

## OTAGO REGIONAL COUNCIL

### Minutes of a meeting of the Finance and Corporate Committee held in the Council Chamber, 70 Stafford Street, Dunedin on Wednesday 9 March 2016 commencing at 8:30am

**Present:**

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

**In attendance:**

- Peter Bodeker
- Nick Donnelly
- Fraser McRae
- Scott McLean
- Gavin Palmer
- Caroline Rowe
- Sharon Bodeker (for Item 2)
- Gerard Collings (for Items 4 – 6)
- Janet Favel

#### CONFIRMATION OF AGENDA

There were no changes to the agenda.

#### MINUTES

Minutes of the public portion of the meeting held on 27 January 2016, having been circulated, were adopted on the motion of Crs Kelliher and Croot.

#### Matters arising from minutes

There were no matters arising from the minutes.

## PART A - PRESENTATION

### Item 1 Port Otago Ltd Interim Six Month Report

Deputy Chairman Paul Rea and Chief Executive Geoff Plunket, Port Otago Ltd, attended to present the group's Interim Report for the six months ended 31 December 2015. Mr Rea commented on the following results:

- Health and Safety – 3 Lost Time Injuries during the 6 months; total injury frequency rate 21 per million hours (35 per million last year); a health and safety governance board has been established.
- Group financial results - profit for period \$5.5m, the \$35.7m profit last year included sale of Lyttelton Port Company shares.
- Group financial position – equity ratio 83%, 81% last period.
- Interim dividend to ORC \$3.2m, full dividend \$7.3m, \$7.25m last year.
- Trade - 4% decrease due to lower imports and empty container volumes; export container volumes increased by 2%, decrease of 13% in conventional cargo, log exports down 16%.
- Cruise ships – 70 cruise vessels for season, 76 last year; 91 cruise ships confirmed for next season. Consideration was being given to preparations for the arrival of *Ovation of the Seas*, the largest cruise ship in the world, due in December.
- Staff – 314 permanent staff. Efficient work to reduce un/loading times was appreciated by shipping companies.
- Next Generation – stage 1 to deepen to 13.5m completed, stage 2, to 14m, to commence in March. The Port's own equipment was being used for this work which reduced costs considerably. Back Beach expansion completed, and the second warehouse at Sawyers Bay was close to completion.
- New barge has arrived, new tug due mid 2016.
- Chalmers Properties rental income slightly down because of the sale of a property in Auckland; 100% occupancy in Auckland and Dunedin property portfolios, average lease term 9.1 years; completion of Steel & Tube building in Fryatt Street, Dunedin, due end 2016; Hamilton industrial land – commenced stage 2, good progress with land sales.
- 2016 trading update - good volumes January-February, export growth projections remain positive, log exports forecast at 750 tonnes (10% lower than previous period).
- Outlook – exporters benefiting from lower fuel prices; Next Generation strategy providing ongoing benefits; Group is in strong financial position.

Mr Rea explained that the dividend was decided by the Board with the expectations of Council in mind. He considered that a constant dividend was in the best interests of both ORC and Port Otago. It was noted that the Statement of Corporate Intent showed a dividend policy of 50-70% of the Group's profit.

In response to a question Mr Rea advised that the Board considered that the mix of leasehold and full sale of land was appropriate, and noted that development accelerating the value of the underlying land was worthwhile.

In relation to further channel deepening, he explained that deepening to 14m was not time critical and this work could be done in a more measured and less expensive way.

Mr Plunket explained in response to a question about Te Rauone Beach that discussions were under way and the Board was committed to bringing this matter to a positive conclusion.

Favourable comment was made about the Steel & Tube development, and Mr Rea advised that this, like the Chep project, had a long lead time. The Group was committed to funding its next project. If a tenant wanted to freehold a property, that would be investigated, but the Board wished to keep some parts of leasehold portfolio.

In relation to a question about Health and Safety practices, Mr Rea commented that the Board was comfortable with the approach adopted, and considered it was aligned with the new legislation. The entire Board was on the Health and Safety Governance Group, and the Safety Committee operated across the whole port.

A question was raised about learnings from the straddle carrier accident in July. Mr Rea explained that the carrier had cornered at an excessive speed, which reinforced the importance of training and the use of alarm technology on the equipment. A real time speed monitoring system had been put in place.

## **PART B – RECOMMENDATIONS**

### Item 2

2016/0667 **Draft Annual Plan and Consultation Document.** DCS, 24/2/16

Manager Projects Sharon Bodeker was present for this item.

The report set out the proposed work programme for the 2016/17 year, along with estimated expenditure. The full Annual Plan and Consultation Documents were circulated separately with the agenda. Further explanatory notes in relation to fees and charges as circulated separately would also be included in the consultation document. The wording in the further notes in relation to septic tanks was to be clarified.

Mr Donnelly noted that the Consultation Document, not the full Annual Plan, would be put out for consultation, and noted that the key changes to the LTP would be highlighted. Hearings would commence on 16 May.

