

Notice of Meeting:

I hereby give notice that an ordinary Meeting of the Finance Committee will be held on:

Date: Thursday 1 August 2019
Time: 9.30am
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Finance Committee OPEN AGENDA

Membership

Chairperson	Cr G Mallett
Deputy Chairperson	Cr R Pascoe
Members	Mayor A King
	Deputy Mayor M Gallagher
	Cr M Bunting
	Cr J R Casson
	Cr S Henry
	Cr D Macpherson
	Cr A O'Leary
	Cr P Southgate
	Cr G Taylor
	Cr L Tooman
	Cr R Hamilton
	Maangai Bella Takiari-Brame

Quorum: A majority of members (including vacancies)

Meeting Frequency: Six weekly

Becca Brooke
Governance Lead

25 July 2019

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Purpose:

The Finance Committee is responsible for:

1. Monitoring Council's financial strategy, and financial performance against the Long Term Plan and Annual Plan.
2. Determining financial matters within its delegations and Terms of Reference and making recommendations to Council on financial matters outside its authority.
3. Guiding and monitoring Council's interests in its Council Controlled Organisations (CCOs), Council Organisations (COs) and subsidiaries.

In addition to the common delegations on page 9, the Finance Committee is delegated the following Terms of Reference and powers:

Terms of Reference:

1. To monitor Council's financial strategy, and performance against that strategy.
2. To monitor Council's financial and non-financial performance against the Council's 10 Year Plan.
3. To approve deferred capital expenditure.
4. To develop and monitor policy related to the following matters:
 - a) financial management;
 - b) revenue generation;
 - c) procurement and tendering; and
 - d) the appointment and remuneration of directors of CCOs and COs.
5. To monitor the probity of processes relating to policies developed by the Finance Committee.
6. To provide clear direction to Council's CCOs and COs on Council's expectations, including feedback on draft statements of intent.
7. To receive six-monthly reports of Council's CCOs and COs, including on board performance.
8. To undertake any reviews of CCOs and agree CCO-proposed changes to their governance arrangements, except where reserved for Council's approval by Council.
9. To monitor Council's investments in the Municipal Endowment Fund and the Domain Endowment Fund.

The Committee is delegated the following powers to act:

- Approval of:
 - Appointments to, and removals from, CCO and CO boards; and
 - A mandate on Council's position in respect of remuneration proposals for CCO and CO board members to be presented at Annual General Meetings.
- Approval of letters of expectation for each CCO and CO.
- Approval of statements of intent for each CCO and CO.
- Approval of proposed major transactions of CCOs and COs.
- Approval or otherwise of any proposal to establish, wind-up or dispose of any holding in, a CCO or CO.
- Approval of operating and/or capital expenditure within the Long Term Plan or Annual Plan that exceeds the Chief Executive's delegation, excluding expenditure which:
 - contravenes the Council's Financial Strategy; or
 - significantly alters any level of service outlined in the applicable Long Term Plan or Annual Plan; or

- impacts Council policy or practice, in which case the delegation is recommendatory only and the Committee may make a recommendation to the Council for approval.
- Approval of contractual and other arrangements for supply and services, and revenue generating contracts, which:
 - exceed the Chief Executive's delegations, but
 - exclude contracts or arrangements that are reserved for the Council or another Committee's approval.
- Approval of acquisition or sale or lease of properties owned by the Council, or owned by the Municipal Endowment Fund or the Domain Endowment Fund consistent with the Municipal Endowment Fund Investment Policy, for any endowment properties.
- Approval to write-off outstanding accounts greater than \$10,000 (in accordance with the Debtor Management Policy).

The Committee is delegated the following recommendatory powers:

- The Committee may make recommendations to Council.
- The Committee may make recommendations to other Committees.

Oversight of Policies:

- *Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy*
- *Freeholding of Council Endowment Land Policy*
- *Funding Needs Analysis Policy*
- *Investment and Liability Management Policy*
- *Municipal Endowment Fund Investment Policy*
- *Rates Remissions and Postponements Policy*
- *Rating Policy*
- *Revenue and Financing Policy*

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1 Apologies

2 Confirmation of Agenda

The Committee to confirm the agenda.

3 Declaration of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

4 Public Forum

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes has been set aside for a public forum. Each speaker during the public forum section of this meeting may speak for three minutes or longer at the discretion of the Chair.

Please note that the public forum is to be confined to those items falling within the terms of the reference of this meeting.

Speakers will be put on a Public Forum speaking list on a first come first served basis in the Council Chamber prior to the start of the Meeting. A member of the Council Governance Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

If you have any questions regarding Public Forum please contact Governance by telephoning 07 838 6439.

Council Report

Committee: Finance Committee

Date: 01 August 2019

Author: Rebecca Watson

Authoriser: Becca Brooke

Position: Committee Advisor

Position: Governance Team Leader

Report Name: Confirmation of the Finance Committee Minutes - Open - 23 May 2019

Report Status	<i>Open</i>
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Staff Recommendation

That the Committee confirm the Open Minutes of the Finance Committee Meeting held on 23 May 2019 as a true and correct record.

Attachments

Attachment 1 - Finance Committee Meeting Open Minutes - 23 May 2019 .

Finance Committee

OPEN MINUTES

Minutes of a meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Thursday 23 May 2019 at 9.31am.

PRESENT

Chairperson	Cr G Mallett
Deputy Chairperson	Cr R Pascoe
Members	Cr M Bunting
	Cr J R Casson
	Cr S Henry
	Cr D Macpherson
	Cr A O'Leary
	Cr P Southgate
	Cr G Taylor
	Cr L Tooman
	Cr R Hamilton
	Maangai Bella Takiari-Brame

In Attendance	Richard Briggs – Chief Executive
	David Bryant – General Manager Corporate
	Lance Vervoort – General Manager Community
	Sean Murray – General Manager Venues, Tourism and Major Events
	Chris Allen – General Manager Development
	Jen Baird – General Manager City Growth
	Sean Hickey – General Manager Strategy and Communications
	Tracey Musty – Financial Controller
	Natalie Young – PMO Manager
	Maire Porter – City Waters Manager
	Jason Harrison – Special Projects Manager
	Paul Gower – Programme Manager Assets Strategy
	Jayne Perry – Chief of Staff
	Julie Clausen – Programme Manager Strategy

Governance Staff	Rebecca Watson, Amy Viggers and Claire Guthrie – Committee Advisors
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1. **Apologies**
Resolved: (Cr Bunting/Cr Mallett)

That the apologies for absence from Mayor King and Deputy Mayor Gallagher, and for early departure from Cr Southgate and Maangai Takiari-Brame are accepted.

2. **Confirmation of Agenda**
Resolved: (Cr Mallett/Cr Casson)

That the agenda is confirmed.

3. **Declarations of Interest**

No members of the Council declared a Conflict of Interest.

4. **Public Forum**

Mr Roger Stratford spoke to Item 12 (*Contract 15216 Supply of Library Collection Materials right of renewal*) and noted his concerns over the cost and time limitations of borrowing some library material.

5. **Confirmation of the Finance Committee Minutes - Open - 9 April 2019**

Resolved: (Cr Pascoe/Cr Mallett)

That the Committee confirm the Open Minutes of the Finance Committee Meeting held on 9 April 2019 as a true and correct record.

6. **H3 Report - Quarter Three 1 January to 31 March 2019**

The General Manager Venues, Tourism and Major Events spoke to the report, noting some of the issues and items being worked through currently, primarily being waste and sustainability, and security requirements for events.

Committee Members asked questions concerning:

- rubbish and recycling systems at events,
- availability of accommodation,
- increase in costs and responsibilities of security,
- existing EFTPOS facilities at stadia,
- year to date forecasts,
- delivery and installation of corporate boxes,
- fees paid by the Farmers Market, and
- NZ Rugby Sevens.

Staff action: Staff undertook to clarify the figure in paragraph 2.5 of the report, being the year end operating expenditure.

Resolved: (Cr Hamilton/Cr Bunting)

That the Finance Committee;

- a) receives the report; and
- b) requests that staff explore the feasibility of introducing EFTPOS options and facilities into

stadium events and report back at the 1 August 2019 Finance Committee meeting.

7. Capital Portfolio Monitoring Report

The General Manager Development and the PMO Manager spoke to the report, noting that paragraph 2b of the report should not include the wording “May 2019 Financial Strategy Report”. They provided an overview of the current key risks, including NZTA funding.

Committee Members asked questions concerning:

- impact of the potential NZTA subsidy decision on the 10-Year Plan and timeframes to receive this,
- Te Awa Cycleway,
- WLASS professional services panel increase in rates,
- funding of cemeteries management system,
- footpath improvements and renewals deferrals and programme timeframes,
- asbestos on the Ring Road,
- capital and revenue movements,
- prioritisation by NZTA towards safety, and
- deferrals figures.

Staff action: *staff undertook to provide Committee Members with an update concerning NZTA funding via an Extraordinary Council meeting, should this be required.*

Resolved: (Cr Mallett/Cr Casson)

That the Finance Committee receives the report.

The meeting adjourned between 11.17am and 11.30am.

8. Annual Monitoring Report to 31 March 2019

The Financial Controller spoke to the report, noting there were no new emerging issues, and that the Council remains fully compliant within debt policy.

Committee Members asked questions concerning:

- variances in forecasting for vested assets,
- inclusion of strategic property in reporting,
- depreciation on, and life span of, vested assets,
- inclusion of calculations of solvency and debt ratios in reporting,
- unbudgeted work completed on Te Kowhai level rail crossing,
- costs of sending unpaid parking infringements to court, and
- increase in surplus from capital subsidy programme.

Resolved: (Cr Pascoe/Cr Mallett)

That the Finance Committee receives the report.

9. 10-Year Plan 2018-28 Non-financial Organisational Performance Reporting Quarter Three

The Programme Manager Strategy introduced the report noting that the report now included colour coding to note where there was no new data available.

Committee Members asked questions concerning the reporting of donations received.

Resolved: (Cr Mallett/Cr Tooman)

That the Finance Committee receives the report.

10. Domain Endowment Lease - Freeholding - 189 Fox Street

The report was taken as read.

Committee Members asked questions concerning where any monies received were accounted to, use of money received, inclusion of GST, and the strategic direction of endowment funds.

Resolved: (Cr Mallett/Cr Hamilton)

That the Finance Committee:

- a) approves the sale of the freehold interest described in the Schedule to the lessee for a price of \$380,000 (Three hundred and Eighty Thousand Dollars) including GST (if any); and
- b) authorises the Chief Executive to prepare and execute an Agreement for Sale and Purchase; and any other instruments required to give effect to this resolution.

SCHEDULE

All that piece of land situated in the city of Hamilton containing 675m² (more or less) being Lot 7 DPS 1200 and being all the fee simple land comprised in Certificate of Title 198604 situated at 189 Fox Street, Hamilton.

Cr Southgate dissenting.

11. Extension of Delegation for Management of 3-Year Renewals and Compliance Capital Programme (*Recommendation to Council*)

The Programme Manager Assets and Growth spoke to the report, noting that any changes to delegation would remain within the 3 year budget allocation and that any use of the extended delegation would be reported to the Finance Committee to ensure visibility.

Committee Members asked questions concerning the management of political pressure around projects, reporting requirements, prioritisation and identification of any identified new renewal priorities, and current delegation levels.

Resolved: (Cr Mallett/Cr Hamilton)

That the Finance committee:

- a) receives the report and;

- b) recommends the Council approve changes to the Delegations to Positions Policy as shown in Attachment 1 to this report, to enable more flexibility in the management of the 3-Year Renewals and Compliance capital programme.

12. Contract 15216 Supply of Library Collection Materials right of renewal

The Libraries Manager and the Content and Heritage Manager spoke to the report, noting some of the figures concerning the supply of collection materials to the libraries.

Committee Members asked questions concerning contract amounts.

Resolved: (Cr Southgate/Cr Casson)

That the Finance Committee:

- a) receives the report; and
- b) approve the right of renewal to the value of \$1,500,000 for Contract No. 15216: Supply of Library Collection Materials with Wheelers Book Club LTD.

13. Resolution to Exclude the Public

Resolved: (Cr Pascoe/Cr Mallett)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of Finance Committee Meeting Minutes - Public Excluded - 9 April 2019) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Report on overdue debtors as at 30 April 2019 & Debt write-offs 2018/19)	
C3. 2015-19 Fujitsu Hosting and Managed Infrastructure and Application Services Contract Value Confirmation		

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

which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Attachment 1

- | | | |
|----------|--|------------------------|
| Item C1. | to prevent the disclosure or use of official information for improper gain or improper advantage | Section 7 (2) (j) |
| Item C2. | to protect the privacy of natural persons | Section 7 (2) (a) |
| | to maintain the effective conduct of public affairs through protecting persons from improper pressure or harassment | Section 7 (2) (f) (ii) |
| Item C3. | to avoid the unreasonably, likely prejudice to the commercial position of a person who supplied or is the subject of the information | Section 7 (2) (b) (ii) |

The meeting moved into a Public Excluded session at 12.28pm.

The meeting was declared closed at 12.55pm.

Item 5

Council Report

Item 6

Committee: Finance Committee

Date: 01 August 2019

Author: Cory Lang

Authoriser: Jen Baird

Position: Building Control Manager

Position: General Manager City Growth

Report Name: Weathertight Buildings

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee of the present status of weathertight claims.

Staff Recommendation

That the Finance Committee receives the report.

Executive Summary

2. There are few changes to the position of our claims since we last reported to the Finance Committee on 28 August 2018
3. One existing claim has been settled in the last 12 months.
4. There is one new claim.

Background

5. The Weathertight Buildings report provided to the Finance Committee on [11 April 2017](#) included some background information on the history of the weathertight problem and how the legal scene has evolved into the situation we now face.
6. This report provides the current situation on the position of Hamilton City Council claims.

Discussion

7. The changing trend is for most claims to be dealt with through the High Court; we are seeing very few claims being dealt with by the Weathertight Homes Tribunal.
8. Hamilton City Council continue to address and settle most cases through the process of mediation, thereby saving costs for all parties to the claim.

Financial Information

9. One existing claim has been resolved and settled in the last financial year and this is shown in the current financial information below.
10. Total Council Costs of Settlements from 2008 to 30 June 2019 is \$3,753,851.

Summary of Weathertight Settlements as at 30 June 2019

Claims by Year	Total number of settlements	Council settlement amount	Other parties settlement amount	Total settlements
2008/09	5	\$ 103,000	\$ 257,000	\$ 360,000
2009/10	6	\$ 99,898	\$ 782,102	\$ 882,000
2010/11	6	\$ 206,500	\$ 228,000	\$ 434,500
2011/12	6	\$ 819,500	\$ 395,125	\$ 1,214,625
2012/13	5	\$ 617,000	\$ 280,000	\$ 897,000
2013/14	8	\$ 749,328	\$ 31,788	\$ 781,116
2014/15	3	\$ 313,625	\$ 918,625	\$ 1,232,250
2015/16	1	\$ 45,000	\$ -	\$ 45,000
2016/17	1	\$ 470,000	\$ 185,680	\$ 655,680
2017/18	1	\$ 125,000	\$ 232,800	\$ 357,800
2018/19	1	\$ 205,000	\$ 170,000	\$ 375,000
Total	47	\$ 3,753,851	\$ 3,481,120	\$ 7,234,971

Current Outstanding Claims and Estimated Settlements as at 30 June 2019

Claim Type	(\$000s)
Commercial	
2 (High Court)	648
Historical	
(Initial claims with Weathertight Homes Resolution Service WHRS)	
4	526
Active	
1 (WHRS)	254
1 (High Court)	200
Total Estimated Settlements	\$1,628

Number of Weathertight Claims Comparison for Metro Councils as at 31 January 2019

Metro Council	Number of Individual Household Unit Claims	Number of Actual Claims
Auckland City Council	2043	339
Christchurch City Council	56	36
Hamilton City Council	15	6
Tauranga City Council	196	16
Wellington City Council	226	29

Risks

- In relation to managing our risk and exposure, we are confident that our systems and processes are designed, implemented and audited to mitigate claims and liabilities through carrying out our functions and duties under the New Zealand Building Act (2004).

12. In terms of current legal and financial risk, we continue to mitigate our exposure using active case management along with experienced and qualified subject matter experts.
13. We are not able to estimate the number of future claims however, Hamilton City Council continues to receive a small number of claims in comparison with other metro Councils.

Cultural considerations

14. There are no cultural considerations as this report is for information.

Legal and Policy Considerations

15. Staff confirm that the matters in this report complies with the Council's legal and policy requirements.

Cultural Considerations

16. In accordance with our obligation under the Local Government Act 2002, staff confirm that the content of this report has taken into consideration any cultural matters where possible to recognise and respect the Council's responsibility to take appropriate account of the principles of the Treaty of Waitangi, and to maintain and improve opportunities for Māori to contribute to local government decision-making processes.

Attachments

There are no attachments for this report. .

Council Report

Item 7

Committee: Finance Committee

Date: 01 August 2019

Author: Natalie Young

Authoriser: Chris Allen

Position: PMO Manager

Position: General Manager
Development

Report Name: Capital Portfolio Monitoring Report

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee on the progress of the capital portfolio delivery for the end of the 2018/19 financial year.

Staff Recommendation

That the Finance Committee:

- a) receives the report; and
- b) notes that decisions will be made on the Central City Jetty project as part of the Financial Strategy Report to this Committee meeting.

Executive Summary

2. This report is to be read in conjunction with the:
 - a) June 2019 (1 August 2019 meeting) Annual Monitoring Report; and
 - b) June 2019 (1 August 2019 meeting) Financial Strategy Report
3. This report reflects the provisional results for the 2018/19 financial year at the end of June 2019.
4. The 2018/19 approved capital budget is \$254.8M and is a significant increase over the previous 2017/18 budget of \$100.7M.
5. The year end result (spending to the end of 30 June 2019) for the capital portfolio was \$153.8M, representing an **82% increase** on last years spending (\$84.6 M).
6. This report estimates the final capital movement figures for 2018/19 to be;
 - a) \$95.4M of deferrals from 2018/19
 - b) \$8.2M of savings from 2018/19
 - c) \$1.8M of projects brought forward to 2018/19
 - d) \$0.6 of new projects approved for 2018/19

7. The capital movements above will be confirmed in the 10 September 2019 Finance Committee Report and should be treated as provisional results at this stage.
8. It is expected that about 64% of the deferrals are “rephasing deferrals” which relate to projects that have either started or where there is a high degree of confidence that the project will finish on time but the expenditure across the years of the project is forecast to be different than budgeted.
9. The year end result for revenue (revenue to the end of 30 June 2019) for the capital portfolio was \$35.4M, representing an **107% increase** on last years capital revenue (\$17.1 M).
10. With the budget adjusted to remove deferrals from 2018/19, there was an additional \$15.0M of revenue achieved that was not budgeted;
 - a) Budgeted Revenue = \$44.8M
 - b) Deferred Revenue = \$24.6M
 - c) New Projects Revenue = \$0.2M
 - d) Revised Budgeted Revenue = \$20.4M
 - e) Actual Revenue = \$35.4M
11. Staff consider the matters in this report have low significance and that the recommendations comply with the Council’s legal requirements.

Programme Summary

12. The following definitions are relevant
 - Portfolio; refers to the total organisational capital works budget \$254.8M in Year 1/2018-19 and \$772M over 3 years (2018-21).
 - Programme; refers to the 8 programmes that are referred to in this report, which when added together equal the Portfolio.
 - Project; refers to an individual identified project under a particular programme which may have funding from multiple activities and across multiple years
13. Refer to the attached programme reports for the overview of key achievements in each of the programmes over the last 12 months (Attachment 1).
14. Key highlights across the portfolio include;

Renewals and Compliance Programme

 15. The Council, through its 10-Year plan, made decisions to invest more in looking after its existing assets. The increased investment is supported by an understanding that circumstances and assumptions change and there is need for agility and reprioritisation of the initial programme. While staff have confidence in the planning that has been undertaken, there is information that is not known at the time the programme is planned and results in the need to be agile and make reprioritisation changes to manage risks, respond to unplanned failures and accommodate cost variations.
 16. The increased flexibility in the programme has been recently supported by Council through delegation to the Chief Executive to allow staff to approve changes within the 3-Year programme with reporting to Council.
 17. 28% of the total 3-year renewals and compliance budget has been spent in the first year (2018/19). The rate of expenditure has been increasing throughout the year as detailed designs and contracts on some significant projects have been completed and construction phases have begun.

Transport Improvement Programme

18. The Transport Improvement programme is delivering the Access Hamilton outcomes of enabling growth, improving transport network safety and improving transport choice.
19. *Growth:*
20. Construction of the final link of the Hamilton Ring Road major arterial network, the extension of Wairere Drive to connect to Cobham Drive (SH1) is now underway. The project will deliver efficient and safe transport network outcomes for cars, buses, cyclists and pedestrians, and is also a key enabler to development of the Peacocke growth area. With significant financial support by the NZ Transport Agency, this project is on-track for completion in 2021.
21. Hamilton City is continuing to support the current construction of the Hamilton section of the Waikato Expressway, currently being constructed around the eastern boundary of the city by the NZ Transport Agency. Once complete and open this will change how people get around and access the city, and will provide significant benefits to inter-regional transport, continuing to reinforce Hamilton as an attractive option to both residents and businesses.
22. Strategic transportation projects within the growth cells of Rototuna, Ruakura, Peacocke and Rotokauri are being delivered within those programmes. Transportation networks in these areas are a critical enabler to land development.
23. *Safety:*
24. A significant upgrade of the Thomas/Gordonton intersection has been completed. This was the highest risk crash site in Hamilton, with a history of high severity crashes including fatalities. With support from the NZ Transport Agency at an enhanced funding assistance rate of 75.5%, a new signalised intersection has been implemented, along with the successful NZ first application of Raised Safety Platforms in a high-speed environment. Further interventions along the Gordonton Road corridor are planned over the next 24 months, in conjunction with already implemented speed limit reductions.
25. Completion of raised platforms, pedestrian signals and intersection improvements at a number of sites across the city (Bankwood Primary School, Grantham/Victoria Intersection, Anzac/Memorial Intersection, Sandleigh/Ohaupo Intersection, Killarney/Ellis Intersection, Masters Ave and River Road), providing safer crossing facilities for pedestrians and cyclists.
26. Design and works planning is progressing to continue to deliver a programme of improvements at high risk intersections and locations across the city.
27. *Transport Choice:*
28. In order to support public transport operations in the city, over the last 12 months HCC have installed 40 new bus shelters, 21 new accessible kerbs and 41 solar lights in the Orbiter route shelters, and continue to work with Waikato Regional Council to support bus network operations, including new service initiatives like The Comet.
29. The proposed new Hamilton to Auckland Start-up Passenger Rail Service is planned to commence service by mid 2020. HCC has completed the land purchase for a park and ride site in Rotokauri and has also completed the design of the new Rotokauri Transport Hub. This will result in an integrated transport outcome including a new rail platform, a bus interchange, a park and ride facility and improved pedestrian and cycle network connectivity.
30. Design is almost complete for the final Hamilton section of the Te Awa River Ride, a walking/cycling route which will ultimately extend from Ngaruawahia in the north to Karapiro in the south, connecting key nodes and destinations along the way and running through the heart of Hamilton along our river path network. The final Hamilton City section extends south from the Hamilton Gardens through the Hammond Park / Riverlea area to the city boundary.

31. School Link and University Route cycleway and public transport projects have been progressing through business case process to identify a preferred concept. These projects potentially involve substantive changes to transportation networks on the Eastern side of the city, and could be a game-changer for public transport and cycle network connectivity through these areas.
32. Planning and design has been completed for upcoming implementation of the Claudelands Cycle Way, which will deliver separated cycle ways and shared vehicle/cycle lanes along Claudelands Rd from Victoria Street to Grey Street, in order to improve path networks for pedestrian movement between the CBD and Claudelands and improve cycling safety and connectivity from the eastern side of the city to the CBD.

City Wide Community Programme

33. The City Wide Community Programme has made a significant contribution to the outcome of 'improving the vibrancy of our social and creative spaces' through the delivery of the projects under this programme.
34. The Central City Jetty is included in this report as a request for additional funding to allow for the delivery of the chosen option. This will provide a safe location for boats to dock close to the central business district. There is a separate report in the public excluded section of this Committee meeting to award the contract if Committee approves the additional funding.
35. The delivery of 3 new playgrounds this year at Hillcrest Stadium, Mangaiti, and Innes Common (opening in September 2019) have provided great spaces for the community to come together and enjoy.
36. The Clyde Park cricket block has been moved from Galloway Park to enable the Claudelands Rovers to have a higher quality pitch to participate in the Northern League competition. The cricket block is complete and will be ready for use this summer.
37. Work on the Waiwhakareke Natural Heritage Park development is well underway with the toilet block and tracks now complete. The platform overlooking the lake is in development. The long-term aim of Waiwhakareke is to reconstruct the natural forest, wetland and lake ecosystems present in pre-European times. Opening this important asset will provide not only an opportunity for the public to enjoy our native flora and fauna but to grow our understanding of bio-diversity and conservation.
38. The Hamilton Zoo/Waiwhakareke shared entry precinct project has completed the concept plan and development options are being investigated for progressing the development, including linkages to transportation projects.
39. The focus for 2018/19 for Hamilton Gardens has been completing elements of the previous development as well as starting on the new development approved in the 2018-28 10-Year Plan. The Picturesque Garden is now completed and will be opened in November 2019 once the plant growth and lawns are settled in.

