

HUTT CITY COUNCILFINANCE AND PERFORMANCE COMMITTEE

Minutes of a meeting held in the Council Chambers,  
2nd Floor, 30 Laings Road, Lower Hutt on  
**Wednesday 2 August 2017 commencing at 5.30pm**

**PRESENT:** Cr G Barratt Deputy Mayor D Bassett  
Cr J Briggs (from 6pm) Cr MJ Cousins  
Cr S Edwards Cr M Lulich  
Cr C Milne (Chair) Cr L Sutton  
Mayor WR Wallace (until 6.49pm)

**APOLOGIES:** An apology was received from Cr Barry. Apologies were received from Cr Briggs for lateness from Mayor Wallace for early departure.

**IN ATTENDANCE:** Mr B Kibblewhite, Chief Financial Officer  
Mr D Newth, Financial Accounting Manager (part meeting)  
Ms E Davids, Risk and Assurance Manager (part meeting)  
Mrs A Doornebosch, Committee Advisor

PUBLIC BUSINESS1. APOLOGIES

**RESOLVED:** (Cr Milne/Deputy Mayor Bassett) **Minute No. FPC 17301**

*"That the apologies received from Cr Barry and for lateness from Cr Briggs and early departure from Mayor Wallace be accepted and leave of absence be granted."*

2. PUBLIC COMMENT

There was no public comment.

3. CONFLICT OF INTEREST DECLARATIONS

There were no conflict of interest declarations.

PRECEDENCE OF BUSINESS

**RESOLVED:** (Cr Milne/Mayor Wallace) **Minute No. FPC 17302**

*"In accordance with Standing Order 10.4, the Chair accorded precedence of business to item 5, Insurance Update."*

The item is recorded in the order in which it is listed on the order paper.

4. RECOMMENDATION TO COUNCIL - 15 August 2017

Treasury Risk Management Policy Changes (17/1039)

The Chief Financial Officer elaborated on the report.

Mr Stuart Henderson, Partner from PricewaterhouseCoopers (PwC) and Mr Jason Bligh, Associate Director from PwC presented a Credit and Interest Rate Market Update and Outlook presentation.

Mr Henderson noted two key elements for Council within the Treasury Risk Management Policy ('the Policy') – how much it costs to borrow funds and the term of these loans. He highlighted the increasing correlation between long term interest rates in the USA and New Zealand markets. He said Reserve Bank actions with the official cash rate dictated interest rate levels in New Zealand.

Mr Bligh noted the continuing low interest rate trends, influenced by the US market. He highlighted credit was more expensive than the interest rates implied, with a tight labour market, falling unemployment, low growth rates and low spending. He said current low spending trends were a global issue which made it challenging for central banks to raise interest rates. He said short term interest rates were not expected to move, but increases were expected with long term rates. He highlighted the challenge in the sector was accuracy with debt forecasting, which was one of the key considerations when determining policy limits. It was important not to over-hedge.

In response to questions from members, Mr Henderson noted challenges in determining where to fix interest rates in organisations such as Council with large infrastructure spending. He said PwC had been using 4% as a benchmark for interest rate levels, which provided Council room to extend its duration where possible. He said a review of the Policy could entail reconsidering the maximum fixed debt forecast to align with Council's new Financial Strategy.

Mayor Wallace left the meeting at 6.49pm.

Deputy Mayor Bassett suggested a workshop for members on the Credit and Interest Rate Market Update and Outlook to outline what had been discussed at the meeting.

Cr Briggs suggested a transcript of the meeting and any background information be distributed to members prior to the workshop.

**RECOMMENDED:** (Cr Milne/Cr Barratt) **Minute No. FPC 17303**

*"That the Committee recommends that Council:*

- (i) approves the recommended changes to the Treasury Risk Management Policy attached as Appendix 1 to the report; and*
- (ii) takes up the invitation from PricewaterhouseCoopers to provide a Credit and Interest Rate Market Outlook workshop to members."*

5. **INSURANCE UPDATE** (17/601)

Report No. FPC2017/2/124 by the Chief Financial Officer

The Chief Financial Officer elaborated on the report. He highlighted Council's insurance required renewal in October 2017. He said Council had provided up to date information on its assets, including updated insured values, construction details, and percentage compliance with National Building Standards. He said this together with Probable Maximum Loss modelling undertaken by Aon Insurance, and Tonkin and Taylor would provide a good data set to be presented to insurers in London in September 2017.

In response to questions from members, the Chief Financial Officer said the 60% provision from central government for underground assets was provided up to a claim of \$350M, and anything above that Council would have to fund 40%. He said the value of assets was reviewed annually with a focus on high value assets, and a thorough review was conducted every three years. He noted the 100% budget assets increase had been absorbed through savings achieved from retaining some insurance policies prior to the Kaikoura earthquake, and the redirection of rural fire funding.

