected the following financial year.
- Interest costs (based on 50% of internal loans needing to be raised) are rated for in the year of planned spend.
- This report is based on assumptions made in the 2015–2025 LTP, adjustments can be made every year.
- Unbudgeted/unplanned expenditure for the refurbishment of the Te Puia building and in Awarua included outfitting the Chambers, security changes and leaseholder improvements.
- Unbudgeted capital expenditure over \$100k would be approved by the appropriate Committee or Council.

Nedine Thatcher Swann advised that the Provincial Growth Funds (\$150m) will, in the future, also include unplanned projects.

In response to a question on the potential change of delivery strategy for the DrainWise project, David Wilson advised that there would be a presentation to the Assets & Infrastructure Committee this afternoon followed by a meeting with industry businesses in the evening.

MOVED by Cr Wilson, seconded by Cr Seymour

That the Committee

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| 1. Notes the contents of this report. |
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CARRIED

Secretarial note: The meeting adjourned at 9.56am for morning tea and reconvened at 10.10am. The order the reports were heard in was not the same as the agenda order paper, but for ease of reading the reports have been recorded in the same order.

10.4 18-428 2017/18 Audit Close Report

David Borrie, Partner at EY, joined the meeting to respond to any questions on the Audit Close Report. There had been eight focus areas of the Audit.

In response to questions David Borrie noted:

- The effect of depreciation levels and revaluation is constantly being revisited and updated especially with respect to 'useful lives'.
- If the non-delivery of capital works was lower than 70% then Council would start to fall behind.
- Council does not need to rate fund depreciation of social housing.
- The useful life of social housing is determined by Council.

MOVED by Cr Seymour, seconded by Cr Stoltz

That the Committee

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CARRIED

10.5 18-410 Revenue & Financing Policy Review

Pauline Foreman advised that:

- This report is intended as a high level roadmap.
- The Finance & Affordability team are currently researching and collating information for an affordability report.
- Statistics New Zealand data will also be available.
- Council needed to match wellbeing against other unitary authorities exclusive of Auckland Council.
- Our current benchmark is below other councils.
- One of the main topics for the SOLGM rating conference 29-30 October is "are your rates affordable"?
- Kapiti Coast have recently reviewed their rates.
- The rates to revenue ratio is quite high in certain areas such as Porirua.

Revenue Team Leader Fiona Scragg noted:

- Council also needs to review how rates remissions are distributed compared to the rest of the country, e.g. Council only has three people on extreme hardship remissions whereas Kapiti has 300.
- Debt collection data is also being reviewed.

Pauline Foreman advised that the review would be a principles first approach.

MOVED by Cr Dowsing, seconded by Cr Wharehinga

That the Committee

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| 1. Notes the contents of this report. |
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CARRIED

10.6 18-411 Gisborne Holdings Limited Financial Results 30 June 2018

Gisborne Holdings Limited (GHL) directors and staff were welcomed to the meeting to present their 2017/18 Financial Results. Present were Chair Rob Telfer, Director Dave Mullooly, Chief Executive Tracey Johnstone and GHL finance team member Sophie Ricard. Tracey Johnstone made comments to clarify perceived inaccuracies in the Council staff commentary.

In response to questions GHL Board and staff noted:

- The cost of sales does not include any roading costs for harvest as that cost is capitalised.
- The Annual Report reports against the Statement of Intent (Sol) budget. The Sol budget is over a three year period and it is often difficult to predict, particularly with farming.
- Commercial sensitivity aside GHL is looking at more divisional reporting in the future.
- Dividend payments are calculated separately for the farms and forestry.
- Dividend payments are separated for the farms and forestry.
- Forestry costs have previously been absorbed by the farms. GHL is working with P F Olsen Ltd to get true alignment with the cost of sales for forestry.
- GHL is in a good position, it has very little deferred maintenance, had a capital spend on fertiliser a few years ago, it is now only maintenance. GHL is not reliant on the farms for its resilience.
- Revaluations could be included in future Sol as a performance measure.
- 20% Debt:Equity ratio is a limit in the Sol but it is still negotiable with Council, current thought process with GHL is that it is not a barrier.
- Awarua has a current valuation of \$15m.
- Lease costs to GHL for alternative accommodation for the rebuild inclusive of outfitting plus the new build was \$13.4m.
- The safe carbon credits were used to finance building upgrades on the farms.
- Safe carbon credits were still being accumulated.

In response to a discussion around the potential use of Churchill Park for social housing, Nedine Thatcher Swann reminded those present that both iwi and central government have interest in the Park and that it is reserve land.

MOVED by Cr Wilson, seconded by Cr Stoltz

That the Committee

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| 1. Notes the contents of this report. |
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CARRIED

11. Mayor, deputy Mayor and elected members' reports (information)

There were no reports from elected members.

Secretarial note: These minutes include a public excluded section. They have been separated for receipt in Section 12 Public Excluded Business of Council.

RE-ADMITTANCE OF THE PUBLIC

MOVED by Cr Wilson, seconded by Cr Burdett

That the Council

1. re-admits the public.

CARRIED

There being no further business, the meeting concluded at 11.48am.

Brian Wilson
Chairperson