



Date: Tuesday 18 June 2024 at 12noon

Venue: Council Chambers, 63 Miranda Street, Stratford

Present

Councillor G W Boyde (the Chairman), the District Mayor N C Volzke, Councillors S J Beck and V R Jones, and Committee Member the Property Officer – Mrs S Flight.

In attendance

Deputy Mayor M McKay, Councillors A M C Dudley, E E Hall, A Harris. The Acting Chief Executive Director - Mr B Sutherland, the Director – Assets Mrs V Araba, the Acting Director – Community Services – Mrs E Bishop, the Committee Secretary– Ms E Coulton, the Communications Manager – Ms G Gibson, the Acting Executive Assistant and Committee Advisor – Mrs C Reynolds and one member of the public.

1. Welcome

The Chairman welcomed the Mayor, Deputy Mayor, Chief Executive, Councillors, and staff.

1.1 Opening Karakia D21/40748 Page 6

The opening karakia was read.

1.2 Health and Safety Message D21/26210 Page 7

The Chairman reiterated the health and safety message and emergency procedures.

2. Apologies

An apology was noted from Councillor W J Sandford and the Chief Executive – Mr S Hanne.

Recommendation

THAT the apologies be received.

BOYDE/VOLZKE
Carried
F&A/24/13

3. Announcements

There were no announcements.

4. Declarations of Members Interest

The Chairman requested Councillors to declare any real or perceived conflicts of interest relating to items on this agenda. There were no conflicts of interest declared.

5. Attendance Schedule

The attendance schedule for Farm & Aerodrome Committee meetings was attached.

6. Confirmation of Minutes

6.1 Farm and Aerodrome Committee Meeting – 19 March 2024 D24/10841 Page 9

Recommendation

THAT the minutes of the Farm and Aerodrome Committee Meeting held on Tuesday 19 March 2024 be confirmed as a true and accurate record.

BECK/JONES
Carried
F&A/24/14

7. Matters Outstanding D20/11504 Page 15

Recommendation

THAT the matters outstanding be received.

BOYDE/BECK
Carried
F&A/24/15

8. Programme of Works D20/28552 Page 16

Recommendation

THAT the Programme of Works be received.

BECK/JONES
Carried
F&A/24/16

9. Decision Report – Approve draft Farm Business Report 2024 D24/29917 Page 17

Recommendations

1. THAT the report and draft Farm Business Report 2024 be received.
2. THAT the Committee makes a decision on the allocation of the remaining profit made in the 2023/24 financial year, after the rates mitigation portion.

Recommended Reason

To uphold the Committee's responsibilities in relation to the Council farm.

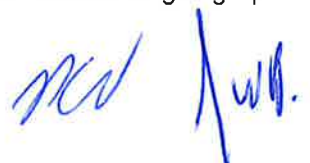
BOYDE/VOLZKE
Carried
F&A/24/17

The Property Officer noted the following:

- The Net profit for the farm reported in 2023/24 season (page 3) after allocating dividend payment of \$79,359.00 and \$50,000 to rates mitigation is \$181,795.00. The Net Profit for item 10 (page 12) after allocating dividend payment of \$79,359.00 and \$50,000 to rates mitigation and \$16,300 to loan repayments is \$165,495.00.

Questions / Points of Clarification:

- The Deputy Mayor asked for clarification on the purpose of allocating funds to the reserve account. Councillor Boyde explained that the reserve is intended for any surplus funds, such as for rate mitigation and unexpected projects. He noted that historically, it has primarily been used for rate mitigation, but emphasized that the committee should reconsider whether this allocation aligns with current objectives.
- The Deputy Mayor questioned if there is a reason as to why rate mitigation was not noted on the financials on page 32, her understanding was that the expectation was \$50,000 a year and is now lifted to \$70,000 a year, has been budgeted for? The Corporate Accountant clarified that it has been budgeted for in the annual plan for the 2023/24 year and the 2024/25 year, therefore it has been considered. She noted that page 32 was the operational side of things. Councillor Boyde noted that it is unsure what the rate mitigation is going to be each year and that we should have indication on this in December. The Corporate Accountant clarified that the annual report has been given an extension until the 31st of December 2024, it will be clarified before then.
- The Deputy Mayor noted that she has noticed that the council tends to lean on the farms success to mitigate rates and believes that we are relying on it too much, acting as a relief when our annual plan is costing us more. What she would like to see is more structured approach to rates mitigation, reserve funding and debt reduction.
- The District Mayor mentioned that there is a designated amount allocated from farm profits for rate mitigation. The reserve was established to accumulate additional profits until required. Historically, when unexpected capital items arose on the farm without budget allocation, external funds had to be borrowed. However, having the reserve now provides a balanced approach where external borrowing is unnecessary. He expressed support for the Deputy Mayor's remarks and agreed on the importance of implementing a more structured approach to allocating funds for rate mitigation, debt reduction, and reserve funding.
- Councillor Jones pointed out that the reserve account was initially created to address timing issues and to facilitate decision-making despite incomplete information. It allowed funds to be set aside to balance out financial considerations and provide flexibility in decision-making. Councillor Jones emphasized that whilst having a strategy is beneficial, loan repayments, interest rates, and debt levels can fluctuate and by assessing these each year, we are able to make informed financial decisions. He supports funding the reserve but prefers flexibility in determining the allocations to each specific account. He Acknowledged that this year we have turned over a healthy profit but noted that profits are not always guaranteed to remain high, he favors continuing the annual discussion on how much should be allocated to different areas. Additionally, he agrees that a loose strategy could provide guidance while allowing room for adjustments as circumstances change. He noted that keeping flexibility with how much is allocated to accounts such as debt reduction, allows us to pay off large chunks and subsequently smaller chunks, depending on the fluctuation of interest rates of that year.
- Councillor Beck noted that he was in a similar mindset as Councillor Jones. He expressed that he would like to see debt decrease by at least \$100,000 a year if possible.
- Councillor Hall questioned as to why we have loan funded \$16,300 for capital expenditure instead of utilizing the reserve, she further questioned if this was due to lack of funds within the reserve or due to policy. The Corporate Accountant clarified that it is standard policy throughout council to loan fund capital expenditure and to use the reserve as a means to pay it back, however it depends on the nature of the capital expenditure. Councillor Hall acknowledged that she understands that this is standard practice from a wider organisational perspective but when it comes to the farm as a business, she would assume that we put money into the reserves to fund incoming capital expenditure rather than loan fund.
- Councillor Hall questioned as to why on page 34 there is no balance listed for the increase in loan balance. The Property Officer clarified that this is due to the fact the long term plan has not been adopted as of yet.
- Councillor Hall noted that she would like to see a strategy in place to pay down the debt but also appreciates the need for flexibility with payment allocation, she believes that both ideas can work side by side. She noted that she understands as to why we loan fund capital expenditure within the organisation to help inter-generational equity, but she believes we should be funding farm capital expenditure from farm money. The Corporate Accountant noted that whilst the loan is going up temporarily by \$16,300 in this case, it is not increasing.



- The Deputy Mayor expressed that she has heard what Councillor Jones has to say and rather than creating a strategy that allocates figures to each account, could we do a priority system, she noted this may achieve both ideas.
- The District Mayor acknowledged Councillor Hall's accurate observation regarding intergenerational equity. He emphasized that if all current profits are used solely for rate mitigation without addressing debt reduction, it could unfairly burden future generations with debt. Therefore, he suggested that it would be more equitable to allocate some funds towards debt repayment now. The District Mayor expressed the view that assigning indicative numbers that we do not have to stick to, could provide a meaningful guideline. This approach would help ensure a balanced approach to managing current profits, benefiting both current needs and future financial stability. Councillor Boyde noted that adding in figures is difficult as the payouts and the returns vary each year but expressed that a priority system is a good idea.
- Councillor Dudley agrees that a priority list seems like the best way to go as it provides a guide without locking figures in.
- Councillor Jones noted that he was struggling with page 25 and would like to see a table implemented to clarify what funds have been allocated where. Councillor Boyde suggested this to be added to matters outstanding. Councillor Beck agreed.
- Councillor Beck sought clarification on what the total is that is available to allocate today. It was clarified that the total is \$181,795.
- Councillor Boyde questioned why corporate services has come to a \$30,000 increase and how Council allocate those funds to the different groups, as corporate services is an umbrella term. The Acting Chief Executive Officer noted that there are a few things that has influenced this, the first being an overall cost increase and the rest being driven by a division of officer time. Councillor Boyde clarified if that means there is a 100% cost increase within every department. The Corporate Accountant noted that this is not necessarily the case, we have all the different overheads within council that have to be allocated out to activities, each long term plan year we review the percentage that goes to each activity from each overhead which is based on the best estimate of staff time related to each activity. She clarified the percentage allocated has risen from 1% to 2%, and although this is only a small percentage increase, the large increase is driven by things such as increased audit costs etc.
- The District Mayor questioned where the \$47,000 of depreciation is tagged. The Corporate Accountant noted it goes into the reserve. Councillor Boyde noted that this will be placed on matters outstanding to gain clarity on this.
- The Deputy Mayor proposed a priority system. She noted that the first priority should be reserve funding due to protecting the depreciation and becoming less reliant on debt and council books, the second priority be debt reduction and the third priority be rate mitigation. She expressed that she is comfortable placing a set figure for rate mitigation but suggests the other priorities should not have a set figure but rather a percentage or cap amount, so it flows with income changes.
- It was noted that all were happy with The Deputy Mayors priority system and that amounts and formal decisions on the system are to be discussed at a later date.
- The District Mayor noted that a decision needs to be made today on what is being done with the remaining surplus in the accounts.
- Councillor Jones put forward an option for the allocation of the surplus funds, he suggested \$100,000 be allocated to loan repayment and \$65,000 to be allocated to the farm reserve. He noted that placing \$65,000 into the farm reserve allows for a buffer for the next financial year if any extra costs happen to arise or if we want to pay off any more debt.
- It was noted after discussion that all are in agreeance with Councillor Jones proposal, Councillor Boyde then put forward a motion to accept this.

