

OTAGO REGIONAL COUNCIL

Minutes of a meeting of the Finance and Corporate Committee held in the Council Chamber, 70 Stafford Street, Dunedin on Wednesday 11 March 2015 commencing at 10.00 am

Present:

- Cr David Shepherd** (Chairperson)
- Cr Gary Kelliher** (Deputy Chairperson)
- Cr Graeme Bell**
- Cr Doug Brown**
- Cr Louise Croot MNZM**
- Cr Michael Deaker**
- Cr Trevor Kempton**
- Cr Sam Neill**
- Cr Gretchen Robertson**
- Cr Bryan Scott**
- Cr Stephen Woodhead**

Apologies:

Cr Gerrard Eckhoff
The apology was accepted on the motion of Crs Kelliher and Bell.

In attendance:

- Peter Bodeker**
- Wayne Scott**
- Jeff Donaldson** (to end Item 5)
- Jane Leahy**
- Fraser McRae**
- Gavin Palmer**
- Janet Favel**

CONFIRMATION OF AGENDA

There were no changes to the agenda.

MINUTES

The minutes of the meeting held on 26 November 2014, having been circulated, were adopted on the motion of Crs Croot and Deaker.

It was suggested that the Chair write to ORC's former ODT reporter Rebecca Fox thanking her for her thoroughness, accuracy, and professional approach. Cr Woodhead undertook to write accordingly.

Matters arising from minutes

There were no matters arising from the minutes.

PART A - PRESENTATION

Item 1 **Port Otago Limited Interim Report for the six months ended 31 December 2014.**

Port Otago Ltd Chairman Dave Faulkner and Chief Executive Geoff Plunket presented the group's interim report for the six months to 31 December 2014. The report was circulated to Councillors. Mr Faulkner further explained the six months' activities:

- Group tax paid profit of \$22m.
- Underlying operating profit up 27% to \$8.2m.
- After tax profit of \$13.8m from the sale of LPC.
- Equity ratio increased to 80%.
- Interim dividend of \$3.25m paid February 2015.
- H&S – 1 LTI, increase in MTI frequency rate. LTI freq rate is trending down.
- Revenue up 11%, operating profit up 7%, EBITDA increase 4%, profit from sale of LPC shares \$14.2m, profit for period 286%.
- Trade – export/import similar to previous year; container volume -4%; conventional cargo increase 8%; log exports up 6%, vessel arrivals up by 2 to 235.
- Cruise ships – 30 vessels to 31 December (25 last year). 80 cruise vessels booked for season. Same number of vessels next season, increase of 15% in passenger numbers.
- Staff – 296 permanent staff, 3 year collective agreement signed, continued high level of staff engagement to improve H&S and higher productivity.
- Port development – capex \$3.2m – final tug payment, paving of Fryatt Street log storage yard. Two older tugs (40 years old) sold.
- Channel deepening – final decision expected shortly; range of channel deepening associated projects, including berth deepening and extension of the multi-purpose wharf.
- Chalmers Properties – 96% occupancy rate across Auckland and Dunedin portfolio.
 - Dunedin - CHEP industrial development (\$3.5m) completed at Sturdee Street, Dunedin. New building in an old area, may encourage more development in the area.
 - Auckland - property near Manukau Mall, and a café in the mall carpark. Sale of Dalgety Drive, Auckland – didn't fit investment profile.
 - Hamilton – completed partition agreement with JV partner in Hamilton to consolidate land holdings; CPL has control of the industrial land east of the motorway; obtaining consents for the full development.
- Group financial position – total assets \$455m and debt reduced, both affected by sale of LPC shares.
- Outlook – continued good performance from diverse Port Otago Group; key decisions on channel deepening to be made over next month (important to have deep port to service needs of shipping lines); focus on progressing Hamilton land development.

Councillors commended the Board on very good financial results, a human approach to management, and a good relationship with the Port community. In response to a question about investment subsequent to the completion of the Hamilton land development, Mr Faulkner advised that the Board was constantly on the lookout for the right opportunity for investment.

Comment was made on the value to the Port and Otago of strategic development. Mr Faulkner commented that currently the company's main focus was on the channel deepening work, which was of importance to the Region. There would be consideration of further development once that work was nearing completion.

In response to a question Mr Faulkner advised that there had not been a significant impact from the Kotahi Maersk deal, and he confirmed that Port Otago was still transporting freight by train from South Canterbury.