Councillors commended the Annual Plan and Consultation Document development process. While the percentage increase in general rates looked high, this was partly because ORC general rates were low and any increase percentage would appear high. The dollar amount in most cases was low.

Concern was expressed at the proposed \$986,000 increase in the general rate and the proposed \$1m increase in reserve expenditure. Comment was made that underspends on the agreed budget could mean that a proportion of the increase would not be spent. Proposed priorities were questioned, including regional signs and regional biodiversity, and whether rural water work including minimum flows should be a targeted not a general rate.

It was pointed out that ORC worked on behalf of the whole regional community and it was difficult to allocate costs relating to air, rivers and lakes. While a rate increase of 18% was not comfortable, it was necessary because of decisions made over a long period in the past, and new legislative requirements. Councillor Woodhead supported the Annual Plan and Consultation Document, and moved the recommendations attached to the report.

Councillors noted that Council in its Annual Plan had to listen and respond to the community, and also ensure that legislative responsibilities were met. Significant projects were proposed, but the community might not want them.

Further issues raised included concern about an 18% increase when inflation was at 1%; opportunities for spreading the intergenerational cost; and fundamental questions that local government should address, for example the non payment of some rates by the university.

Cr Shepherd proposed that the hearing committee comprise Crs Shepherd, Woodhead, Brown, Croot, Scott, Kelliher and Neill. This membership gave a good balance of urban and rural, and included the Chair of Council and the Chair of the Finance and Corporate Committee. It was noted that the Councillors who were involved in the RPS deliberations were not included. Hearings would begin on 16 May.

Cr Woodhead was happy to add these names to the recommendation.

Staff were congratulated on producing an easy to read document.

Cr Woodhead moved  
Cr Kempton seconded

*That:*

- 1. the Draft Annual Plan be adopted as the information relied upon to support the consultation document, and that it be made available on council's web site.*
- 2. the consultation document be adopted for consultation purposes, subject to any minor editorial amendments.*
- 3. the changes to the Revenue Policy be adopted for consultation purposes.*
- 4. it is financially prudent to have an operating deficit in the 2016/17 year.*

5. *submissions on the consultation document close on 6 May 2016, and that hearings will be held during the week commencing 16 May 2016.*
6. *a Hearing subcommittee comprising Crs Shepherd, Woodhead, Brown, Croot, Kelliher, Neill and Scott be appointed.*

**Motion carried**

Item 3

2016/0672 **Castalia Report for the Lower Clutha and Taieri Flood and Drainage Schemes.** DCS, 26/2/16

The report presented the work undertaken by Castalia to complete an economic assessment of the public versus private benefits generated from flood and drainage schemes in the Taieri and Lower Clutha area. The Final Castalia Economic Assessment report was circulated with the agenda.

It was noted that the recommendations from the Castalia report were included in the Annual Plan.

Councillors were pleased that this independent report had been undertaken, and considered that it led to an equitable result.

One concern was raised that this report could set a precedent, with similar reports being requested for other schemes.

Cr Croot moved  
Cr Eckhoff seconded

1. *That the report be received.*
2. *That the Castalia Final Economic Report be received.*

**Motion carried**

Item 4

2016/0681 **ORC Head Office Accommodation.** DCS, 1/3/ 2016

Gerard Collings, Manager Support Services, was present for this item.

The report outlined the findings of an independent consultant on the long term accommodation needs for ORC and the further development options.

There was general agreement that the existing office premises at 70 Stafford Street were no longer fit for purpose, and Councillors were pleased with the proposal that the current premises would be vacated within three years. It was also noted that having Councillors separated from staff was not satisfactory. The existing reserve fund of \$12m was noted, and there could be a minor impact on rates.

It was suggested that the option of some staff working from home be investigated. A question was also raised as to whether their involvement in this process was a conflict of interest for Chalmers Properties.

Cr Croot moved  
Cr Kempton seconded

*That:*

- 1) Council confirm its long term accommodation needs will not be met by its existing premises in Stafford Street, Dunedin; and*
- 2) Council plan to vacate the existing premises within the next 3 years; and*
- 3) Council include in its draft Annual Plan funding to allow for planning, design, and necessary statutory approvals for new or refurbished premises; and*
- 4) Staff continue to work with Chalmers Properties Ltd to develop concepts for the sites identified in its initial review presented to Council workshop on 10 February 2016; and*
- 5) Staff continue to work with Chalmers Properties Ltd to identify opportunities for potential reuse of existing buildings including options for heritage building reuse.*

**Motion carried**

Mr Bodeker thanked Councillors for their decision. He commented that Customer Services staff were frequently asked about new Council offices, and noted access and parking difficulties with the existing building. He would set up a staff group to work with the Executive Team on the requirements for new premises. In response to the suggestion about staff working from home, Mr Bodeker pointed out that unless video conferencing was available this would present a challenge to get all staff together.