Peacocke Programme

40. Within the last twelve months, Hamilton's Peacocke programme team has been established and progressed from a near standing start to effective delivery of one of Hamilton's most significant infrastructure programmes.
41. HCC's Peacocke team has engaged expert engineering, planning and property consultants to work with staff on activities critical to enable development – property, transport and wastewater.
42. Design work is under way to allow construction to have commenced on more than half of the Peacocke capital programme by the end of 2020.

Rotokauri Programme

43. Significant planning work over the last 8 years has laid out the platform for development in this growth cell.
44. The recently completed strategic wastewater (Far western Interceptor) and water (Rotokauri Bulk watermain) provides capacity for the next 30 years of development.
45. Substantive development in southern Rotokauri is dependent on stormwater management and in particular the Rotokauri Swale. The designation of this swale is progressing well and is expected to be secured by Dec 2019. Delivery of this strategic asset is being investigated through partnership with developers and innovative funding options with central government are also being considered.
46. Work is also underway to designate the Rotokauri arterial transport network, dependent on negotiations with developers.

Rototuna Programme

47. The Rototuna growth area has been developed north of Flagstaff over the last 10-15 years, and is now nearing completion. There is now a large number of Hamilton residents that call the Rototuna area home. The key outcomes of the Rototuna Programme are to support the liveability and vibrancy of the area for existing residents through provision of great community assets, and to continue to provide strategic infrastructure servicing to enable and support remaining land development.
48. *Community Assets*
49. Development of this programme has benefitted from strong proactive community engagement through the 'Your Neighbourhood' engagement session in Rototuna, which also gave the community an opportunity to understand the proposed works in Councils delivery programme.
50. Development of the Rototuna Sports Park is almost complete, with the finishing touches now being applied to the 5 new soccer fields and 2 grass cricket pitch blocks. With city sports park facilities continuing to come under pressure, development of the Rototuna Sports Park will support residents, the Rototuna High School and other schools in the area with great green-space, recreational and premier sports facilities which they currently don't have access to.
51. Concept development has been progressing for the planned Rototuna Village, including a planned town square, library and community hub. One of the key outcomes for development of this project was to achieve a real sense of community ownership for the Village, which has been progressed through assisting the community with leading the project engagement. Rototuna High School students were coached to engage with other students in the area to get feedback on what is important to them, attend community conversations and present their findings to elected members.
52. Pedestrian and cycle connectivity continues to be improved in the area, with significant additional path connections being installed in the last 12 months within the new Rototuna Sports Park and connecting to schools and residential areas, and at Hare Puke park to provide appropriate pedestrian and cycle connectivity from residential areas to the new Te Ao Marama primary school.
53. In addition to the Hare Puke playground which was constructed in 2018 and was recently awarded NZ playground of the year, development of the new Mangaiti playground and associated path network through the future Managiti Reserve has been completed in 2019, providing more great outdoor social and recreational facilities in the area.
54. *Strategic Infrastructure to enable Land Development:*
55. The final section of the Borman Road minor arterial transport connection in the west to Kay Rd is currently underway, which will enable final stages of land development to progress in this

area and improve network connectivity once open, including reducing traffic volumes on Kay Road where there are currently safety concerns.

56. To support current and further anticipated development around North Ridge Drive, we have been progressing design to complete an urban upgrade of North Ridge Drive which will provide lighting, footpaths and kerbs to this existing rural standard road, as well as acquiring land and completing design to develop a new stormwater treatment pond to service the development area.
57. The key missing strategic transportation network link in the area is the final section of Borman Road between Kimbrae Drive and Horsham Downs Road. Although construction funding in the 2018-28 10YP for this isn't budgeted until 2023-2024, concept development and business case engagement with the NZ Transport Agency to seek project financial assistance is underway.
58. Construction of the Resolution Drive Extension to the Waikato Expressway is underway. This will be a critical network connection for all residents of north-east Hamilton to connect to the Waikato Expressway once complete.

Ruakura Programme

59. The Ruakura growth area provides 405ha of employment land incorporating an Inland Port, regional freight and logistics hub, industrial park and other employment land. It also provides 77ha for research and innovation activities, allowing for the expansion of the existing Waikato Innovation Park and maximising opportunities for connectivity and interaction between the University of Waikato and AgResearch.
60. There is development pressure to bring forward the provision of access to Ruakura to address network growth and enable future stages of the Inland Port and logistic areas. The two key projects to enable this growth is the urbanisation of Ruakura Rd and the construction of the Ruakura Spine Rd. The Spine Road provides the connection between the Waikato Expressway and the Fifth Ave intersection, while Ruakura Rd, provides a safe collector road featuring off road or protected cycle facilities and improved pedestrian connectivity to the Innovation Park and the City.
61. The Strategic wastewater pipe (Far Eastern Interceptor) will provide wastewater capacity for the growth cell and the current stage has been in construction through a private developer agreement with a completion date of Nov 2019 to the southern boundary of the Chedworth Properties land.
62. The Ruakura Reservoir has started construction and will supply water for the growth cell as well as increasing the cities resilience in an emergency scenario. The asset life of over 100 years has been designed to maximise not only construction value for money, but also exploring operational savings through sustainable and innovative solutions to achieving the cities level of service for water.

City Wide Waters Programme

63. This is a very significant infrastructure programme that is required to
 - Support growth (greenfield and infill)
 - Meet required levels of service (compliance and customer)
 - Provide resilience
64. This work is being informed by Master Plans which will ensure that the scope and timing of infrastructure needed to service growth are well understood and planned for. They also provide a framework to maintain system performance into the future and optimise the use of existing infrastructure.

65. Work is progressing on the following projects and programmes of work across water supply and wastewater.
66. The upgrade of the Pukete Wastewater Treatment Plant will provide a smart and optimal whole of life cost solution to increase Hamilton's wastewater plant capacity to meet growth, demand and /or load projection while maintaining sustainable regulatory compliance and agreed levels of service for the community
67. The upgrade of the Waioira Water Treatment Plant will upgrade the capacity of its current water treatment facilities to meet the potable water needs of a growing city.
68. The water network strategic upgrades will provide a framework to maintain system performance into the future; optimise the use of existing infrastructure, decouple the water treatment plant from day to day network operations to improve network resilience and simplify operations; to help reduce water loss.
69. The wastewater strategic upgrades will address under capacity and overflow issues through strategic upgrade of interceptors, local network including storage and pump stations to address planned growth (infill, intensification, industrial/commercial activities, and green-field development)
70. Catchment management plans are under development and will provide an understanding of the effects of Hamilton's stormwater and assess options and opportunities for mitigation, improvement and enhancement. The stormwater network improvements will provide improvements across the city with a focus on erosion control in relation to development areas.
71. Potable water and wastewater assessment is also included to ensure the best outcome from an overall 3-waters perspective, thus creating Integrated Catchment Management Plans (ICMPs)

Capital Expenditure to end of June 2019

72. For the purposes of this Capital Portfolio Monitoring Report there are 4 main types of capital budget movements that will impact on the forecasted total spend for this financial year. They are;
73. **Rephasing Deferrals** – this is where the project has started or there is confidence that the project will start and will finish on time but the expenditure across the years of the project is forecast to be different than budgeted. In general, this refers to projects where we have now received construction programmes from the contractors and with them the forecasts of expenditure have been rephased.
74. **Delay Deferrals** – this is where a movement of capital expenditure is required due to delays and will result in a shift of the project end date. Some of these delays will be due to third party issues outside our control- the more usual reason being that a developer is not ready to partner with HCC as anticipated when the 2018-28 10-Year Plan was developed.
75. **Capital Savings** – this is for the recording of efficiencies and capital savings that can be attributed to the capital savings target. The capital savings translate into operating savings through consequential opex, interest and depreciation savings. The contribution of the capital savings to operating savings are established through the six-monthly Business Transformation Report.
76. The organisation has an increased focus on the capital portfolio and is putting in place disciplines to allow for the realisation of savings from projects. By regularly capturing the savings on projects the discipline of controlling scope and seeking savings from projects is becoming part of the organisational culture. There is regular checking and challenging of projects, project scopes and procurement methods to ensure that we are delivering the right outcomes to the community at the best value for money.

77. The savings declared to the end of year 1 (2018/19) are provisional and will be confirmed at in the September 2019 Finance Report.
78. **Capital Expenditure Brought Forward** – this is where a project has been brought forward to align with other projects or to enable work ahead of schedule to achieve the outcomes required in the timeframes set.
79. Work has been undertaken on the 3-year programme extending to the 5-year programme to understand the impact of capital movements with future work programmes on the financial strategy. The following movements have been signalled out over the 5 years and the resulting changes to the forecasts at year end have been made;

	2018/19	2019/20	2020/21	2021/22	2022/23
Baseline Budget (for 2018/19 this includes deferrals from 2017/18)	\$254.8M	\$288.6M	\$228.9M	\$213.5M	\$200.7M
Capital Savings	(\$8.2)M	\$0M	\$0M	\$0M	\$0M
Deferral Movements	(\$95.4)M	\$40.3M	\$55.1M	\$0M	\$0M
Capital expenditure to be brought forward from future years – this includes 2 movements from Year 5 to Year 2	\$1.8M	\$3.0M	(\$3.0)M	\$0	(\$1.8)M
New Projects	\$0.8M	\$2.5M	\$0	\$0	\$0
Total Forecasted Capital Expenditure	\$153.8M	\$334.4M	\$281.0M	\$213.5M	\$198.9M

80. A breakdown of the capital movements by project will be provided in the 10 September 2019 Finance Committee Report. This is to ensure that the data used is accurate given the short time between the close of the 2018/19 financial year and the date of this Committee meeting, and the provisional nature of the results.
81. The previous breakdown (23 May 2019 Finance Committee) of deferrals showed that following allocation of deferral movements for 2018/19. It is expected that this allocation will be similar when final figures are confirmed in the September Finance Committee Report;
- Delay Deferrals = 36%
 - Rephasing Deferrals = 64%
82. These provisional results indicate the following changes since the last report to Committee (23 May 2019);
- Additional \$2.9M capital savings
 - Additional \$12.1M of deferral movements
83. A new request for the bring forward of \$0.2M from **2022/23 (year 5)** to **2019/20 (year 2)** has been made for the purchase of natural areas land in the Peacocke area. As part of the subdivision of 89 Peacockes Lane, there is a requirement for the landowner to vest an area (approx. 10,000m²) of the gully as esplanade reserve at no cost to Council. This leaves an area of gully (5,280m²) that the landowner was agreeable to sell to Council subject to an independent valuation. The purchase of this land is anticipated by the Peacocke Structure Plan that identifies this gully as future reserve. The land also adjoins Whatukoruru Paa site, and will

facilitate an off-road pedestrian/cycleway connection between the Paa site and the future suburban centre.

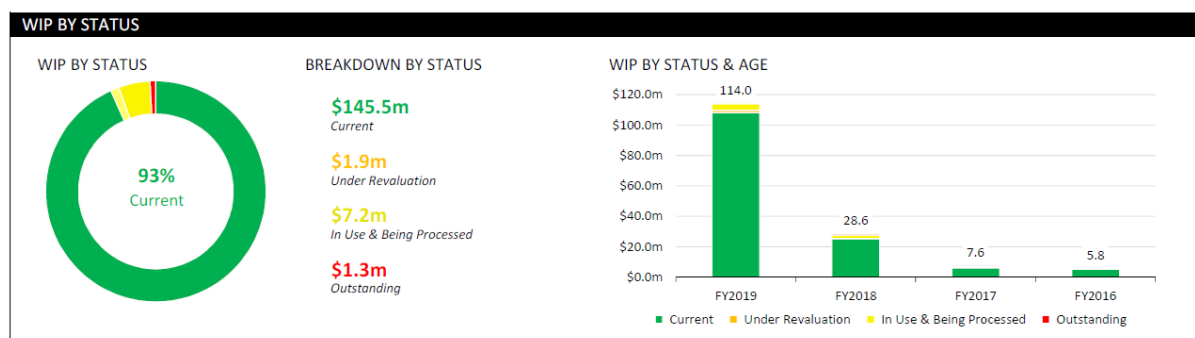
Revenue to end of June 2019

84. The following table shows the movement in revenue forecasts signalled as a result of the review of the 5-year portfolio;

Revenue	2018/19	2019/20	2020/21	2021/22	2022/23
Baseline Revenue Budget	\$44.8M	\$65.4M	\$42.6M	\$50.7M	\$53.3M
New Revenue	\$15.0M	\$2.3M	\$2.3M	\$2.3M	\$2.3M
Revenue Deferral Movements	(\$24.6)M	\$9.1M	\$15.6M	\$0M	\$0M
New Projects					
- Te Awa Cycleway Remediation	\$0.2M	\$0.7M	\$0M	\$0M	\$0M
Revised Budgeted Capital Expenditure	\$35.4M	\$78.5M	\$60.5M	\$53.0M	\$55.6M

85. A list of revenue movements by project will be provided in the 10 September 2019 Finance Committee Report. This is to ensure that the data used is accurate given the short time between the close of the 20218/19 financial year and the date of this Committee meeting, and the provisional nature of the results.
86. The revenue deferral movements are directly related to the movements in capital deferrals across the 3 years.
87. With actual revenue achieved of \$35.4M for 2018/19 there was an additional \$15.0M of unbudgeted revenue achieved.

Work in Progress (WIP)



88. The balance of Work in Progress has decreased to \$145.5m at the end of June 2019 from \$147.4m at the end of March 2019.
89. As previously reported to the Finance committee, the Work in Progress balance has been categorised into three categories:
- Current
 - In use and being processed
 - Outstanding.

90. Current WIP is legitimate and reflects that assets cannot be capitalised until they are in use. Throughout this year reporting on Work in Progress balances and capitalisation activity has included the Work in Progress balance that is in the 'current' category.
91. The percentage of WIP that is categorised as 'current' has increased month on month from 72% in December 2018 to 93% at the end of June 2019.
92. The improving trend over recent months is also represented in the decrease on WIP that is categorised as being 'outstanding' from \$9.1m at the end of March 2019 to \$1.3m at the end of June 2019.
93. The remaining \$1.3m outstanding WIP is made up of \$1.1M of three waters assets – currently a revised process is being developed to speed up aspects of capitalisation.
94. The improving trends reflect the staff focus that has been placed on improving the timeliness of capitalisation and dealing with a significant amount of historic WIP that had not been capitalised that has been an issue raised by successive Audit New Zealand reviews.

Point of Clarification

95. **Approved Contract Sum Terminology**
96. Staff were requested to report back to this Committee on the differences between Projects and Approved Contract Sums. This request was made following approval of an increased Approved Contract Sum for the Infrastructure Alliance Contract at the Growth and Infrastructure Committee meeting of 18 June 2019.
97. The clarification was requested around the notion of agreed extensions to Approved Contract Sums with the advice that no additional funding is required.
98. Council makes decisions largely through the 10-Year and Annual Plans to fund projects. Staff are then mindful at all times to deliver these projects within the funding that Council has allocated for that particular project.
99. Council delivers these projects largely through contracts. Some projects could have one delivery contract but it is more normal to have a number of delivery contracts.
100. When awarding a contract staff will have secured a contract price through tendering and then they assess an appropriate level of contingency that might be required to deliver that contract noting that things will change and most contracts have variations.
101. When a contract is awarded it is awarded against an Approved Contract Sum which is the tender price plus the assessed contingency. It is staff's job to ensure that the project has sufficient funding to cover this ACS and any other contract or cost that might be incurred as part of the project.
102. At times the variations will exceed the contingency that has been included in the ACS and an extension is required. Sometimes there may be sufficient funding remaining in the project budget. If no funding remains and any likely overspend is outside the CEO delegation, Staff will have to come back to Council requesting additional funding.
103. For some long-term maintenance contracts a contract will be let for a specific term (say 3 years), with a right to extend that contract by another term (say three years) subject to a number of matters including performance. Normally Staff would set an ACS for the first term (3 year) only and then seek to extend the ACS by the sum required for the next 3 years closer to the time when the extension is to be granted.
104. Finally, at times it is cost effective to deliver another project which is fully funded, using an existing contract. When this happens an extension to the ACS is required.
105. The diagram attached (Attachment 2) shows the relationship between projects and contracts.

106. In the case of the Infrastructure Alliance

- The Contract was awarded in September 2013 for a term of 3.75 years to 30 June 2017 with an ACS of \$67,000,000. This ACS had an allowance of \$2,229,000 for undertaking additional capital works that were funded in other budgets
- The ACS was increased by \$68,000,000 to \$135,000,000 in March 2017 to allow for the first 3 year extension to 30 June 2020 all of which is funded in the 10 Year Plan
- The ACS was further increased by \$5,700,000 to \$140,700,000 in September 2017 to allow the Infrastructure Alliance to supply and install stage 1 and 2 LED lighting in the City. The LED lighting was funded in the 10 Year Plan
- Finally the ACS was further increased by \$20,759,000 to \$161,459,000 in June 2019 to allow for additional capital work which has its own funding to be undertaken by the Infrastructure Alliance. This additional work included the Thomas/Gordonton Road Intersection Improvement project, remaining LED lighting, increased maintenance and discretionary transport projects
- A further increase in ACS will be requested by June 2020 in association with the final term extension.

Key Risks

107. **NZ Transport Agency Funding Assistance**

108. NZTA financial position (Over subscription of NLTP) resulting in projects not achieving funding assistance as anticipated in 10 YP and financial strategy. As a result of not achieving assumed NZTA funding assistance, some projects may be delayed, some may not be delivered or alternatively if progressed without subsidy will require additional HCC funding or scope reduction.

109. *Treatment Plan*

- a) Financial modelling for scenario forecasts.
- b) Prioritise Business Case and design efforts to 'likely' subsidised works.
- c) Ensure quality and timeliness of Business Case submissions.
- d) Communication and partnering with NZTA regarding Access Hamilton priority projects.

110. **Contract Resources**

111. High demand for contract resources, resulting in lack of price tension and associated cost escalation.

112. *Treatment Plan*

- a) Pipeline visibility and market briefings. Regular discussions with CCNZ.
- b) Robust estimation and budget estimates in 10YP (including escalation).

113. **Professional Service Resources**

114. High demand for consultant resources, resulting in delivery time, cost and quality issues.

115. *Treatment Plan*

- a) Recent retendering of the Waikato LASS Professional Services Panel.
- b) Identify bundles and secure centralised professional service engagements.
- c) Provide project pipeline visibility and market briefings.
- d) Regular discussions with Association for Consulting and Engineering Professionals (ACENZ)

- e) Performance management and feedback.
- f) Robust scope definition and planning upfront to ensure alignment.

Emerging Issues

Te Awa Cycleway

- 116. The Te Awa Cycleway project faces potential delays as the NZ Transport Agency has signalled that they do not want to progress with any works in the Hamilton Area until the issues in the Waikato and Waipa Council areas are resolved.
- 117. Waikato and Waipa Councils are facing land acquisition issues, delaying their ability to progress the overall project. The NZ Transport Agency does not want to progress until the full cycleway is ready.

Council Decisions Required

- 118. From time to time issues will be raised that require a Council decision to vary the 10-Year Capital Plan. Any Council decision will generally relate to;
 - A new project request; or
 - A significant issue; or
 - A cost increase that exceeds the Chief Executive delegation
- 119. It is intended that this report describes the issues and sets out the options for Council, but that the decision is made as part of the Financial Strategy Monitoring report in order for Council to understand the impact of any cumulative operational and capital decisions on the financial strategy.
- 120. This report describes a cost increase that exceeds the Chief Executive delegation, titled *Central City Jetty*.
- 121. **Central City Jetty**
- 122. On 19 April 2018 Council approved a 'better level of service jetty' which was estimated at a cost of \$550,000 "subject to detailed design". The budget estimate was based on costs developed by the consultant with calibration using the Hamilton Gardens' jetty.
- 123. Further design work has been undertaken and Brian Perry Civil are providing pile design input through early contractor involvement. Due to the size of the piles, gangway and pontoon and barge establishment costs the cost has come in higher at \$1,132,000.
- 124. Through shared use of the barge with other projects we have managed to reduce the required total cost of the project to \$1,050,000.
- 125. The work to date has been on the design and the acquisition of the required consents (resource consents, archaeological authority).
- 126. Additional funding of \$500,000 is requested for the completion of this project before the coming summer.
- 127. Previous savings have been recorded against the River Plan Strategic Properties of \$494,971.
- 128. The capital expenditure financial information is as follows;

Type of Cost	2018/19	2019/20	Total
Capital Expenditure Budget	\$0.55M	\$0M	\$0.55M
Deferral	(\$0.46)M	\$0.46M	\$0M
Additional Capital Expenditure Requested	\$0M	\$0.50M	\$0.50M

Revised Capital Expenditure Budget	\$0.09M	\$0.96M	\$1.05M
Expenditure to Date	\$0.09M	\$0M	\$0.09M

129. The operating expenditure financial information is as follows;

Type of Cost	Annual Costs
Interest	\$49,300
Depreciation	\$21,000
Consequential Opex	\$5,000
Total Opex per annum	\$75,300

130. The book value of the existing jetty is \$5,900.

Legal and Policy Considerations

131. Staff confirm that the matter discussed in this report complies with the Council's legal and policy requirements.

Cultural Considerations

132. A review of our project management framework is underway to ensure that programmes and projects are assessed appropriately against the appropriate cultural considerations.

Risks

133. There are no known risks associated with this matter.

Significance & Engagement Policy

Significance

134. Having considered the Significance and Engagement Policy, staff have assessed that the low significance. This means that the projects and programmes are in line with the decisions of the 2018-28 10-Year Plan.

Engagement

135. Community views and preferences are already known to the Council through the 2018/28 10-Year plan.

136. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments

Attachment 1 - A Look Back - Capital Portfolio

Attachment 2 - Approved Contract Sum Diagram 2019-08-01

Attachment 3 - River Plan- Central City Jetty- Concept .



A LOOK BACK...

CAPITAL PORTFOLIO 2018/19

hamilton.govt.nz

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**Hamilton
City Council**
Te kaunihera o Kirikiriroa

ROTOTUNA

PROGRAMME OUTCOME

Enabling the development of an attractive and sustainable community in the Rototuna growth area.

WHAT'S IT ALL ABOUT ?

We are all about improving the wellbeing of Hamiltonians making our city a great place to live, work, play and visit.

The Rototuna growth area has been developed north of Flagstaff over the last 10-15 years, and is now nearing completion. There are many Hamilton residents who call the Rototuna area home.

This is a snapshot of some key achievements from the past 12 months (July 2018 - June 2019).

WHAT WE'VE SPENT



\$18.24M

WHAT WE'VE ACHIEVED

Roads and pipes to enable land development:

BORMAN RD CONNECTION

Construction on the final section of Borman Rd (west) to Kay Rd is currently underway.



NORTH RIDGE DR UPGRADE

We have been progressing design to complete an urban upgrade of North Ridge Dr.

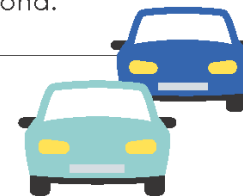


NORTH RIDGE DR STORMWATER POND

We have acquired land and completing design to develop a new stormwater treatment pond.

NORTH CITY RD UPGRADE

First section of the North City Rd upgrade is nearing completion.



BORMAN RD EAST

Concept development and the business case are underway.

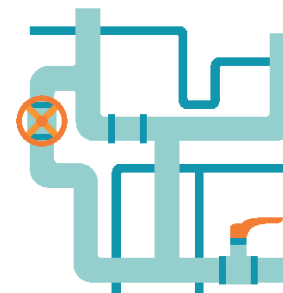


RESOLUTION DR EXTENSION

Construction to the Waikato Expressway is underway.

WATER PIPES

We have installed more than 2km of main water pipes to ensure water supply throughout the Rototuna area is maintained.



Parks, playgrounds and pathways:

ROTOTUNA SPORTS PARKS

This park will provide:

- five new soccer fields
- two grass cricket pitches
- ready for summer
- design of the toilet and changing facilities is underway.



ROTOTUNA VILLAGE

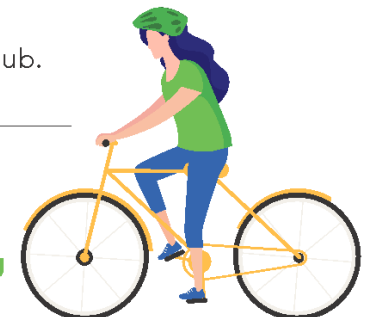
Concept design work is progressing on the Rototuna Village, including:

- town square
- library
- community hub.



PEDESTRIAN AND CYCLE CONNECTIVITY

Significant pedestrian and cycling connections are being built.



MANGAITI PLAYGROUND

Completed

Over the next two years, we are investing in other major projects in Rototuna, including:

- Rototuna Village
- North Ridge Dr upgrade and wetland
- Resolution Dr extension.

For more information visit hamilton.govt.nz/rototuna

ROTOKAURI

PROGRAMME OUTCOME

Enabling the development of an attractive and sustainable community in the Rotokauri growth area.

WHAT'S IT ALL ABOUT ?

We are all about improving the wellbeing of Hamiltonians making our city a great place to live, work, play and visit.

Rotokauri as a growth cell is a work in progress in terms of potential development waiting to happen. Significant planning work over the last eight years has laid the foundations for development to happen in this area.

This is a snapshot of some key achievements from the past 12 months (July 2018 - June 2019).

WHAT WE'VE SPENT



\$1.67M



WHAT WE'VE ACHIEVED

ROTOKAURI GREENWAY

The **design**ation for the drainage and treatment system has **progressed** well and is expected to be secured by December 2019.



BAVERSTOCK RD

The **design** for the urbanisation of **Baverstock Rd** is **underway**.



ROTOKAURI ROADING DESIGNATION

Work is **underway** with the NZ Transport Agency to fund this process.

