

## **Council Briefing Meeting Minutes**

**Date:** Tuesday, 12 September, 2017  
Wednesday, 13 September 2017  
**Time:** 9:00 a.m.  
**Location:** Council Chamber  
Forum North, Rust Avenue  
Whangarei

**In Attendance**

**Her Worship the Mayor Sheryl Mai**  
**(Chairperson)**  
**Cr Stu Bell**  
**Cr Crichton Christie**  
**Cr Vince Cocurullo**  
**Cr Tricia Cutforth**  
**Cr Shelley Deeming**  
**Cr Sue Glen**  
**Cr Phil Halse**  
**Cr Cherry Hermon**  
**Cr Greg Martin**  
**Cr Sharon Morgan**  
**Cr Anna Murphy**

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### **Also present:**

Rob Forlong (Chief Executive), Alan Adcock (General Manager Finance and Corporate), Simon Weston (General Manager Infrastructure), Jill McPherson (General Manager Strategy and Democracy), Sandra Boardman (General Manager Community), Jason Marris (Governance Manager), Jeff Devine (Roading Manager), Andrew Carvell (Waste and Drainage Manager), Rich Kerr (Finance Manager), Tony Horton (Manager Strategy), Aubrey Gifford (Manager Parks and Recreation), Alison Puchaux (Manager Revenue), Sue Hodge (Manager Parks and Recreation), Dominic Kula (Manager Infrastructure Development), Bronwyn Jeeves (Senior Management Accountant, Finance), Nicole Butturini (Management Accountant), Ann Midson (Senior Communications Advisor), Diana Staveley (Asset Engineer, Water Services), Shaun Dixon (Strategic Asset Coordinator, Parks and Recreation), Jed Whitaker (Landscape Architect, Infrastructure Planning and Capital Works), and Democracy Adviser (Nicolene Pestana).

### **1. Apologies / Absent**

Cr Innes.

Cr Christie arrived at 9.04am. Cr Cutforth arrived at 10.29, apologies sent due to jury service.

Her Worship the Mayor convened the briefing at 9.02am.

## **2. Reports**

### **2.1 Annual Report 2016-2017**

Rich Kerr reviewed the presentation and explained the content of each slide as outlined in the agenda report and presentation.

#### **Agenda for Briefing:**

- Key messages
- Production of the 2016/17 Annual Report Process
- Financial Targets
- High level Financial Results
- 2016/17 Year End Non-Cash Adjustments
- Reduction of prior period WIP
- 2016/17 Operating Result after tax
- Total Comprehensive Revenue
- Financial Prudence benchmarks
- Contingent Assets and Liabilities
- Non-Financial Performance overview
  
- **Key messages**
  - In terms of the day to day operations, WDC has had a good year.
  - Positive variance in operating costs.
  - Performance against service level targets marginally improved.
  - There are ongoing improvements in asset data quality
  
- **Production of the 2016/17 Annual Report Process**
  - The auditors have already attended on WDC and the process is going well. There is no indication from the auditors that they plan to make material adjustments.
  
- **Financial Targets**
  - WDC has met six of seven financial targets in the LTP.
  - WDC has met 52 of 69 non-financial targets (75%).
  
- **High level Financial Results**

**Operating Result (before non-cash adjustments)**

  - The operating result as reported to the August Finance Committee has not altered.

### **External Net Debt**

- Well below the budgeted level due to operating surpluses over the last two years, Capex carry forwards and property sales.

### ➤ **2016/17 Year End Non-Cash Adjustments**

- Some large non-cash adjustments have distorted the overall result including the divestment of the Otaika / Mangakahia Roads, disposal of assets following revaluation and reduction in non-roading asset values.

### *Comments or questions from Elected Members*

- *What is the situation with Mangakahia Road?* Mangakahia Road was on WDC's accounts, NZTA took over ownership of the road but no money was exchanged for the transfer of the road and has resulted in a paper loss. This amount must be written off WDC's accounts. In the 2017/18 year, WDC will not have this asset on the accounts but will also not have the obligation to maintain the road at a cost of \$1.5 million.
- *What is the situation with Stonehaven?* Alan advised Stonehaven went into receivership, WDC stepped in and worked with receivers and are currently working with the trustees to negotiate a repayment of the loan. WDC will come back to the Elected Members for future recommendation.
- *What is WDC's position with the NRLLP?* Rich advised 50% shareholder and take 50% of the non-cash income. Alan advised that profits can be passed back to WDC as cash but funding is needed for projects so it is better to keep the cash back to pay for upcoming projects.

