

Notice of Meeting:

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

Date: Tuesday 15 August 2017
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 P Yeung

Quorum: A majority of members (including vacancies)

Meeting Frequency: Six weekly

Becca Brooke
Governance Team Leader

9 August 2017

Telephone: 07 838 6439
Becca.Brooke@hcc.govt.nz
www.hamilton.govt.nz

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 and/or annual budgeted surplus; 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, excluding contracts or arrangements that are reserved for the Council or another Committee's approval.
- Approval of Private Development Agreements recommended by the Growth and Infrastructure Committee.
- 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 Democracy 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 Democracy by telephoning 07 838 6439.

Finance Committee

OPEN MINUTES

Minutes of a meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Tuesday 4 July 2017 at 9.38am.

PRESENT

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

In Attendance:

- Richard Briggs – Chief Executive
- Lance Vervoort – General Manager Community
- Chris Allen – General Manager City Infrastructure
- Sean Murray – General Manager Venues, Tourism and Major Events
- Sean Hickey - General Manager Strategy and Communications
- Kelvyn Eglinton - General Manager City Growth
- David Bryant - General Manager Corporate
- Blair Bowcott - Executive Director Special Projects
- Tracey Musty - Financial Controller
- Nicolas Wells - Strategic Property Manager
- Maire Porter – City Wates Manager
- Nigel Ward – Communications Team Leader
- Andrew Parsons – City Development Manager
- Jason Harrison – City Transportation Manager
- Natalie Young – Project Manager
- Andy Mannering – Social Development Manager
- Sandra Larsen – Community Funding Advisor

Governance Advisors:

- Lee-Ann Jordan – Governance Manager
- Becca Brooke – Governance Team Leader

Amy Viggers – Committee Advisor

Attachment 1

Item 5

1. **Apologies**

Resolved: (Crs Mallett/Bunting)
That the apologies from Cr Yeung and Cr Casson (for lateness) were accepted.

2. **Confirmation of Agenda**

Resolved: (Crs Mallett/Bunting)
That the agenda is confirmed, noting that there was an error on page 16, paragraph 44 of the agenda under the heading 'Rotokauri Growth'. A replacement page was circulated to Elected Members.

3. **Declarations of Interest**

No members of the Council declared a Conflict of Interest.

4. **Public Forum**

There were no public forum speakers.

5. **Finance Committee - Open Minutes - 23 May 2017**

Resolved: (Crs Mallett/Taylor)
That the Committee confirm the Open Minutes of the Finance Committee Meeting held on 23 May 2017 as a true and correct record, noting the spelling correction of 'Crs' on page 10, Item 12.

6. **10-Year Plan Monitoring Report - For the eleven months ended 31 May 2017**

The Financial Controller introduced the report, noting that there was a replacement page 16 of the agenda which had been circulated to Elected Members prior to the meeting. It was also noted that on page 16, paragraph 38 of the agenda, the table titled Capital Expenditure Programme for 2016-2017 'plus Approved Brought Forward' total should read \$5.1m.

Staff responded to questions concerning:

Deferrals: 30 projects were identified as potential deferrals. It was noted that as part of the 10 Year Plan process, Elected Members would have an opportunity to review the process regarding how projects were set out in budgets. There was an opportunity to base projects on their programme of works rather than by financial years.

Rates Remission Policy: As per the current policy, income assessments to receive remissions were based on income earned in the previous financial year. As part of the 10 Year Plan process, Elected Members would get an opportunity to discuss the policy at an upcoming Elected Members Briefing.

Risks and Opportunities: Clarification of the purpose of the risks and opportunities register was provided to Elected Members. The register was used to report significant changes from approved budgets such as the depreciation increase.

Personnel Costs: Staffing costs associated with stormwater, wastewater, and water, were not included as 'personnel costs' but were instead included as part of administrative costs.

Resolved: (Crs Mallett/Casson)

That the Finance Committee receives the report.

Cr Casson joined the meeting (10.30am) during the discussion of the above item. He was present when the matter was voted on.

The meeting adjourned 11.05am – 11.18am.

7. Key Projects Monitoring Report - May 2017

The General Manager Corporate took the report as read. Staff responded to questions from Elected Members concerning the Western Rail Trail, Hamilton Ring Road Upgrade and Extension and the North City Road Urban Upgrade. These projects were noted as being at risk of exceeding scope, budget, or timing/scheduling.

Elected Members requested that future Key Project Monitoring Reports contain more commentary around those projects that were not reaching targets/timeframes.

Resolved: (Crs Pascoe/Mallett)

That the Finance Committee receives the report.

8. Single-Year Community Grant Allocation 2016/17

The Chair noted the purpose of report was only to inform Elected Members of the Single-Year Community Grant allocation outcome for the 2016/17 financial year, and not to approve or decline any particular applications.

The Manager, Social Development took the report as read and responded to questions from Elected Members concerning the allocation process. He noted that applicants (successful and unsuccessful) were notified of the committee's decision within a day or two of the decisions being made.

Elected Members would get an opportunity at a future briefing to review the Single-Year Community Grant criteria. Staff were asked to report back on the feasibility of conducting research into the benefits the City gained in providing grants.

Resolved: (Crs Southgate/Gallagher)

That the Finance Committee receives the report.

9. Lease - SPARK Claudelands

The Strategic Property Manager explained that the lease extensions were for existing telecommunications equipment on Council land and parks. Staff responded to questions from Elected Members concerning the process should other businesses want to apply to put equipment on Council land and how lease values were determined.

Resolved: (Crs Mallett/Macpherson)

That the Finance Committee:

- a) receives the report; and

- b) approves a new lease for SPARK, for telecommunications equipment located at Claudelands Event Centre, subject to the following terms and conditions;
 - (i) term – 6 years, commencing 1 October 2017,
 - (ii) renewals – 3 x 6 years (1 October 2023, 1 October 2029 & 1 October 2035),
 - (iii) rental - \$9,000 plus GST per annum,
 - (iv) rent reviews – 3 yearly CPI with Market review on renewal (the higher of CPI or Market will apply on renewal date)
 - (v) relocation and redevelopment clause included.

10. Lease - SPARK Beetham Park

This report was taken as read.

Resolved: (Crs Mallett/Macpherson)

That the Finance Committee:

- a) receives the report; and
- b) that Council approves a new lease for SPARK, for telecommunications equipment located at Beetham Park, Ulster Street, Hamilton, subject to the following terms and conditions;
 - (i) term – 6 years, commencing 29 June 2017.
 - (ii) renewals – 3 x 6 years (29 June 2023, 29 June 2029 & 29 June 2035).
 - (iii) rental - \$11,000 plus GST per annum
 - (iv) rent reviews – 3 yearly CPI with Market review on renewal (the higher of CPI or Market will apply on renewal date)
 - (v) relocation and redevelopment clause included.

11. Resolution to Exclude the Public

Resolved: (Crs Mallett/Casson)

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. Finance Committee - Public Excluded Minutes - 23 May 2017) Good reason to withhold information exists under Section 7 Local Government Official Information and	Section 48(1)(a)
C2. Report on overdue debtors) Official Information and	

as at 31 May 2017 & Bad) Meetings Act 1987
Debts Writeoffs 2016/17)

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 protect the privacy of natural persons | Section 7 (2) (a) |

The meeting went into a public excluded session at 12.02pm.

The meeting was declared closed at 12.22pm.

Council Report

Item 6

Committee: Finance Committee **Date:** 15 August 2017
Author: Iain Anderson **Authoriser:** Tracey Musty
Position: Business Support Team Leader **Position:** Financial Controller
Report Name: 10-Year Plan Monitoring Report - For the year ended 30 June 2017

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee on the Councils financial performance against the 2016-17 Annual Plan for the year ended 30 June 2017.
2. To seek approval to carry forward capital projects along with the associated budget into the 2017-18 financial year.

Staff Recommendation

3. That the Finance Committee:
 - a) receives the report.
 - b) approves the deferral of 30 capital projects with a total budget value of \$23.9m and carries these into the 2017-18 financial year.

Executive Summary

4. Council has an operating surplus of \$53.7m for the year ended 30 June 2017. This result is \$42.6m favourable to the annual budget.
5. The significant items that contribute to the \$42.6m favourable result are: unrealised gains from interest rate Swaps at \$17.4m, favourable vested asset revenue at \$14.2m, additional revenue associated with capital (assets) projects at \$7.1m, higher revenue from development contributions at \$4.8m and a gain from the increase in the value of Councils' investment properties \$2.6m.
6. Council's balancing the books result is a sub-set of the operating result. The key difference is Swaps and vested assets are excluded.
7. The balancing the books result was a surplus of \$12.0m. This is \$9.4m favourable to the annual budget.
8. The significant items that contribute to the \$9.4 favourable result are: higher user pays revenue of \$1.5m, additional revenue associated with capital projects of \$7.1m, higher development contribution revenue of \$4.8m, lower finance costs of \$2.0m and higher operating expenses (including depreciation) of \$6.4m.

9. Since the 31 May 2017 result was reported the balancing the books measure variance has moved unfavourably by \$3.6m, this has been largely due to increased expenditure on maintenance and professional costs.
10. Capital expenditure totalled \$84.5m for the year ended 30 June 2017. This result is \$21.3m favourable to the annual restated budget of \$105.8m. If the recommended deferrals and other approved changes were eliminated the residual variance would be \$0.8m unfavourable.
11. Thirty (30) capital expenditure projects were unable to be completed by 30 June 2017. These have a value of \$23.9m. These projects are either in progress or scheduled to start. The recommendation is the budget is carried forward into the 2017-18 financial year.
12. Overall debt for the year ended 30 June 2017 is \$363.0m against an annual budget of \$404.1m. The debt to revenue ratio is 174% against an annual target of 198%. A significant reason for the favourable result is the level of capital deferrals.
13. For the year ended 30 June 2017 Council was compliant with all policy measures.

Discussion

14. The structure of this report includes the following sections:
 - a) Summary of the operating result; including Council's balancing the books result.
 - b) Summary of capital expenditure
 - c) Summary of risks and opportunities
 - d) Summary of debt and treasury management
15. Attachments to this report provide more detailed analysis and explanation of the results.
16. **Operating Result**
17. This section provides a summary for both the accounting result and Council's balancing the books result. It also includes a summary of the Local Government balancing the books measure.
18. The operating result relates to the overall surplus or deficit position for Council from its normal day to day operating activities. This overall result is referred to as the accounting result. This complies with accounting standards.
19. A subset of the accounting result is Council's balancing the books result.

20. **The Accounting Result**

21. The accounting result for the year ended 30 June 2017 is a surplus of \$53.7m. This is \$42.6m favourable as the annual budget was a surplus of \$11.1m.

Actual for year ended	Annual Budget	Variance
\$53.7m	\$11.1m	\$42.6m

22. **Council's Balancing the Books**

23. Balancing the books is an internal measure that was first adopted by Council as part of the 2012-22 10-Year Plan. This measure eliminates any gains or losses from interest rate Swaps, revenue associated with vested assets and capital subsidy for the Ring Rd.
24. Council's balancing the books result for the year ended 30 June 2017 is a surplus of \$12.0m. This is \$9.4m favourable as the budget was a surplus of \$2.6m.