WATER PIPES

The **bulk water pipes** have been **completed** to support the development of the Rotokauri area.



Over the next two years, we are investing in other major projects in Rotokauri, including:

- completion of Baverstock Rd upgrade
- Rotokauri Greenway designated
- Rotokauri roading designated.

For more information visit hamilton.govt.nz/rotokauri



RUAKURA

PROGRAMME OUTCOME

Enabling the development of an attractive and sustainable community in the Ruakura growth area.

WHAT'S IT ALL ABOUT ?

We are all about improving the wellbeing of Hamiltonians making our city a great place to live, work, play and visit.

The Ruakura growth area, on the eastern side of the city, is zoned to deliver more than 100 hectares of residential development and more than 400 hectares of employment land including land for the Inland Port, regional freight and logistics hub and industrial park.

This is a snapshot of some key achievements from the past 12 months (July 2018 - June 2019).



WHAT WE'VE SPENT

\$8.9M



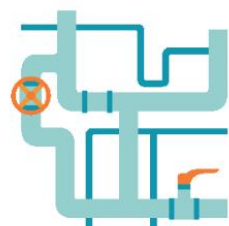
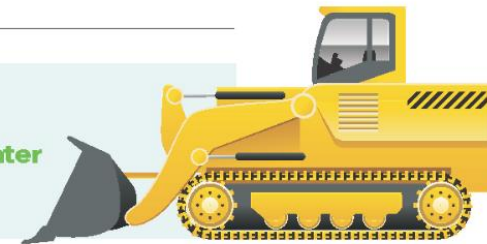
WHAT WE'VE ACHIEVED

WASTEWATER PIPES

Approximately **1.5km** of large **wastewater pipes** have been **installed** to enable development in this area.

RUAKURA RESERVOIR

Construction of the new **Ruakura Water Reservoir** is currently **underway**.

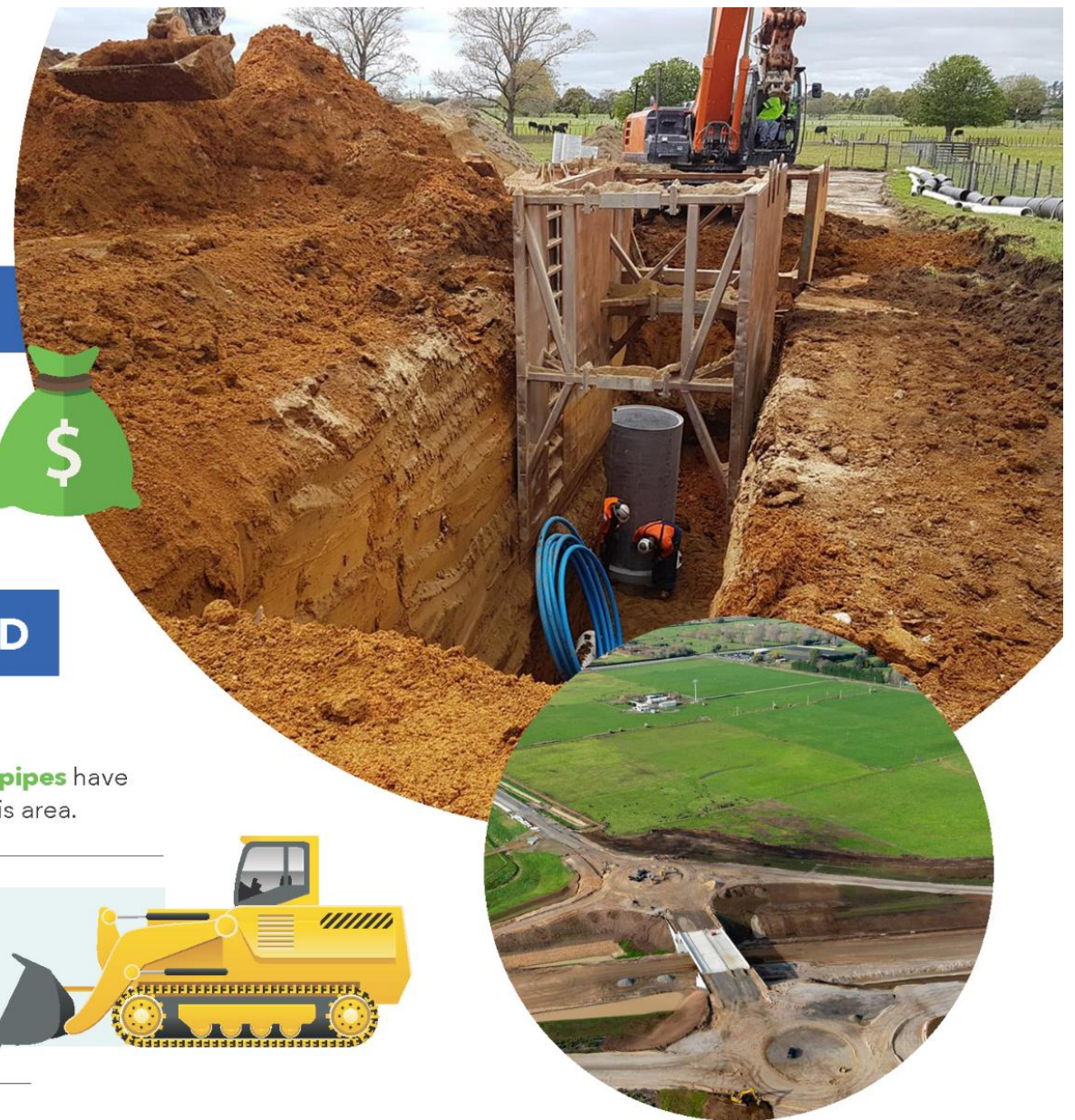


WATER PIPES

The **water reticulation pipes** will provide enough water supply to service the growth area as well as improve the city's overall **water network storage** and **resilience**.

ROADING NETWORK

Two key projects progressing through business case phase are Ruakura Rd and the construction of the Ruakura Spine Rd.



Over the next two years, we are investing in other major projects in Ruakura, including:

- Ruakura Reservoir
- further design and construction of strategic transport links.

For more information visit hamilton.govt.nz/ruakura

PEACOCKE

PROGRAMME OUTCOME

Enabling the development of an attractive and sustainable community in the Peacocke growth area.

WHAT'S IT ALL ABOUT ?

Unlocking new areas for housing to support Hamilton's growth is a key challenge for the Council. Our investment in Peacocke is supported by the Government's Housing Infrastructure Fund, comprising a 10-year interest-free loan and NZ Transport Agency funding. In the coming decades, when complete, Peacocke will be home for around 20,000 new Hamiltonians.

This is a snapshot of some key achievements from the past 12 months (July 2018 - June 2019).

WHAT WE'VE SPENT



\$11.95M

WHAT WE'VE ACHIEVED

OHAUPO RD (SH3) ROUNDABOUT

Service relocations are underway so work can start within three months. We are working to minimise disruption and reduce costs.

PEACOCKE BRIDGE

We have decided what kind of bridge we are building and design is underway. Procurement will begin soon so we can start building the bridge before the end of 2020.

WASTEWATER STORAGE AND PRESSURE MAIN

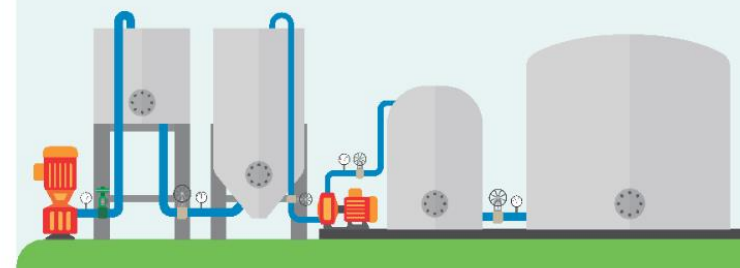
For efficiency, we are working on combining nearby projects with key Peacocke infrastructure. This includes upgrading existing pump stations to increase capacity.

PEACOCKE RD URBAN UPGRADE

We are designing an upgrade for the road so it is safe and appropriate for the residential area.

WASTEWATER - STAGE 2

We are currently designing the wastewater main transfer pump station and the network.



EAST/WEST ROADING NETWORK - STAGE 2

We have started investigation to progress design.

LAND FOR PROJECTS

We have purchased nine pieces of land. We are underway with the acquisition process for 30 pieces of land remaining.

Over the next two years our investment in Peacocke includes:

- Peacocke Rd urban upgrade
- bridge construction
- pump station and pipeline construction.

For more information visit hamilton.govt.nz/peacocke

CITY WIDE COMMUNITY

PROGRAMME OUTCOME

Whakapai atu te mauri o ngaa waahi taangata me ngaa waahi wairua auaha
Improving the vibrancy of our social and creative spaces.

WHAT'S IT ALL ABOUT ?

We are committed to improving the vibrancy of our social and creative spaces. We want to provide the community with places where they can come together and enjoy. We are working with the community and our partners to develop parks, natural areas, sports and pool facilities, libraries and our visitor destinations.

This is a snapshot of some key achievements from the past 12 months (July 2018 - June 2019).

WHAT WE'VE SPENT

\$9.76M

WHAT WE'VE ACHIEVED

CLYDE PARK CRICKET BLOCK

The **cricket block is complete** and will be ready for use in summer.

HAMILTON GARDENS DEVELOPMENT

Earth works are **underway** to **enable** the development of the **next four gardens**.

Construction of the toilet block has **begun**.

The **Picturesque Garden** is now **completed** and will be **opened in November 2019** once the plant growth and lawns are settled in.

The **Surrealist Garden** is **almost complete** with the ivy growth almost fully covering the Tron sculptures. This will be opened in February 2020.

PLAYGROUND DEVELOPMENT



Hillcrest Stadium

Completed. Includes a multi-use pump track, basketball court, double mouse wheel and junior bike track.



Innes Common

Opens in Spring. Includes exercise equipment, a parkour area, basketball court and play equipment.

Mangaiti Park

New neighbourhood playground, largely developer funded.



RIVER PLAN

A **proposed jetty** has been **consented**.

SWIMMING PLATFORM ALTERNATIVES AT HAMILTON GARDENS

Options are currently **being worked through** to provide safe swimming options by the Hamilton Gardens.

VICTORIA ON THE RIVER PROPERTY PURCHASE

Key properties have been **purchased**.



WAIWHAKAREKE NATURAL HERITAGE PARK DEVELOPMENT

The **toilet block** and **tracks** have been **completed** and **platform** overlooking the lake is **in development**.

HAMILTON ZOO/WAIWHAKAREKE SHARED ENTRY PRECINCT

A **concept plan** has been **developed**.

For more information visit hamilton.govt.nz/majorprojects

CITY WIDE TRANSPORT IMPROVEMENT

PROGRAMME OUTCOME

The Transport Improvement programme is delivering the Access Hamilton outcomes of;

- enabling growth
- improving safety
- improving transport choice

WHAT'S IT ALL ABOUT ?

We are all about improving the wellbeing of Hamiltonians making our city a great place to live, work, play and visit. As we develop our roads we need to clearly understand and plan for the things that make the most difference to our city.

This is a snapshot of some key achievements from the past 12 months (July 2018 – June 2019).

WHAT WE'VE SPENT

\$28.37M

WHAT WE'VE ACHIEVED

Enabling growth:

HAMILTON RING ROAD

Work on the **final stage of the Hamilton Ring Road** has **started**. This is the extension of Wairere Dr to connect to Cobham Dr (SH1).

HAMILTON SECTION OF THE WAIKATO EXPRESSWAY

The **Waikato Expressway** (Hamilton section) is currently **being built** around the eastern side of the city by the NZ Transport Agency.

Improving safety:



THOMAS RD/GORDONTON RD INTERSECTION

Completed.

RAISED PLATFORMS, PEDESTRIAN SIGNALS AND INTERSECTION IMPROVEMENTS

Improvements have **made to many sites across the city** to make it safer for pedestrians and cyclists to cross roads and get around.

- Bankwood Primary School
- Grantham St/Victoria St intersection
- Anzac Pde/Memorial Dr intersection
- Sandleigh Rd/Ohaupo Rd intersection
- Killarney Rd/Ellis St intersection
- Masters Ave and River Rd.



Transport choice:



BUSES AND PUBLIC TRANSPORT

We have **installed 40 new bus shelters**, 21 new accessible kerbs and **41 solar lights** in our **Orbiter route shelters**.

ROKOKAURI TRANSPORT HUB

We have **progressed design and land purchase** for a new Rotokeuri Transport Hub.

TE AWA RIVER RIDE

Design is almost complete for the final piece of the Hamilton section of the Te Awa River Ride.

EASTERN PATHWAYS

The **Eastern Pathways**, known previously as the School Link and University Link cycleways and public transport projects, have been **progressing through the business case process**.

CLAUDELANDS BRIDGE CYCLEWAY

Planning and **design** has been **completed** for this project which will deliver separated cycleways and shared vehicle/ cycle lanes along Claudelands Rd from Victoria St to Grey St.

Over the next two years, we are investing in other major transport projects in Hamilton, including:

- completion of Ring Road – Wairere/Cobham
- programme of safety improvements and initiatives.

For more information visit hamilton.govt.nz/majorprojects

CITY WIDE WATERS

PROGRAMME OUTCOME

Ensuring the provision of essential water services that allow for future growth and compliance.

WHAT'S IT ALL ABOUT ?

We are all about improving the wellbeing of Hamiltonians making our city a great place to live, work, play and visit. We are making sure we can provide essential water, wastewater and stormwater services for Hamiltonians now and in the future.

This is a snapshot of some key achievements from the past 12 months (July 2018 - June 2019).



WHAT WE'VE SPENT

\$15.96M



WHAT WE'VE ACHIEVED

PUKETE WASTEWATER TREATMENT PLANT UPGRADE

Construction is **underway** for upgrading various components of the **Pukete Wastewater Treatment Plant**.

WAIORA WATER TREATMENT PLANT UPGRADE

Construction is **underway** for upgrading the chemical facility. Design is **underway** for **new clarifiers, sand filters, balancing tank, pump station** and **electrical control work**.

WATER NETWORK UPGRADES

Planning/implementation for citywide water network upgrade is **underway**. **Fairfield Reservoir** works are **nearing completion**. Design **underway** for Newcastle Reservoir **upgrade**.

WASTEWATER UPGRADES

Planning/implementation for citywide wastewater network upgrade is **underway**. Western Interceptor construction **underway**. Hillsborough Pump Station design **complete**.

STORMWATER NETWORK IMPROVEMENTS

Concept designs for stream/watercourse erosion control across the city are **underway**.

INTEGRATED CATCHMENT MANAGEMENT PLANS (ICMP)

ICMP's to plan and manage stormwater across the city's catchments are **underway**. **Mangaheka complete**. Kiriikiriroa, Te Awa O Katapaki, and Mangakotukutuku **underway**.

MASTERPLANS

The next version of our **Three Waters Master Plans** (wastewater, water and stormwater) are **underway**. The **Master Plans** will **ensure** the **scope** and **timing** of infrastructure needed to service growth are well **understood and planned for**. They will also provide framework to maintain system performance into the future, and optimise the use of existing infrastructure.

In the next two years, we are investing in other major waters projects in Hamilton, including:

- Hillsborough Pump Station upgrade
- Western Interceptor Duplication (large wastewater pipe) - mid section
- continuing Pukete Wastewater Treatment Plant upgrade.

For more information visit hamilton.govt.nz/majorprojects

RENEWALS AND COMPLIANCE

PROGRAMME OUTCOME

Looking after the assets that we have and making sure they are fit for purpose.

WHAT'S IT ALL ABOUT ?

As our city grows our infrastructure needs to as well. While there is a still lots of life remaining in much of what we have we need to keep maintaining and replacing it, so it continues to function. The Renewals and Compliance programme is made up of projects from across all the Council.

This is a snapshot of some key achievements from the past 12 months (July 2018 - June 2019).

WHAT WE'VE SPENT

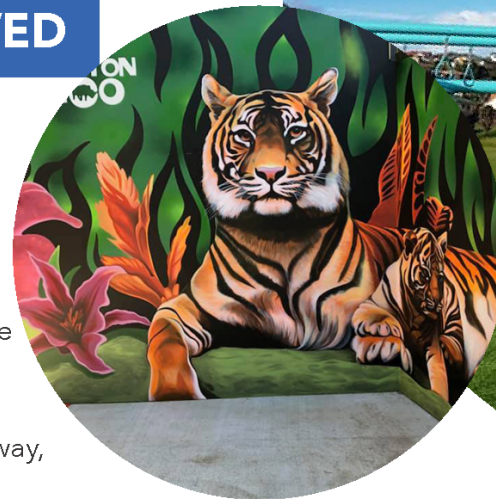


\$58.87M

WHAT WE'VE ACHIEVED

PARKS AND OPEN SPACES

- Reinstatement and resurfacing of Grantham St carpark.
- New pedestrian access bridges for Ranfurly and Sandford parks.
- Five sports fields upgraded over three sites to increase capacity for our users.
- Major erosion works in Days Park.
- Signage and path upgrades at – Galloway, Porritt and Fairfield parks.
- New and upgrades to toilet and changing rooms at Swarbrick, Hillcrest, Galloway and Flagstaff parks.
- Replaced and installed 1km of footpaths across our parks.
- Replaced and installed 110m of boundary fencing around our parks.
- Replacement of rubbish bins across our parks.



MUSEUM

- Upgraded some of our lighting and shelving.
- Planning and investigation for a roof renewal in the future.
- Renewal of retaining wall at ArtsPost.
- New Flooring for Excite and ArtsPost.

HAMILTON ZOO

- Replaced the walkway in the bird aviary.
- Upgraded the eel enclosure to make it interactive.
- Key infrastructure renewed including; water system and stormwater management.
- Purchased new animals including; porcupine and african wild dog.
- Safety enhancements for handling rhino and tigers.

HAMILTON GARDENS

- Renewal of the irrigation assets.
- Replaced retaining walls and paths and paving.

AQUATICS

- Completed a major renewal at Waterworld.
- Internal fitout/upgrade at Gallagher Aquatic Centre.

For more information visit hamilton.govt.nz/majorprojects

CEMETERIES

- Crematorium building currently undergoing an upgrade.
- New accessible toilet block at Hamilton Cemetery.

VENUES, TOURISM AND MAJOR EVENTS

- Replacement of Seddon Park flood lights (in progress).
- Safety access ways for working at heights at Claudelands and FMG Stadium Waikato.
- Barn roof renewal at Claudelands.
- Storage shed constructed at Claudelands for storage.



OUR FACILITIES

- Frankton Railway Institute Hall renewed.

LIBRARIES

- Roof renewal for our Central Library.

RENEWALS AND COMPLIANCE

TRANSPORT

40.97km of
resealing done on our roads.



40 new bus
shelters installed.

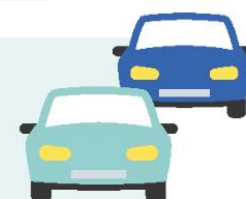


Accessible kerb installed

at **21 locations** across the city (total length 203m).

41 LED solar lights installed in either existing and/or new bus shelters to improve safety.

7482 LED lights replaced throughout the city.



18.22km of footpaths renewed.

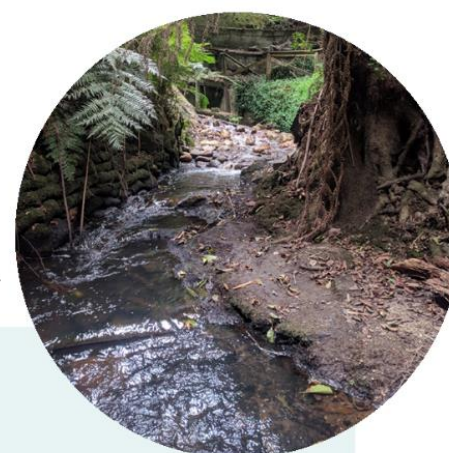


THREE WATERS (water, stormwater and wastewater)

15 wastewater pumps replaced, out of 246 pumps on our network.



More than **6km** of watermains renewed.



Wymer and Waterford streams have had **fish passages constructed** - this allows freshwater fish and other organisms to complete their lifecycles.

Three pump stations had rising mains renewed.



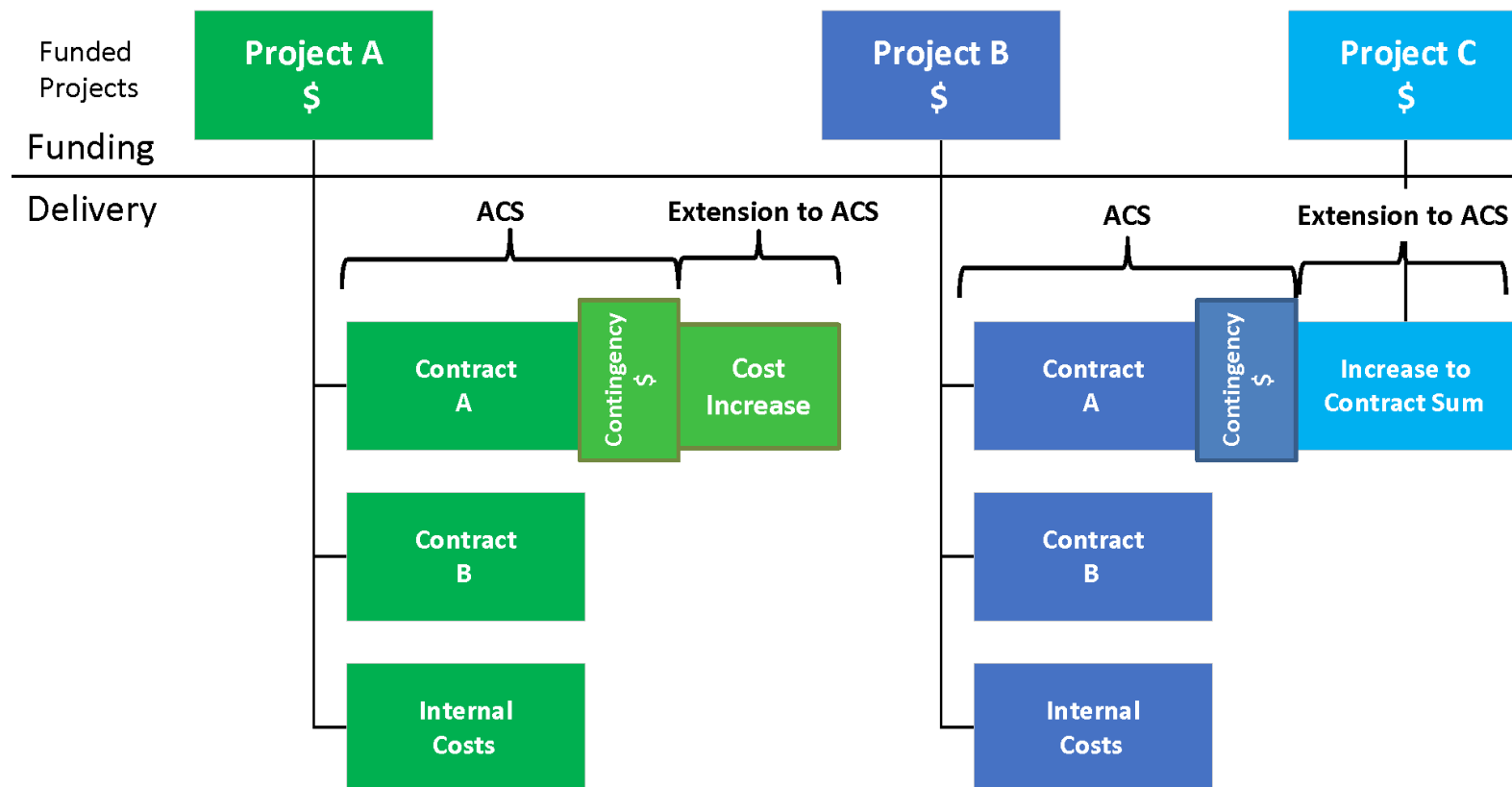
Replaced **6km** of wastewater pipes.

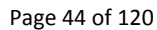


20 pump stations were renewed (not including pumps).

For more information visit hamilton.govt.nz/majorprojects

Approved Contract Sum (ACS)





Council Report

Item 8

Committee: Finance Committee

Date: 01 August 2019

Author: Tracey Musty

Authoriser: David Bryant

Position: Financial Controller

Position: General Manager Corporate

Report Name: Annual Monitoring Report to 30 June 2019

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee on the Council's financial performance against the 2018/19 Annual Plan for the 12 months ended 30 June 2019.

Staff Recommendation

That the Finance Committee receives the report.

Executive Summary

2. This report is to be read in conjunction with the:
 - a) June 2019 (1 August 2019 meeting) Capital Portfolio Monitoring report; and
 - b) June 2019 (1 August 2019 meeting) Financial Strategy Monitoring report
3. The financial results after twelve months show a negative variance on the accounting result and a positive variance on the balancing the books result.
4. These results are provisional until they have been audited by Audit NZ.
5. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Discussion

Operating results

The accounting result

6. The Statement of Comprehensive Revenue and Expense discloses the accounting result in accordance with accounting standards.
7. The accounting result for the twelve months ended 30 June 2019 is a surplus of \$65.5M. This is \$10.8M unfavourable against a budgeted surplus of \$76.3M.

Accounting Result		
For the twelve months ended 30 June 2019		
Actual	Annual Budget	Variance
\$65.5M	\$76.3M	\$(10.8)M

Balancing the books result

8. The balancing the books result for the twelve months ended 30 June 2019 is \$6.4M. This is \$15.8M favourable against an annual budget of \$(9.4)M.