### ➤ **Reduction of prior period WIP**

- WIP reduced.

### ➤ **Total Comprehensive Revenue**

- A different methodology was used and the revaluation process was improved.

### ➤ **Financial Prudence benchmarks**

- 8 out of 10 Financial Prudence benchmarks were achieved.
- Benchmarks achieved
  - Rates Income affordability
  - Rates Increases affordability
  - External net debt
  - Net interest to rates revenue
  - External net debt per capita
  - Debt servicing benchmark
  - Debt control benchmark
  - Operations control benchmark

- Benchmarks not achieved
  - Balanced budget benchmark
  - Essential Services benchmark
- Balanced budget benchmark - WDC meets this benchmark if its actual revenue equals or is greater than its actual operating expenses.
  - WDC has not achieved this benchmark due to the loss on assets divested to NZTA and the loss on sale of assets through the revaluation.
- Essential services benchmark - WDC meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.
  - WDC has not achieved this benchmark due to delays in capital expenditure.

➤ **Contingent Assets and Liabilities**

- These are certain significant items that do not have financial certainty, including:
  - Weathertightness (leaky buildings) liability, 7 sites have been identified as having leaky building issues.
  - Marsden City
  - Airport feasibility
  - Hundertwasser (HWMAC) project – WDC needs to confirm the figures for the project.

*Comments or questions from Elected Members*

- *Regarding the Hundertwasser project, what does assisting on procurement on the project entail?* Alan advised that WDC will be assisting and providing expertise to the project group during the procurement process. Rob advised this minimises the risk to WDC.

➤ **Non-Financial Performance overview**

- 75% of performance measured achieved
- Overall resident satisfaction of 91%.

*Comments or questions from Elected Members*

- *Could WDC expand on the issue of facilities?* Rich advised he will break it down from the current high level reporting and present the details to council.
- *It is a shame that WDC did not take advantage of the low interest rate, this is a lost opportunity.*
- *WDC is not maintaining the assets as fast as they depreciate, what can be done to halt this depreciation?* Alan advised that WDC has had a lot of

discussions around this issue. Many of WDC's assets are underground. WDC uses best endeavours to determine depreciation but is a very artificial, theoretical depiction of the state of assets, not used to maintain the assets themselves. Delaying a project can distort the depiction. The golden test is how much the assets are used. The next discussion in the LTP will be on asset renewals.

- *More should be invested in asset renewal.*

## **2.2 Review of the Significance and Engagement Policy**

Jason Marris reviewed the presentation and explained the content of each slide as outlined in the agenda report and presentation.

### **➤ Recap from June briefing**

Council held a briefing on 20 June 2017 to get feedback on the current Significance and Engagement Policy, which was adopted in 2014. The feedback from the June briefing indicated that only minor changes to the policy are required as it fulfils the requirements under the LGA. These minor changes include making the policy clearer and more public facing so the community can understand it better. More detail on engagement with Māori was also required. The new draft policy reflects these amendments. The policy will be reported to Council in September for adoption.

### *Comments or questions from Elected Members*

- *Has the upper limit to trigger engagement been increased?* Jason advised the trigger has stayed the same as per the discussions in June.
- *There is a concern regarding the financial levels, can anything under 10% of total rates be considered insignificant, maybe lowering the levels should be considered.*
- *However, the problem then would be the cost of constant consulting*
- *From the communities point of view, it doesn't seem right that two or more criteria should be triggered to become significant.*
- Jason advised that every report placed before Council comes with a report as to whether it triggers significance and engagement and suggestions on how to engage. For the LTP, there is a special consultative process.

## **2.3 2018-2028 Long Term Plan Prioritisation**

### **Session 1: Ranking New Requests**

Rob advised the Elected Members as follows:

- As indicated in the Annual Report briefing, WDC is in a good financial position. The discipline that Council displayed in the 2015-2025 LTP has resulted in the good position, Council is now in. Projects can be added for the next ten years as there is financial flexibility. The barrier for this LTP is not money, it is whether WDC have the capacity and capability to deliver new projects as contractors are over-extended and WDC's capacity is full. It may take two to three years to build capability.
- Core Services must be ranked above other projects. This does not include only infrastructure projects.
- There is a self-imposed debt ceiling of \$160 million but a borrowing level of \$200 million so there is flexibility if needed.