Actual for year ended	Annual Budget	Variance
\$12.0m	\$2.6m	\$9.4m

25. The *Financial Statements* (attachment 1) show the accounting result, Council's balancing the books result, the Government's balancing the books result and balance sheet. Variances are explained in this attachment.
26. *Group of Activities Financial Reports* (attachment 2) contains an individual operating statement for each of the 13 activities Council externally reports. These include comments that explain variances between year to date actual results and year to date budgets where they exceed \$100k.
27. The major contributors to the overall accounting result variance of \$42.6m are:

Revenue variances:

- Higher revenue from building consents and planning guidance.
- Higher 3rd party capital contributions.
- Higher NZTA capital subsidy. (Western Rail trail is a major contributor.)
- Higher rates penalties received and lower hardship remissions issued.
- Higher revenue from vested assets.

Expenditure variances:

- Lower finance costs due to lower debt and interest rates.
- Lower expenditure on electricity and gas.
- Higher depreciation due to asset revaluations.
- Higher expenditure on staff remuneration costs.
- Higher expenditure on maintenance and service costs.

Losses and Gains variances:

- Gain from interest rate Swaps due to higher market interest rates.
- Gain from the upward movement in valuation of Investment Properties.

28. More detailed explanations can be found in the notes in attachment 1 and attachment 2.

29. **The Local Government Balancing the books measure**

30. This is an alternate measure to Council's measure with the key difference being the elimination of all development contribution revenue.

31. Using this measure the actual result was a deficit of \$2.5m against the annual targeted deficit of \$8.5m.

32. **Summary of Capital Expenditure**

33. **The Capital Expenditure Result**

34. Total spend on capital expenditure for the year ended 30 June 2017 is \$84.5m, compared to an approved restated budget of \$105.8m.

Actual for year ended	Annual Budget	Variance
\$84.5m	\$105.8m	\$21.3m

35. The annual budget used in this section comprises the 2016-17 Approved Annual Plan – of \$90.8m; approved deferrals from previous years \$9.9m and approved projects brought forward from future years \$5.1m. This is the budget used for the capital expenditure report found in attachment 3.

36. The *Capital Expenditure Report* (attachment 3) provides a full list of all projects and year to date variances to budget.

37. **The Capital Expenditure Programme - Revised**

38. The approved restated budget used in the capital expenditure report in attachment 3 is not adjusted for the recommended deferrals, the changes listed on the Risks and Opportunities and changes made under CE delegation. If these were taken into account the revised capital programme would be restated as \$83.7m for the 2016-17 financial year. The following table has the full detail.

Restated Capital Expenditure Programme for 2016-17	\$m
Approved 2016-17 Annual Plan programme	\$90.8 m
plus Approved deferrals from 2014-15	\$3.0 m
plus Approved deferrals from 2015-16	\$6.9 m
plus Approved brought forward	\$5.1 m
Less Recommended deferrals into 2017-18	(\$23.9)m
less Approved changes from R&O	(\$0.8)m
plus funded from new revenue	\$2.6 m
Total Capital Expenditure Programme	\$83.7m

39. If the 30 June 2017 actual result is now compared to this restated capital expenditure budget the variance becomes unfavourable by \$0.8m which represents a variance of less than 1%.
- 40. Deferred Capital Expenditure into 2017-18**
41. Deferred capital expenditure refers to the process whereby the budget for an approved capital project is carried forward into a future financial year.
- 42. 2016-17 Capital Deferrals**
43. There are thirty (30) projects with a value of \$23.9m that were unable to be completed by 30 June 2017. It is being recommended that these projects have their budget carried forward into the 2017-18 financial year.
44. To help understand why a deferral is required they have been classified into 3 categories;
- 3rd Party – is reliant on a 3rd party to enable the project to proceed, a common example would be infrastructure that is depended on developers.
 - Contractual – project is now under contract with a supplier to deliver the project. The initial delay was due to issues associated with the contract e.g. a design issue or delay in the tender process.
 - HCC/Other External – delay due to change in project scope/requirement or change in prioritisation by Council.
45. A full list of the thirty (30) deferred projects for the year ended 30 June 2017 is contained in the following table.

Capital Expenditure Deferrals from 2016-17	3rd Party	Contractual	HCC/ Other External	Total	YTD Actual Expenditure	2016-17 Annual Budget
	000's	000's	000's	000's	000's	000's
Infrastructure Projects						
Rotokauri Growth						
CE15111 - Increase capacity of Wastewater network throughout the city	3,996			3,996	376	4,372
CE15060 - Rotokauri stormwater infrastructure stage 1	1,500			1,500	6,582	6,834
CE15090 - Roading upgrades and development in Rotokauri stage 1	674			674	609	1,284
CE15107 - Increase capacity of Wastewater network in Rotokauri stage 1	397			397	45	441
CE15127 - Water pipe upgrade - growth	114			114	0	306
Peacocks Growth						
CE15088 - Roading upgrades and development in Peacocke stage 1		547		547	106	653
CE15089 - Roading upgrades and development in Peacocke stage 2		97		97	495	500
Rototuna Growth						
CE15140 - Rototuna reservoir and associated bulk mains		1,300		1,300	9,929	16,574
CE15092 - Roading upgrades and development in Rototuna	1,185			1,185	2,151	3,661
City Wide Growth						
CE15103 - Increase capacity of wastewater pump stations			250	250	124	376
CE15144 - Upgrade water treatment plant		828		828	2,509	3,337
CE15158 - Water model			684	684	330	1,014
CE15162 - Integrated catchment management plan		416		416	990	1,406
Ruakura Growth						
CE15112 - Increase capacity of Wastewater network (far east interceptor)	1,002			1,002	1,036	2,038
Parking Management						
CE10070 - Replacement of parking enforcement equipment			689	689	6	695
	8,868	3,188	1,623	13,679	25,288	43,491
Community Projects						
CE15027 - Proposed development programme		518		518	2,090	2,608
CE10003 - Waterworld operational asset renewals			2,582	2,582	674	3,096
CE10004 - Gallagher Aquatic Centre operational asset renewal			64	64	132	197
CE10020 - Zoo animal replacement	22			22	19	41
CE16001 - Victoria on the River		2,967		2,967	1,933	4,900
CE10001 - Aquatic facilities building renewals			2,071	2,071	269	2,340
CE15033 - Land purchase future reserves			497	497	325	822
CE10008 - Museum asset renewal			64	64	84	147
	22	3,485	5,278	8,785	5,526	14,151
H3 Projects						
CE10047 - FMG Stadium Waikato property renewals		309		309	128	389
CE10048 - Stadia building renewals		100		100	597	421
	0	409	0	409	725	810
Corporate Projects						
CE10152 - Computer Network and associated Hardware			209	209	392	601
CE10153 - Core business applications	150	13	369	532	426	958
CE10154 - Minor applications		20		20	1	21
CE15155 - Mobility and eservices			138	138	208	346
CE15157 - Authority replacement		105		105	0	1,028
	150	138	716	1,004	1,026	2,953
Total Capital Deferrals	9,040	7,220	7,617	23,877	32,565	61,406

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46. There are no new items since 31 May 2017; however the value has increased by \$1.9m. This increase represents that the deferral value can now be determined exactly as the end of the year results are known.
47. The deferrals have a favourable impact on Councils financial result. However it is only a timing impact as the expenditure will still be incurred but later than was originally planned. The impact affects the following areas;
 - a. It reduces the amount of borrowing.
 - b. It reduces the debt to revenue ratio.
 - c. It reduces the depreciation expense, benefiting the operating result and balancing the books.
 - d. It reduces the interest expense which benefits the operating result and balancing the books.
 - e. There is also a favourable impact on operating and maintenance costs.
48. While they have a timing effect on the financial result Council does make an allowance when preparing the budgets to acknowledge a certain level of deferral. This is done with the specific

purpose to ensure Council does not over budget for interest expense costs. For the 2016-17 financial year the allowance was \$500k reduction in interest. This equates to total deferrals of approximately \$10m in value.

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49. Projects Brought Forward

50. Projects brought forward relate to approved projects from the 2015-15 10 Year Plan that have been brought forward from a future financial year.

51. The following table lists the current projects brought forward.

Capital Expenditure Brought Forward to 2016-17	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Project	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
CE10009 - ArtsPost Earthquake Strengthening	100			(100)			
CE15060 - Rotokauri stormwater infrastructure stage 1*	5,000						(5,000)
Total Indicative Expenditure Pipelines	5,100	0	0	(100)	0	0	(5,000)

* This is the WINTEC land purchase

52. Risks and Opportunities for 2016-17

53. Risks and Opportunities

54. The Risks and Opportunities schedule is used to report to elected members any significant or potentially significant changes from the approved budget.

55. While the approved budget is not amended to reflect these changes the schedule serves to track these changes and ensure these items have the appropriate visibility.

56. These changes are classified into 3 categories:

- Approved through a resolution of Council or Committee
- Approved under the delegated authority of the Chief Executive
- Other

Risks and Opportunities as at 30 June 2017

Project	Date	\$000		\$000	
		Operating Cost	Operating Revenue	Capital Cost	Capital Revenue
Approved by Council or Committee Resolution					
Additional Zoo Staff	20-Sep-16	302			
Project Watershed - Mangaonua Gully	20-Sep-16	195			
Increase payment to Kudeweh family	29-Sep-16	80			
Authority Replacement Feasibility Study	30-Nov-16	150			
DC Funding Model, DC Assessment Tool and Growth Model	30-Nov-16			1,515	
Reduction in Authority Replacement Project	30-Nov-16			(1,028)	
Western Rail Trail	13-Dec-16			1,326	
Minor Improvements (to off-set Western Rail Trail)	13-Dec-16			(530)	
Infrastructure Capital Programme (to off-set Western Rail Trail)	13-Dec-16			(796)	
Eastern Bulk Water Main	11-Apr-17			1,870	
One Victoria Trust - Meteor Theatre	4-May-17	26			
Total		753	0	2,357	0
Approved under CE Delegated Authority					
Dominion Park Playground				315	250
Library Seismic Study				160	
Museum Chillers and Air Handling Units				215	
Transport Centre Land				1,030	
Domain Park Playground - additional security required after the playground opening		65			
Unbudgeted costs to investigate cause and risk of slips		100			
Zoo Tiger Enclosure Fence upgrade.				168	
Waterworld renewals overspend required to keep the pool operational				160	
PwC - BAU v Growth Project		180			
Total		345	0	2,048	250
Other					
Rototuna Reservoir				(5,200)	
Depreciation increase due to asset revaluations (as per year to date actual)		1,900			
Total		1,900	0	(5,200)	0
Total Risks and Opportunities		2,998	0	(795)	250

Item 6
57. Emerging Issues

58. In addition, there are also the following emerging issues that are being disclosed to raise awareness.

59. At this stage the timing and value of these issues cannot be confirmed. Once there is more certainty they will be reported in full to Council. Otherwise they will be reported on future Risks and Opportunities.

60. The current emerging issues are listed below:

- a. Central Library - Seismic study has been undertaken. This was funded through the Risks and Opportunity process. Options are currently being explored and will be reported to Council.
- b. Stormwater – Repairs associated with a private property situated on Valley Terrace.
- c. River Slips - 917 River Road and 253B River Road. The 253B Slip occurred in late December and is on esplanade reserve. Remedial options are currently being investigated. Additional slips have since resulted after periods of heavy rain.
- d. Eastern bulk water main – at the 23 May 2017 meeting the Finance committee received an update for this project. In addition to the \$1.87m already approved in April 2017 (see R&O)

a further \$2.76m has been identified as required. The additional amount will be incurred over the next 2 financial years.