Balancing the Books		
For the twelve months ended 30 June 2019		
Actual	Annual Budget	Variance
\$6.4M	\$(9.4)M	\$15.8M

Understanding the variances

9. The Statement of Comprehensive Revenue and Expense, Statement of Financial Position, and accompanying notes are contained in Attachment 1.
10. Individual Everyday Revenue and Expense statements for each of the Council's 12 activities, overheads and general are contained in Attachment 2.
11. A reconciliation of the accounting result to the balancing the books result is provided after the Statement of Comprehensive Revenue and Expense.
12. Variances between actual and annual budgets that are greater than \$0.1M are explained in each of the activity statements.

Operating revenue

13. Total Operating revenue exceeds budget by \$4.5M.
14. Rates are \$1.4M favourable to annual budget, which is due to greater than expected growth.
15. Fees and user charges are \$5.4M favourable, the majority of which arise in the following activities:
 - a) Venues, Tourism and Major Events \$1M favourable.
 - b) Planning and Development \$2.6M favourable.
 - c) Water Supply \$0.25M favourable.
 - d) Stormwater \$0.3M favourable
 - e) Transport \$1.1M favourable.
 - f) Visitor Attractions \$0.16M favourable
 - g) Parks & Rec \$0.14M favourable
16. Subsidies and Grants are \$0.27M unfavourable to annual budget, which arise from Transport. Please refer to the activity statements for variance explanations.

17. Interest revenue is \$1.2M favourable. This is due to having prefunded expiring debt of \$65M in March 2019. This along with the May 2019 rates income and lesser capital spending has meant we had a higher cash on hand than expected.

Expenses

18. Total Expenses are \$3.2M favourable against the annual budget.
19. Personnel costs are \$3.2M favourable, the majority of which arise in the following activities:
- a) Venues, Tourism and Major Events \$0.6M favourable.
 - b) Arts and Community \$0.4M favourable.
 - c) Parks and Recreation \$0.4M favourable.
 - d) Planning and Development \$0.5M favourable.
 - e) Wastewater \$0.5M favourable.
 - f) Transport \$0.7M favourable
20. Finance costs are \$1.7M favourable due to lower debt in the twelve months due to timing of capital spending.
21. Operating and Maintenance costs are \$0.2M favourable.
22. Professional costs are \$3.1M favourable, the majority of which arise in the following activities:
- a) Art and Community \$0.8M favourable.
 - b) Democracy \$0.1M favourable
 - c) Overheads \$1.7M favourable
 - d) Visitors and Attractions \$0.1M favourable.
 - e) Water \$0.5M favourable.
 - f) Wastewater \$0.3M favourable.
 - g) Stormwater \$0.3M favourable.
 - h) Transportation \$0.5M favourable.
23. Administration costs \$4.75M unfavourable made up of variances across the activities.
24. Property costs \$0.1M favourable and close to budget.

Assets/Loss on sale

25. Loss on sale of assets includes the disposal of Land parcels and the write-off of Street light bulbs as part of the LED Streetlighting renewal programme.
26. Impairments processed in 2018/19 includes:
- | | |
|--------------------------------------|---------|
| Community - Hamilton Crematorium | \$0.45M |
| Transportation – Arthur Porter Drive | \$2.45M |

Development contributions revenue

27. Development contributions revenue actuals of \$24.6M are \$7.1M ahead of annual budget of \$17.5M.

Vested assets revenue

28. \$33.6M of vested assets were received for the 2018/19 financial year. Vested assets revenue had been budgeted at \$30M. This budget is broken down by class of asset on page 99 of the 10-Year Plan.

Vested Assets		
For the twelve months ended 30 June 2019		
Actual	Annual budget	Variance
\$33.6M	\$30.0M	\$3.6M

Asset class	YTD Actual \$000	Annual Budget \$000	Life Range (Years)	Estimated Annual Depreciation \$000
Wastewater	2,649	3,000	15-100	33
Stormwater	5,741	5,100	30-100	72
Water Supply	1,673	1,800	50-80	21
Roading	11,771	8,000	12-140	235
Parks and Recreation [#]	230	-	-	0
Land		12,100		
Land – Under Roads	7,540	-		0
Land – Local Purpose Reserves [*]	1,891	-		0
Land – Recreation Reserves	1,171	-		0
Land – Restricted ⁺	42	-		0
Land - Infrastructure	949	-		0
Total	33,659	30,000		361

* Local Purpose Reserves is a legal description defined by the Reserves Act 1977. This type of land is invariably land that is used for drainage purposes.

+ Restricted Land is land that provides a benefit or serves to the community and cannot be disposed of due to legal or other restrictions.

29. The addition of vested assets increases the operating and maintenance costs for Council, as well as depreciation. An estimate of operating and maintenance costs and depreciation expense has been made in the 10-Year Plan to support the annual vested assets budget.

Emerging Issues

30. There are no new emerging issues that have been identified in this period which could have a financial impact on operating budgets in the current year and/or which could require forecasting adjustments to a future year.

Emerging issues from previous report:

31. There were no emerging issues in previous report.

Debt and Treasury Management**Treasury Management**

32. Council is fully compliant with all treasury policy measures as at 30 June 2019.
33. Refer to the Treasury Report in Attachment 3 for further detail.

Debt and Cash Investments

External debt, cash investments, and net debt as at 30 June 2019 is shown in the table below.

Debt and Cash Investments			
As at 30 June 2019			
	Actual	Annual Budget	Variance
External Debt	\$400M	\$510M	\$110M
Cash Investments	(\$56M)	(\$55M)	\$1M
Net Debt	\$344M	\$455M	\$111M

34. Net debt as at 30 June 2019 is \$111M lower than the annual budget largely due to the timing of spend in the capital programme and an increase in cash received through Fees and Charges and Development Contributions.

Interest Rate Risk Management

35. The movement on interest rate swaps relates to valuations completed at a point in time. These are based on Council's total external debt and the difference between current market interest rates and the fixed rates that Council has locked in. They are unrealised because on maturity of each interest rate swap contract no interest gain or loss eventuates.
36. As at 30 June 2019 our net unrealised loss on revaluation of interest rate swaps was \$(14.2M) and our liability balance was \$46.8M. The liability balance is increasing due to the impact of the market swap rate dropping against our fixed swap rate.

Legal and Policy Considerations

37. Staff confirm that the matters in this report complies with the Council's legal and policy requirements.

Cultural Considerations

38. In accordance with our obligation under the Local Government Act 2002, staff confirm that the content of this report has taken into consideration any cultural matters where possible to recognise and respect the Council's responsibility to take appropriate account of the principles of the Treaty of Waitangi, and to maintain and improve opportunities for Māori to contribute to local government decision-making processes.

Sustainability Considerations

39. This report addresses matter of financial sustainability. No other considerations have been identified relevant to the matters in this report.

Risks

40. There are no known risks associated with this matter.

Significance and Engagement Policy

Significance

41. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have a low significance.

Engagement

42. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments

Attachment 1 - Everyday Revenue + Expense by Activity June 2019

Attachment 2 - Financial Statements June 2019

Attachment 3 - Treasury Report June 2019 .

COUNCIL
for the twelve months ended 30 June 2019

Item 8

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	
Everyday revenue			
161,356 Rates	181,153	179,713	1,440
38,127 Fees and user charges	40,722	35,284	5,438
5,048 Subsidies and grants	6,845	7,120	(275)
3,206 Interest revenue	3,706	2,475	1,231
6,845 Other revenue	7,569	10,860	(3,291)
0 Plus NZTA capital subsidy on renewals	19,149	0	19,149
7,653 Plus DC interest	7,432	6,131	1,301
0 Less HIF fair value benefit	(169)	(4,233)	4,064
222,235 Total everyday revenue	266,407	237,350	29,057
Everyday expenses			
74,993 Personnel costs	79,965	83,168	3,203
65,567 Depreciation and amortisation	69,033	68,473	(560)
20,006 Finance costs	20,246	22,010	1,764
40,811 Operating and maintenance costs	46,186	46,466	280
8,991 Professional costs	10,114	13,268	3,154
11,400 Property costs	11,970	12,067	97
18,754 Other costs	18,136	12,454	(5,682)
(6,141) Internal capital recoveries	(6,774)	(5,872)	902
0 Less HIF discounting	(18)	(197)	(179)
234,381 Total everyday expenses	248,858	251,837	2,979
(12,146) Everyday surplus/(deficit)	17,549	(14,487)	32,036
Capital revenue			
6,546 Capital contributions	8,361	4,744	3,617
10,524 NZTA capital subsidy	27,155	40,096	(12,941)
0 Less NZTA capital subsidy on renewals	(19,149)	0	(19,149)
25,835 Development contributions	24,638	17,518	7,120
(7,653) Less DC interest	(7,432)	(6,131)	(1,301)
41,828 Vested assets	33,666	30,000	3,666
77,080 Total capital revenue	67,239	86,227	(18,988)
0 HIF fair value and discounting adjustment	151	4,036	(4,243)
64,934 OPERATING SURPLUS/(DEFICIT)	84,939	75,776	9,163

Attachment 1

COUNCIL
for the twelve months ended 30 June 2019

GAINS AND LOSSES			
7,367 Gains	3,396	565	2,831
(11,227) Losses	(22,853)	0	(22,853)
(3,860) Total gains and losses	(19,457)	565	(20,022)
61,074 SURPLUS/(DEFICIT)	65,482	76,341	(10,859)

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	
Everyday revenue			
0 Rates	0	0	0
25 Fees and user charges	23	27	(4)
0 Subsidies and grants	0	0	0
0 Interest revenue	0	0	0
2 Other revenue	0	0	0
27 Total everyday revenue	23	27	(4)
Everyday expenses			
200 Personnel costs	284	421	137
0 Depreciation and amortisation	0	0	0
0 Finance costs	0	0	0
13 Operating and maintenance costs	46	39	(7)
418 Professional costs	338	435	97
0 Property costs	0	0	0
1,247 Other costs	1,421	1,545	124
1,878 Total everyday expenses	2,089	2,440	351
(1,851) Everyday surplus/(deficit)*	(2,066)	(2,413)	(355)
(1,851) OPERATING SURPLUS/(DEFICIT)	(2,066)	(2,413)	(355)

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Personnel costs are \$137k favourable. This variance all sits in the Mayoral Support Services and is because the Mayor has not recruited his full contingent of staff.

Other costs are \$124k favourable. This is due to underspends in the councillor services cost center in the following account codes: councillor conferences (\$40k), travel and accommodation (\$17k), council memberships (\$12k) and internet and webhosting (\$10k).

Attachment 2

VENUES, TOURISM AND MAJOR EVENTS

Claudelands | FMG Stadium Waikato | Seddon Park | i-SITE | Tourism and Events Funding

for the twelve months ended 30 June 2019

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	\$000
Everyday revenue			
138 Rates	126	124	2
6,141 Fees and user charges	6,488	5,432	1,056
0 Subsidies and grants	0	0	0
604 Interest revenue	359	240	119
872 Other revenue	739	742	(3)
7,755 Total everyday revenue	7,712	6,538	1,174
Everyday expenses			
5,766 Personnel costs	5,674	6,268	594
4,720 Depreciation and amortisation	5,060	5,230	170
3,006 Finance costs	1,911	1,992	81
4,291 Operating and maintenance costs	4,547	4,332	(215)
281 Professional costs	239	318	79
1,482 Property costs	1,555	1,461	(94)
1,701 Other costs	1,748	1,882	134
21,247 Total everyday expenses	20,734	21,483	749
(13,492) Everyday surplus/(deficit)*	(13,022)	(14,945)	425
Capital revenue			
300 Capital contributions	2	100	(98)
300 Total capital revenue	2	100	(98)
(13,192) OPERATING SURPLUS/(DEFICIT)	(13,020)	(14,845)	327

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

VENUES, TOURISM AND MAJOR EVENTS

Claudlands | FMG Stadium Waikato | Seddon Park | i-SITE | Tourism and Events Funding

for the twelve months ended 30 June 2019

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Fees and User Charges is \$1.056m favourable. The mix and volume of events across our venues has contributed to this favourable variance. The favourable variance at Claudlands is attributed to a higher than budgeted level of fees and charges relating to business events.

Note, the uplift in Revenue achieved to date, has a corresponding impact on cost of sale.

Personnel costs are \$594k favourable. This is due to vacancies across the group. There have been several roles which have not been required this financial year. In addition there have been changes in the level and mix of staff.

Depreciation cost is \$170k favourable. This is due to timing of capital projects, and assets being capitalised later than anticipated.

Operating and maintenance costs are \$215k unfavourable. This is due to the increase in volume of events. The cost of sales has increased accordingly.

Other costs are \$134k favourable. The major reason for the variance is timing in event leverage spend.

Attachment 2

VISITOR ATTRACTIONS

Hamilton Gardens | Waikato Museum | Hamilton Zoo

for the twelve months ended 30 June 2019

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	\$000
Everyday revenue			
560 Rates	620	595	25
2,737 Fees and user charges	3,032	2,872	160
80 Subsidies and grants	75	85	(10)
16 Interest revenue	33	22	11
115 Other revenue	194	141	53
3,508 Total everyday revenue	3,954	3,715	239
Everyday expenses			
7,351 Personnel costs	7,869	7,930	61
1,903 Depreciation and amortisation	1,996	2,163	167
132 Finance costs	173	180	7
1,936 Operating and maintenance costs	2,507	2,306	(201)
327 Professional costs	479	494	15
837 Property costs	841	951	110
540 Other costs	596	573	(23)
13,026 Total everyday expenses	14,461	14,597	136
(9,518) Everyday surplus/(deficit)*	(10,507)	(10,882)	103
Capital revenue			
1,707 Capital contributions	282	300	(18)
1,707 Total capital revenue	282	300	(18)
(7,811) OPERATING SURPLUS/(DEFICIT)	(10,225)	(10,582)	85

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

VISITOR ATTRACTIONS
Hamilton Gardens | Waikato Museum | Hamilton Zoo
for the twelve months ended 30 June 2019

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Fees and user charges are \$160k favourable. Due to increased Zoo visitor numbers \$110k, and WINTEC lease and café commission at Hamilton Gardens.

Depreciation and amortisation is \$167k favourable. Depreciation impact of capital projects that have been either completed later than expected, or deferred to future years.

Operating and Maintenance Costs is \$201k unfavourable. Maintenance spend at Hamilton Gardens increased during the last few months of the financial year due to catch-up of outstanding works.

Property costs are \$110k favourable. Cleaning and energy costs were well below budget at the Museum and Hamilton Gardens.

Attachment 2

ARTS AND COMMUNITY

Libraries | Community Development | Arts Promotion | Theatres

for the twelve months ended 30 June 2019

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	\$000
Everyday revenue			
(11) Rates	(14)	(24)	10
586 Fees and user charges	441	588	(147)
0 Subsidies and grants	0	2	(2)
32 Interest revenue	0	0	0
103 Other revenue	54	66	(12)
710 Total everyday revenue	481	632	(151)
Everyday expenses			
5,335 Personnel costs	5,282	5,697	415
3,280 Depreciation and amortisation	2,906	3,364	458
158 Finance costs	4	4	0
495 Operating and maintenance costs	835	1,646	811
119 Professional costs	590	615	25
632 Property costs	643	764	121
2,320 Other costs	1,860	1,973	113
12,339 Total everyday expenses	12,120	14,063	1,943
(11,629) Everyday surplus/(deficit)*	(11,639)	(13,431)	(2,094)
(11,629) OPERATING SURPLUS/(DEFICIT)	(11,639)	(13,431)	(2,094)

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

ARTS AND COMMUNITY

Libraries | Community Development | Arts Promotion | Theatres

for the twelve months ended 30 June 2019

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Fees and user charges are \$147k unfavourable. The contract with Waikato District Council rate payers to use Hamilton Library facilities has been amended. A fixed amount of memberships have been purchased 2018/19 and the revenue has reduced to reflect this.

Personnel costs are \$415k favourable. Due to vacancies at the Libraries and Community Support. Positions have since been filled and any savings has been included as vacancy factor adjustments.

Depreciation and amortisation is \$458k favourable. Founders Theatre Buildings were impaired and fully depreciated 2017/18 after the ten year plan had been completed.

Operating and Maintenance is \$811k favourable. This includes Founders Theatre demolition costs of \$807k that are now expected to be undertaken 2020/21.

Property costs are \$121k favourable. Cleaning, Energy and Security costs were well below budget in the Libraries and Community Halls. The security cost variance is due to a contract change with work now performed by City Safe staff.

Other costs are \$113k favourable. Library Support and Licence agreement and telephone charges are well below budget.

Attachment 2

PARKS AND RECREATION

Community Parks | Natural Areas | Streetscapes | Sports Parks | Playgrounds | Cemeteries and Crematorium | Pools | Indoor Recreation

for the twelve months ended 30 June 2019

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfit)
\$000	\$000	\$000	\$000
Everyday revenue			
(181) Rates	(208)	(196)	(12)
6,803 Fees and user charges	6,678	6,534	144
106 Subsidies and grants	11	7	4
261 Interest revenue	422	282	140
163 Other revenue	181	330	(149)
7,152 Total everyday revenue	7,084	6,957	127
Everyday expenses			
11,248 Personnel costs	11,434	11,850	416
5,108 Depreciation and amortisation	5,470	5,898	428
1,449 Finance costs	2,249	2,344	95
4,842 Operating and maintenance costs	6,813	6,893	80
441 Professional costs	591	529	(62)
1,150 Property costs	1,204	1,212	8
738 Other costs	720	920	200
(178) Internal capital recoveries	(116)	0	116
24,798 Total everyday expenses	28,365	29,646	1,281
(17,646) Everyday surplus/(deficit)*	(21,281)	(22,689)	(1,154)
Capital revenue			
275 Capital contributions	292	300	(8)
279 Total capital revenue	298	300	(2)
(17,367) OPERATING SURPLUS/(DEFICIT)	(20,983)	(22,389)	(1,156)

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Fees and User charges are \$144k favourable. . Favourable variances: Higher level of City Parks recoveries received from the Alliance and Sports Parks leases. Unfavourable variances: Cemetery due to fewer burials and Aquatics due to the impact of later than planned Water World Pool opening.

Interest revenue is \$140k favourable. This is due to term deposits being greater than budget.

Other revenue is \$149k unfavourable. Income received for properties purchased in Victoria Street (Central City Park) was originally budgeted in Parks and has been moved to City Growth as these are Investment Properties.

Personnel costs are \$416k favourable. Due to vacancies in the Parks Unit. Positions have since been filled and any savings has been included as vacancy factor adjustments.

Depreciation and amortisation is \$428k favourable. Depreciation impact of capital projects that have been either completed later than expected, or deferred to future years.

Operating and Maintenance costs are \$80k favourable. Variance includes a favourable \$750k variance as the Municipal Pool demolition work has been rescheduled to 2019/20. The \$670k offset includes City Parks contractor services which have been recovered from internal and external activities. There has also been an overspend in Parks building maintenance due to unforeseen building work requirements, part of which were required to fulfil Council's obligation as landlord on commercially rented properties. I.E Lake Domain Veranda & the Hamilton Bowling Club.

Other costs annual forecast is \$200k favourable. This is due to the cemetery management system that will not be implemented this year.

Internal Capital recoveries is \$116k favourable. Unbudgeted recovery of Nursery plant charges associated with capital projects. This is offset by a reduction in Nursery non capital recoveries.

Attachment 2

SAFETY

Animal Education and Control | Environmental Health | Alcohol Licensing | Public Safety | Civil Defence

for the twelve months ended 30 June 2019

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	\$000
Everyday revenue			
(3) Rates	(2)	0	(2)
2,287 Fees and user charges	2,101	2,139	(38)
0 Subsidies and grants	0	0	0
5 Interest revenue	0	0	0
21 Other revenue	23	31	(8)
2,310 Total everyday revenue	2,122	2,170	(48)
Everyday expenses			
3,430 Personnel costs	3,606	3,568	(38)
84 Depreciation and amortisation	70	173	103
21 Finance costs	0	0	0
1,198 Operating and maintenance costs	1,105	1,176	71
167 Professional costs	161	211	50
59 Property costs	56	53	(3)
170 Other costs	183	107	(76)
5,124 Total everyday expenses	5,177	5,288	111
(2,814) Everyday surplus/(deficit)*	(3,055)	(3,118)	(159)
(2,814) OPERATING SURPLUS/(DEFICIT)	(3,055)	(3,118)	(159)

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Depreciation and amortisation is \$103k favourable. This is due to timing of capital spend.

PLANNING AND DEVELOPMENT

City Planning | Planning Guidance | Building Control

for the twelve months ended 30 June 2019

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$'000	\$'000	\$'000	\$'000
Everyday revenue			
0 Rates	0	0	0
9,562 Fees and user charges	11,844	9,253	2,591
0 Subsidies and grants	0	0	0
236 Interest revenue	135	90	45
4 Other revenue	1	0	1
9,802 Total everyday revenue	11,980	9,343	2,637
Everyday expenses			
7,983 Personnel costs	8,386	8,929	543
6 Depreciation and amortisation	3	4	1
1,156 Finance costs	719	749	30
301 Operating and maintenance costs	298	358	60
2,295 Professional costs	2,346	2,055	(291)
41 Property costs	35	21	(14)
1,516 Other costs	1,547	1,000	(547)
(97) Internal capital recoveries	(78)	0	78
13,201 Total everyday expenses	13,256	13,116	(140)
(3,399) Everyday surplus/(deficit)*	(1,276)	(3,773)	2,777
(3,399) OPERATING SURPLUS/(DEFICIT)	(1,276)	(3,773)	2,777

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Fees and user charges are \$2.591m favourable. Building control revenue exceeded budget due to higher than budgeted activity for duplexes, townhouses or apartments and large commercial building consents. Additionally there is increased revenue in the Planning Guidance department from higher activity. This is linked to the reasons for the increase in Building Control revenue and is demand driven.

Personnel costs are favourable by \$543k. This is due to vacancies across the group, and particularly in the Planning Guidance and Building Control units. There is a skills shortage in both of these areas.

Professional costs are \$291k unfavourable. This is largely due to a significant overspend in the Planning Guidance department on consultants. This is a direct result of the underspend in personnel, and the favourable revenue position. The unit is having difficulty filling vacant positions, and therefore has engaged contractors to keep up with the increased workload.

Other costs are \$547k unfavourable. The large majority of this variance relates to the weathertight homes claim and year end provision. A claim was settled in year for \$205k, and an additional \$200k was provided for future claims at year end.

Attachment 2

WATER SUPPLY

Water Treatment | Water Storage | Water Distribution

for the twelve months ended 30 June 2019

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	\$000
Everyday revenue			
8,316 Rates	9,003	8,107	896
(124) Fees and user charges	38	(215)	253
0 Subsidies and grants	0	0	0
404 Interest revenue	732	489	243
0 Other revenue	0	0	0
8,596 Total everyday revenue	9,773	8,381	1,392
Everyday expenses			
3,566 Personnel costs	3,990	4,152	162
7,483 Depreciation and amortisation	8,367	7,662	(705)
3,174 Finance costs	3,903	4,068	165
3,551 Operating and maintenance costs	3,071	3,448	377
261 Professional costs	194	745	551
1,742 Property costs	1,869	1,754	(115)
78 Other costs	74	82	8
(1,634) Internal capital recoveries	(1,635)	(1,494)	141
18,221 Total everyday expenses	19,833	20,417	584
(9,625) Everyday surplus/(deficit)*	(10,060)	(12,036)	808
Capital revenue			
531 Capital contributions	1,147	50	1,097
531 Total capital revenue	1,147	50	1,097
(9,094) OPERATING SURPLUS/(DEFICIT)	(8,913)	(11,986)	1,905

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Rates are \$896k favourable. Water by meter revenue is favourable due to the replacement of defect water meters and industrial and commercial growth in the city.

Fees & User charges are \$253 favourable. Water drawn from fire hydrants were favourable against budget by \$110k due to a dry summer and dust control activities. This was offset by internal trade waste charges being unfavourable to budget.

Personnel costs are \$162k favourable. The favourable variance is mainly due to short term staff vacancies across strategic development and operational teams.

Depreciation and amortisation are \$705k unfavourable. Depreciation variance is due an significant increase in assets values at year-end 2017/18 revaluation processes. Council continues to improve the accuracy of asset data which increases the values of assets as well as the depreciation costs per year.

Finance costs are \$165k favourable. This favourable variance is due to capital projects not progressing as anticipated and timing of borrowings.

Operating and maintenance costs are \$377k favourable. The favourable variance is partly due to operational expenditure not progressing as a result of capital projects being deferred to future years. Other operational water projects are behind due to capital projects taking precedence.

Professional costs are \$551k favourable. The favourable result is linked to the deferral of some capital programmes and less than expected level of reactive operational enquires over the past year (e.g.: very low level of modelling queries required in water activities). Due to the short term staff vacancies the engagement of consultants to advise on projects has been delayed.

Property costs are \$115k unfavourable. The unfavourable variance to budget is mainly due to an increase in insurance cost on the Water Treatment plant and reticulation .

Capital Contributions are \$1.097m favourable. The favourable variance is due to Connection charges for new connections to the water infrastructure that is offsetting the capital expenditure.