Mr Faulkner explained in response to a question that the overall debt reduction strategy would be discussed at the Board's next meeting. The completing of the consenting work for the Hamilton land would provide a better cash flow.

Mr Faulkner and Mr Plunket left the meeting.

PART B - RECOMMENDATIONS

Item 2

2015/0798 **Report of the Audit and Risk Subcommittee.** DCS, 2/3/15

The report summarised the 25 February meeting of the Audit and Risk Subcommittee and submitted the Subcommittee's recommendations for endorsement. The full Health and Safety Review was circulated separately with the agenda.

Mr Scott explained that the draft risk management strategy discussed at the Subcommittee meeting would formalise the Council's risk management. Once the strategy was endorsed, it would be populated in terms of Council's risk. Comment was made that the biggest single risk was losing the revenue stream from Port Otago Ltd. Mr Scott advised that that issue had been discussed at the meeting, and he noted the Port had in its favour diversification of risk, and a strong balance sheet.

The role of the Audit and Risk Subcommittee in recommending the adoption of strategies was queried. Mr Scott advised that the Subcommittee Chair had noted the recommendation that the strategy be endorsed, but considered that this should be strengthened to 'recommend for adoption'. Attention was drawn to the agreed Terms of Reference for the Subcommittee, and it was noted that any Councillors could attend meetings of the Audit and Risk Subcommittee.

The full report on the Health and Safety Review was noted and the Council's procedures to ensure safety of staff were commended. A question was raised as to whether Council had H&S responsibilities for bus service employees. Mr Scott advised that bus companies were being contacted to ensure access to toilet facilities was available for drivers, and noted that the proposed new bus hub planning included toilet facilities.

It was noted that the consultant who had carried out the review considered that the ORC had a good H&S culture. It was pointed out that the Council needed to be conscious of pressures that would come on the CE in terms of his exposure to H&S through the new legislation. It was important that Council had documentation relating to H&S procedures and equipment.

The point was made that Council's first priority should be safety, followed by cost and legislative compliance. It was considered that the Audit and Risk Subcommittee should demonstrate that there were high levels of compliance, rather than counting accidents. Near misses and the trend of near misses should also be reported. A query was raised about personal responsibility, and it was pointed out that this should be covered in individual conditions of employment.

It was noted that a significant amount of work was needed to be able to show that the H&S plan was being implemented and that procedures were in place to ensure the safety of staff. The Chief Executive advised that there was provision in the LTP for a part-time H&S staff member, who would be responsible for training, monitoring and reporting. He also noted that under the new legislation, elected members had no liability.

A concern was expressed about the physical environment for staff, including lighting, air conditioning, heating and space.

Mr Bodeker advised in response to a question that staff were investigating procedures for double teaming for field work.

It was suggested that the minutes of Audit and Risk Subcommittee meetings be presented to the Finance and Corporate Committee for noting. Mr Scott explained that timing constraints meant this had not been possible on this occasion.

Cr Woodhead moved
Cr Kempton seconded

- (1) *That the report of the Audit and Risk Subcommittee be received.*
- (2) *That the Draft Financial Strategy be adopted.*
- (3) *That the Draft Infrastructure Strategy be adopted.*

Motion carried

Item 3

2015/0802 **Financial and Infrastructure Strategies.** DCS, 3/3/15

The report explained that the Local Government Act required Council to prepare and adopt, as part of its Long Term Plan, a Financial Strategy and an Infrastructure Strategy, and both strategies were presented for adoption. The strategies were circulated with the agenda.

The funding sources were noted (reserves, investment income, fees and charges, grants, targeted rates, and general rates), and it was felt this mix was fair and reasonable. It was felt that the proposed increases in targeted and general rates were appropriate.

Mr Scott pointed out that in some cases reserves that had been accumulated for specific purposes were to be used for those purposes. He also noted that the ten year strategy had to be inflation adjusted, so a lot of movement was inflation, not changes in activity levels.

It was suggested that the targeted rate be split to show new and existing activities.

It was suggested that ratepayers should be made aware that the general rate supported only 15% of the Council's activities, and that there were risks as well as benefits in the ownership of Port Otago Ltd. Attention was drawn to the fact that 59% of revenue came from sources other than rates, and the Port's strong balance sheet and diversification were noted.

Comment was made that while the ORC was exposed to risk from POL, the POL Board and staff worked very well, and the operation was a relatively low risk compared to other industries.