Item 6

61. Debt and Treasury Management

62. Treasury Management

63. For the year ended 30 June 2017 Council was fully compliant with all policy measures.

64. *The Treasury Report* (attachment 4) contains further detail around the treasury compliance measures.

65. Total Overall Debt

66. Total Overall Debt for the year ended 30 June 2017 is \$363.0m, which is \$41.1m less than the year end budget target of \$404.1m.

Actual year to date	Annual Budget	Amount Remaining	Debt to Revenue
\$363.0m	\$404.1m	\$41.1m	174%

67. Debt to Revenue Ratio

68. This is a debt affordability measure. It compares total operating revenue, excluding capital contributions, vested asset revenue and development contributions against total overall debt.

69. The result as at 30 June 2017 is 174% against a target of 198%. A key contributor to this favourable result is the capital deferrals. Other contributors are the favourable revenue from user charges and subsidies and grants.

70. Interest Rate Swaps

71. The gains on interest rate Swaps continue to have a material impact on Council’s operating result. These gains are a calculated value at a “point in time”. These are based on Council’s total external debt and the difference between actual interest rates and the rates that Council has locked in. They can be referred to as unrealised, because as long as the debt is allowed to reach its maturity, any gain (or loss) from interest rate movement will not be realised.

72. From 1 July 2016 the liability has decreased from \$47.5m to \$30.1m. This is a reduction in the liability of \$17.4m for the year ended 30 June 2017. The favourable movement is due to higher market interest rates than when we entered into the fixed rate Swap contracts.

Attachments

Attachment 1 - Financial Statements

Attachment 2 - Group of Activities Summary Reports

Attachment 3 - Capital Expenditure

Attachment 4 - Treasury Report

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE TWELVE MONTHS ENDED 30 JUNE 2017

	Note	Actual YTD	Budget YTD	Variance favourable/ (unfavourable)	Annual Budget	Actual June 2016
		\$000	\$000	\$000	\$000	\$000
Revenue						
Rates	1	153,696	153,376	320	153,376	147,294
Revenue from activities	2	41,559	40,023	1,536	40,023	44,830
Subsidies and grants	3	5,804	5,479	325	5,479	5,025
Development and financial contributions	4	15,797	11,027	4,770	11,027	24,239
Interest revenue	5	2,124	2,000	124	2,000	2,369
Other revenue	6	23,933	9,744	14,189	9,744	35,410
Capital revenue	7	13,495	6,389	7,106	6,389	9,007
Total revenue		256,408	228,038	28,370	228,038	268,174
Expenses						
Personnel costs	8	70,632	68,400	(2,232)	68,400	64,042
Depreciation and amortisation	9	61,305	59,412	(1,893)	59,412	60,416
Finance costs	10	20,253	22,257	2,004	22,257	21,713
Other expenses	11	69,233	66,878	(2,355)	66,878	79,357
Total expenses		221,423	216,947	(4,476)	216,947	225,528
Operating surplus/(deficit)		34,985	11,091	23,894	11,091	42,646
Gains	12	21,499	-	21,499	-	3,893
Losses	12	(2,809)	-	(2,809)	-	(35,498)
Surplus/(deficit)		53,675	11,091	42,584	11,091	11,041

COUNCIL'S BALANCING THE BOOKS MEASURE FOR THE TWELVE MONTHS ENDED 30 JUNE 2017

	Note	Actual YTD	Budget YTD	Variance favourable/ (unfavourable)	Annual Budget	Actual June 2016
		\$000	\$000	\$000	\$000	\$000
Surplus/(deficit) before tax		53,675	11,091	42,584	11,091	11,041
Adjustments for balancing the books measure						
Gains		21,499	-	21,499	-	3,893
Losses		(2,809)	-	(2,809)	-	(35,498)
Vested assets (included in Other revenue)		22,740	8,531	14,209	8,531	34,274
Ring Road subsidy (included in Capital revenue)		240	-	240	-	852
Less Total adjustments		41,670	8,531	33,139	8,531	3,521
Council's Balancing the books surplus/(deficit)		12,005	2,560	9,445	2,560	7,520

**LOCAL GOVERNMENT REGULATIONS MEASURE FOR BALANCING THE BOOKS
FOR THE TWELVE MONTHS ENDED 30 JUNE 2017**

Note	Actual YTD	Budget YTD	Variance favourable/ (unfavourable)	Annual Budget	Actual YTD June 2016
	\$000	\$000	\$000	\$000	\$000
Surplus/(deficit) before tax	53,675	11,091	42,584	11,091	11,041
Adjustments for the Local Government Regulations measure					
Gains excl gains on investment properties	18,754	-	18,754	-	3,893
Losses excl losses on asset sales/disposal	(1,373)	-	(1,373)	-	(28,881)
Development and financial contributions	15,797	11,027	4,770	11,027	24,239
Vested assets	22,740	8,531	14,209	8,531	34,274
Less Total adjustments	55,918	19,558	36,360	19,558	33,525
LG Regulations Balancing the books surplus/(deficit)	(2,243)	(8,467)	6,224	(8,467)	(22,484)

Operating Variance Analysis

For the year ended 30 June 2017

		June 2017 YTD	Movement from May 2017
Revenue variances:			
1	Rates and Water by Meter	\$0.3m	\$0.1m
	There has been favourable results due to higher revenue from penalties on overdue rates and while the level of remissions was lower than expected. Offsetting this is lower revenue from Water by Meters sales specific to sales to the high user customers.		
2	Revenue from Activities	\$1.5m	\$0.1m
	Building control revenues have exceeded budget.		
3	Subsidies and Grants	\$0.4m	\$0.5m
	Operating subsidies from NZTA are favourable. This is a direct result of higher operating expenditure within the transport activity. In addition Council received a greater level of revenue for the Waste Minimisation levy.		
4	Development contributions	\$4.8m	\$0.2m
	2016/17 has been another strong year for growth and this is reflected in the level of Development Contributions received.		
5	Interest Revenue	\$0.1m	\$0.1m
	Interest revenue earned from Council cash investments.		
6	Vested assets	\$14.2m	\$6.1m
	As strong growth continues the level of vested revenue will remain high. The timing of this source of revenue is unpredictable.		
6	Other (excluding vested)	(\$0.0m)	\$0.0m
	Minor Variance		
7	Capital Revenue	\$7.1m	\$0.5m
	The major driver is NZTA subsidy received for the Western Rail Trail. Along with contribution towards the purchase of the Land from WINTEC for Stormwater.		
Total Revenue variance		\$28.4m	\$7.6m

Operating Variance Analysis

For the year ended 30 June 2017

		June 2017 YTD	Movement from May 2017
Expenditure variances:			
8	Personnel Costs	Personnel costs are unfavourable. The main contributors are the additional staff at the Zoo and the City Safe contract coming "in-house". Increases in Annual leave provision and recruitment costs.	(\$2.2m) (\$1.0m)
9	Depreciation	Depreciation has exceeded budget. This was due to rising asset values from revaluations.	(\$1.9m) (\$0.2m)
10	Finance Costs	Interest costs are favourable, due to debt being lower than expected coupled with lower interest rates.	\$2.0m (\$0.8m)
11	Other Expenses	Unfavourable due to expenditure on maintenance and contractual services increase in the month of June. Further explanations are contained in the Group of Activities Financial Report (attachment 2).	(\$2.3m) (\$3.2m)
Total Expenditure variance		(\$4.5m)	(\$5.2m)
Gains and Losses Variances			
12	Gain on swaps	This is due to an increase in market interest rates in comparison to when Council's fixed interest rate contracts were entered into. Refer graph on attachment 4.	\$17.4m \$3.5m
12	Gain on Investment Properties	Council investment properties are revalued annually. This represents the increase in value over the past year.	\$2.6m \$2.6m
12	Loss on asset sales	The loss is due to the write down of existing assets which have been replaced.	(\$1.3m) (\$0.1m)
Total Expenditure variance		\$18.7m	\$6.0m
Total variance		\$42.6m	\$8.5m

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	Actual	Annual Budget	Actual June 2016
		\$000	\$000	\$000
Assets				
Current assets				
Cash and cash equivalents	1	27,121	45,000	6,964
Receivables	2	18,103	17,614	19,646
Prepayments		1,909	1,663	1,557
Inventory		159	244	142
Other financial assets	1	76,040	107	41,090
Derivative financial instruments	6	51	-	-
Non-current assets held for sale		-	-	-
Total current assets		123,383	64,628	69,399
Non-current assets				
Property, plant and equipment	3	3,812,759	3,470,927	3,517,156
Intangible assets		21,607	20,520	19,835
Investment property		22,059	22,478	24,795
Investment in associates		7,430	7,430	7,430
Other financial assets	1	25,902	25,907	24,038
Investment in subsidiaries		8,422	10,150	8,422
Derivative financial instruments	6	506	-	1,052
Total non-current assets		3,898,685	3,557,412	3,602,728
Total assets		4,022,068	3,622,040	3,672,127
Liabilities				
Current liabilities				
Employee entitlements		6,706	5,053	6,043
Payables and deferred revenue	4	31,944	15,017	37,314
Provisions		1,299	1,074	2,697
Borrowings	5	113,411	73,036	73,400
Derivative financial instruments	6	867	-	41
Total current liabilities		154,227	94,180	119,495
Non-current liabilities				
Employee entitlements		1,122	886	1,068
Provisions		13,224	8,072	12,559
Borrowings	5	316,850	346,863	291,489
Derivative financial instruments	6	29,838	40,000	48,541
Total non-current liabilities		361,034	395,821	353,657
Total liabilities		515,261	490,001	473,152
Net assets		3,506,807	3,132,039	3,198,975
Equity				
Accumulated funds		1,690,727	1,597,166	1,642,101
Other reserves	7	1,816,080	1,534,873	1,556,874
Total equity attributable to Hamilton City Council		3,506,807	3,132,039	3,198,975
Total equity		3,506,807	3,132,039	3,198,975

Notes to the Statement of financial position

Note 1: Cash and financial assets

		Actual	Annual Budget	Last Year YTD
		\$000	\$000	\$000
Cash and short-term deposits		27,121	45,000	6,964
Other financial assets - current	Term deposits	76,040	-	41,090
	Loan investments	-	107	-
		103,161	45,107	48,054
Other financial assets - non-current	Term deposits	4,560	4,000	3,680
	Loan investments	16,931	16,930	15,947
	Shares	4,411	4,977	4,411
		25,902	25,907	24,038
Total cash and financial assets		129,063	71,014	72,092

Note 2: Rates and debtors receivables

	Actual			Last Year YTD		
	\$000	\$000	\$000	\$000	\$000	\$000
Rates	Rates	Arrears	Total	Rates	Arrears	Total
Balance as at 1 July	(2,107)	3,072	965	(1,885)	3,829	1,944
Instalments 1-4	170,471		170,471	161,723		161,723
Penalties, adjustments & postponed	1,010		1,010	1,042		1,042
Remissions and govt rebates instalments 1-4	(4,000)		(4,000)	(3,153)		(3,153)
Rates receipts	(164,361)	(2,982)	(167,344)	(156,963)	(3,753)	(160,716)
Debtors with credit balances reclassified as						
Income in advance	2,037		2,037	2,088		2,088
Balance as at 30 June	3,050	89	3,139	2,853	75	2,928
Water by meter			1,130			954
Sundry debtors						
Debtors			2,222			3,823
Rentals			383			369
Rates rebates Internal Affairs			69			104
NZTA			1,342			0
H3 debtors			1,230			1,096
GST refund			2,928			3,729
			8,174			9,121
Debtor accruals			4,646			5,851
Parking			3,666			3,886
Provision for doubtful debts			(2,651)			(3,094)
Total Rates and debtors receivables			18,103			19,646