Attachment 2

WASTEWATER

Wastewater Collection | Wastewater Treatment | Wastewater Disposal
for the twelve months ended 30 June 2019

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	\$000
Everyday revenue			
(42) Rates	(74)	(41)	(33)
4,635 Fees and user charges	4,556	4,466	90
0 Subsidies and grants	0	0	0
515 Interest revenue	825	551	274
13 Other revenue	0	0	0
5,121 Total everyday revenue	5,307	4,976	331
Everyday expenses			
4,132 Personnel costs	4,421	4,941	520
9,231 Depreciation and amortisation	11,967	9,778	(2,189)
3,106 Finance costs	4,395	4,581	186
6,183 Operating and maintenance costs	6,479	6,463	(16)
269 Professional costs	447	742	295
1,870 Property costs	1,854	2,087	233
123 Other costs	204	149	(55)
(1,362) Internal capital recoveries	(1,403)	(1,283)	120
23,552 Total everyday expenses	28,364	27,458	(906)
(18,431) Everyday surplus/(deficit)*	(23,057)	(22,482)	1,237
Capital revenue			
927 Capital contributions	1,215	50	1,165
927 Total capital revenue	1,215	50	1,165
(17,504) OPERATING SURPLUS/(DEFICIT)	(21,842)	(22,432)	2,402
* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations			
GAINS AND LOSSES			
0 Gains	0	0	0
(1,666) Losses	(1,686)	0	(1,686)
(1,666) Total gains and losses	(1,686)	0	(1,686)
(19,170) SURPLUS/(DEFICIT)	(23,528)	(22,432)	716

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.
<p>Personnel costs are \$520k favourable. The favourable variance is mainly due to short term staff vacancies.</p> <p>Depreciation and amortisation annual forecast is \$2.189m unfavourable. Depreciation variance is due an significant increase in assets values at year-end 2017/18 revaluation processes. Council continues to improve the accuracy of asset data which increases the values of assets as well as the depreciation costs per year.</p> <p>Professional costs are \$295k favourable. The favourable variance is due to time delays on Wastewater Treatment Plant professional services projects. The favourable result is also linked to the deferral of some capital programmes and less than expected level of reactive operational enquires over the past year (eg: very low level of modelling queries required in wastewater activities).</p> <p>Property costs are \$233k favourable. The favourable variance is due to efficiency savings achieved through electricity savings as the Wastewater Treatment plant by using Gas during peak consumption cost periods.</p> <p>Capital Contributions are \$1.165m favourable. The favourable variance is due to Connection charges for new connections to the wastewater infrastructure that is offsetting the capital expenditure.</p>

Attachment 2

STORMWATER

Stormwater Network

for the twelve months ended 30 June 2019

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	\$000
Everyday revenue			
0 Rates	0	(1)	1
280 Fees and user charges	495	202	293
0 Subsidies and grants	0	0	0
48 Interest revenue	226	151	75
0 Other revenue	0	0	0
328 Total everyday revenue	721	352	369
Everyday expenses			
2,630 Personnel costs	2,820	3,047	227
8,194 Depreciation and amortisation	9,628	8,776	(852)
441 Finance costs	1,201	1,252	51
993 Operating and maintenance costs	902	765	(137)
239 Professional costs	26	294	268
331 Property costs	420	392	(28)
45 Other costs	45	48	3
(1,219) Internal capital recoveries	(1,108)	(961)	147
11,654 Total everyday expenses	13,934	13,613	(321)
(11,326) Everyday surplus/(deficit)*	(13,213)	(13,261)	690
Capital revenue			
274 Capital contributions	485	64	421
274 Total capital revenue	485	64	421
(11,052) OPERATING SURPLUS/(DEFICIT)	(12,728)	(13,197)	1,111

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

for the twelve months ended 30 June 2019

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Fees and User charges are \$293k favourable. The favourable variance is due to additional approved expenditure on the Watershed project and therefore increased recovery from third parties.

Personnel costs are \$227k favourable. The favourable variance is mainly due to short term staff vacancies.

Depreciation and amortisation is \$852k unfavourable. Depreciation variance is due an significant increase in assets values at year-end 2017/18 revaluation processes. Council continues to improve the accuracy of asset data which increases the values of assets as well as the depreciation costs per year.

Operating & Maintenance costs \$137k unfavourable. The unfavourable variance is due to increase expenditure in Watershed project which is offset by Revenue above.

Professional costs is \$268k favourable. The favourable variance is due to operational projects being on hold waiting for sign off from Waikato Regional Council on the Stormwater Monitoring Plan a requirement of the comprehensive stormwater discharge consent.

Attachment 2

TRANSPORT

Transport Network | Transport Centre | Parking Management

for the twelve months ended 30 June 2019

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	\$000
Everyday revenue			
4,949 Rates	23	(9)	32
4,182 Fees and user charges	4,216	3,080	1,136
4,280 Subsidies and grants	6,045	6,460	(415)
1,064 Interest revenue	955	638	317
2,520 Other revenue	2,815	2,520	295
0 Plus NZTA capital subsidy on renewals	8,006	5,084	2,922
16,995 Total everyday revenue	22,060	17,773	4,287
Everyday expenses			
4,532 Personnel costs	5,526	6,219	693
19,185 Depreciation and amortisation	17,655	18,652	997
6,962 Finance costs	5,091	5,306	215
10,609 Operating and maintenance costs	13,018	12,269	(749)
664 Professional costs	839	1,322	483
2,338 Property costs	2,333	2,325	(8)
1,120 Other costs	1,379	772	(607)
(916) Internal capital recoveries	(1,841)	(1,683)	158
44,494 Total everyday expenses	44,000	45,182	1,182
(27,499) Everyday surplus/(deficit)*	(21,940)	(27,409)	3,105
Capital revenue			
2,532 Capital contributions	4,939	3,880	1,059
10,524 NZTA capital subsidy	27,155	40,096	(12,941)
0 Less NZTA capital subsidy on renewals	(8,006)	(5,084)	(2,922)
13,056 Total capital revenue	24,087	38,892	(14,805)
(14,443) OPERATING SURPLUS/(DEFICIT)	2,147	11,483	(11,700)

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Fees and user charges are \$1.136m favourable. The favourable variance is due to additional revenue received for Corridor Access Requests, recoveries for State Highway works as well as higher than budgeted recoveries for Infrastructural Alliance activities. It also includes higher than budgeted revenue for parking.

Subsidies and Grants are \$415k unfavourable. Operational subsidies received from NZTA is unfavourable due to lower than budgeted revenue realised.

Other Revenue is \$295k favourable. The favourable variance is due to Petrol Tax being higher than budget and a higher than budgeted recovery of parking infringements and fines.

NZTA capital subsidy on renewals are \$2,922k favourable. The favourable variance is due a late approval from NZTA for Footpath Renewal subsidies of \$2.5m and the subsidisation of the LED lighting renewal programme.

Personnel costs are \$693k favourable. The favourable variance is mainly due to short term staff vacancies.

Depreciation and amortisation annual forecast is \$997k favourable. The favourable result is due to the capitalisation of transportation assets progressing slower than anticipated and the deferral of capital projects having

Finance costs are \$215k favourable. This favourable variance is due to capital projects not progressing as anticipated and timing of borrowings.

Operating and Maintenance costs are \$749k unfavourable. General maintenance on the transportation network exceeded budget. As previously advised, due to late advice by KiwiRail, work on the Te Kowhai level crossing was unbudgeted.

Professional costs are \$483k favourable. The underspent is due to short term staff vacancies in the transportation area and projects put on hold until vacancies are filled with staff that can drive the project.

Other costs are \$607k unfavourable. The unfavourable variance is due to Ministry of Justice Court fees due to parking tickets not being paid and needing to be followed up by the Courts. This fees is recovered through the Court collection process.

Capital contributions are \$1.059m favourable. This favourable variance is due additional capital contributions realised for Wairere/Cobham Drive Intersections and the Wairere - Cambridge to Cobham project.

NZTA capital subsidy (excluding renewals) is \$12.941m unfavourable. The unfavourable variance is due to Rotokauri Park & Ride, Peacocks and various other projects progressing slower than anticipated. This is reflected in deferral schedules.

Attachment 2

RUBBISH AND RECYCLING

Refuse Collection | Waste Minimisation | Landfill Site Management

for the twelve months ended 30 June 2019

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	\$000
Everyday revenue			
0 Rates	0	0	0
(199) Fees and user charges	(126)	(64)	(62)
582 Subsidies and grants	639	566	73
19 Interest revenue	18	12	6
427 Other revenue	446	445	1
829 Total everyday revenue	977	959	18
Everyday expenses			
1,380 Personnel costs	1,501	1,595	94
535 Depreciation and amortisation	573	436	(137)
847 Finance costs	863	1,267	404
4,965 Operating and maintenance costs	5,430	5,317	(113)
449 Professional costs	259	247	(12)
62 Property costs	48	68	20
87 Other costs	(1,406)	(1,486)	(80)
(231) Internal capital recoveries	(100)	(108)	(8)
8,094 Total everyday expenses	7,168	7,336	168
(7,265) Everyday surplus/(deficit)*	(6,191)	(6,377)	(150)
(7,265) OPERATING SURPLUS/(DEFICIT)	(6,191)	(6,377)	(150)

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Operating and maintenance costs are \$113k unfavourable. The variance include a \$148k unbudgeted spent on illegal dumping of rubbish.

Depreciation and Amortisation is \$137k unfavourable. The unfavourable variance is mainly due to under budgeting on depreciation for the landfill sites. Actuals are in line with last year actuals.

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	\$000
Everyday revenue			
(243) Rates	(278)	(265)	(13)
1,211 Fees and user charges	936	969	(33)
0 Subsidies and grants	75	0	75
2 Interest revenue	0	0	0
2,153 Other revenue	2,725	2,247	478
3,123 Total everyday revenue	3,458	2,951	507
Everyday expenses			
17,427 Personnel costs	19,127	18,552	(575)
5,839 Depreciation and amortisation	5,339	6,337	998
66 Finance costs	57	70	13
917 Operating and maintenance costs	1,160	928	(232)
3,060 Professional costs	3,509	5,262	1,753
856 Property costs	1,111	979	(132)
9,068 Other costs	9,764	8,890	(874)
(499) Internal capital recoveries	(489)	(343)	146
36,734 Total everyday expenses	39,578	40,675	1,097
(33,611) Everyday surplus/(deficit)*	(36,120)	(37,724)	(590)
(33,611) OPERATING SURPLUS/(DEFICIT)	(36,120)	(37,724)	(590)

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Other revenue is \$478k favourable. This is due to higher than budgeted revenue in Strategic Property. Properties were purchased after the 10 year plan which are generating rental revenue.

Personnel costs is \$575k unfavourable. Additional costs associated with the inclusion of the GM Growth Funding and Analytics, which was a role established and not entered into the 10YP budget. Also includes contracted staff for backfill positions of staff involved in the project Kookiri financial systems upgrade.

Depreciation and amortisation is \$998k favourable. This is due to capital projects not completed for capitalisation at the expected time.

Operating and maintenance costs are \$232k unfavourable. Variance consists of unfavourable People, Safety and Wellness service payments \$72k and \$50k Strategic Property reclassified work in progress (prior year items incorrectly classified as capital expenditure), along with a number of smaller overspends.

Professional costs are \$1,753k favourable. The large part of this variance relates to unspent consequential OPEX in the IS unit, this is due to timing of capital spend. There is also an underspend in consultants across Smart Hamilton Initiatives, and the re-imagining local government initiative.

Other Costs are \$874k unfavourable. This is largely due to an overspend on software licences in IS. There are more active user licences in the business than what was originally budgeted for.

Internal Capital Recoveries are \$146k favourable. IS recoveries of labour charged to capital upgrades (including \$50k Project Kookiri) tracks above budget.

GENERAL

for the twelve months ended 30 June 2019

YTD 2017/18	Actual	Approved Budget	Variance Fav/(Unfav)
\$000	\$000	\$000	\$000
Everyday revenue			
147,872 Rates	171,957	171,424	533
0 Fees and user charges	0	0	0
0 Subsidies and grants	0	0	0
0 Interest revenue	0	0	0
451 Other revenue	390	4,337	(3,947)
0 Plus NZTA capital subsidy on renewals	0	0	0
7,653 Less DC interest	7,432	6,131	1,301
0 Less HIF fair value benefit	(169)	(4,233)	4,064
155,976 Total everyday revenue	179,610	177,659	1,951
Everyday expenses			
13 Personnel costs	45	0	(45)
0 Depreciation and amortisation	0	0	0
(510) Finance costs	(322)	197	519
531 Operating and maintenance costs	(27)	526	553
0 Professional costs	97	0	(97)
0 Property costs	0	0	0
0 Other costs	0	(4,000)	(4,000)
0 Less HIF discounting	(18)	(197)	(179)
34 Total everyday expenses	(225)	(3,474)	(3,249)
155,942 Everyday surplus/(deficit)*	179,835	181,133	5,200
Capital revenue			
25,830 Development contributions	24,632	17,518	7,114
(7,653) Less DC interest (everyday revenue section)	(7,432)	(6,131)	(1,301)
41,828 Vested assets	33,668	30,000	3,668
60,005 Total capital revenue	50,868	41,387	9,481
0 HIF fair value and discounting adjustment	0	0	0
215,947 OPERATING SURPLUS/(DEFICIT)	230,703	222,520	14,681
3,442			0

* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

GENERAL
for the twelve months ended 30 June 2019

The comments below explain the variance between year-to-date actual results and annual budget where they exceed \$100k.

Rates is \$533k favourable. Due to increased growth of rating base.

Other Revenue is \$3,947k unfavourable. Discounting adjustment associated with the elimination of non cash benefit associated with the Housing Infrastructure Fund (HIF) draw down.

DC interest is \$1,301k favourable. This is due to the DC interest budget being set before a final DC interest figure could be accurately calculated.

HIF fair value benefit is \$4,064k favourable. Elimination of non cash benefit associated with the Housing Infrastructure Fund (HIF) draw down.

Finance Costs are \$519k favourable. Overall finance costs include interest revenue as surplus borrowings have been reinvested.

Operating and Maintenance costs are \$553k favourable. Costs associated with the Waikato District Boundary change were budgeted however were no longer received.

Other costs is \$4,000k unfavourable. This represents vacancy factor savings that have been deducted from activity salary budgets.

HIF fair value discounting is \$179k unfavourable. Discounting adjustment associated with the elimination of non cash benefit associated with the Housing Infrastructure Fund (HIF) draw down.

Development contributions (net of DC interest) is \$5,813k favourable. Council have experienced high growth activity.

Vested assets are \$3,668k favourable. More vested assets received than budgeted. Refer to paragraph 26 in the main report.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

Attachment 1

Item 8

YTD 2017/18		Actual	Approved Budget	Variance Fav/(Unfav)
\$000		\$000	\$000	\$000
	Revenue			
	Operating revenue			
161,356	Rates	181,153	179,713	1,440
38,127	Fees and user charges	40,722	35,284	5,438
5,048	Subsidies and grants	6,845	7,120	(275)
3,206	Interest revenue	3,706	2,475	1,231
6,845	Other revenue	7,569	10,860	(3,291)
214,582	Total Operating revenue	239,995	235,452	4,543
	Capital revenue			
25,835	Development contributions	24,638	17,518	7,120
17,070	Capital revenue	35,516	44,840	(9,324)
41,828	Vested assets	33,666	30,000	3,666
84,733	Total Capital revenue	93,820	92,358	1,462
299,315	Total revenue	333,815	327,810	6,005
	Expenses			
74,993	Personnel costs	79,965	83,168	3,203
65,567	Depreciation and amortisation expense	69,033	68,473	(560)
20,006	Finance costs	20,246	22,010	1,764
40,805	Operating and maintenance costs	46,213	46,466	253
8,991	Professional costs	10,114	13,268	3,154
12,619	Administration costs	11,335	6,582	(4,753)
11,400	Property costs	11,970	12,067	97
234,381	Total expenses	248,876	252,034	3,158
64,934	Operating surplus/(deficit)	84,939	75,776	9,163
	Gains and losses			
(2,474)	Net gain/(loss) on revaluation of interest rate swaps	(14,210)	-	(14,210)
3,394	Gain on fair value of investment properties	559	565	(6)
(4,658)	Property, plant and equipment net gain/(loss)	(5,806)	-	(5,806)
(3,738)	Total gains and losses	(19,457)	565	(20,022)
61,196	Total surplus/(deficit)	65,482	76,341	(10,859)

Refer to Activity Statements for variances against budget.

Attachment 2

BALANCING THE BOOKS RESULT FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

YTD 2017/18		Actual	Approved Budget	Variance Fav/(Unfav)
\$000		\$000	\$000	\$000
61,196	Surplus/(deficit)	65,482	76,341	(10,859)
	Remove capital revenue			
(41,828)	Vested assets	(33,666)	(30,000)	(3,666)
(18,182)	Part of development and financial contributions	(17,206)	(11,387)	(5,819)
(2,552)	Capital subsidy (excluding subsidy on transport renewals)	(19,149)	(35,012)	15,863
(6,546)	Other capital contributions	(8,361)	(4,744)	(3,617)
-	Other items not considered everyday operating revenue	(169)	(4,233)	4,064
	Remove (gains)/losses			
3,738	All (gains)/losses	19,457	(565)	20,022
	Remove other expenses			
-	Other items not considered everyday operating expenses	18	197	(179)
(4,174)	Everyday surplus/(deficit)	6,406	(9,403)	15,809

LOCAL GOVERNMENT BALANCING THE BOOKS MEASURE FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

YTD 2017/18		Actual	Approved Budget	Variance Fav/(Unfav)
\$000		\$000	\$000	\$000
61,196	Surplus/(deficit)	65,482	76,341	68,989
	Adjustments for the Local Government Regulations measure			
(3,394)	Gains excluding gains on investment properties	(604)	(565)	(565)
10,241	Losses	22,808	-	-
(25,835)	Development and financial contributions	(24,638)	(17,518)	(17,518)
(41,828)	Vested assets	(33,666)	(30,000)	(30,000)
(60,816)	Total adjustments	(36,100)	(48,083)	(48,083)
380	LG Regulations balancing the books surplus/(deficit)	29,382	28,258	20,906

STATEMENT OF FINANCIAL POSITION FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

Attachment 1

Item 8

Attachment 2

YTD 2017/18		Note	Actual	Annual Budget
\$000			\$000	\$000
Assets				
Current assets				
48,414	Cash and cash equivalents		51,459	49,500
14,117	Receivables	1	21,775	17,910
1,707	Prepayments		2,214	1,670
126	Inventory		168	160
53,293	Other financial assets	2	2,094	2,125
117,657	Total current assets		77,710	71,365
Non-current assets				
3,905,932	Property, plant and equipment		4,280,243	4,371,324
20,398	Intangible assets		19,391	22,283
25,255	Investment property		31,989	23,175
-	- Other financial assets		-	-
9,823	- Investment in CCOs and other similar entities		9,823	8,978
5,840	- Other investments		5,680	5,500
15,663	Total other financial assets		15,503	14,478
7,430	Investment in associates		7,430	7,430
642	Derivative financial instruments	4	956	
3,975,320	Total non-current assets		4,355,512	4,438,690
4,092,977	Total assets		4,433,222	4,510,055
Liabilities				
Current liabilities				
31,341	Payables and deferred revenue		37,276	33,250
7,033	Employee entitlements		7,739	6,420
1,683	Provisions		1,910	337
83,000	Borrowings	3	42,500	83,300
158	Derivative financial instruments	4	520	4,628
123,215	Total current liabilities		89,945	127,935
Non-current liabilities				
966	Employee entitlements		935	1,100
15,100	Provisions		14,456	24,413
331,500	Borrowings	3	357,414	427,194
33,106	Derivative financial instruments	4	47,268	19,025
380,672	Total non-current liabilities		420,073	471,732
503,887	Total liabilities		510,018	599,667
3,589,090	Net assets		3,923,204	3,910,388
Equity				
1,799,462	Accumulated funds		1,864,795	1,801,331
1,789,628	Other reserves		2,058,410	2,109,057
3,589,090	Total equity attributable to Hamilton City Council		3,923,205	3,910,388
3,589,090	Total equity		3,923,205	3,910,388

NOTES TO THE STATEMENT OF FINANCIAL POSITION FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

Attachment 1

Note 1: Rates and debtors receivables

	Actual			Actual June-2018		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rates	Rates	Arrears	Total	Rates	Arrears	Total
Balance as at 1 July	(2,355)	3,319	964	(2,037)	3,302	1,265
Instalments to date	204,453	-	204,453	179,671	-	179,671
Penalties, adjustments & postponed	920	-	920	1,065	-	1,065
Government rebate	(1,410)	-	(1,410)	(1,294)	-	(1,294)
Council hardship	(250)	-	(250)	(242)	-	(242)
Other remissions	(5,985)	-	(5,985)	(3,373)	-	(3,373)
Rates receipts	(194,628)	(3,193)	(197,820)	(172,928)	(3,201)	(176,129)
Balance as at 30 June	746	127	872	864	101	964
Water by meter			1,025			935
Sundry debtors						
Debtors			3,872			4,991
Rentals			46			431
Rates rebates Internal Affairs			112			54
NZTA			5,960			1,654
H3 debtors			662			1,001
Agency Debtors			191			
GST refund			0			0
			10,844			8,130
Interest			428			
Debtor accruals			5,820			5,265
Parking			(657)			3,382
Provision for doubtful debts			3,443			(2,522)
Total Rates and debtors receivables			21,775			16,155

	Actual		Actual Jun-2018	
	\$'000		\$'000	
Sundry debtors ageing	as at 30 June 2019		as at 30 June 2018	
Current	9,826		Current	2,593
0-30 days	511		0-30 days	1,055
30-60 days	151		30-60 days	156
60-90 days	52		60-90 days	27
>90 days	114		>90 days	471
	10,653			8,130

Note 2: Other financial assets - current

	Actual	Actual Jun-2018
	\$'000	\$'000
Term deposits	-	36,111
Loan investments	2,094	22,210
Total other financial assets - current	2,094	58,321

Note 3: Borrowings

	Actual	Annual budget	Actual Jun-2018
	\$'000	\$'000	\$'000
Borrowings - current	42,500	83,300	83,607
Borrowings - non-current	357,414	427,194	332,513
Total external debt	399,914	510,494	416,120

Note 4: Derivative financial instruments

	Actual	Annual budget	Actual Jun-2018
	\$'000	\$'000	\$'000
Interest rate Swaps (current asset)	-	-	-
Interest rate Swaps (non-current asset)	(956)	-	(642)
Interest rate Swaps (current liability)	520	4,628	158
Interest rate Swaps (non-current liability)	47,268	19,025	33,106
Total net derivative financial instrument liabilities	46,832	23,653	32,622

TREASURY REPORT
for the twelve months ended 30th June 2019

Item 8

Attachment 3

Internal Treasury Factors

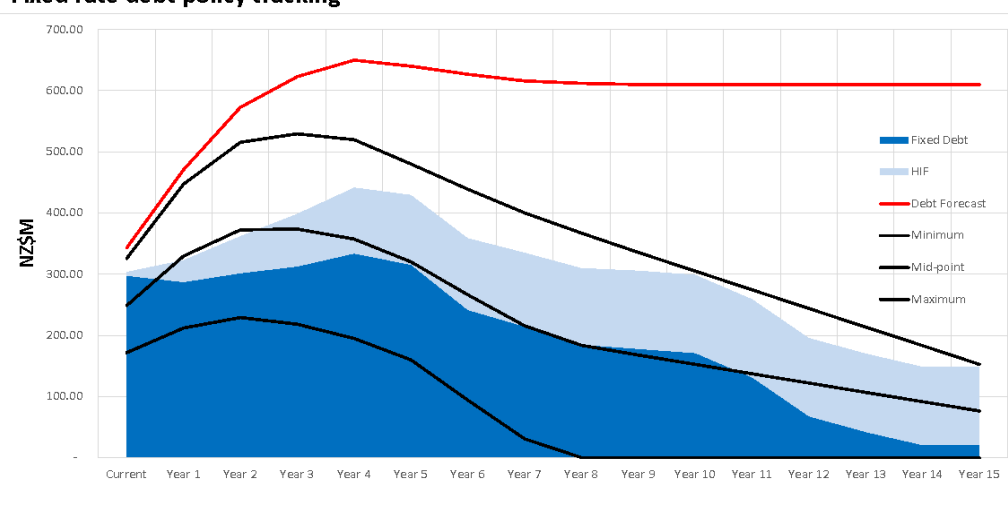
Policy Compliance

		Policy	Result @ 30-Jun-19	Policy Compliance
Fixed rate debt maturity	all years	within annual parameters	achieved for all years	✓
Funding maturity	0 - 3 years	15% - 60%	44%	✓
	3 - 5 years	15% - 60%	22%	✓
	5 years plus	10% - 60%	34%	✓
Liquidity ratio	minimum	110%	125%	✓
Counterparty credit risk	maximum	\$75m per bank	achieved	✓

Comments on policy breaches

There are no breaches of policy.

Fixed rate debt policy tracking



The above graph shows HCC's fixed rate debt compared to fixed rate policy across 15 years. HIF is inclusive as it is fixed at 0%. Our fixed debt is currently 85% and compliant with policy.

Debt and Cash Investments (\$'000's)	Result @ 30-Jun-19	Budget @ 30-Jun-19	Variance Fav. / (Unfav.)
External debt	399,914	510,494	110,580
less: Cash investments	(56,348)	(55,000)	1,348
Net debt	343,566	455,494	111,928
Gross cost of funds (12 month rolling average)	4.65%	4.31%	-0.34%
Debt to Revenue	125%	165%	40.30%

Interest (\$'000's)

	Result @ 30-Jun-19	Budget @ 30-Jun-19	Variance Fav. / (Unfav.)
Interest expense	19,742	20,575	833
Interest revenue	3,706	2,475	1,231

Interest Commentary:

Interest expense - We are favourable against budget as the interest rate has consistently dropped and debt has been below budget.
Interest revenue - We have a favourable variance due largely to having lower net debt overall during the year and higher cash holdings.
This has meant we had more funds on hand to take advantage of favourable interest rates.