Item 5

2016/0680 **Passenger Transport Regional Ticketing Update.** DCS, 1/3/16

Gerard Collings, Manager Support Services, was present for this item.

The report provided an update on recent developments relating to the development of a national programme for the delivery of public transport ticketing system/s in New Zealand, and explained that initial work had not been able to come up with a solution for a national ticketing system in the proposed timeframes.

Mr Collings explained that initial problems included getting all councils together, different council procurement timelines, and changes in technologies. Contingencies had now been put in place to develop a revised

timeline, and a road map had been prepared. There was still a lot of work to be done but all were now working together towards an end March completion.

To take best advantage of PTOM, integrated ticketing was needed to obtain data around SuperGold card usage, and when patrons got onto/off public transport. Individual council support was needed to make a national system work.

A question was asked as to whether this work jeopardised timelines on the bus hub, PTOM in Dunedin, and transferable ticketing. Mr Collings explained that Council had endorsed implementing those changes on the existing ticketing system.

Cr Woodhead moved  
Cr Robertson seconded

*That the Finance and Corporate Committee:*

1. *Receive this report.*
2. *Endorse the proposed partnership approach to development of a national ticketing programme.*
3. *Note that a roadmap for the national ticketing programme is expected to be recommended to agencies by the National Ticketing Board at the end of March 2016.*

**Motion carried**

Item 6  
2016/0678 **Passenger Transport Patronage Update.** DCS, 1/3/16

Gerard Collings, Manager Support Services, was present for this item.

The report provided an update on the declining patronage trends in recent years for the Otago region and throughout New Zealand.

Mr Collings advised in response to a question that it had always been understood that the route changes would result in some decline on the Mosgiel and southern services. There had also been significant decline in commercial services in Dunedin but the revenue line had not changed much. Fare increases had had a detrimental effect in the Wakatipu Basin, which indicated that the total commercial system was not in best interests of the public in Wakatipu.

Cr Croot moved  
Cr Robertson seconded

*That the report be received.*

**Motion carried**

Item 7

2016/0674 **Environmental Enhancement Fund.** DPPRM, 26/2/16

The report detailed the purpose and principles of the Environmental Enhancement Fund, and the process for allocating financial support to eligible projects.

Councillors commended the fund as a positive response to Annual Plan submissions, and commented favourably on the wide criteria for eligibility.

There was concern that giving delegation to the CEO to allocate the funds put him in an unfair position where there was a backlash in relation to funding approved. Comment was made that the total fund was small given the CEO's other delegations, and he could choose to set up a selection panel.

Comment was made that people submitting to the Annual Plan for funding for small environmental enhancement projects could be pointed to this fund for assistance.

Mr Bodeker suggested that people be encouraged to make applications to the fund at set periods outside the Annual Plan process. Some large projects might need to be consulted with the committee; with small projects, it would be good to be able to act quickly.

Cr Scott moved  
Cr Woodhead seconded

*That:*

- 1. the Finance and Corporate Committee endorse the purpose and principles of the Environmental Enhancement Fund, and the process for allocating financial support to eligible projects;*
- 2. Resourcing from the fund be delegated to the CEO who would include decisions as part of a quarterly report to Council. However significant projects will be brought by way of a report to the Finance and Corporate Committee for Council to make a decision.*

**Motion carried**



Item 8  
2016/0665 **Executive report.** DCS, 25/2/16

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

Cr Woodhead moved  
Cr Scott seconded

*That:*

(2) *this report be received.*

(3) *the payments and investments summarised in the table above and detailed in the tabled schedule, totalling \$2,559,472.77 be endorsed.*

**Motion carried**

**PART C - EXCLUSION OF PUBLIC**

Cr Woodhead moved  
Cr Croot seconded

*That the public be excluded from the following part of the proceedings of the meeting.*

*The general subject of the matters to be discussed while the public is excluded, the reason for passing this resolution in relation to the matter, and the specific grounds under Section 48(1)(a) of the Local Government Information and Meetings Act 1987 for the passing of this resolution are as follows:*

	<i>General subjects to be considered</i>	<i>Reason under LGOIMA for passing this resolution</i>	<i>Grounds under S.48 for the passing of this resolution</i>
<i>Item 9</i>	<i>Minutes of the In Committee portion of the Finance and Corporate Committee meeting held on 25 November 2015</i>	<i>To maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees. S7(2)(f)(i)</i>	<i>S.48(1)(a)(i)</i>
<i>Item 10</i>	<i>Appointment of Port Otago Director</i>	<i>To protect the privacy of natural persons. S7(2)(a)</i>	<i>S.48(1)(a)(i)</i>

*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 or Section 6 or Section 7 or Section 9 of the Official Information Act 1982 as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as shown above with respect to each item.*

**Motion carried**

Following discussion of Items 9 and 10,

Cr Shepherd moved  
Cr Neill seconded

*That the meeting resume in open session.*

**Motion carried**

The meeting closed at 11.06 am



**Chairperson**