#### *Comments or questions from Elected Members*

- *Ceiling the debt level was a sound move.*
- *This discussion of debt and the rates rise – will there be another opportunity for the Elected Member to discuss further?* Rob advised yes, closer to the adoption of the LTP.
- Alan advised that this session is the starting point. The financial envelope is there and that Elected Members must decide what they want to prioritise. WDC will then advise if it fits.

Jill McPherson explained the order of proceedings for this session and the second session.

In the first session, the Elected Members would be requested to score the lists which are a combination of early engagement requests, Elected Members requests and staff requests.

The lists are scored as follows: 0 for out, 1 for important, 2 for less important and 3 for least important. Elected Members are permitted to group requests. Once the lists have been individually scored, the scores will be tallied.

If an item is a project from the previous LTP, it will not appear on the list of new requests.

If there are projects that the Elected Members believe are missing, they can make a separate list and send it to Jill.

#### *Comments or questions from Elected Members*

- *Why are requests from staff on the lists for example WDC's ICT? Surely this is a management issue, not governance?*
- *There should be a list that is only for Elected Member projects.*
- The Elected Members were advised that for WDC to do something new, money is needed, cannot do any projects without money. Previously the

Elected Members were not given the opportunity to be involved with everything that needs to be done, now they have the choice to look at everything. WDC must be considered as a whole structure to decide the way forward.

- *How are the Elected Members supposed to decide on a project without knowing everything about it?* The Elected Members were advised that the Elected Members have been fully briefed the whole time during the LTP process.

The Elected Members commenced their individual listing at 10.36am.

Her Worship the Mayor thanked the Elected Members for all their work in this session and adjourned the briefing at 11.34am.

## **Session 2: Wednesday, 13<sup>th</sup> September 2017: Finer ranking using prioritisation criteria for new requests**

### **3. Apologies / Absent**

Cr Innes.

Her Worship the Mayor convened the briefing at 9.00am and advised the Elected Members the refined list compiled at this session would be used for the next session where the financials would be available.

The Elected Members commenced the ranking of the new requests at 11.18am and continued until 12.41pm.

#### *Comments or questions from Elected Members*

- Alan advised that WDC is trying to put together a program into the Annual Plan to have a sum of money allocated to specific projects in the program which fall outside the LTP for example footpaths and cycleways. Rob asked whether the Elected Members would be happy for WDC to lift these types of projects as programs instead so that the Elected Members have a bit more flexibility if the public comes in with additional requests for funding that have not been budgeted for.
- *At most LTP meetings with the public, cycle, walkways and playgrounds were on the public's list. The Elected Members indicated their support for this.*
- *If this Council has accepted a gift for example the Camera Obscura then it has made the commitment to maintain that project for the community and has to do that.*

- *This is a 10-year plan and the result of this process is that Council has said no to any more parking in the CBD for 10 years.*
- *Waipu museum and Bland Bay must still be included in the LTP.*
- *When building the LTP, Council must look for a balanced budget for ten years. It is important to remember that expectations from the community will be managed over time.*
- *The key is balancing the new requests with what is already in the plan.*
- *The transfer station hours have fallen off. The Elected Members were advised that this has been included on the Opex list.*

### **Report on Urban / Rural comparisons**

Alan Adcock reviewed the presentation and explained the content of each slide as outlined in the presentation.

#### **Presentation headings:**

- Methodology
- General rates revue and expenditure – urban / rural comparison
- Comments and observations

#### *Comments or questions from Elected Members*

- *Most people in rural areas pay residual rates but what commercial activities really take place in rural areas? Rural areas are catching up quickly with urban areas as far as commercial activities go.*
- *When it comes to the question of the urban / rural split, there is a definite skewing of perception when only the Denby and Okara areas are viewed as urban areas. Bream Bay for example also has an urban area.*
- *Facilities can be placed outside of the city for example a sports park can be placed in a rural area.*

### **4. Closure of Meeting**

The briefing was adjourned at 13.15pm