Recommendation

THAT the remaining profit for the 2023/24 financial year of \$116,300 be allocated to loan repayments and the remaining balance be allocated to the reserve.

Recommended Reason

The Committee has reviewed the report, discussed, and made a decision on the outcome of where to allocate the remaining profit for the 2023/24 financial year.

JONES/BECK
Carried
F&A/24/18

10. Quarterly Report – Risk Register
D24/28686 Page 38

Recommendation

THAT the report be received.

Recommended Reason

To update the Committee of any changes to the Farm and Aerodrome Risk Registers and advise the Committee of any incidents in relation to the identified risks.

BOYDE/VOLZKE
Carried
F&A/24/19

Questions/Points of Clarification:

- Councillor Hall noted that the current sharemilkers are performing exceptionally well. She questioned whether the potential loss of these sharemilkers should be included in the risk register, noting that their departure could significantly impact the farm's operations and financial performance. She stressed the importance of maintaining a positive work environment to encourage the sharemilkers to renew their contracts and to foster a strong and healthy working relationship with them.
- Councillor Boyde noted that the current sharemilkers have extended contracts before and currently have 3 years left of their current contract, he agrees losing them is a risk but is confident that they are currently happy within their positions at the farm.

11. Quarterly Report – Farm and Aerodrome Business and Financial Report
D24/28751 Page 46

Recommendation

THAT the report be received.

Recommended Reason

This report provides a quarterly business and financial update of the Farm and Aerodrome activities. It highlights the milk production from the current season at the farm and reports on the key activities at the Aerodrome.

BECK/JONES
Carried
F&A/24/20

Questions/Points of Clarification:

- Councillor Boyde questioned if Councillor Jones had any further questions in regard to the matters outstanding on page 47. Councillor Jones noted that he feels as if his original question was confused, he noted that he was requesting a percentage of what they were achieving as he believes the percentage would show a greater understanding of what is being achieved and the good work being done.
- Councillor Boyde pointed out that the sharemilkers knew they faced challenges last year with the somatic cell count. However, he emphasized that they used this data to improve their herd and had to reduce the number of cows significantly. Therefore, achieving such remarkable results this year is truly outstanding. Councillor Boyde wanted to furthermore highlight the fantastic feedback from Worksafe who visited the farm in April, he noted that there was only one recommendation which was to add a rollbar and cages to the farm vehicles.
- Councillor Boyde asked where the aerodrome strategic development plan mentioned on page 50, section 6.4 is at. The Director – Assets noted the consultants are still working on the strategic development plan.
- Councillor Dudley noted that on page 49 it states that the stocking rate is increasing from a maximum number of 360 to 370, she was under the impression that this figure was supposed to be lowered. Councillor Boyde clarified that the original number of stock within the contract was 400 and that it has been lowered to 370 hence the numbers within that section.
- Councillor Dudley raised the question of whether reducing the herd size should logically result in a decrease in milk solids production. Councillor Boyde acknowledged that yes, it should theoretically lead to a decrease. However, he noted that the sharemilkers believe it's beneficial to have a target number to strive for.

12. Quarterly Report – Health and Safety Update

D24/28732 Page 56

Recommendation

THAT the report be received.

Recommended Reason

To update the Committee on Health and Safety matters from December 2023 and February 2024.

BOYDE/VOLZKE

Carried

F&A/24/21

13. Questions

- Councillor Beck asked if the mowing of the portion of the aerodrome that was encroaching onto the farm land has been organised. The Property Officer clarified that it has been organised.
- Councillor Boyde made the committee and councillors aware that this was the last Farm and Aerodrome committee meeting, he noted that in the next meeting in September we will be known as the Farm Committee.
- Councillor Jones asked whether the 2024/25 budget would undergo review, expressing concern over the budgeted \$90,000 for fertilizer given his observations. Councillor Boyde acknowledged that the budgeted figure remains unchanged due to rising fertilizer costs but assured that the budget would be reviewed at every meeting going forward.

14. Closing Karakia

D21/40748 Page 58

The closing karakia was read.

The meeting closed at 1.09pm

G W Boyde
Chairman



Confirmed this 24th day of September 2024.



N C Volzke
District Mayor