Debtors ageing Rates	Actual	Last Year YTD
	\$000	\$000
	as at 30 Jun 2017	as at 30 Jun 2016
2011/12	8	
2012/13	3	
2013/14	7	Pre 2013/14 34
2014/15	15	2014/15 60
2015/16	70	2015/16 2,833
2016/17	3,034	
	<u>3,139</u>	<u>2,928</u>
Sundry debtors	as at 30 June 2017	as at 30 June 2016
Current	6,449	Current 7,651
0-30 days	1,007	0-30 days 878
30-60 days	158	30-60 days 77
60-90 days	98	60-90 days 195
>90 days	462	>90 days 321
	<u>8,174</u>	<u>9,121</u>

Note 3: Fixed assets work in progress

	Balance 1 July 2016	New WIP 2016/17	WIP capitalised 2016/17	Balance 30 June 2017
	\$000	\$000	\$000	\$000
Operational Land	100	1,032	0	1,132
Restricted Land	29	-	-	29
Infrastructure land	-	1,030	(1,030)	-
Parks & Gardens Land	1,143	2,242	(194)	3,191
Heritage	25	-	(25)	-
Land under Roads	88	-	(7)	81
Operational Buildings	4,599	3,083	(7,558)	124
Parks & Gardens Improvements	3,061	3,967	(5,039)	1,989
Refuse	650	270	(515)	405
Wastewater	7,613	8,856	(4,394)	12,075
Stormwater	2,596	9,294	(9,638)	2,252
Transportation	14,099	22,438	(25,809)	10,728
Water Supply	16,072	16,867	(1,647)	31,292
Wastewater Treatment Plant	3,203	3,602	(4,149)	2,656
Water Treatment Station	3,071	4,084	(3,882)	3,273
Operational Plant & Equipment	3,693	4,862	(4,118)	4,437
Intangible Assets	3,658	1,893	(1,182)	4,369
Other	17	950	(847)	120
	<u>63,717</u>	<u>84,470</u>	<u>(70,034)</u>	<u>78,153</u>
Fixed Assets Vested	5,538	22,740	(11,272)	17,006
Total Fixed assets work in progress	69,255	107,210	(81,306)	95,159

Work in progress is a part of Council Property, plant and equipment non-current assets. Costs are recorded as work in progress until an asset becomes operational.

Attachment 1

Note 4: Payables

	Actual	Annual Budget	Last Year YTD
	\$000	\$000	\$000
Payables	31,944	15,017	37,314
Total Payables	31,944	15,017	37,314

Note 5: Borrowings

	Actual	Annual Budget	Last Year YTD
	\$000	\$000	\$000
Borrowings - current	113,411	73,036	73,400
Borrowings - non-current	316,850	346,863	291,489
Total external debt	430,261	419,899	364,889

The calculation for Net External Debt and Total Overall Debt is shown in the Treasury Report (attachment 5). Total Overall Debt is the Financial Strategy benchmark.

Note 6: Derivative financial instruments

	Actual	Annual Budget	Last Year YTD
	\$000	\$000	\$000
Interest rate Swaps - held for trading (current asset)	(51)	-	-
Interest rate Swaps - held for trading (non-current asset)	(506)	-	(1,052)
Interest rate Swaps - held for trading (current liability)	867	-	41
Interest rate Swaps - held for trading (non-current liability)	29,838	40,000	48,541
Total net derivative financial instrument liabilities	30,148	40,000	47,530

The Council's unrealised loss position on interest rate Swaps has reduced by \$13.9m this financial year. This is due to an increase in market interest rates in comparison to when Council's fixed interest rate contracts were entered into

Note 7: Other Reserves

	Balance 1 July 2016	Transfers into fund	Transfers out of fund	Balance 30 June 2017
	\$000	\$000	\$000	\$000
Total Restricted reserves	32,475	5,492	-	37,967
Total Council created reserves	5,005	3,137	(2,764)	5,378
Total Revaluation and fair value through equity reserves	1,519,394	253,341	0	1,772,735
Total restricted and Council created reserves	1,556,874	261,970	(2,764)	1,816,080

Transfers into the revaluation reserve are due to the revaluation of transportation assets such as roads and footpaths.

ARTS AND CULTURE
Theatres | Libraries | Museum | Arts | Active Communities
for the year ended 30 June 2017

Prior YTD Actual 2015/16 \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Revenue				
(5) Rates	(7)	(2)	(4)	(2)
(22) Water by Meter	(13)	(19)	7	(19)
1,549 Revenue from activities	1,053	1,084	(31)	1,084
30 Subsidies and grants	0	39	(38)	39
0 Development Contributions	0	0	0	0
23 Vested and Other Revenue	21	20	1	20
0 Capital revenue	0	0	0	0
1,574 Total revenue	1,055	1,122	(66)	1,122
Expenses				
6,427 Personnel costs	6,232	6,448	216	6,448
2,740 Depreciation and amortisation	3,553	2,738	(815)	2,738
195 Finance costs	165	185	20	185
Other Expenses				
2,713 - Operating & Maintenance costs	2,039	1,947	(91)	1,947
463 - Professional costs	559	538	(21)	538
4,580 - Administrative costs	4,259	4,131	(129)	4,131
889 - Property costs	825	940	115	940
18,006 Total expenses	17,632	16,928	(704)	16,928
(16,432) Operating surplus/(deficit)	(16,577)	(15,807)	(770)	(15,807)
(132) Gains and losses	(125)	0	(125)	0
(16,564) Surplus/(deficit)	(16,703)	(15,807)	(896)	(15,807)

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

Personnel costs - \$216k favourable. Libraries - \$88k favourable variance is due to staff vacancies that occurred earlier in the year. Museum - \$36k unfavourable variance is offset by third party contribution (Regional Collections Advisor role). Theatres \$165k favourable relates to budgeted additional payroll costs for theatre events. These costs are now being borne within Tech services in H3 Group, reported within Economic activity financials.

Depreciation - \$815 unfavourable. The useful lives of building assets have been reassessed as part of the latest revaluation carried out June 2016. The revaluation was completed after budgets were set.

Administrative Costs - \$129k unfavourable. Overhead allocations are \$184k above budget due to unfavourable support unit variances that include unbudgeted PricewaterhouseCoopers service and financial reviews along with higher than budgeted computer software costs. Small favourable variance for Theatres, with \$55k favourable for refunds to clients lower than budgeted, partially offset by (\$24k) unfavourable on HCC overhead costs.

Property Costs - \$115k favourable. Cleaning, electricity and security costs at the Museum and Libraries are \$74k below budget. Other favourable variances include insurance, rates, and body corporate fees at the community libraries. Contracts are in the process of being reviewed and budgets have been amended in the proposed 2017/18 Annual Plan.

Gains and losses - \$125 unfavourable. Building fixtures and fittings have been replaced resulting in a write-off.

RECREATION
Pools | Indoor Recreation | Zoo
for the year ended 30 June 2017

Prior YTD Actual 2015/16 \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Revenue				
0 Rates	0	0	0	0
(113) Water by Meter	(91)	(97)	5	(97)
4,351 Revenue from activities	4,321	4,367	(45)	4,367
302 Subsidies and grants	296	279	16	279
0 Development Contributions	0	0	0	0
31 Vested and Other Revenue	29	28	1	28
0 Capital revenue	0	0	0	0
4,571 Total revenue	4,554	4,577	(23)	4,577
Expenses				
5,196 Personnel costs	5,488	5,077	(411)	5,077
1,459 Depreciation and amortisation	1,453	1,585	132	1,585
281 Finance costs	239	267	28	267
Other Expenses				
1,684 - Operating & Maintenance costs	1,720	1,560	(160)	1,560
169 - Professional costs	274	172	(102)	172
6,569 - Administrative costs	2,212	2,106	(107)	2,106
825 - Property costs	825	873	48	873
16,182 Total expenses	12,212	11,640	(572)	11,640
(11,611) Operating surplus/(deficit)	(7,658)	(7,063)	(595)	(7,063)
(159) Gains and losses	(119)	0	(119)	0
(11,770) Surplus/(deficit)	(7,777)	(7,063)	(714)	(7,063)

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

Personnel costs - \$411k unfavourable. \$380k of the variance is due to the increase in the number of full-time zoo keeper positions and other operational support. Personnel costs at the pools is \$31k above budget.

Depreciation and Amortisation - \$132 favourable. The useful lives of building assets have been reassessed as part of the latest revaluation carried out June 2016. The revaluation was completed after budgets were set.

Operating & Maintenance costs - \$160k unfavourable. There has been increased costs of chemicals and shop stock purchases that are recovered by shop sales. Additional reactive maintenance works have been undertaken to ensure efficient operations.

Professional Costs - \$102k unfavourable. Includes costs associated with a swimming programme licence agreement to deliver a new learn to swim programme. This is the first part of a one off charge which will increase returns as the programme progresses.

Administrative Costs - \$107k unfavourable. Overhead allocations are \$99k above budget due to unfavourable support unit variances that include unbudgeted PricewaterhouseCoopers service and financial reviews along with higher than budgeted computer software charges.

Gains and losses - \$119k unfavourable. Building fixtures and fittings have been replaced resulting in a write-off.

The following commentary specifically addresses the financial position for Aquatic Facilities

Revenue \$106k unfavourable. Club Aqua income is \$434k unfavourable below budget but contributed a \$147k profit towards pool operations (\$105k achieved June 2016). 2017/18 revenue budgets have been reduced to bring revenue into line with what is achievable. Income from other programmes offsets the majority of the variance as budgets were reduced to accommodate a 12 week closure to complete pool renewal works. These works have been delayed and will not proceed until the outcome of the seismic and fire assessments are known.

Expenditure \$146k unfavourable. This is due to unbudgeted professional costs, increased stock purchases that are recovered from shop sales and increased reactive maintenance costs associated with the aging Waterworld facility.

PLANNING AND DEVELOPMENT

City Planning | Planning Guidance & Compliance | Building Control
for the year ended 30 June 2017

Prior YTD Actual 2015/16 5000	Year to Date		Variance Favourable/ (Unfavourable) 5000	Annual Budget 5000
	Actual 5000	Budget 5000		
Revenue				
0	0	0	0	0
0	0	0	0	0
9,795	9,649	7,764	1,885	7,764
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
9,795	9,649	7,764	1,885	7,764
Expenses				
5,927	6,405	6,272	(133)	6,272
0	0	0	(0)	0
0	0	0	0	0
Other Expenses				
1,441	1,621	1,144	(476)	1,144
2,494	1,726	1,895	168	1,895
2,823	3,780	2,943	(837)	2,943
12	14	14	0	14
12,696	13,546	12,269	(1,278)	12,269
(2,902)	(3,897)	(4,505)	608	(4,505)
Operating surplus/(deficit)				
0	0	0	0	0
Gains and losses				
(2,902)	(3,897)	(4,505)	608	(4,505)
Surplus/(deficit)				

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

Revenue from activities - \$1.8m favourable. There has been increased activity for Building Control and Planning Guidance.