Cash Investments (\$'000's)

	Result @ 30-Jun-19	Budget @ 30-Jun-19	Variance Fav. / (Unfav.)
On Call Cash	34,715	not apportioned	not apportioned
Term Cash	15,000	not apportioned	not apportioned
Cash at Bank	1,744	not apportioned	not apportioned
LGFA Borrower Notes	5,680	not apportioned	not apportioned
Total cash investments	57,139	55,000	2,139

Comment:

Our term cash is made up of \$35m worth of pre-funding for expected operating cashflows and the remainder rolling term deposits maturing on payment run dates. Our cash is higher than expected due to expected spends being down and revenues up against budget, and capital spending deferrals.

Treasury Emerging Issues

Swaps & Interest

Our current fixed rate policy is at 85% this has decreased from last months 91%. External debt has stayed the same as overall cash levels have decreased. This has been due to using our cash resources and not doing any new borrowing. The total value of swaps has remained at the same level. We will look to lower it and also look at fixed term loans and other fixing instruments to fix our rates when our debt starts to rise. This will take time but for now we will let swaps drop off and compare fixed term loans with swaps as we further question our high use of swaps. Swaps come with a higher cost so we will continue to find the correct balance which for us right now is around the 50% mark.

Swaps & Interest

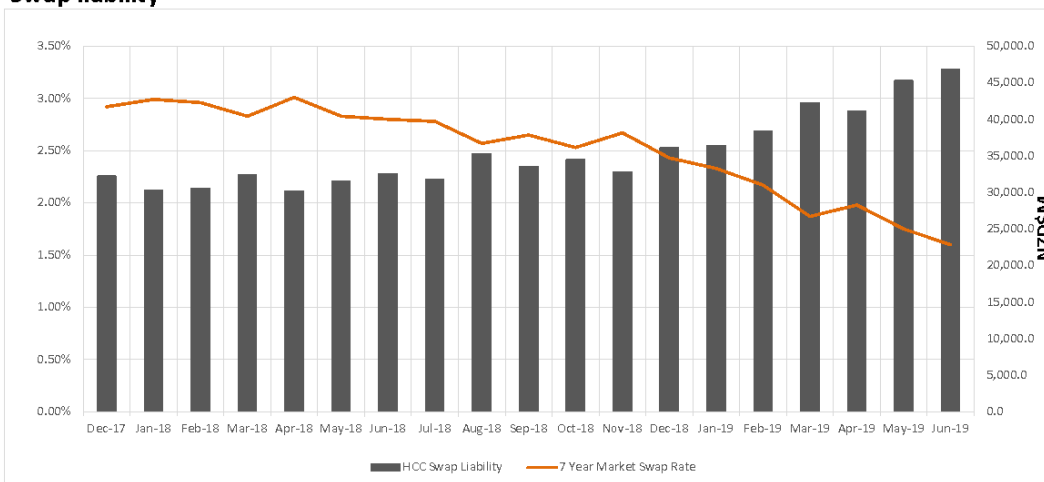
The risk of lowering our fixed rate policy is that if the market rates increase and we do need to take out swaps they will be at a higher % than at the moment. The market is currently at record lows and indicating to stay there for the immediate future, we have done some swap extensions of older higher cost swaps to achieve a lower interest rate but this has extended the term of the swaps. We will regularly review our position based on the market and advice from our consultants.

Pre-funding

We had prefunded the entire \$65m LGFA loan which matured March 2019. Favourable interest rates saw our interest revenue increase as we had put the full \$65m prefunded debt on term deposit.

External Treasury Factors

Swap liability



The above graph shows how the movements in '7 year market swap interest rates' impact HCC's swap liability the balance sheet. If swap interest rates increase, the swap liability decreases.

We use the 7 year market swap rate to compare against as our average swap maturity is 5.8 years at an average cost of 4.61%.

Definitions:

Fixed rate debt maturity - This is a 15 year forward looking policy that guides our fixed and floating rate mix and shows how we are tracking.

Funding maturity - This is a policy that guides our debt maturity and the purpose is to spread our debt maturities. There are three policy tranches.

Liquidity ratio - This is a measure to show that in an event that we will need short term cash we will be sufficiently covered.

Counterparty credit risk - This measure acts to spread all our treasury transactions across banks to reduce risk of having all our eggs in one basket.

External debt - This is all debt held externally with LGFA, banks, MBIE and lease liabilities.

Gross cost of funds - This shows our actual interest expense over average debt.

On Call Cash - This is cash that is held in our treasury account which has slightly higher interest rate than our general day to day account.

Term Cash - This is money that has been put out on term deposit for a certain period with a bank.

Cash at Bank - This is money that is in our general day to day account.

LGFA Borrower Notes - When we take out a loan with LGFA they hold onto 1.6% of the loan and it is invested and matures on maturity of the loan.

Debt replacement - This is a term we use when we take out a loan to replace the maturity of another loan.

Pre-funding - This is a term we use when we take out a loan before it needs to be taken and put it on term deposit.

Swaps - These are financial instrument that basically swap a floating rate for a fixed rate (vice versa). We use these to provide us certainty in fixing interest rates.

Swap liability - This is our unrealised loss on swaps and totals each swap difference between deal date rate and market value for a certain period. Can only be realised if a swap is broken.

OCR - The official cash rate (OCR) is the term used in Australia and New Zealand for the bank rate and is the rate of interest which the homogeneous central bank charges on overnight loans to commercial banks. This system indirectly influences the term structure of interest rates in the whole economy.

Council Report

Item 9

Committee: Finance Committee

Date: 01 August 2019

Author: Christie Harger

Authoriser: David Bryant

Position: Corporate Business Manager

Position: General Manager Corporate

Report Name: Financial Strategy Monitoring Report

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee of the status of the 2018-28 10-Year Plan Financial Strategy as at 30 June 2019.

Staff Recommendation *(Recommendation to Council)*

That the Finance Committee:

- a) receives the report.

That the Finance Committee recommends the Council:

- a) approves the rephrasing and delay deferrals of an additional \$6.53M capital projects from 2018/19 to future years as identified in the 1 August 2019 Capital Portfolio Monitoring Report;
- b) approves the additional funding of \$0.5M for the Central City Jetty as identified in the 1 August 2019 Capital Portfolio Monitoring Report;
- c) approves the significant forecast adjustments as set out in paragraphs 20 to 24 of this report; and
- d) approves the revised forecast Financial Strategy graphs for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 25 to 34 of this report.

Executive Summary

2. This report is to be read in conjunction with the:
 - a) June 2019 (1 August 2019 meeting) Annual Monitoring Report; and
 - b) June 2019 (1 August 2019 meeting) Capital Portfolio Monitoring Report.
3. This report provides a forecast update of the key 10-Year Plan Financial Strategy metrics.
4. One key goal of the 10-Year Plan Financial Strategy is to maintain or better the balancing the books result so that the need to borrow to fund everyday expenses is eliminated.
5. Not borrowing to fund everyday expenses maintains Council's borrowing capacity to fund investment in community and infrastructure initiatives.

6. For the first 4 years of the Plan there is very little margin for over-budget spending, be that operating or capital.
7. If there are negative variances from either the operating and/or capital budgets Council may need to consider increasing revenue and/or reducing expenditure in other budgets.
8. The staff recommendation reflects matters raised in the June 2019 (1 August 2019 meeting) Capital and Annual Monitoring Reports. These reports include provisional results to 30 June 2019 and are yet to be finalised. These matters have been collated into this report to allow for the sum of the matters to be considered in the context of Council's financial strategy.
9. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Background

10. Financial Strategy

11. The Financial Strategy (pages 67-71, 2018-28 10-Year Plan) is designed to:
 - a) fund everyday expenses from everyday revenues,
 - b) maintain service levels and assets,
 - c) create surpluses to repay debt
 - d) support investment in community, infrastructure and growth initiatives,
 - e) fund investments from debt.
12. The key outcomes are:
 - a) balancing the books after four years (2023/24). This was updated in the 2019/20 Annual Plan.
 - b) maintaining a Debt to Revenue Ratio of less than 230%.
 - c) setting rates increases for existing ratepayers at 9.7% (2018/19) and 3.8% per annum thereafter for existing ratepayers.
13. The approved 10-Year Plan Financial Strategy provided for \$3M unused debt capacity for the next three years. In the peak year (2022/23), debt capacity headroom is now forecast at \$17M. Changes to the actual and forecast operating and capital budgets affects this capacity. If there are negative variances from either the operating and/or capital budgets the Council will need to consider increasing revenue and/or reducing expenditure in other budgets.
14. Forecasting changes made since the adoption of the 10-Year Plan show an improvement in the Financial Strategy measures.
15. **Significant Forecasting assumptions**
16. Any changes in significant forecasting assumptions (pages 72-81, 2018-28 10-Year Plan) will result in changes to the Financial Strategy outcomes.
17. The following forecasting assumptions directly impact the Financial Strategy. An adverse change would have a material impact.
 - Growth
 - i. Revenue budgets for rates, development contributions, building and resource consents are linked to growth assumptions based on the National Institute of Demographic and Economic Analysis (NIDEA) Low projections. Sensitivity analysis (page 81, 2018-28 10-Year Plan) shows the impact of a 15% increase and reduction on the Financial Strategy.

- Interest on borrowing
 - ii. Interest rates on debt is forecast at 4.76%. A 1% movement could impact interest costs by \$3.85M p.a.
- Inflation
 - iii. Inflation was forecast by Business and Economic Research Ltd (BERL) under contract to SOLGM, with a modification for the Waikato. Waikato is experiencing higher inflation on capital projects than is being experienced across the rest of New Zealand. These BERL local government forecasts are updated annually every October.

18. These assumptions will be considered and if necessary adjusted in each Annual Plan.

Financial Strategy Significant Forecast Adjustments

19. This report forecasts the debt to revenue measure and balancing the books measure compared with the 10-Year Plan budget.
20. The forecast takes account of changes:
- a. to capital budgets approved by the Capital Investment Board, under delegation.
 - b. to operating expenditure approved by staff under delegation.
 - c. by Council decision.
 - d. recommended to Council (but not yet approved) by other Council Committees.
21. All significant changes made since the 10-Year Plan and up to 30 June 2019 are listed in Attachment 1.
22. Significant forecasting adjustments since the 21 May 2019 Council meeting are:
- a. Capital rephasing and delay deferrals from 2018/19 to future years
23. **Capital rephasing and delay deferrals from 2018/19 to future years**

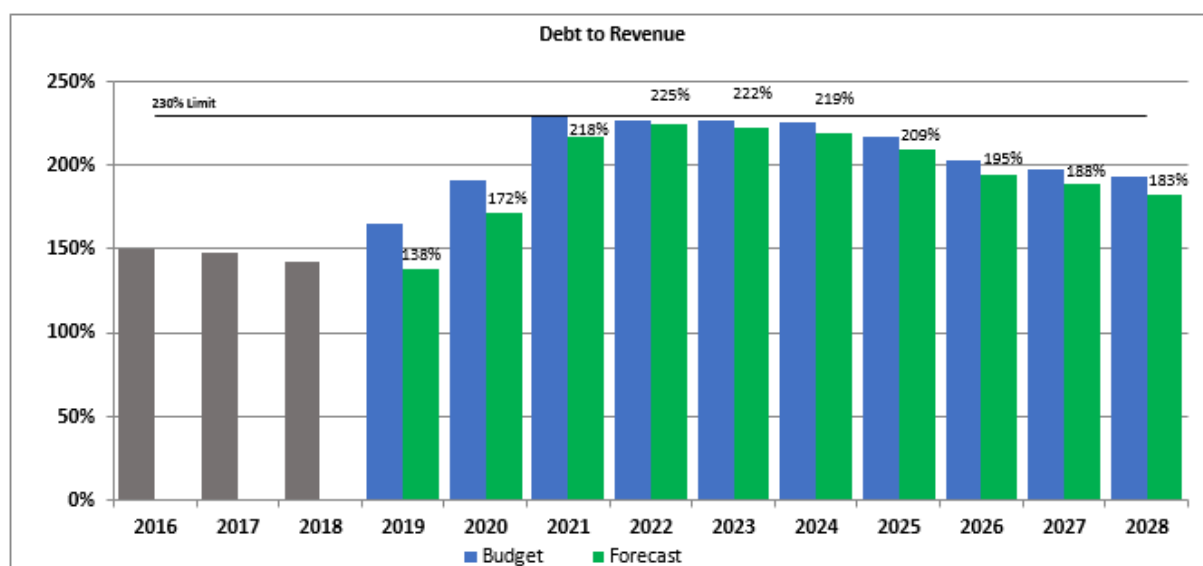
Discussion										
<p>The 2029/20 10-Year Plan capital expenditure budget was \$288.58M. The 21 May 2019 Council Meeting 2019/20 Annual Plan Deliberations report (Item 9, paragraph 30) advised that Capital expenditure in 2019/20 increased by \$35.046M to \$323.604M. This was confirmed in the final 2019/20 Annual Plan.</p> <p>Since then, there has been a small increase of \$10.8M in 2019/20, decrease of (4.299M) in 2020/21, increase of \$0.049M in 2021/22 and decrease of \$0.015M in 2022/23. Capital revenue was increased by \$7.761M in 2019/20 and decreased by (\$2.84M) 2020/21. Note that June actual capital results and deferrals are provisional and subject to audit. This will be reviewed, and an update will be provided at the 10 September 2019 Finance Committee.</p>										
Financial Strategy Impact										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	-	(85)	(11)	(14)	(14)	(15)	(15)	(16)	(17)	(18)
Debt to revenue %	-	4.3%	(2.46%)	(0.09%)	(0.09%)	(0.09%)	(0.09%)	(0.09%)	(0.09%)	(0.10%)
Net Debt \$(000)	-	(1,807)	(239)	(307)	(304)	(319)	(335)	(351)	(368)	(386)

Numbers in brackets represent an adverse outcome.

Financial Strategy Graphs

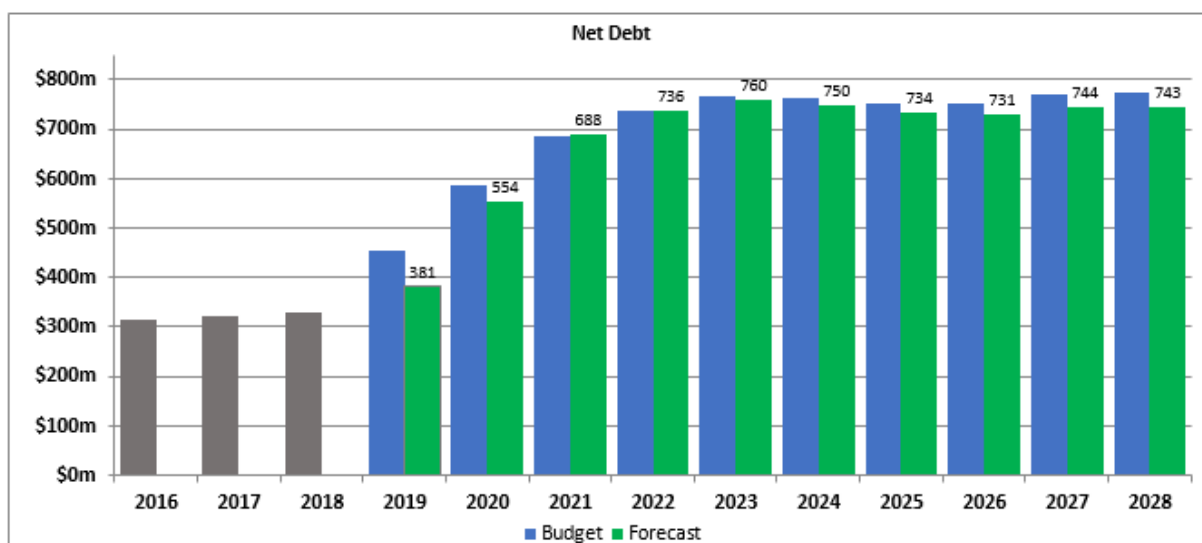
Item 9

24. The following graphs show the 10-Year Plan budgets (in blue) and the total of all Council approved changes listed in Attachment 1 as well as the significant forecast adjustments as set out in paragraph 24 above (in green).
25. Forecast changes include matters contained in this agenda and subject to decision by the:
 - a) Finance Committee; or
 - b) Council.
26. The potential impact of the Financial Strategy risks is not adjusted for in these graphs.
27. **Debt to Revenue**



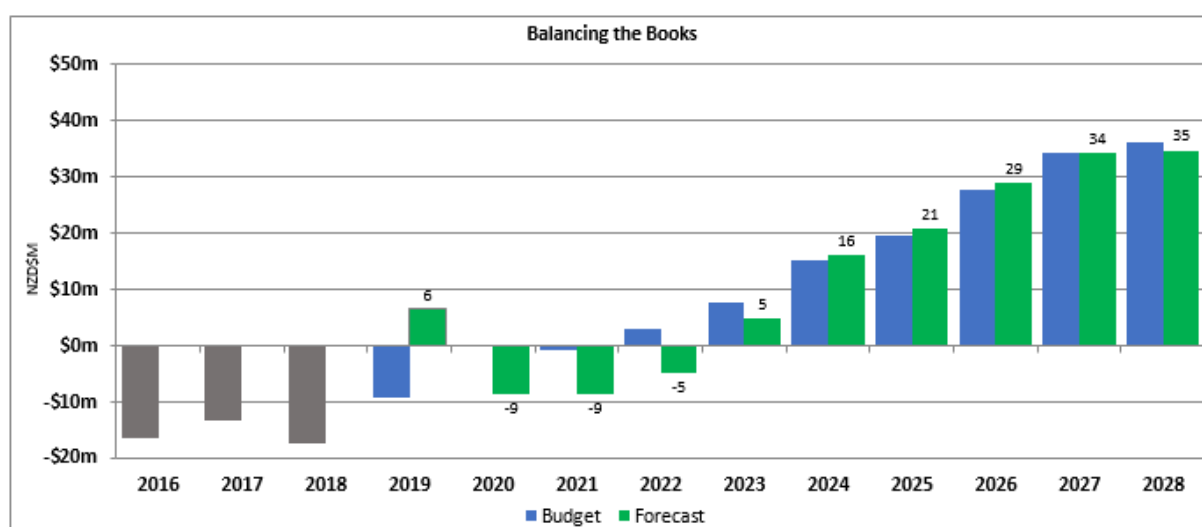
28. The Debt to Revenue graph includes all adjustments identified in this report and shows that the forecast debt to revenue is favourable against the 10-Year Plan budget. The 2019/20 Annual Plan forecasted 2018/19 debt to revenue ratio of 131%. The provisional result for 2018/19 has now been updated, resulting in a higher debt to revenue ratio of 138%. In 2021/22, the forecast is to reach 225% debt to revenue ratio. The financial strategy limit is currently 230%.
29. Debt capacity headroom (the gap between limit and forecast) is favourable against the 10-Year Plan. In the peak year (2022/23), debt capacity headroom is forecast at \$17M compared to \$9M in the 10-Year Plan.

30. Net Debt



31. The Net Debt graph shows a decrease in net debt against the 10-Year Plan. The 2019/20 Annual Plan forecasted 2018/19 net debt of \$361M. The provisional accounting result for 2018/19 has now been updated to \$65.5M surplus against a forecast of \$76.3M. These results (\$10.8M unfavourable surplus) have led to a higher provisional net debt of \$381M.

32. Balancing the Books



33. The 2019/20 Annual Plan forecasted 2018/19 balancing the books to be \$0.7M. Provisional results for 2018/19 show a balancing of books with \$6.4M favourable. This favourability relates to operational maintenance and professional services work not completed during the 2018/19 financial year. Forecast remains on track to balance the books again in 2022/23.

Risks to the Financial Strategy

34. The forecast adjustments above lead to improved Financial Strategy metrics. However emerging issues reported in the June 2019 (1 August 2019 meeting) Annual and Capital Portfolio Monitoring Reports indicate unfavourable movements could put these improvements at risk.
35. A debt to revenue margin on debt capacity is \$17M in three years' time (2022/23) provides a small amount of resilience. This is an improvement from the 10-Year plan budget but should be

considered in the context of the extent of change that has occurred already since the plan was adopted and the amount of spending budgeted to occur before the end of 2022/23.

Emerging Issues

36. The June 2019 (1 August 2019 meeting) Annual Monitoring Report has no new emerging issues. Previously listed and future emerging issues could impact the balancing the books result and consequentially debt across the 10-Year Plan.
37. The June 2019 (1 August 2019 meeting) Capital Portfolio Monitoring Report lists emerging issues that could impact the capital portfolio and consequently debt and the balancing the books result across the remainder of the 10-Year Plan.
38. Emerging issues additional to and not included in the above reports are:
 - a) Library funding – This item has been advised to the Committee and an adjustment was made to the 2018/19 budget. The Annual Plan has reduced this for 2019/20. Waikato District Council have agreed to a 3-year contract starting 1 July 2019. Future years (2020/21 – 2027/28) will be assessed and an update will be provided at 10 September 2019 Finance Committee.
39. Some of these issues are large and may require an intervention so that the Financial Strategy limits continue to be achieved.

Other Matters

Legal and Policy Considerations

40. Staff confirm that the staff recommendations in this report comply with the Council's legal and policy requirements.

Cultural Considerations

41. No cultural considerations have been identified relevant to the matters in this report.

Sustainability Considerations

42. This report addresses matter of financial sustainability. No other considerations have been identified relevant to the matters in this report.

Risks

43. This report is based on decisions that have been made in the context of assumptions that may change.

Significance & Engagement Policy

Significance

44. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the matter(s) in this report has/have a low level of significance.

Engagement

45. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments

Attachment 1 - Register of Significant Forecast Changes August 2019 .

Item 9

Register of Significant Forecast Changes

The follow significant forecasting changes have previously been approved.

\$000's

BB= Balancing the books impact

ND = Net Debt Impact

Numbers in brackets have an adverse impact.

Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
16-Oct-18	Additional Rates revenue from Growth	BB	599	663	733	808	890	978	1,067	1,168	1,276	1,393
		ND	599	1,262	1,995	2,803	3,693	4,670	5,737	6,905	8,181	9,575
	Deferred Capital 2017/18 to 2018/19	BB	257	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
4-Dec-18	Library revenue adjustment 2018/19	BB	(163)	(8)	(8)	(9)	(9)	(10)	(10)	(10)	(11)	(12)
		ND	(163)	(171)	(179)	(188)	(197)	(207)	(217)	(228)	(239)	(250)
	Footpath new revenue 2018 -2028	BB	542	655	829	1,040	1,238	1,452	1,599	1,813	2,042	2,252
		ND	2,858	5,955	9,362	12,927	16,786	20,961	24,906	29,159	33,744	38,646
	Thomas - Gordonton Road Project additional revenue - enhanced subsidy	BB	40	41	43	45	47	49	50	53	55	58
		ND	822	863	906	950	997	1,046	1,097	1,150	1,205	1,263
	Capital rephasing and delay deferrals from 2018/19 to future years	BB	1,147	11	12	12	13	13	14	14	15	16
		ND	23,647	235	247	259	272	285	299	314	329	345
	Increase capacity WW West Network (Western Interceptor Duplication)	BB	41	357	375	465	485	505	516	538	560	584
		ND	841	7,598	7,973	8,366	8,778	9,211	9,655	10,121	10,609	11,121
	Te Awa Cycleway Remediation (new project)	BB	(19)	(43)	(80)	(83)	(85)	(87)	(89)	(91)	(94)	(97)
		ND	(399)	(920)	(965)	(1,013)	(1,063)	(1,116)	(1,169)	(1,226)	(1,285)	(1,347)
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
21-Feb-19	Housekeeping adjustments	BB	-	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-
	Capital rephasing and delay deferrals from 2018/19 to future years	BB	168	2	2	2	2	2	2	2	2	2
		ND	3,468	35	36	38	40	42	44	46	48	51
	Capital savings	BB	160	163	171	179	188	198	203	212	223	233
		ND	3,303	3,466	3,637	3,816	4,005	4,202	4,405	4,617	4,840	5,073
	Adjustment to WW West Network (Western	BB	10	(305)	(320)	(397)	(414)	(431)	(441)	(459)	(478)	(498)
		ND	210	(6,495)	(6,815)	(7,152)	(7,504)	(7,874)	(8,254)	(8,652)	(9,069)	(9,506)
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
26-Feb-19	Capital and NZTA capital subsidy deferred from 2018/19 to 2019/20	BB	-	-	-	-	-	-	-	-	-	-
		ND	(36)	-	-	-	-	-	-	-	-	-
	Reduction in libraries revenue due to Waikato DC contract ceased	BB	-	(322)	(16)	(17)	(17)	(18)	(19)	(20)	(21)	(22)
		ND	-	(322)	(338)	(354)	(372)	(390)	(409)	(429)	(449)	(471)
	Cleaning contract increase to be advised at Finance Committee on 21 February 2019	BB	-	(578)	(29)	(30)	(31)	(33)	(34)	(35)	(37)	(39)
		ND	-	(578)	(607)	(636)	(668)	(701)	(735)	(770)	(807)	(846)
	Insurance premiums 30% increase from November 2018 plus another 20% unbudgeted	BB	-	(912)	(45)	(47)	(49)	(52)	(53)	(56)	(59)	(61)
		ND	-	(912)	(956)	(1,004)	(1,053)	(1,105)	(1,158)	(1,214)	(1,273)	(1,334)
	Increased Corporate personnel budget (Maanga Maori)	BB	-	(77)	(4)	(4)	(4)	(4)	(4)	(5)	(5)	(5)
		ND	-	(77)	(80)	(84)	(88)	(93)	(97)	(102)	(107)	(112)
	Demolition of Founders Theatre costs transferred from 2018/19 to 2019/20	BB	850	(826)	-	-	-	-	-	-	-	-
		ND	850	25	26	27	28	30	31	33	34	36
	Operating costs to maintain Founders Theatre until demolition	BB	-	(48)	-	-	-	-	-	-	-	-
		ND	-	(48)	(51)	(53)	(56)	(59)	(61)	(64)	(67)	(71)
	Reduced WRC revenue at Transport Centre (G&I Committee resolution 6 December 2018)	BB	-	(59)	-	-	-	-	-	-	-	-
		ND	-	(59)	(62)	(65)	(68)	(72)	(75)	(79)	(82)	(86)
	Chief Executive budget items - net zero impact, resolving within existing budgets	BB	-	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-
	GM budget items - net 'zero' impact, resolving within existing budgets	BB	-	(24)	-	-	-	-	-	-	-	-
		ND	-	(252)	(264)	(277)	(291)	(305)	(320)	(335)	(351)	(368)
Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
9-Apr-19	Electricity savings 2020/21 and 2021/22	BB	-	-	344	662	50	52	53	56	59	62
		ND	-	-	344	1,006	1,056	1,108	1,161	1,217	1,276	1,338
	Elected Members Remuneration Increase	BB	-	(161)	(172)	(184)	(197)	(211)	(225)	(240)	(256)	(273)
		ND	-	(161)	(333)	(518)	(715)	(926)	(1,151)	(1,391)	(1,647)	(1,920)
	Insurance 20% increase from Y3-10	BB	-	-	(721)	(915)	(1,154)	(1,445)	(1,810)	(2,260)	(2,818)	(3,498)
		ND	-	-	(566)	(1,287)	(2,202)	(3,356)	(4,801)	(6,610)	(8,870)	(11,688)
	Capital Deferrals and NZTA capital subsidy deferred	BB	927	1,955	(57)	(59)	26	27	28	29	31	32
		ND	19,117	41,586	(1,205)	(1,264)	551	578	606	635	665	698
	Capital savings	BB	33	34	36	37	39	41	42	44	47	49
		ND	690	724	760	797	837	878	920	965	1,011	1,060
	Depreciation Y1 Update	BB	(2,206)	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-
	Founders Theatre Demolition	BB	-	868	(844)	-	-	-	-	-	-	-
		ND	-	868	24	25	26	27	29	30	32	33
	Municipal Pools Demolition deferral from 2018/19 to 2019/20	BB	788	(765)	-	-	-	-	-	-	-	-
		ND	788	23	24	25	26	28	29	30	32	33
	Chief Executive budget items	BB	4,689	231	243	255	267	280	288	302	316	331
		ND	4,689	4,921	5,163	5,418	5,685	5,966	6,253	6,555	6,871	7,202

Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
23-May-19	Chief Executive budget items - Annual Plan net zero impact, resolving within existing budgets	BB	-	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-
	GM budget items - Annual Plan net 'zero' impact, resolving within existing budgets	BB	19	(397)	-	-	-	-	-	-	-	-
		ND	395	-	-	-	-	-	-	-	-	-
	Chief Executive budget items - forecast changes from Annual Monitoring report 23/5/19	BB	858	60	62	66	69	72	74	78	81	85
		ND	1,208	1,267	1,330	1,395	1,464	1,536	1,610	1,688	1,769	1,855
	Capital Deferrals	BB	937	(148)	8	8	9	9	10	10	10	11
		ND	19,314	(3,153)	171	179	188	197	207	217	227	238
	Capital NZTA capital subsidy deferred	BB	1,265	1,063	279	292	307	322	330	346	363	380
		ND	26,079	22,618	5,928	6,220	6,527	6,849	7,179	7,526	7,888	8,269
	Capital savings	BB	(668)	(615)	186	195	204	214	220	231	242	253
		ND	(13,783)	(13,092)	3,947	4,142	4,346	4,561	4,781	5,011	5,253	5,506
	Capital Consequential Opex adjustment	BB	1,027	51	53	56	59	61	63	66	69	73
		ND	1,027	1,077	1,131	1,186	1,245	1,306	1,369	1,435	1,504	1,577
	Cemeteries Software System (new capex project, switched from existing opex 10YP budget)	BB	250	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-
	Depreciation Y2-10	BB	-	(4,260)	(6,051)	(8,744)	(3,692)	(621)	363	807	(518)	(2,393)
		ND	-	-	-	-	-	-	-	-	-	-
	Alternate Infrastructure Financing Project (SPV) Support Costs	BB	-	(820)	(40)	(42)	(45)	(47)	(48)	(50)	(53)	(55)
		ND	-	(820)	(861)	(903)	(948)	(995)	(1,043)	(1,093)	(1,146)	(1,201)
	Corporate Resources: LGQIMA and Risk Security	BB	-	(273)	(13)	(14)	(15)	(16)	(16)	(17)	(18)	(18)
		ND	-	(273)	(287)	(301)	(316)	(332)	(348)	(364)	(382)	(400)
	Corporate Governance elections cost increase	BB	-	(107)	(5)	(6)	(6)	(6)	(6)	(7)	(7)	(7)
		ND	-	(107)	(113)	(118)	(124)	(130)	(136)	(143)	(150)	(157)
	Seismic strengthening work	BB	-	(51)	(54)	(57)	(59)	(62)	(64)	(67)	(70)	(74)
		ND	-	(1,092)	(1,146)	(1,203)	(1,262)	(1,324)	(1,388)	(1,455)	(1,525)	(1,599)
	Alternative platform for river swimmers near Hamilton Gardens Jetty	BB	-	(8)	(8)	(8)	(9)	(9)	(10)	(10)	(11)	(11)
		ND	-	(164)	(172)	(180)	(189)	(199)	(208)	(218)	(229)	(240)
	Citysafe extension to suburbs	BB	-	(252)	(12)	(13)	(14)	(14)	(15)	(15)	(16)	(17)
		ND	-	(252)	(264)	(277)	(291)	(305)	(320)	(335)	(351)	(368)
	Greenwood Street/Kahikatea Road roundabout option	BB	-	(161)	(8)	(8)	(9)	(9)	(9)	(10)	(10)	(11)
		ND	-	(161)	(169)	(177)	(186)	(195)	(204)	(214)	(225)	(235)
	Social Housing funding provision change	BB	-	(643)	(689)	382	411	442	(5)	(5)	(5)	(5)
		ND	-	(643)	(1,333)	(950)	(539)	(97)	(101)	(106)	(111)	(117)
	DC Revenue projection - Both Additional CAPEX & CBD Remission for 2020 Annual Plan	BB	-	1,165	1,637	1,655	1,762	1,809	2,086	2,292	2,274	2,943
		ND	-	3,062	7,118	10,896	14,652	18,229	22,286	26,565	30,459	35,809
	Central City Plan proposal	BB	-	(214)	(11)	(11)	(12)	(12)	(13)	(13)	(14)	(14)
		ND	-	(214)	(225)	(236)	(248)	(260)	(273)	(286)	(299)	(314)
	Cat desexing	BB	-	(107)	(115)	(123)	(132)	(141)	(150)	(160)	(171)	(182)
		ND	-	(107)	(222)	(345)	(477)	(617)	(767)	(927)	(1,098)	(1,280)
	Community Grant funds increase	BB	-	(107)	(115)	(123)	(132)	(141)	(150)	(160)	(171)	(182)
		ND	-	(107)	(222)	(345)	(477)	(617)	(767)	(927)	(1,098)	(1,280)

* (Annual Plan budget proposals approved 21st May at Council Meeting)

Council Report

Committee: Finance Committee **Date:** 01 August 2019
Author: Sean Murray **Authoriser:** Sean Murray
Position: General Manager Venues, Tourism and Major Events **Position:** General Manager Venues, Tourism and Major Events
Report Name: Waikato Regional Airport Limited - Terminal Refresh Project

Report Status	<i>Open</i>
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Purpose

1. Waikato Regional Airport Limited (WRAL) is planning a major terminal upgrade project. The cost is a material transaction that requires an adjustment to WRAL's debt facility. This requires shareholder approval as the project will create a major transaction under their constitution.
2. The purpose of this report is to seek the Council's approval as a shareholder.

Staff Recommendation

That the Finance Committee:

- a) receive the report as a shareholder of WRAL;
- b) approves the funding of the Terminal Project as a major transaction of up to \$13million; and
- c) approves the adjustment of WRAL's debt position from \$22m to \$25m to finance the terminal project.

Background

3. WRAL operates as a limited liability company, with the following shareholders:
 - Hamilton City Council – 50% shareholding
 - Matamata-Piako District Council – 15.63% shareholding
 - Waikato District Council – 15.63% shareholding
 - Waipa District Council – 15.63% shareholding
 - Otorohanga District Council – 3.13% shareholding
4. WRAL is governed by an independent Board of Directors and bound by a constitution. It reports half yearly and annually on its business results and performance and seeks feedback from shareholders on its strategic direction and major initiatives each year through its statement of intent.
5. More recently, WRAL has alerted shareholders of a need to undertake a major refurbishment project and bring some parts of the building structure up to current building standard requirements.

6. The Board and Management of WRAL are now in the process of activating this work. Please refer to attachment one from WRAL to shareholders for more details.
7. The project's estimated cost of \$13m exceeds the 10% value of company assets and the need to change WRAL's finance arrangements with their bank (which exceeds 10% of the company assets) both trigger majority shareholder approval under the terms of a major transaction in the company constitution.
8. Effectively, WRAL needs to take on an additional \$3m in debt to fund the project. This would take WRAL's current debt arrangements with their bank from \$22m to \$25m. This is well within the maximin threshold of \$40m under the terms of the company's Statement of Intent.

Significance and Engagement

9. Staff have considered this proposal under the Significance and Engagement Policy and have assessed that the matters in this report has a low level of significance and that no engagement is required.

Risks and Financial Consideration

10. There is no direct financial consideration to Council for this activity.
11. The risk on the execution of this project rests with the Board of WRAL. The project costing holds fair and reasonable contingency and the company balance sheet remains in a very healthy position.

Legal and Policy Considerations

12. This recommendation conforms to Council's legal and policy framework and is specifically driven by WRAL's constitutional requirements.

Cultural Considerations

13. No cultural considerations have been identified relevant to the matters in this report.

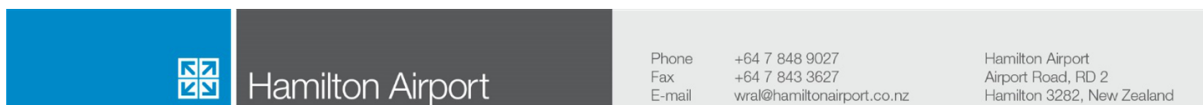
Sustainability Considerations

14. No sustainability considerations have been identified relevant to the matters in this report.

Attachments

Attachment 1 - Letter to WRAL Shareholders from WRAL Chief Executive - July 2019

Attachment 2 - Artist Impressions - Hamilton Airport Refresh Project. .



12 July 2019

BY EMAIL

To:

Mayor Andrew King
CE Richard Briggs
Hamilton City Council

Mayor Jan Barnes
CE Don McLeod
Matamata Piako District Council

Mayor Max Baxter
CE Tanya Winter
Otorohanga District Council

Mayor Allan Sanson
CE Terri Tong
Waikato District Council

Mayor Jim Mylchreest
CE Garry Dyet
Waipa District Council

Dear Shareholder Mayor's & CE's,

Waikato Regional Airport Limited – Terminal Refresh Project

As you will be aware from our recent annual shareholder's meeting, shareholder's half year update and news release, Hamilton Airport is planning a major terminal project for the coming 2020 calendar year. The project will constitute a major transaction under our Company's constitution. Accordingly, we are seeking formal shareholder approval to commit to this.

Given the quantum of capital outlay anticipated we are also seeking to renew our banking facilities prior to commencing this project. As part of this process we will need to pledge more than 10% of the Company and Group's assets as security to the Group's banker: this will constitute a major transaction for the Company and Group.

The terminal project

The current passenger terminal was originally constructed in the mid-1960s and has had two major extensions in that time. The original international terminal wing was added in the 1990s, followed by a further extension and complete renovation during 2006 and 2007. The building received all relevant codes of compliance at the last upgrade.

In our ten-year strategic plan, WRAL made allowance for a significant refresh noting the terminal is approaching 14 years old and has had no additional work undertaken since the major upgrade in the mid-2000s. The airport has experienced significant growth and passenger forecasts remain positive.

During the planning and design phase for the refurbishment, as is normal practice, WRAL investigated the structural integrity of the building against new building standards. This work identified that some work will be necessary to ensure the building complies with new building standards.

The Airport has engaged global aviation consultants AirBiz to ensure the current terminal layout is both optimal for the current nature of operations and does not compromise future growth. The project will ensure the Airport terminal is able to cater for a number of growth scenarios including retaining the capability for international services.

The Airport will remain fully operational during the works, as it has done for the two most recent construction projects and will have capacity to serve its current flight schedules.

The total cost of the project is estimated to be up to \$13 million including a contingency. Key aspects to this include:

- Refresh of public areas and customer experience
- Resilience and remediation physical works
- Professional fees and consents
- Contingency and escalation allowance

Included in the works is approximately \$1.8 million of more discretionary elements which are not yet confirmed but would be implemented subject to suitable business cases, such as being able to secure additional income from tenants in the terminal

Review of banking facilities

At the date of writing, the group has approximately \$15 million of debt drawn on its available facilities of \$22 million. Certain assets have been pledged as security to our bankers, BNZ, as our levels of investment and debt have increased over the past few years.

The expected phasing of the capital outlay of the terminal works and other cash requirements of the Group will mean our debt will likely peak above our current facility limit of \$22 million late in the 2020 calendar year, at the same time around \$13 million of our debt facilities would be due for renewal.

The Group would therefore like to bring forward the renewal of its debt facilities to early 2020 to ensure there is certainty over our available funding for at least the duration of the terminal project at a time where interest rates remain low.

The renewal will see us pledge over 10% of our current asset base as mortgage security; these assets include our farm, hotel, certain aeronautical investment properties in addition to some land holdings around the airport; in total approximately \$45 million (approximately 38% of total assets). All these assets are currently pledged as security to our current bankers BNZ and it is probable our debt facilities may be increased upon renewal without the need to pledge any additional assets as security.

The Group will be seeking a small extension of our current facility limit, from \$22 million to \$25 million which will enable us to complete the terminal project and continue to invest in schedule replacement and renewal of our core aeronautical assets and meet other capital requirements arising from our property investment and development initiatives, such as our contributions to developing local infrastructure. This extension will mean the Group will be able to meet all its operating costs and capital obligations without seeking additional

shareholder funding in the short term, and on an ongoing basis, operating surpluses from the Group will be sufficient to meet forecast debt servicing requirements.

The approvals Waikato Regional Airport Limited is seeking

The Group is seeking Shareholders' to approve the following major transactions pursuant to its constitution:

- Approval of the Terminal Project as outlined above, as a major transaction, of up to \$13 million;
- Approval of the Group to continue pledging more than 10% of its assets as security in connection with the renewal of its banking facilities as outlined above.

To ensure the Group can continue to proceed with these initiatives, your approval is required by Friday, 16 August 2019.

More information can be obtained by contacting Mark Morgan, Chief Executive, Waikato Regional Airport Limited.

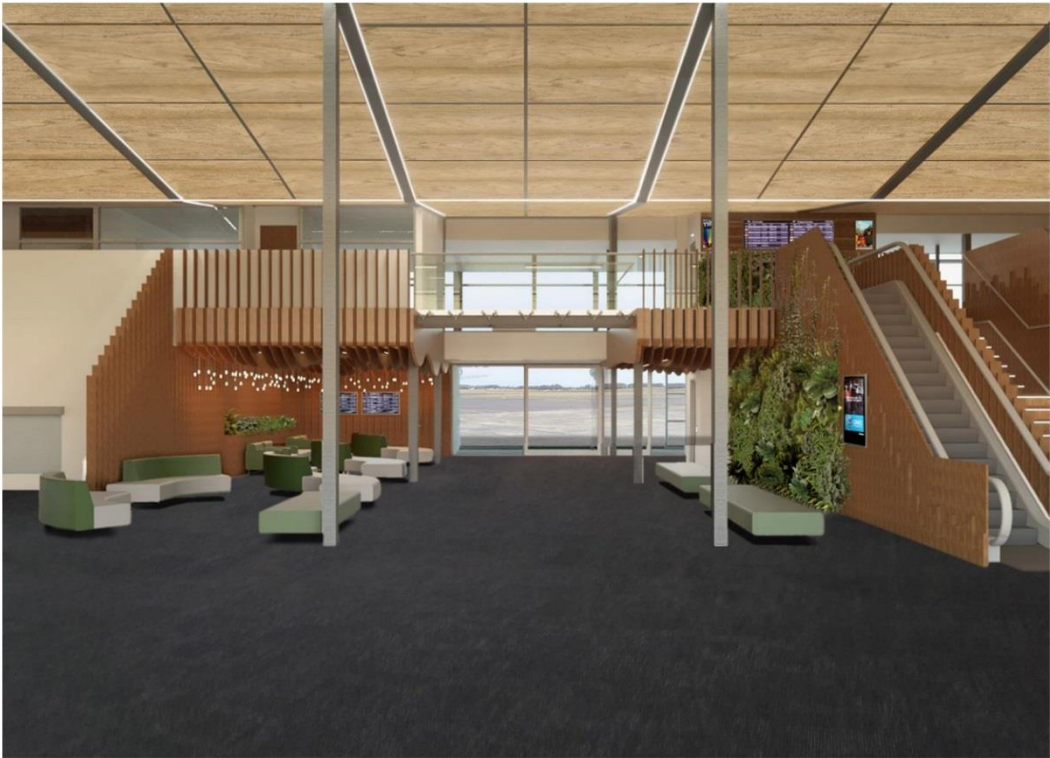
Kind Regards

Barry Harris
Chairman
Waikato Regional Airport Limited

Artist Impression images – Hamilton Airport Terminal Refresh Project



Exterior



Interior

Council Report

Committee: Finance Committee

Date: 01 August 2019

Author: Rebecca Watson

Authoriser: Becca Brooke

Position: Committee Advisor

Position: Governance Team Leader

Report Name: Deferral of Reports - Update on Stadia Facilities

Report Status	<i>Open</i>
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Purpose

1. To seek approval to defer the report concerning an update on stadia facilities to the 7 September 2019 Finance Committee meeting.

Staff Recommendation

2. That the Finance Committee:
 - a) receives the report; and
 - b) notes that the report concerning an update on stadia facilities is deferred to the 7 September 2019 Finance Committee meeting.

Background

EFTPOS options and facilities into stadium events

3. At the 23 May 2019 Finance Committee meeting it was resolved:

That the Finance Committee;

 - a) receives the report; and
 - b) requests that staff explore the feasibility of introducing EFTPOS options and facilities into stadium events and report back at the 1 August 2019 Finance Committee meeting.
4. Due to the time required to complete a comprehensive report and fully investigate options, staff recommend that this matter be deferred to the Finance meeting on 10 September 2019.

Attachments

There are no attachments for this report.

Council Report

Item 12

Committee: Finance Committee

Date: 01 August 2019

Author: Sean Murray

Authoriser: Sean Murray

Position: General Manager Venues,
Tourism and Major Events

Position: General Manager Venues,
Tourism and Major Events

Report Name: H3 Group - Quarter Four and Year End Report for 1 July 2018 to 30 June 2019.

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee on the performance of H3 including financial and non-financial reporting, focusing on the 2018-19 financial year quarter four and year end results.

Staff Recommendation

That the Finance Committee receives the report.

Executive Summary

2. The intention of this report is to provide a more focused commentary on H3 activity, which includes Claudelands Events Centre, FMG Stadium Waikato, Seddon Park and residual activity related to the Founders Theatre.
3. H3 increasingly operates as a single business with its customers spread across venues as demand and capacity constraints dictate in peak months.
4. The financial reporting of H3 activity is also reported to the Finance Committee within the 2018-2028 10-Year Plan Monitoring Report under "Venues, Tourism and Major Events" activity.

Attachments

Attachment 1 - H3 Quarter Four and Year End Report - 1 July 2018 to 30 June 2019 .

FINANCIAL YEAR END REPORT 2019



GENERAL MANAGER'S COMMENT

Item 12

H3 is a business unit within the Venues, Tourism and Major Events Group at Hamilton City Council responsible for event facilities. This report is a summary of 2018/19 year end activity for H3.

It has been another busy year for H3 both in terms of the volume of the event activity, new productivity initiatives and some asset management challenges. H3's forward book is particularly strong and we are increasingly challenged by availability of venue space and staffing resource (internal and external) at peak periods.

I am pleased to report that our reputation in the events and venue industry is very strong across the New Zealand market which reflects well on Hamilton. During the year our operations received the following national accolades; a true testimony to the dedication and professionalism of the H3 team.

- NZEA Sidekicker Best Venue 2018 - FMG Stadium Waikato for RLWC 2017 & HSBC NZ Sevens 2018
- NZEA Eventfinda Best International Event 2018 - HSBC NZ Sevens (37 South Events and New Zealand Rugby)
- EVANZ Simpson Grierson Operations Manager of the Year Award – Ben Slatter
- NZC Awards – Domestic Short Form Pitch of the Year - Seddon Park
- Seddon Park rated most as the most consistent pitch in the last 25 years of Test Cricket by espn.cricinfo.com

Sean Murray

GENERAL MANAGER
VENUES, TOURISM AND MAJOR
EVENTS GROUP



Attachment 1

H3 GROUP | Q4 AND YEAR END REPORT 2019

1. HIGHLIGHTS

1.1 - SUMMARY OF QUARTER FOUR

- The fourth quarter of the year delivered an additional 149,312 attendees at a variety of sports events, shows, performances and business events at H3 Venues. This quarter represented 26% of the year's event volume, 27% of attendance and 22% of revenue for the business.
- A selection of events that took place in quarter four across H3 venues include four Super Rugby matches at FMG Stadium Waikato (Chiefs v Blues, Lions, Sharks and Reds), attended by over 35,500 fans and the Great NZ Food Show, Women's Lifestyle Expo, The Winter Pretty Big 1-day Sale, University of Waikato Graduation Ceremonies, The Hospice Bucket List Banquet, a Waikato Muslim Association celebration, and three ANZ Premiership home games for Waikato Bay of Plenty Magic Netball.

1.2 - 2018/19 YEAR IN REVIEW

- Hamilton City Council's Event Facilities, managed by the H3 Group, hosted a wide variety of events across the year, alongside the completion of a number of significant capital and renewals projects at the venue. In total 334,332 people attended events at Claudelands and 224,063 attended events at FMG Stadium Waikato and Seddon Park. As well as public ticketed performance and sports events, exhibitions and sales, there were also 14 conferences, 607 meetings and 94 functions across all venues. These alone were attended by more than 60,500 people.
- Asset management, renewal and capital projects took place during the year with planning and activation of the works programme a focus. Work on several projects took place during the year including the Chiefs Corporate Hospitality Suites, Light Tower renewal planning at FMG Stadium Waikato, Light Tower renewal planning and works at Seddon Park, Venue ISA and DSA seismic building evaluations, plus event and venue security planning.
- Founders Theatre remained closed. \$802k was budgeted for the demolition of Founders Theatre during 2018/19, however a final decision on the future of Founders Theatre has not been made. The provision has therefore been moved to the 2020/21 financial year.

558,395
people attended
events at H3
Venues in 2018/19



1.3 - EVENT ACTIVITY - CLAUDELANDS

- Claudelands also hosted various significant exhibition events (which consistently attract large crowds) including Waikato Home and Garden Show 2018, The Travel Bazaar, Jaguar Art of Performance Tour, The Craft and Quilt Fair, Waikato A&P Show 2018, Ezibuy Sale, Last Season Sale, The Great NZ Food Show , 1 Day Sale (x 2), The Baby Expo, The Women's Lifestyle Expo, The Spa Sale, the weekly Hamilton Farmers Market and The Gourmet Garage.
- Patrons also attended sports events, watching Magic Netball Super Sunday and five series matches, Silver Ferns v Australian Diamonds Constellation Cup, NZ Open Dance Championships 2018, SKYCITY NZ Breakers v Illawarra Hawks (pictured) and the NZ Leisure Marching Nationals.
- Performance (comedy, music, theatre, cultural and community) shows also entertained ticket buyers throughout the year. Some of these included:



Chopper Comedy Show
The Hollies in Concert
Kids for Kids Show
Show Quest 2018
Foreigner
Pink Floyd Experience

7 Days Live!
Bill Bailey
The ABBA Show
TEG Paw Patrol
Fat Boy Slim
Oh What a Night!
Charley Pride

Dr Suess' Cat in the Hat
Celtic Illusion
Hamilton Punjabi Festival
Tainui Waka Kapa Haka
Michael Jackson Tribute
Cancer Society Relay for Life

- Claudelands hosted 207 business events and 58 functions across the year. Some examples include the Waikato Regional Sports Awards, NZ Concrete Industry Conference, National Maori Housing Conference, Pasture Summit NI Conference, KuDos Annual Science Awards, Waikato Hospice Bucket List Banquet, Fonterra NZ Annual Dinner, Quarry NZ Conference, NZ Holiday Parks Conference and Trade Exhibition, ACENZ CCNZ Conference, Downer Leadership Conference, OfficeMax Supplier Expo, Water NZ 60th Annual Conference plus numerous graduation ceremonies, prizegivings and an increasing number of corporate events and functions for local and regional based companies. The venue also hosted a small community gathering in the Arena in late March for the live-streamed Remembrance Service to commemorate victims of the Christchurch mosque attacks.
- In addition to all the above events, there are many events booked that are private or non-ticketed in nature such as business events (conferences, meetings) and functions (business related and private).