Cr Brown moved

Cr Kempton seconded

- 1. That the Financial Strategy be adopted for consultation purposes.*
- 2. That the Infrastructure Strategy be adopted for consultation purposes.*

Motion carried

Item 4

2015/0797 **2015-25 Long Term Plan Consultation Document.** DCS, 2/3/15

The report explained that changes to the Local Government Act meant that Council no longer prepared a draft Long Term Plan (LTP) for consultation purposes, but instead prepared a consultation document. Following the consultation process, an LTP would be presented to council for adoption in June. A consultation document had been prepared and was circulated with the report, for consideration and approval by the Finance and Corporate Committee.

Mr Scott circulated two documents: a list of key changes to the consultation document since it was distributed to Councillors, including a map showing a new proposal for dairy monitoring targeted rates; and the draft layout of the consultation document. He advised that audit clearance had been given for the consultation document. Mr Scott acknowledged the work by Sharon de Vries, corporate Analyst, in preparing the consultation document and the report to the Committee.

Cr Deaker moved
Cr Croot seconded

1. That the significant changes to the Revenue Policy be adopted for consultation purposes.

Motion carried

In response to a question about the dairy farm inspection targeted rate, Mr Scott explained that there were legislative difficulties in applying the initial proposal so a different model had been applied. It was possible that a rebate system could be introduced in the future.

In response to a further question about the dairy farm inspection targeted rate, the Chief Executive confirmed that the implementation programme was based on mediation outcomes. He explained that mediation did not discuss how the outcomes were to be implemented, this was based on decisions of Council.

A concern was raised at the statement in the document that mining privileges allowed landholders “to take unlimited water”, and comment was made that this statement was misleading and farmers took accurately measured volumes of water. Mr Scott explained that the statement meant their right, not their practice, and the item would be amended for clarity. This change could be made without requiring further discussion with auditors.

It was noted that there was concern among farmers about working with industry stakeholders to meet the 6A requirements.

In response to a question Mr Bodeker advised that a consultation plan had been drawn up, and there would be a microsite on the ORC website relating to the consultation document only. This would include a facility for people to find out their proposed rates.

The use of the word ‘contamination’ in relation to air was noted, and it was suggested that the term ‘pollution’ (as used by the ORC) or ‘air quality’ (as in the PCE’s report) be used.

It was noted that the submission form should refer to the LTP consultation document.

Mr Woodhead moved
Cr Deaker seconded

2. *That the consultation document be adopted for consultation purposes, subject to any minor editorial amendments.*
3. *That it is financially prudent to have operating deficits for the first two years of the LTP.*
4. *That submissions on the consultation document close on 4 May 2015, and that hearings will be held during the week commencing 11 May 2015.*

Motion carried

A hearing subcommittee comprising Crs Woodhead, Shepherd, Croot, Kempton, Neill, Bell and Brown was suggested, with Crs Deaker and Scott as reserves. Cr Neill advised that he was not available the week of 11 May, and considered that LTP hearings should be included in the schedule of meetings for the year. Cr Deaker was nominated in his place.

Cr Woodhead moved
Cr Shepherd seconded

5. *That a hearing subcommittee be appointed comprising Crs Woodhead, Shepherd, Croot, Kempton, Deaker, Bell and Brown, with Cr Scott as reserve.*

Motion carried

PART C – ITEMS FOR NOTING

Item 5
2015/0800 **Public Transport.** DCS, 2/3/15

The report provided an update on various work streams being undertaken in relation to the public transport networks in Dunedin and the Wakatipu Basin.

Comment was made that the route number and destination on some of the older buses was hard to read.

There was favourable comment on progress on the central city bus hub, and it was hoped consideration would also be given to an Intercity service component.

Cr Kempton moved
Cr Deaker seconded

That this report be received.

Motion carried

Item 6
2015/0799 **Director's report.** DCS, 2/3/15

The report described significant activities carried out by the Finance and Corporate sections since the last meeting of the Committee.

Cr Croot moved
Cr Neill seconded

- (1) *That this report be received.*
- (2) *That the payments and investments summarised in the table above and detailed in the tabled schedule totalling \$17,529,316.13 be endorsed.*

Motion carried

Cr Shepherd acknowledged the work of Mr Scott and staff on the LTP and the strategies presented to this meeting.

The meeting closed at 12.02 pm.



Chairperson