Personnel Costs - \$133k unfavourable. Additional staff in Building Control have been contracted due to increased activity and for the online building consents project. Additional fixed term staff in Planning Guidance have also been contracted. These costs are offset by additional revenue.

Operating & Maintenance costs - \$476 unfavourable. This is largely due to the online building consents project, which is offset by additional revenue.

Professional costs - \$168k favourable. The majority of this variance relates to expenditure on consultants. This has been partially off set by legal services required for the District Plan hearings and an increase in consultants required for increased resource consenting activity.

Administrative costs - \$837k unfavourable. The majority of this variance relates to Building Control Weathertight Claim, unbudgeted LASS embership costs and recoverable expenses which is offset by additional revenue.

ECONOMIC DEVELOPMENT

Economic Initiatives | Strategic Property Investment | Claudelands | Stadiums
for the year ended 30 June 2017

Prior YTD Actual 2015/16 \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Revenue				
(213) Rates	(253)	(317)	64	(317)
(148) Water by Meter	(82)	(79)	(2)	(79)
8,154 Revenue from activities	8,393	8,794	(401)	8,794
6 Subsidies and grants	0	0	0	0
0 Development Contributions	0	0	0	0
575 Vested and Other Revenue	557	524	33	524
(21) Capital revenue	0	0	0	0
8,353 Total revenue	8,615	8,922	(307)	8,922
Expenses				
2,902 Personnel costs	5,151	4,906	(245)	4,906
5,193 Depreciation and amortisation	5,173	4,910	(263)	4,910
4,943 Finance costs	4,180	4,679	498	4,679
Other Expenses				
5,469 - Operating & Maintenance costs	5,536	4,535	(1,001)	4,535
259 - Professional costs	562	534	(28)	534
4,579 - Administrative costs	4,772	4,584	(189)	4,584
1,536 - Property costs	1,435	1,610	175	1,610
24,879 Total expenses	26,811	25,759	(1,052)	25,759
(16,526) Operating surplus/(deficit)	(18,195)	(16,836)	(1,359)	(16,836)
1,113 Gains and losses	2,630	0	2,630	0
(15,413) Surplus/(deficit)	(15,565)	(16,836)	1,271	(16,836)

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

Revenue from activities - \$401k unfavourable. Venues, Tourism & Major Events related is \$77k unfavourable, with \$369k unfavourable relating to iSite ticketing activities being below budget due to a correction of accounting treatment, however \$56k favourable to operating budget. H3 Group related \$292k favourable due to mix of events across venues.

There is reduced revenue received from Strategic Property due to the sale of properties (\$353k unfavourable).

Personnel costs - \$245k unfavourable. This variance is due to the changes in staff within Economic Growth Unit (\$139k), which is offset by vacancies in City Planning (\$353k).

H3 Group related is \$81k unfavourable due to events and demand on staff redirected from Founders related activity.

Depreciation and amortisation - \$263k unfavourable. The useful lives of building assets have been reassessed as part of the latest revaluation carried out June 2016. The revaluation was completed after budgets were set.

Finance costs - \$498 favourable. Due to the favourable debt position for Council.

Operating and Maintenance costs - \$1.0m unfavourable. Strategic Property unfavourable variance which includes Domain Endowment Fund Internal expenditure (\$452k). This was due to the budget set in the LTP incorrectly accounting for library income of \$345k. The 17/18 budget has been corrected accordingly.

Venues, Tourism & Major Events \$655k unfavourable, being H3 cost of sales incurred with the impact of increased sporting stadia events (offset by incremental stadia revenues), along with theatre events costs at Claudelands (Founders Theatre impact), along with additional maintenance costs due to tie rods, light tower rust and damage due to flooding at Seddon Park. iSite with a correction of accounting treatment (offset in revenue) having a favourable variance of \$410k.

Administrative costs - \$189k unfavourable. Venues Tourism & Major Events (\$158k) **adv** due to consultants costs incurred in relation to assessments required on large major maintenance items.

Property costs - \$175k favourable. This variance is partially due to a reduction in property costs (\$125k) following sale of properties.

\$78k is related to Venues, Tourism & Major Events. Cleaning, Security and Insurance costs tracking below budget all year.

Gains and losses- \$2.6m favourable. Increases in property valuations reflect the increases in the current market related to both residential and commercial properties.

SAFETY
Animal Control | Environmental Health and Public Safety
for the year ended 30 June 2017

Prior YTD Actual 2015/16 \$000	Year to Date		Variance Favourable/ (Disfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Revenue				
0 Rates	0	0	0	0
(4) Water by Meter	(4)	0	(4)	0
2,305 Revenue from activities	2,466	2,164	301	2,164
9 Subsidies and grants	0	0	0	0
0 Development Contributions	0	0	0	0
3 Vested and Other Revenue	3	3	1	3
0 Capital Revenue	0	0	1	0
2,313 Total revenue	2,465	2,167	299	2,167
Expenses				
2,282 Personnel costs	2,878	2,377	(501)	2,377
87 Depreciation and amortisation	80	77	(3)	77
24 Finance costs	20	23	3	23
Other Expenses				
1,343 - Operating & Maintenance costs	1,375	1,264	(111)	1,264
140 - Professional costs	164	124	(40)	124
864 - Administrative costs	911	850	(61)	850
604 - Property costs	216	699	482	699
5,344 Total expenses	5,645	5,414	(231)	5,414
(3,031) Operating surplus/(deficit)	(3,180)	(3,247)	68	(3,247)
0 Gains and losses	0	0	0	0
(3,031) Surplus/(deficit)	(3,180)	(3,247)	68	(3,247)

Attachment 2

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

Revenue from activities - \$301k favourable. This is due to new food control plan requirements under the Food Control Act where businesses transition onto the new food control plans over the next 2 years.

Personnel costs - \$501k unfavourable. City Safe Operations have been brought inhouse incurring unbudgeted expenditure that is offset by a reduction in Security costs.

Operating & Maintenance costs - \$110k unfavourable. This is primarily due support unit allocation to support legal feesto ensure compliance with warrant requirements across the organisation.

Property costs - \$482k favourable. Reduced security costs due to City Safe Operations being brought inhouse.

COMMUNITY SUPPORT
Community Development | Emergency Management | Housing
for the year ended 30 June 2017

Prior YTD Actual 2015/16 5000	Year to Date		Variance Favourable/ (Unfavourable) 5000	Annual Budget 5000
	Actual 5000	Budget 5000		
Revenue				
(143) Rates	(1)	(1)	(1)	(1)
(2) Water by Meter	(3)	(6)	3	(6)
1,476 Revenue from activities	102	88	14	88
0 Subsidies and grants	0	0	0	0
0 Development Contributions	0	0	0	0
1 Vested and Other Revenue	1	1	0	1
(480) Capital revenue	0	0	0	0
852 Total revenue	99	82	17	82
Expenses				
1,268 Personnel costs	1,226	1,314	87	1,314
520 Depreciation and amortisation	173	175	2	175
12 Finance costs	10	11	1	11
Other Expenses				
1,139 - Operating & Maintenance costs	1,184	740	(443)	740
119 - Professional costs	296	82	(214)	82
2,326 - Administrative costs	2,163	2,081	(82)	2,081
256 - Property costs	216	179	(36)	179
5,640 Total expenses	5,268	4,582	(686)	4,582
(4,787) Operating surplus/(deficit)	(5,169)	(4,500)	(669)	(4,500)
(7,483) Gains and losses	(3)	0	(3)	0
(12,270) Surplus/(deficit)	(5,172)	(4,500)	(672)	(4,500)

Attachment 2

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

Operating & Maintenance costs - \$440k unfavourable. Some Civil Defence and Emergency contracts have an offsetting budget in Personnel Costs. The 2017/18 budget has been corrected accordingly.

Professional costs - \$214k unfavourable. This is primarily due to undertaking an organisational review and update of all the business continuity plans.

GOVERNANCE
Governance and Public Affairs
for the year ended 30 June 2017

Prior YTD Actual 2015/16 5000	Year to Date		Variance Favourable/ (Unfavourable) 5000	Annual Budget 5000
	Actual 5000	Budget 5000		
Revenue				
0 Rates	0	0	0	0
0 Water by Meter	0	0	0	0
19 Revenue from activities	274	219	55	219
0 Subsidies and grants	0	0	0	0
0 Development Contributions	0	0	0	0
0 Vested and Other Revenue	8	5	3	5
0 Capital Revenue	0	0	0	0
19 Total revenue	282	224	58	224
Expenses				
459 Personnel costs	314	600	287	600
0 Depreciation and amortisation	0	0	0	0
0 Finance costs	0	0	0	0
Other Expenses				
88 - Operating & Maintenance costs	122	166	44	166
305 - Professional costs	757	727	(30)	727
4,010 - Administrative costs	4,503	5,149	646	5,149
6 - Property costs	0	13	13	13
4,869 Total expenses	5,695	6,654	959	6,654
(4,850) Operating surplus/(deficit)	(5,414)	(6,431)	1,017	(6,431)
0 Gains and losses	0	0	0	0
(4,850) Surplus/(deficit)	(5,414)	(6,431)	1,017	(6,431)

Attachment 2

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

Personnel costs - \$287k favourable. Staff vacancies in Mayoral Support Services.

Administrative costs - \$646k favourable. Overhead allocations are favourable due to favourable professional service variances from support areas. Councillor Remuneration And Honoraria is also tracking \$204k favourable as the budget is set by the Remuneration Authority which includes additional duties.

Attachment 2

Item 6

PARKS AND GREEN SPACES

Hamilton Gardens | Community Parks | Sports Parks | Cemeteries and Crematorium
for the year ended 30 June 2017

Prior YTD Actual 2015/16 5000	Year to Date		Variance Favourable/ (Unfavourable) 5000	Annual Budget 5000
	Actual 5000	Budget 5000		
Revenue				
0 Rates	0	0	0	0
(169) Water by Meter	(134)	(95)	(39)	(95)
2,609 Revenue from activities	2,707	2,317	390	2,317
5 Subsidies and grants	5	7	(1)	7
3 Development Contributions	2	0	2	0
162 Vested and Other Revenue	155	152	3	152
1,936 Capital revenue	1,875	1,597	278	1,597
4,546 Total revenue	4,611	3,979	632	3,979
Expenses				
2,175 Personnel costs	2,309	2,276	(33)	2,276
3,479 Depreciation and amortisation	3,745	3,288	(457)	3,288
1,498 Finance costs	1,342	1,502	160	1,502
Other Expenses				
10,966 - Operating & Maintenance costs	11,519	10,664	(855)	10,664
262 - Professional costs	301	253	(48)	253
2,868 - Administrative costs	3,131	2,877	(254)	2,877
658 - Property costs	755	727	(29)	727
21,907 Total expenses	23,102	21,585	(1,517)	21,585
(17,361) Operating surplus/(deficit)	(18,491)	(17,607)	(884)	(17,607)
(1,020) Gains and losses	(485)	0	(485)	0
(18,381) Surplus/(deficit)	(18,976)	(17,607)	(1,369)	(17,607)

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

Revenue from activities - \$390k favourable. Cemetery revenue is \$118k favourable due to the number of cremations and cemetery plot sales. The budgets has been increased for 2017/18. Other variances include \$177k Hamilton Gardens shop revenue which is offset by unbudgeted stock purchases, third party contributions towards Waiwhakareke plantings and income received for ground rentals.

Capital revenue - \$278k favourable. Capital contributions have been received from external parties for the Dominion Park playground and Innes Common barbecue area upgrade.