1.4 - EVENT ACTIVITY - STADIA

- FMG Stadium Waikato hosted Super Rugby matches, Mitre 10 Cup games including the semi-final and final in 2018/19, and following a successful winter season, focus at the venue turned to turf and venue preparation for the 2019 HSBC Sevens event.
- For the second successive year, the HSBC Sevens in January 2019 was a success, with over 48,000 people attending the weekend-long event. The 2019 event included a Women's invitational tournament and a new four-year licence for alternate hosting rights between Hamilton and Fiji was also confirmed during the year.
- Seddon Park had another successful cricket season, hosting a number of domestic and international cricket matches, including NZ A, India A, BLACKCAPs, White Ferns and India team trainings, ODI and test matches and training and test matches with Bangladesh.
- The year culminated in the H3's Seddon Park Turf Management team being awarded the 2018/19 season award for best domestic venue by NZ Cricket.
- Both venues also hosted business events (414) and functions (36) throughout the year and continue to be popular spaces for our smaller business events market.

**"FMG STADIUM
WAIKATO IS WITHOUT
A DOUBT THE BEST
SURFACE WE PLAY
ON!"**

Nikita Hall
Chiefs Rugby Team
Manager



2. FINANCIAL SUMMARY

Item 12

H3 Financial Summary

2.1 -Table 1 - RESULT FOR THE PERIOD 1 JULY 2018 TO 30 JUNE 2019

Prior YTD Actual 2017-18		Actual YTD	Budget YTD	Variance favourable/ (unfavourable)	Annual Budget
\$000		\$000	\$000	\$000	\$000
	Revenue				
0	Subsidies and Grants	0	0	0	0
300	Capital Revenue	2	100	-98	100
6,897	Revenue from Activities	7,132	6,072	1,061	6,072
7,198	Total Revenue	7,135	6,172	963	6,172
	Direct Operating Costs				
2,461	Cost of Sales	2,623	2,219	-404	2,219
4,927	Personnel Costs	4,898	5,359	461	5,359
1,756	Operating & Maintenance Costs	1,883	2,053	170	2,053
214	Professional Costs	203	245	42	245
1,022	Administrative Costs	1,272	1,335	63	1,335
1,506	Property Costs	1,604	1,527	-76	1,527
11,886	Total Direct Operating Costs	12,482	12,737	255	12,737
-4,688	Direct Operating Surplus/(Deficit)	-5,347	-6,565	1,218	-6,565
	Indirect Revenue				
604	Interest Income	359	240	119	240
	Indirect Overhead Costs				
4,713	Depreciation and Amortisation	5,053	5,223	170	5,223
2,430	HCC Overhead Allocation	2,416	2,601	184	2,601
3,002	Finance Costs	1,911	1,992	81	1,992
10,145	Total Indirect Operating Costs	9,380	9,816	435	9,816
-9,541	Net Indirect Costs	-9,021	-9,576	555	-9,576
-14,229	Net Surplus/(Deficit)	-14,368	-16,141	1,773	-16,141
-308	Gains and Losses	-100	0	-100	0
-308	Total Gains and (Losses)	-100	0	-100	0
-14,537	Surplus/(Deficit)	-14,468	-16,141	1,673	-16,141

NOTE: The Financials presented exclude Founders Theatre for reporting purposes. Any prior year comparatives reflect this also.

Attachment 1



2.2 - OPERATING EXPENDITURE

2.2.1 COST OF SALES

Additional costs relate to the ongoing uplift in revenue.

2.2.2 PERSONNEL COSTS

Favourable budget due to a delay in filling some vacant positions, along with changing mix in roles, when replacing. H3 operates in a very fluid staffing structure dependent on business need.

2.2.3 PROPERTY COSTS

Additional costs relate to ongoing uplift in revenue with more electricity required for the increased volume of events.

2.2.4 OPERATING AND MAINTENANCE COSTS

Favorable budget primarily due to Seddon Park lights capex project superseding the need for planned maintenance.



Fat Boy Slim, Claudelands Arena, January 2019



REVENUE SUMMARY

Item 12

2.3- GRAPH 1 - 2018/19 H3 REVENUE VARIANCE TO BUDGET (EXC. CAPITAL)



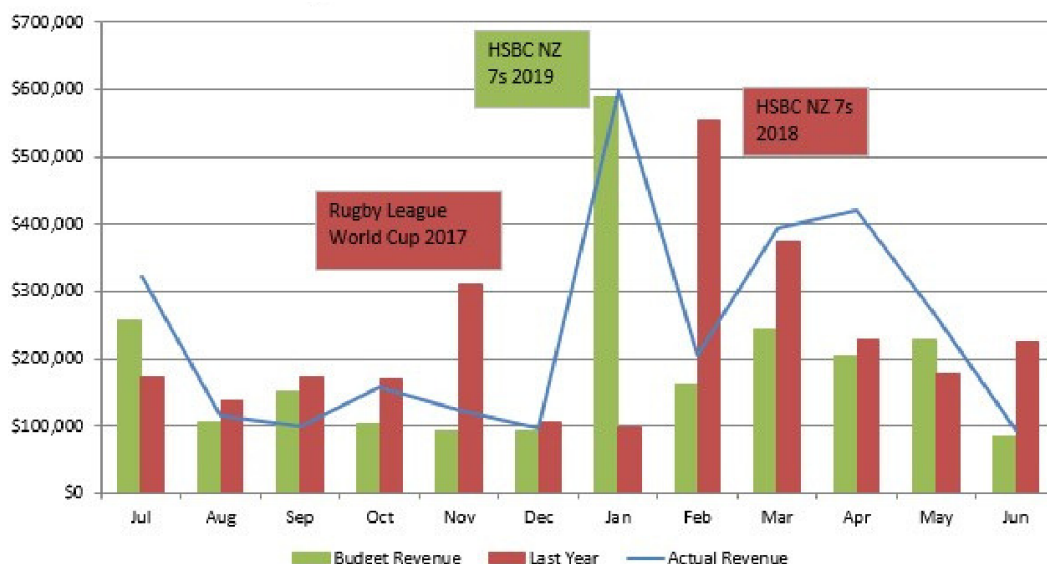
Attachment 1

- Total revenue was above budget by \$1.061m (18%).
- Meetings revenue was \$164k above budget with much higher event volumes, partly offset by a lower yield due to the shorter length and lower attendees per event.
- Exhibitions revenue was \$35k under budget, driven by lower than expected yields.
- Performance revenue was \$212k above budget due to higher event volumes, partly offset by a lower yield due to lower attendees per event.
- Sporting events revenue variance was \$473k above budget due to the additional Stadium events.



STADIA RESULT

2.4 - GRAPH 2 - 2018/19 STADIA REVENUE



2.4.1 - TABLE 2 - STADIA SUMMARY PERIOD 1 JULY 2018 TO 30 JUNE 2019

	Actual Year End	Budget Year End	Variance Favourable/ (unfavourable)
	\$000	\$000	\$000
Revenue			
Subsidies and Grants	0	0	0
Capital Revenue	2	100	-98
Revenue from Activities	3,017	2,430	587
Total Revenue	3,019	2,530	489
Direct Operating Costs			
Cost of Sales	1,313	1,122	-192
Personnel Costs	1,830	2,132	301
Operating and Maintenance Costs	1,275	1,397	122
Professional Costs	115	131	16
Administrative Costs	521	498	-23
Property Costs	881	817	-64
Total Direct Operating Costs	5,936	6,097	-161
Direct Operating Surplus/(Deficit)	-2,917	-3,567	650

- Total Stadia revenue year to date was 24% above budget driven by event revenue. Sport revenue finished 29% above budget driven by a higher yield. Meetings revenue has remained favorable, being 38% above budgeted levels as a result of more events. Performance revenue finished 46% above budget driven by a higher yield.



CLAUDELANDS RESULT

Item 12

Attachment 1

2.5 - GRAPH 3 - 2018/19 CLAUDELANDS REVENUE



2.5.1 - TABLE 3 CLAUDELANDS SUMMARY PERIOD 1 JULY 2018 TO 30 JUNE 2019

	Actual Year End	Budget Year End	Variance Favourable/ (unfavourable)
	\$000	\$000	\$000
Revenue			
Subsidies and Grants	0	0	0
Capital Revenue	0	0	0
Revenue from Activities	4,116	3,642	474
Total Revenue	4,116	3,642	474
Direct Operating Costs			
Cost of Sales	1,309	1,097	(213)
Personnel Costs	3,068	3,227	159
Operating and Maintenance Costs	608	656	48
Professional Costs	88	114	25
Administrative Costs	751	836	86
Property Costs	722	710	(12)
Total Direct Operating Costs	6,546	6,640	94
Direct Operating Surplus/(Deficit)	(2,430)	(2,998)	380

- Claudelands total revenue finished 13% above budget driven by strong results across meetings, functions and performances especially in the fourth quarter. These event types finished above budget by 70%, 35% and 24% respectively. Conference revenue finished 7% below budget due to conferences in the fourth quarter having lower than expected yields as a result of less attendees and hire days. Exhibition revenue finished 3% below budget due to lower than expected yields.



3. ACTIVITY SUMMARY

3.1 - NUMBER OF EVENTS, HIRE DAYS AND ATTENDANCE AT H3 VENUES - 2018/19



558,395 people
attended events



1,236 events
took place



984
hire days

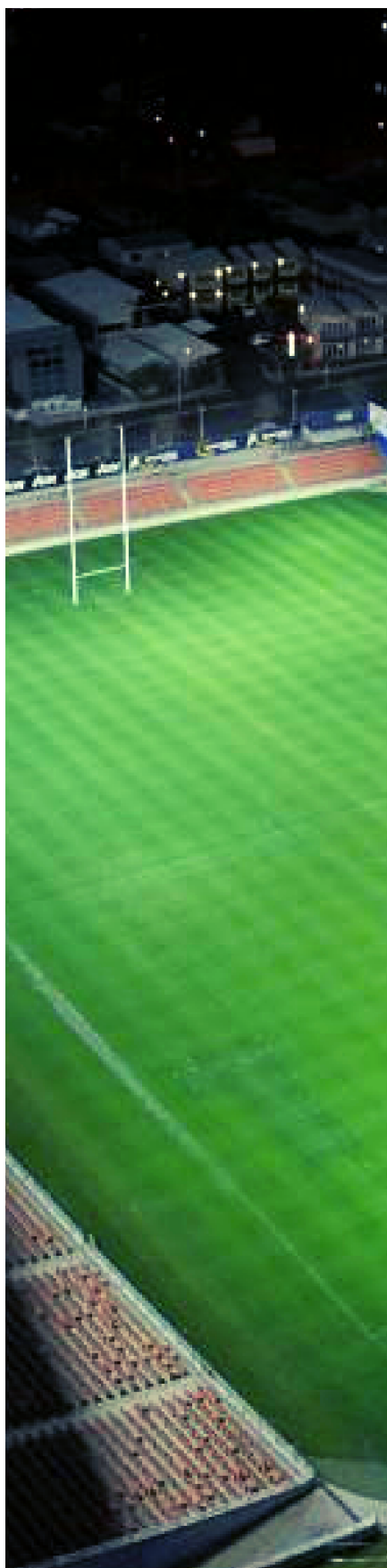
3.2 - TABLE 4: BY EVENT TYPE FOR THE PERIOD 1 JULY 2018 - 30 JUNE 2019

Event Type	Number of Events Q4	TOTAL	Hire Days Q4	TOTAL	Attendance Q4	TOTAL
Business Events	196	715	132.50	471.25	15,127	60,727
Exhibition	28	98	62.25	169.50	79,965	219,823
Performance	10	42	18	106.00	9,021	62,003
Sport	84	381	76.75	237.25	45,199	215,842
Total	318	1,236	289.50	984	149,312	558,395
FY 2017/18 comparison	388	1247	304	1,053.75	153,603	540,197

- All primary markers for the business performed similarly to the previous year's results.

3.3 - GRAPH 4: BUSINESS MIX BY EVENT TYPE FOR THE PERIOD 1 JULY 2018 TO 30 JUNE 2019





3.4 - 2018-2028 10-YEAR PLAN KPIS

TABLE 5: FOR THE PERIOD 1 JULY 2018 TO 30 JUNE 2019

Measure	Annual Target	Q1	Q2	Q3	Q4	TOTAL
The number of people attending events at H3 Venues	438,000	111,449	123,535	174,099	149,312	558,395

- We exceeded our attendance target by 28% (120,395 attendees). In 2018/19, 39% of attendees came from exhibitions, 39% from sports. 11% from business events and 11% from performance.

3.5 - OTHER NON-FINANCIAL KPIS

CUSTOMER SATISFACTION

TABLE 6: FOR THE PERIOD 1 JULY 2018 TO 30 JUN 2019

Survey Type	Q1	Q2	Q3	Q4	TOTAL
Business Events Hire Survey (1-10)	9.6	9.2	9.3	9.1	9.3
Ticketed Events Attendee Survey (1-10)	8.8	8.7	8.8	8.6	8.7

3.6 - KEY SUPPLIERS

Five contracts were awarded in 2018/19 relating to H3 Venues:

- Contract 17460 Seddon Park Light Replacement
- Contract 18176 FMG Stadium Waikato Turf Replacement (to be completed in 2019/20 FY)
- Contract 18202 Safety Handrail and Fall Arrest System Brian Perry Stand
- Contract 18236 Fall Arrest Systems Claudelands
- Contract 18277 FMG Stadium Waikato Tie Rod Replacements

3.7 - OUR PEOPLE

- At year end, H3's permanent staff turnover was 14.6%. In total eight staff members left H3 during the year against an average staff number of 63.
- This compares similarly to the previous year (2017/18 15.74%) and is relatively low for the industry.





Example of "Our People" promotional campaign - 2018/19

3.8 - HEALTH AND SAFETY

TABLE 7: INJURIES, MEDICAL TREATMENT AND LOST TIME INJURIES FOR THE PERIOD 1 JULY 2018 – 30 JUNE 2019

	Q1	Q2	Q3	Q4	TOTAL
Injuries	4	4	3	0	11
Medical Treatment	0	1	0	0	1
Lost Time Injuries	0	0	0	0	0

The following Health and Safety actions were completed by H3 during Q4 2018/19:

- Implementation of an Emergency Response Training Plan
- Venue Security – communication with stakeholders, including tenants, contractors and clients addressing areas of vulnerability and reinforcing safety and security processes
- Review of control room operations
- Investigation of potential physical security measures required to increase safety and security of venues and events
- Installation of additional lighting at Claudelands in response to recent security breaches and assessment of vulnerable areas
- Assessment of venue critical assets for emergency preparedness
- Receipt of a replacement truck with added safety features for the Technical Services department
- Implementation of new manager safety audit schedule and audits completed.



4. SOCIAL MEDIA HIGHLIGHTS

Item 12

4.1 SUMMARY

- In total across the past 12 months HLive's likes increased by 1,864, while Claudelands and FMG Stadium Waikato grew by 2,263 likes and 525 likes respectively. The significant growth in likes for Claudelands NZ can be attributed to the number and diversity of events taking place at the venue, coupled with Claudelands' high profile and strong brand recognition.
- For the period 1 April 2019 to 30 June 2019 the HLive NZ Facebook page had a positive increase of 509 likes over the past quarter from 10,102 to 10,611. The Claudelands NZ Facebook page experienced the most significant increase over this time, growing by 929 likes from 16,009 to 16,938, while FMG Stadium Waikato's page had modest growth of 84 likes during this three-month period, from 6,792 to 6,876.
- Facebook statistics show that 'family entertainment' content generates the highest engagement. The highest engagement was for the Disney On Ice celebrates Mickey And Friends announcement on 4 March 2019 which reached over 34,479 people, gained 1,877 reactions, comments and shares, and generated 5,046 clicks through to sign up for presale access. This was followed by the 1 November 2018 announcement on Claudelands NZ that Paw Patrol Live was returning to Claudelands in January 2019, which reached over 28,200 people, gained 1,235 reactions, comments and shares, and generated 3,728 clicks through for presale access.
- A key focus for the H3 Marketing team across the next 12 months will be to grow HLive as its dominant event promotion brand. This will include analysis to gain better understanding of preferences and achieve higher engagement, and encouraging likers of Claudelands NZ and FMG Stadium Waikato facebook pages to transition across to HLive NZ Facebook page by providing exclusive event pre-sale offers and competitions via this channel. Growing HLive's NZ following and engagement on Instagram and Twitter will also be a priority.



AS AT 30 JUNE 2019

66,000

HLIVE CORE DATABASE SUBSCRIBERS

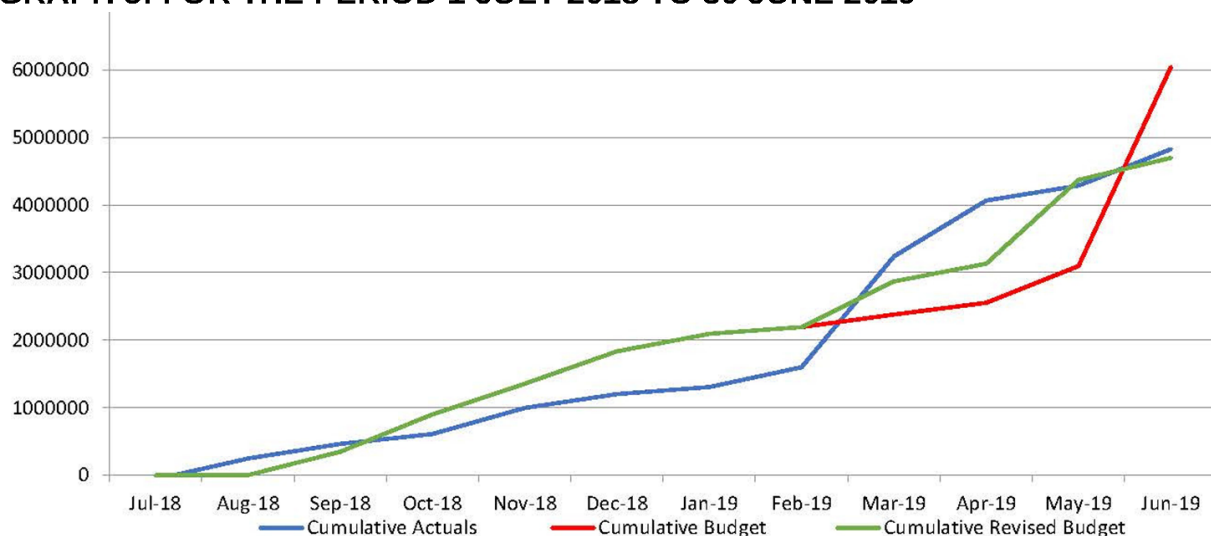
Attachment 1



5. CAPEX & ASSET MANAGEMENT

5.1 - 2018-19 CAPEX SPEND ACTUALS VERSES BUDGET

GRAPH 5: FOR THE PERIOD 1 JULY 2018 TO 30 JUNE 2019



- Revised budget includes the deferral budget due to the timing of delivery of capital projects. The main deferrals are for the Seddon Park Lights and FMG Stadium Waikato Tie rods.

5.2 - ASSET MANAGEMENT

5.2.1 SEDDON PARK - LIGHT TOWERS

- The project is well progressed. The existing light tower were removed in Q4 and foundation work has begun. This project continues into the 2019/20 financial year and is on track to be completed before the upcoming cricket season.

5.2.2 FMG STADIUM WAIKATO - LIGHT TOWERS

- No further work carried out on this, pending result of the Seddon Park lights project. Investigation and design work to begin in the 2019/20 financial year.

5.2.3 FMG STADIUM WAIKATO - TIE RODS (LIGHT TOWERS)

- During 2016/17 rust was identified on the tie rods at the stadium with remedial work undertaken to gives us time to complete preparation for replacement work. The tender was awarded with work to be completed in the 2019/20 financial year.



5.2.4 FMG STADIUM WAIKATO - CHIEFS CORPORATE BOXES

- The Chiefs have procured the boxes with construction expected to be completed in August 2019. A story wall concept is being worked through to go along the front ground level of the boxes telling the history of the Stadium. This is a Chiefs initiative and will generate additional revenue from increased rental and catering commissions for H3.

5.2.5 FMG STADIUM WAIKATO - TURF REPLACEMENT

- We are planning for the replacement of the turf at the end of 2019 calendar year (within FY 2019-20). Budgeted cost is \$1.3m. The contract was awarded in Q4. Work will commence in November 2019.

5.2.5 MULTIPLE VENUES – INITIAL SEISMIC ASSESMENTS (ISA)

- Council's Facilities team has received ISAs across a range of H3 buildings as part of a Council wide programme. Detailed seismic assessments have been commissioned for two buildings and are due by Q2 2019/20.



6.HOT TOPICS

6.1 - AREAS OF FOCUS

- ISA and DSA building evaluations
- Event and Venue Security

6.2 - UPDATE ON RECYCLING AND SUSTAINABILITY PROJECT AT H3 VENUES

- The current Sustainability and Waste Management project officially began in May 2019. This project is looking at the full picture around waste management and sustainability at H3 venues; economic, community and environmental. The project team are identifying and investigating waste management and sustainability aspects for Claudelands to then initiate and/or enhance the best possible practices for venue waste management and sustainability.
- Initially we are testing systems and processes at Claudelands to then roll out all finalised initiatives to other H3 venues. The project will reduce the amount of venue waste to landfill by 70% by November 2020; increase the number of sustainable initiatives in our facility; and increase public and staff awareness of venue sustainability.
- Claudeland's refurbishment in 2011 was designed to be more environmentally sustainable as well as being able to adapt in future to meet more sustainable practices. Initiatives included:
 - High efficiency air conditioning systems, energy efficient lighting,
 - Use of rainwater for toilet flushing, water flow restrictors on all taps, water sensitive taps in the bathrooms and smart flush toilets
 - LED street and pedestrian lighting
 - Storm water overflow is directed to a wetland which has been created at Claudelands Park
 - Bicycle parking



- Prior to May 2019 waste items (excluding cardboard, grass clippings and organic kitchen waste) were disposed of in one bin and collected for landfill. In May 2019 Claudelands initiated additional bins (pictured below) for recycling in line with the current HCC Waste management recycling contract.
- The current project is group focused on looking at new initiatives on how we can improve the environmental footprint in our venue. Initiatives include:
 - All cleaning chemicals are environmentally friendly
 - Waste management volunteer programme
 - Join TIA Sustainability commitment
 - Working with vendors and exhibitors to reduce waste brought onto site
 - Auditing of bins and quality of rubbish sorting
 - Staff and public education
 - Waste reduction
- H3 is working closely with the City Waters team to align our waste processes and ensure a consistent message is delivered to the public in line with the changes due to be implemented in July 2020. Data reporting on improvements made during the project will be available from early August 2019.



6.3 - UPDATE ON VENUE SECURITY

- Progress on this initiative is as per the quarter three report to the Committee and continues with the expectation of a full action plan by December 2019.
- As a reminder, for H3 it is not just about event day and we have identified four focus areas for this work:
 - Day to day security and heightened site accessibility controls;
 - Pack in and pack out days either side of events (multiple client and contractor activity on-site);
 - Event day controls;
 - Advanced response preparation in the case of a security breach.
- The intention is that changes will be classed as BAU and not necessarily all that visible. However, there will be increased costs (capital and operating levels) yet to be determined.



7. THE YEAR AHEAD 2019-20

7.1 FORWARD POSITION

- The forward sales position across H3 venues is very strong, particularly at Claudelands. At the same time H3's business development team is very busy with enquiries and quotations including some potentially large-scale conferences.
- H3 remains challenged with peak season activity. Similarly, some impact events have been unable to secure availability at the Claudelands Arena which is increasingly under demand for larger conference activity.
- A lack of hotel inventory in Hamilton remains our number one inhibitor to growth in the major conference business.
- Planning ahead and activating our capital works programme will continue to challenge the business.



7.2 Ticketed events taking place next financial year include:

- Disney on Ice - Mickey and Friends, NZ Darts Masters 2019, The Cancer Society Ball, Ultimate Queen Celebration, Synthony - a Generation of Dance Music, The Taste of Ireland Music and Dance Sensation, Stan Walker in Concert, Post Modern Jukebox, The Craft and Quilt Fair, Dylan Moran - Dr Cosmos, The Bee Gees Night Fever and The Imperial Russian Ballet Company production of Swan Lake.
- All Blacks vs Tonga September 2019, Great Britain Rugby League Lions vs Tonga October 2019, BLACKCAPS v England test match, BLACKCAPS v India, White Ferns v South Africa, HSBC NZ Sevens January 2020



Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of Finance Committee Meeting Minutes - Public Excluded - 23 May 2019) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Contract 18146 - General Security Services)	
C3. Report on overdue debtors as at 30 June 2019 & Debt write-offs 2018/19		
C4. River Plan - Central City Jetty - Contract 18120		
C5. Waikato LASS Professional Services Panel Review		

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 which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to avoid the unreasonably, likely prejudice to the commercial position of a person who supplied or is the subject of the information to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (b) (ii) Section 7 (2) (h)
Item C3.	to protect the privacy of natural persons to maintain the effective conduct of public affairs through protecting persons from improper pressure or harassment	Section 7 (2) (a) Section 7 (2) (f) (ii)
Item C4.	to enable Council to carry out commercial activities without disadvantage to enable Council to carry out negotiations	Section 7 (2) (h) Section 7 (2) (i)
Item C5.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)