Mr Tony Owen, the Deputy Managing Director from Aon Insurance noted New Zealand insurers were working within the New Zealand and London markets. He highlighted the ranging impacts from different insurers in New Zealand from the Kaikoura earthquake. He noted both AIG and VERO had suffered the biggest losses, and as a result were considering increases in premiums and in some cases reducing or completely withdrawing the level of cover they provide to the Wellington market.

In response to questions from members, Ms Joanna Wong, Aon Relationship Manager said Council's insurance policies included loss of profit insurance, but this had to be associated with physical loss to Council property. She said loss modelling was based on building construction details, GIS information and maps and percentage compliance with National Building Standards. She noted this was completed on a property by property basis. She advised Council could consider having higher excesses to keep premiums down, in consultation with the Wellington Council's Insurance Group.

In response to questions from members, Mr Owen advised a representative from Porirua City Council on behalf of the Outer Wellington Shared Services Insurance Syndicate, along with the Aon Insurance team, would present to underwriters from Lloyds and the European company markets in London. He said the Aon team would then negotiate final terms for Council.

Mayor Wallace asked the Chair to discuss with the Chief Executive if the Chief Financial Officer should accompany presenters to London, to provide a local context, build relationships and provide learnings for future needs.

Cr Briggs joined the meeting at 6pm.

Mayor Wallace acknowledged the contributions by Aon representatives and the Finance team during the recent period of uncertainty.

RESOLVED: (Cr Milne/Deputy Mayor Bassett)

**Minute No. FPC 17304**

*"That the Committee notes the report."*

6. **RISK AND ASSURANCE UPDATE AND OPERATIONAL RISK PROFILE 2017**  
(17/1010)

Report No. FPC2017/3/183 by the Risk and Assurance Manager

The Risk and Assurance Manager elaborated on the report.

In response to a question from a member, the Risk and Assurance Manager noted items 9 and 11 contained in the officer's report were new to the 2017 Operational Risk Profile. She said officers now had a better understanding of health and safety obligations for officers acting in voluntary roles.

RESOLVED: (Cr Milne/Cr Sutton)

**Minute No. FPC 17305**

*"That the Committee:*

- (i) *notes the information in this report; and*
- (ii) *notes the Operational Risk Profile 2017 as approved by the Strategic Leadership Team, attached as Appendix 1 to the report."*

7. **AUDIT NEW ZEALAND INTERIM MANAGEMENT REPORT FOR THE YEAR**  
**ENDING 30 JUNE 2017** (17/1042)

Report No. FPC2017/3/187 by the Financial Accounting Manager

The Financial Accounting Manager elaborated on the report.

In response to questions from members, the Financial Accounting Manager advised officers met with representatives from Audit New Zealand prior to audits. He said Audit New Zealand representatives, at that time, provided some background to their focus, and had indicated this year's additional area of focus would be 3 Waters, especially water quality.

In response to a question from a member relating to sensitive expenditure, the Chief Financial Officer noted the matter related to a staff farewell function, was appropriate, but not strictly in compliance with Council's policy, and total expenditure was \$100.

RESOLVED: (Cr Milne/Deputy Mayor Bassett)

**Minute No. FPC 17306**

*"That the Committee notes this report."*

8. **INTERIM FINANCE UPDATE** (17/1041)

Report No. FPC2017/3/188 by the Budgeting and Reporting Manager

The Chief Financial Officer elaborated on the report. He noted additional financial Activity Statements would be emailed to members.

In response to questions from members, the Chief Financial Officer said Council's Annual Leave Policy allowed for officers to carryover comparatively high annual leave balances. He highlighted however, that only two officers currently breached the policy and did not believe Council had an issue with annual leave balances. He said he had expressed concern regarding the deadline of central government funding for Cycleways Projects. He noted costs of these developments in Wainuiomata were higher than planned, which were being managed by budget offsets, and were still under negotiation. He agreed to provide a six monthly report to the first Finance and Performance Committee meeting of 2018, regarding Huia Pool developments and funding.

**RESOLVED:** (Cr Milne/Deputy Mayor Bassett)

**Minute No. FPC 17307**

*"That the Committee notes the unaudited 2016/17 full year financial performance and year-end position."*

9. **INFORMATION ITEM**

**Finance and Performance Work Programme 2017** (17/803)

Report No. FPC2017/3/106 by the Committee Advisor

The Committee Advisor elaborated on the report.

In response to a question from a member, the Chief Financial Officer advised the Rates Postponement Scheme for Ratepayers over 65 years was an optional scheme and applicants would not have to prove hardship to qualify, should Council approve such a policy.

**RESOLVED:** (Cr Milne/Cr Barratt)

**Minute No. FPC 17308**

*"That the report be noted and received."*

10. **QUESTIONS**

There were no questions.

There being no further business the Chair declared the meeting closed at 7.29pm.

Cr C Milne  
**CHAIR**

**CONFIRMED as a true and correct record**  
**Dated this 15th day of August 2017**