Depreciation and amortisation - \$457k unfavourable. The useful lives of building assets have been reassessed as part of the latest revaluation carried out June 2016. The revaluation was completed after budgets were set.

Finance costs - \$160k favourable. Due to the favourable debt position for Council.

Operating & Maintenance costs - \$895k unfavourable. \$190k is due to items included in 2015/16 capital work in progress that have now been expensed in the current year as they were not capital in nature. \$155k relates to Hamilton Gardens shop stock expenditure that is recovered from shop revenue.

Maintenance costs are \$550k unfavourable inclusive of \$142k Mangaonua Gully project costs approved at the 20th September 2016 Council meeting which is offset by Project Watershed Reserve Funding. \$100k costs associated with slip investigations and \$65k associated with Dominion Park Playground security costs have been approved by CE delegation as Risks and Opportunities. The remaining \$243k overspend in Parks and Open Spaces includes unfunded consequential operating costs associated with new destination playgrounds, reactive maintenance and the inability to absorb increasing maintenance and compliance costs.

Administrative Costs - \$254k unfavourable. Overhead allocations are \$163k above budget due to unfavourable support unit variances that include unbudgeted PricewaterhouseCoopers service and financial reviews along with higher than budgeted overhead allocations.

Gains and losses - \$485k unfavourable. Building fixtures and fittings have been replaced resulting in a write-off.

RUBBISH AND RECYCLING
 Refuse Collection | Waste Minimisation | Landfill Site Management
 for the year ended 30 June 2017

Prior YTD Actual 2015/16 \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Revenue				
0 Rates	0	0	0	0
0 Water by Meter	0	0	0	0
329 Revenue from activities	330	345	(15)	345
543 Subsidies and grants	570	418	152	418
0 Development Contributions	0	0	0	0
14 Vested and Other Revenue	13	13	0	13
0 Capital revenue	0	0	1	0
885 Total revenue	913	776	138	776
Expenses				
0 Personnel costs	0	0	0	0
372 Depreciation and amortisation	395	379	(16)	379
766 Finance costs	1,084	129	(955)	129
Other Expenses				
5,608 - Operating & Maintenance costs	5,554	5,577	22	5,577
350 - Professional costs	331	635	304	635
4,909 - Administrative costs	(524)	821	1,345	821
34 - Property costs	37	36	(1)	36
12,039 Total expenses	6,878	7,576	698	7,576
(11,153) Operating surplus/(deficit)	(5,965)	(6,800)	836	(6,800)
(3) Gains and losses	(16)	0	(16)	0
(11,157) Surplus/(deficit)	(5,981)	(6,800)	820	(6,800)

Attachment 2

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

Subsidies and grants - \$152k favourable due to higher than anticipated levy income. Any additional funds received will be held in the Waste Minimisation Reserve for future use.

Finance costs - \$955k unfavourable due to the interest portion of the Landfill Aftercare Provision.

Professional costs - \$304k favourable. Waste Minimisation Initiatives are \$200k favourable in consultants costs due to expenditure being incurred as operations and maintenance and administrative expenditure. Resource consent compliance is \$105k favourable due to a lower than anticipated need for contingency monitoring.

Administrative costs - \$1.3m favourable due to the adjustment of the Landfill Aftercare Provision which is calculated based on the projected costs of providing ongoing aftercare for the length of the closed landfill resource consents.

Attachment 2

Item 6

STORMWATER
Stormwater Network | Catchment Management
for the year ended 30 June 2017

Prior YTD Actual 2015/16 \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Revenue				
0 Rates	0	0	0	0
0 Water by Meter	0	0	0	0
125 Revenue from activities	165	212	(47)	212
0 Subsidies and grants	0	0	0	0
0 Development Contributions	0	0	0	0
47 Vested and Other Revenue	32	32	(0)	32
107 Capital revenue	1,887	51	1,836	51
279 Total revenue	2,083	295	1,788	295
Expenses				
0 Personnel costs	0	0	0	0
8,013 Depreciation and amortisation	8,232	7,656	(576)	7,656
444 Finance costs	443	496	53	496
Other Expenses				
1,907 - Operating & Maintenance costs	2,015	1,747	(268)	1,747
313 - Professional costs	261	182	(79)	182
361 - Administrative costs	379	355	(24)	355
168 - Property costs	190	192	2	192
11,206 Total expenses	11,519	10,627	(893)	10,627
(10,927) Operating surplus/(deficit)	(9,436)	(10,332)	896	(10,332)
(56) Gains and losses	(155)	0	(155)	0
(10,984) Surplus/(deficit)	(9,591)	(10,332)	740	(10,332)

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

Capital revenue - \$1.8m favourable. Unbudgeted 3rd party contributions to physical works of \$168k, a land purchase contribution of \$1.66m, and higher than anticipated paid connections have been received. Increased revenue from paid connections is offset by a corresponding increased capital expenditure.

Depreciation and amortisation - \$576k unfavourable. The impact on depreciation of assets revalued at the end of the previous financial year was not known until after budgets were set.

Operating & Maintenance costs - \$268k unfavourable due to increased reactive operational expenditure resulting from storm responses and investigations and and previous year's capital expenditure subsequently identified as operating expenditure.

Gains and losses - \$155k unfavourable due to the replacement of assets which were not fully depreciated resulting in a write-off.

TRANSPORTATION

Transport Network | Transport Centre | Parking Management
for the year ended 30 June 2017

Prior YTD Actual 2015/16 \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Revenue				
(120) Rates	(139)	(130)	(9)	(130)
(11) Water by Meter	(11)	(1)	(10)	(1)
7,627 Revenue from activities	5,352	5,363	(11)	5,363
4,130 Subsidies and grants	4,932	4,701	231	4,701
0 Development Contributions	0	0	0	0
1,831 Vested and Other Revenue	1,786	1,731	55	1,731
6,700 Capital revenue	8,839	4,676	4,163	4,676
20,157 Total revenue	20,759	16,340	4,419	16,340
Expenses				
715 Personnel costs	726	903	177	903
18,503 Depreciation and amortisation	17,707	18,113	406	18,113
7,770 Finance costs	6,995	7,829	834	7,829
Other Expenses				
12,854 - Operating & Maintenance costs	12,320	12,047	(273)	12,047
997 - Professional costs	1,039	915	(123)	915
3,539 - Administrative costs	4,308	4,595	287	4,595
2,082 - Property costs	2,243	2,293	49	2,293
46,461 Total expenses	45,339	46,695	1,356	46,695
(26,304) Operating surplus/(deficit)	(24,580)	(30,355)	5,775	(30,355)
(1,675) Gains and losses	14	0	14	0
(27,979) Surplus/(deficit)	(24,566)	(30,355)	5,789	(30,355)

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

Subsidies and grants - \$231k favourable. This position has improved over the last couple of months as subsidisable work has been completed. The level of subsidy received is directly related to the level of expenditure. The key contributors to this favourable position include Landscaping, Pre-seal repairs, Hamilton Transport Strategy, Strategic Network Planning, and Structures Management.

Capital Revenue - \$4.2m favourable. The key contributors are projects where revenue was not included in the budget.

- Rototuna School Collector (\$100k favourable)
- Western Rail Trail (\$3,826k favourable)

Personnel costs - \$177k favourable. With the pending introduction of parking technology, parking activity efficiencies were identified and have been realised.

Depreciation and amortisation - \$406k favourable. The impact on depreciation of assets revalued at the end of the previous financial year was not known until after budgets were set.

Finance costs- \$834k favourable. Due to the favourable debt position for Council.

Operating & Maintenance costs - \$273k unfavourable. Transport maintenance program is \$179k unfavourable and Transport Centre is \$42k unfavourable, both are partly offset by Subsidies and Grants.

Professional costs - \$123k unfavourable. Key contributors are Strategic Network Planning, Structures Management, and Hamilton Transport Strategy - these activities have attracted subsidy which is reflected in the 'Subsidies and Grants' revenue line item above.

Administrative costs - \$287k favourable. The key contributor is the reduction in the doubtful debt provision associated with Parking.

SEWERAGE
Sewerage Collection | Sewerage Treatment and Disposal
for the year ended 30 June 2017

Prior YTD Actual 2015/16 \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Revenue				
0 Rates	0	0	0	0
(49) Water by Meter	(35)	(45)	10	(45)
3,123 Revenue from activities	2,932	3,290	(358)	3,290
0 Subsidies and grants	0	0	0	0
0 Development Contributions	0	0	0	0
370 Vested and Other Revenue	341	338	3	338
332 Capital revenue	485	51	434	51
3,775 Total revenue	3,723	3,635	89	3,635
Expenses				
6 Personnel costs	0	0	0	0
9,056 Depreciation and amortisation	9,115	8,521	(594)	8,521
3,322 Finance costs	3,121	3,493	372	3,493
Other Expenses				
6,992 - Operating & Maintenance costs	8,010	7,828	(182)	7,828
390 - Professional costs	399	383	(16)	383
1,867 - Administrative costs	1,970	1,856	(114)	1,856
1,856 - Property costs	1,955	2,079	123	2,079
23,488 Total expenses	24,569	24,159	(410)	24,159
(19,713) Operating surplus/(deficit)	(20,845)	(20,524)	(321)	(20,524)
(404) Gains and losses	(272)	0	(272)	0
(20,116) Surplus/(deficit)	(21,117)	(20,524)	(593)	(20,524)

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

Revenue from activities - \$358k unfavourable due to credit payments required to correct two historical tradewaste charging errors.

Capital revenue - \$434 favourable due to unbudgeted 3rd party contributions to physical works being received and higher than anticipated paid connections. Increased revenue from paid connections is offset by a corresponding increased capital expenditure.

Depreciation and amortisation - \$594k unfavourable. The impact on depreciation of assets revalued at the end of the previous financial year was not known until after budgets were set.

Finance costs - \$372k favourable due to the favourable debt position for Council.

Operating & Maintenance costs - \$182k unfavourable due to increased reactive operational expenditure resulting from storm responses and investigations, and previous year's capital expenditure subsequently identified as operating expenditure.

Professional costs - \$103k favourable due to works being undertaken as part of a capital works project for the update of the wastewater hydraulic model.

Administrative costs - \$114k unfavourable due to a higher level of organisational overheads than expected.

Property costs - \$123k favourable. There was lower than anticipated electricity demand due to optimal co-generation utilisation.

Gains and losses - \$272k unfavourable. Due to the replacement of assets which were not fully depreciated resulting in a write-off.

WATER SUPPLY
Water Treatment and Storage | Water Distribution
for the year ended 30 June 2017

Prior YTD Actual 2015/16 \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Revenue				
0 Rates	0	0	0	0
8,279 Water by Meter	7,861	8,169	(307)	8,169
317 Revenue from activities	169	160	10	160
0 Subsidies and grants	0	0	0	0
0 Development Contributions	0	0	0	0
330 Vested and Other Revenue	268	265	2	265
421 Capital revenue	410	51	359	51
9,348 Total revenue	8,708	8,645	64	8,645
Expenses				
(1) Personnel costs	0	0	(0)	0
6,660 Depreciation and amortisation	6,968	6,956	(12)	6,956
3,116 Finance costs	3,189	3,569	380	3,569
Other Expenses				
4,657 - Operating & Maintenance costs	6,099	5,652	(447)	5,652
192 - Professional costs	178	422	244	422
1,325 - Administrative costs	1,409	1,338	(70)	1,338
2,021 - Property costs	1,828	2,093	265	2,093
17,969 Total expenses	19,670	20,031	361	20,031
(8,621) Operating surplus/(deficit)	(10,962)	(11,386)	424	(11,386)
(108) Gains and losses	(127)	0	(127)	0
(8,730) Surplus/(deficit)	(11,089)	(11,386)	297	(11,386)

Attachment 2

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

Water by Meter - \$307k unfavourable due to lower than anticipated water demand.

Capital Revenue - \$359k favourable due to higher than anticipated paid connections. Increased revenue is offset by a corresponding increase in capital expenditure.

Finance costs - \$380k favourable. Due to the favourable debt position for Council.

Operating & Maintenance costs - \$447k unfavourable predominantly due to additional tradewaste disposal charges (\$164k) from increased solids removal at plant, previous year's capital expenditure subsequently identified as operating expenditure (\$66k), increased chemical costs (\$35k) and some operational costs associated with the response to the bulk main event in February 2017 (\$77k).

Professional costs - \$244k favourable due to works being undertaken as part of a capital works project for the update of the water hydraulic model.

Property costs - \$265k favourable predominantly due to electricity costs being less than expected and insurance costs for the water activity being offset within other water activities

Gains and losses - \$127k unfavourable. Due to the replacement of assets which were not fully depreciated resulting in a write-off.

CAPITAL EXPENDITURE for the year ended 30 June 2017

PROJECT TYPE KEY	
R	Renewal
LOS	Level of Service
G	Growth

	Type	Year to Date Expenditure			Annual Budget			Note	Deferral Required
		Actual	Budget	Variance	Approved 2016/17	Approved Deferrals & Brought forward	Total Capital Budget		
		\$000	\$000	\$000	\$000	\$000	\$000		
ARTS AND CULTURE									
Libraries									
CE10005 - Library collection purchases	R	1,071	1,068	(3)	1,068		1,068		
CE10006 - Library asset renewal	R	4	4	(0)	4		4		
CE10007 - Library building asset renewal programme	R	168	70	(99)	70		70		
Total libraries		1,243	1,142	(101)	1,142	0	1,142		
Museum									
CE10008 - Museum asset renewal	R	84	147	64	147		147	1	YES
CE10009 - ArtsPost earthquake strengthening	R	103	100	(3)		100	100	2	
CE10010 - Public art support fund	R	18	31	13	31		31		
CE10011 - Museum activity building renewals	R	396	209	(188)	209		209		
Total Museum		601	487	(114)	387	100	487		
Hamilton City Theatres									
CE10012 - Founders Theatre plant and equipment renewals	R		353	353	256	97	353	3	
CE10013 - Technical services equipment renewals	R	298	308	10	308		308		
CE10014 - Founders Theatre building renewals	R		152	152		152	152		
CE10159 - Founders Theatre stage house renewal	R	0	0	0					
Total Hamilton City Theatres		298	813	515	564	249	813		
TOTAL ARTS AND CULTURE		2,143	2,442	299	2,093	349	2,442		
COMMUNITY SERVICES									
Community Facilities									
CE17007 - Community Facilities Renewals	R	26	0	(26)					
Total Community Facilities		26	0	(26)	0	0	0		
TOTAL COMMUNITY SERVICES		26	0	(26)	0	0	0		
ECONOMIC DEVELOPMENT									
Claudelands and Stadia									
CE10041 - Claudelands plant and equipment	R	173	234	61	234		234		
CE10042 - Seddon Park plant and equipment	R	5	106	100	36	70	106		
CE10043 - FMG Stadium Waikato plant and equipment	R	203	134	(69)	134		134		
CE10044 - Turf services plant and equipment	R	97	55	(43)	55		55		
CE10045 - Claudelands property renewals	R	237	140	(97)		140	140		
CE10046 - Seddon Park property renewals	R	184	56	(129)	21	35	56		
CE10047 - FMG Stadium Waikato property renewals	R	128	389	261	389		389	4	YES
CE10048 - Stadia building renewals	R	597	421	(176)	421		421	5	YES
CE10049 - Claudelands building renewals	R	0	0	0			0		
CE15051 - Stadia capital improvement function	LOS		179	179	179		179		
Total Claudelands and Stadia		1,624	1,713	89	1,468	245	1,713		
i-Site									
CE17005 - iSite CCTV Cameras	LOS	4	0	(4)					
Total i-Site		4	0	(4)	0	0	0		
Strategic Property									
CE10052 - Strategic property renewals	R	51	76	25	76		76		
CE10053 - Tenancy inducement renewals	R		21	21	21		21		
Total Strategic Property		51	97	46	97	0	97		
TOTAL ECONOMIC DEVELOPMENT		1,680	1,810	131	1,565	245	1,810		
PARKS AND GREEN SPACES									
Cemeteries and Crematorium									
CE10021 - Building renewals cemeteries	R	10	10	(0)	10		10		
CE10022 - Renewal of crematorium assets	R	132	132	0	132		132		
CE10023 - Hamilton Park east and west cemeteries renewals	R	77	46	(32)	46		46		
CE15024 - Hamilton Park cemetery, burial and ash lawn extension	G	21	21	(0)	21		21		
Total Cemeteries and Crematorium		241	209	(32)	209	0	209		

CAPITAL EXPENDITURE for the year ended 30 June 2017

PROJECT TYPE KEY	
R	Renewal
LOS	Level of Service
G	Growth

	Type	Year to Date Expenditure			Annual Budget			Note	Deferral Required
		Actual	Budget	Variance	Approved 2016/17	Approved Deferrals & Brought forward	Total Capital Budget		
		\$000	\$000	\$000	\$000	\$000	\$000		
Hamilton Gardens									
CE10026 - Hamilton Gardens renewals	R	9	51	42	51		51		
CE10028 - Hamilton Gardens building renewals	R	168	131	(37)	131		131		
CE15027 - Proposed development programme	G	2,090	2,608	518	2,608		2,608	6	YES
Total Hamilton Gardens		2,268	2,790	522	2,790	0	2,790		
Parks									
CE10029 - Toilet and changing room renewals	R	91	82	(9)	82		82		
CE10030 - Building renewals parks and open spaces	R	183	236	53	236		236		
CE10032 - Parks and open spaces assets and playgrounds renewals	R	1,327	1,356	29	1,241	115	1,356		
CE15033 - Land purchase future reserves	G	325	822	497	224	598	822	7	YES
CE15034 - Destination playground public toilets	LOS	390	382	(7)	255	127	382		
CE15035 - Rototuna Park development	G	233	233	0		233	233		
CE15036 - Playground development programme	G	810	509	(301)	509		509	8	
CE15168 - Rototuna Town Centre	G	44	0	(44)					
CE16001 - Victoria on the River	LOS	1,933	4,900	2,967	4,900		4,900	9	YES
Total Parks		5,337	8,522	3,185	7,449	1,073	8,522		
Sports Parks									
CE10031 - Sports area renewals	R	147	119	(28)	119		119		
Total Sports Parks		147	119	(28)	119	0	119		
TOTAL PARKS AND GREEN SPACES		7,992	11,640	3,648	10,567	1,073	11,640		
RECREATION									
Aquatic Facilities									
CE10001 - Aquatic facilities building renewals	R	269	2,340	2,071	2,340		2,340	10	YES
CE10003 - Waterworld operational asset renewals	R	674	3,096	2,422	3,096		3,096	11	YES
CE10004 - Gallagher Aquatic Centre operational asset renewal	R	132	197	64	197		197	12	YES
Total Aquatic Facilities		1,075	5,632	4,558	5,632	0	5,632		
Hamilton Zoo									
CE10015 - Zoo animal enclosure renewals	R	144	139	(5)	139		139		
CE10016 - Zoo building renewals	R	567	362	(205)	362		362	13	
CE10017 - Property renewals	R	8	11	3	11		11		
CE10019 - Zoo quarantine replacement	R	8	0	(8)			0		
CE10020 - Zoo animal replacement	R	19	41	22	41		41	14	YES
CE15018 - Zoo browse plantation	LOS	19	21	2	21		21		
Total Hamilton Zoo		765	573	(192)	573	0	573		
TOTAL RECREATION		1,839	6,205	4,366	6,205	0	6,205		
SAFETY									
CE10037 - CCTV renewals	R	39	41	1	41		41		
TOTAL SAFETY		39	41	1	41	0	41		
RUBBISH AND RECYCLING									
CE10054 - Replacement of closed landfill assets	R	112	160	48	160		160		
CE10056 - Replacement of RTS & HOC assets	R	52	2	(50)	2		2		
CE15055 - Closed landfill management	LOS	107	257	151	257		257		
TOTAL RUBBISH AND RECYCLING		270	419	149	419	0	419		
STORMWATER									
CE10058 - Replacement of Stormwater assets	R	534	573	39	573		573		
CE15059 - Rototuna Stormwater infrastructure	G	699	843	143	330	513	843		
CE15060 - Rotokauri stormwater infrastructure stage 1	G	6,582	6,834	252	1,834	5,000	6,834	15	YES
CE15062 - Peacocke stormwater infrastructure stage 1	G	0	0	(0)			0		
CE15064 - Stormwater pipe upgrade - growth	G	123	188	65	127	61	188		
CE15066 - Existing network improvements to Stormwater in new areas	G	188	102	(85)	102		102		
CE15068 - Stormwater customer connections to the network	G	121	51	(70)	51		51		
CE15162 - Integrated catchment management plan	LOS	990	1,406	416	806	600	1,406	16	YES
C9600015 - Project Watershed	R	6	0	(6)			0		
TOTAL STORMWATER		9,243	9,996	754	3,822	6,174	9,996		

CAPITAL EXPENDITURE for the year ended 30 June 2017

PROJECT TYPE KEY	
R	Renewal
LOS	Level of Service
G	Growth

Type	Year to Date Expenditure			Annual Budget			Note	Deferral Required
	Actual	Budget	Variance	Approved 2016/17	Approved Deferrals & Brought forward	Total Capital Budget		
	\$000	\$000	\$000	\$000	\$000	\$000		

TRANSPORT

Parking Management

CE10070 - Replacement of parking enforcement equipment	R	6	695	689	367	328	695	17	YES
CE10071 - Parking building renewal	R	119	26	(93)	26		26		
Total Parking Management		125	721	596	393	328	721		

Transportation Network

CE10072 - Replacement of footpath	R	2,140	2,558	418	2,558		2,558	18	
CE10073 - Replacement of street furniture	R	3	62	58	62		62		
CE10074 - Replacement of drainage (kerb and channel)	R	1,253	1,300	47	1,300		1,300		
CE10075 - Replacement of road base	R	1,083	1,061	(22)	1,061		1,061		
CE10076 - Road resurfacing	R	5,135	5,148	13	5,148		5,148		
CE10077 - Replacement of bridges and culverts	R	26	103	77	103		103		
CE10078 - Replacement of retaining walls and structures	R	5	5	(0)	5		5		
CE10079 - Replacement of environmental controls	R		0	0	0		0		
CE10080 - Replacement of lighting	R	363	310	(53)	310		310		
CE10081 - Replacement of traffic equipment	R	198	282	84	282		282		
CE10082 - Replacement of street signs	R	75	0	(75)	0		0		
CE10098 - Building and property renewals	R	27	104	77	104		104		
CE15085 - Minor improvements to transport network	LOS	147	650	503	650		650	19	
CE15086 - Bus stop infrastructure	LOS	128	114	(14)	114		114		
CE15087 - Network upgrades to allow new development	G	55	179	123	179		179		
CE15088 - Roading upgrades and development in Peacocke stage 1	G	106	653	547	153	500	653	20	YES
CE15089 - Roading upgrades and development in Peacocke stage 2	G	495	500	5	500		500	21	YES
CE15090 - Roading upgrades and development in Rotokauri stage 1	G	609	1,284	674	1,284		1,284	22	YES
CE15092 - Roading upgrades and development in Rototuna	G	2,151	3,661	1,510	3,071	590	3,661	23	YES
CE15093 - Roading upgrades and development in Ruakura	G	806	1,000	194	1,000		1,000		
CE15094 - Traffic signal improvements	LOS	369	306	(63)	306		306		
CE15095 - Integrated transport initiatives	LOS	6,096	916	(5,180)	916		916	24	
CE16003 - Transport Centre Land	LOS	1,030	0	(1,030)				25	
PIF12005 - Hamilton Ring Road Completion	LOS	1,055	1,000	(55)		1,000	1,000		
Total Transportation Network		23,358	21,195	(2,162)	19,105	2,090	21,195		

TOTAL TRANSPORT

23,483	21,916	(1,567)	19,498	2,418	21,916
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SEWERAGE

CE10100 - Replacement of wastewater pump stations	R	1,037	1,015	(22)	1,015		1,015		
CE10101 - Replacement of wastewater assets	R	3,640	3,701	61	3,701		3,701		
CE15103 - Increase capacity of wastewater pump stations	LOS	124	376	252	376		376	26	YES
CE15104 - Wastewater pipe upgrade - growth	G	13	306	293	306		306	27	
CE15105 - Increase capacity of wastewater network - Rototuna	G	641	372	(269)	272	100	372	28	
CE15106 - Wastewater network upgrades to allow development	G	64	81	18	81		81		
CE15107 - Increase capacity of Wastewater network in Rotokauri stage 1	G	45	441	397	441		441	29	YES
CE15109 - Increase capacity of Wastewater network in Peacocke stage 1	G	10	69	59	69		69		
CE15111 - Increase capacity of Wastewater network throughout the city	G	376	4,372	3,996	4,088	284	4,372	30	YES
CE15112 - Increase capacity of Wastewater network (far east interceptor)	G	1,036	2,038	1,002	2,038		2,038	31	YES
CE15114 - Increase capacity of Wastewater network (bulk storage)	G	186	601	414	467	134	601	32	
CE15161 - Wastewater master plan	R	513	153	(361)	153		153	33	
CE10115 - Replacement of wastewater treatment plant assets	G	1,884	1,875	(9)	1,875		1,875		
CE15116 - Upgrade wastewater treatment plant systems	LOS	131	153	22	153		153		
CE15117 - Upgrade wastewater treatment plant (Pukete 3)	G	925	839	(85)	737	102	839		
CE15120 - Wastewater treatment plant compliance	LOS	701	509	(191)	509		509		
CE15121 - Wastewater customer connections to the network	G	292	51	(242)	51		51	34	
TOTAL SEWERAGE		11,616	16,952	5,336	16,332	620	16,952		

CAPITAL EXPENDITURE for the year ended 30 June 2017

PROJECT TYPE KEY	
R	Renewal
LOS	Level of Service
G	Growth

Type	Year to Date Expenditure			Annual Budget			Note	Deferral Required	
	Actual	Budget	Variance	Approved 2016/17	Approved Deferrals & Brought forward	Total Capital Budget			
	\$000	\$000	\$000	\$000	\$000	\$000			
WATER SUPPLY									
R	3,306	3,339	33	3,339		3,339			
R	340	360	20	360		360			
G	369	561	192	511	50	561			
G	0	306	306	306		306	35	YES	
G	429	391	(38)	114	277	391			
G	0	104	104	104		104			
G	5	81	76	81		81			
LOS	422	407	(15)	407		407			
LOS	515	474	(42)	474		474			
R	826	855	29	855		855			
LOS	834	1,026	192	1,026		1,026			
G	9,929	16,574	6,646	13,574	3,000	16,574	36	YES	
LOS	385	306	(79)	306		306			
G	2,509	3,337	828	3,337		3,337	37	YES	
R	81	51	(30)	51		51			
G	343	51	(293)	51		51	38		
G	14	0	(14)			0			
R	330	1,014	684	1,014		1,014	39	YES	
G	106	76	(29)	76		76			
LOS	96	53	(43)		53	53			
LOS	57	0	(57)			0			
LOS	978	0	(978)			0	40		
TOTAL WATER SUPPLY	21,875	29,366	7,491	25,986	3,380	29,366			
CORPORATE SERVICES									
Corporate Buildings									
R	200	127	(72)	127		127			
R	1	0	(1)						
Total Corporate Buildings	201	127	(74)	127	0	127			
Information Services									
R	392	601	209	601		601	41	YES	
R	426	958	532	958		958	42	YES	
R	1	21	20	21		21	43	YES	
LOS	208	346	138	346		346	44	YES	
R	1,021	1,019	(2)	776	243	1,019			
LOS		1,028	1,028	528	500	1,028	45	YES	
Total Information Services	2,047	3,973	1,925	3,230	743	3,973			
Performance									
R	1,112	878	(234)	878		878	46		
Total Performance	1,112	878	(234)	878	0	878			
DC Funding Model and DC Assessment Tool and Growth Model									
G	903	0	(903)			0	47		
Total DC Funding Model, DC Assessment Tool & Growth Model	903	0	(903)	0	0	0			
TOTAL CORPORATE SERVICES	4,264	4,978	714	4,235	743	4,978			
TOTAL COUNCIL	84,470	105,765	21,296	90,763	15,002	105,765			

Capital Expenditure Variance Explanations: Variances greater than \$200k and/or deferrals indicated for the year ended 30 June 2017

	YTD Variance \$000	Indicative Deferral \$000	Projects brought forward \$000
<p>1 CE10008 - Museum asset renewal The unspent budget as at the 30 June 2017 has been requested as a deferral. The intent of this budget is to provide Council the opportunity to acquire more substantial art pieces as they come on to the market. This budget is supported by an additional \$100k from Trust Waikato annually. \$50k deferral is also requested due to a delay in the delivery of chairs from the supplier. The chairs were received July.</p>	64	64	
<p>2 CE10009 - ArtsPost Earthquake Strengthening This work has been brought forward from 2018/19 where provision has been made in the ten year plan towards a seismic upgrade of Artspost. It is to undertake seismic assessment work including the preparation of a Heritage Architect Conservation plan.</p>			100
<p>3 CE10012 - Founders Theatre plant and equipment renewals This capital budget is not to be deferred, but rather removed. Any decision on capital funding for a new theatre will be outside this budget.</p>	353 fav	-	
<p>4 CE10047 - FMG Stadium Waikato property renewals Data Network Solution project underway, with key equipment arriving July, resulting in deferral of \$130k. Deferral for Gate 1 plans.</p>	261 fav	309	
<p>5 CE10048 - Stadia building renewals Path project underway with significant progress occurred. Actual expenditure held in CE10046 to offset Deferral for Seddon Park lift work due to contractor availability.</p>	(176) fav	100	
<p>6 CE15027 - Proposed development programme Contract delay caused by extended negotiations due to the Picturesque Garden tenders coming in at very high cost. The whole project is schedule to be back on track in September 2017.</p>	518 fav	518	
<p>7 CE15033 - Land purchase future reserves \$497k to be deferred to 17/18 for unresolved land purchases. Timing is dependent on third party negotiations. Negotiations will be resolved 17/18.</p>	497 fav	497	
<p>8 CE15036 - Playground development programme The overspend of \$301k is partially offset by \$250k external contributions received towards the Dominion Park playground construction. The remaining \$51k overspend for unbudgeted lighting and CCTV has been approved at Risks and Opportunities.</p>	(301) unfav		
<p>9 CE16001 - Victoria on the River Deferral of unspent 16/17 budget \$2.967m as original tender responses came back above budget, with negotiations to contract to achieve cost savings delaying the start of works. Works commenced in April 2017 with the preferred contractor and have progressed rapidly subject to winter weather delays. Project on track to be completed by December 2017 as planned.</p>	2,967 fav	2,967	
<p>10 CE10001 - Aquatic facilities building renewals Deferral requested as the project has been delayed pending final budget approval.</p>	2,071 fav	2,071	
<p>11 CE10003 - Waterworld operational asset renewals Included within the spend for the year is an unbudgeted \$160k that was required to replace defective components to keep the pool operational. This was approved under CE delegation. A deferral is being requested as the main project has been delayed pending final budget approval.</p>	2,422 fav	2,582	
<p>12 CE10004 - Gallagher Aquatic Centre operational asset renewal Deferral for boiler work at Gallagher Aquatic Centre, this work will not be completed this year. Gas lines have already been laid.</p>	64	64	

	YTD Variance \$000	Indicative Deferral \$000	Projects brought forward \$000
13 CE10016 - Zoo building renewals Unbudgeted expenditure of \$168k for upgrading the tiger enclosure fence was approved by Chief Executive delegation in December 2016. This was identified as part of the Health and Safety improvement programme following the fatal accident in 2015.	(205) unfav		
14 CE10020 - Zoo animal replacement Deferral required as the import of African Wild Dogs has been delayed, they will now arrive in 2017/18.	22	22	
15 CE15060 - Rotokauri stormwater infrastructure stage 1 Land access agreement via easement in lieu of \$1.5m land purchase. Will require deferral for future land purchase. Council approved additional funding of \$5m for additional stormwater swale land purchase from Wintec this FY - refer Finance Committee 20 Sept 2016. Purchase completed for a net cost of \$4.91m (purchase price offset by \$1.66m Capital Contribution) Brought forward relates to the Wintec Land Purchase, this was approved by Finance Committee on 20 September 2016.	252 unfav	1,500	5,000
16 CE15162 - Integrated catchment management plan \$416k deferral required for contractually committed delivery of the ICMP programme in partnership with developers.	416 fav	416	
17 CE10070 - Replacement of parking enforcement equipment Delay in the implementation of this project as parking options for the central city were considered and approved by Council as a part of the 2017/18 Annual Plan. To enable the project to continue the unspent budget is being requested as a deferral.	689 fav	689	
18 CE10072 - Replacement of footpath Work programme completed - 32,950m ² of asphalt footpath replaced; 3,452m ² of concrete footpath replaced;	418 fav		
19 CE15085 - Minor improvements to transport network Minor Work programme unspent to allow budget to be redirected to the Western Rail Trail. Refer CE 15095	503 fav		
20 CE15088 - Roading upgrades and development in Peacocke stage 1 \$547k deferral required for contractually committed works relating to Dixon/Ohaupo intersection design as part of Southern Link investigations.	547 fav	547	
21 CE15089 - Roading upgrades and development in Peacocke stage 2 Note net cost is \$403k incorporating revenue. \$97k deferral required relating to Southern Links pre-construction works to match contractors environmental monitoring and seasonal constraints.		97	
22 CE15090 - Roading upgrades and development in Rotokauri stage 1 \$674k deferral required in accordance with development timing (upsizing agreements for Rotokauri Minor Arterial & Te Wetini Dr major arterial).	674 unfav	674	
23 CE15092 - Roading upgrades and development in Rototuna \$1,185k deferral required in accordance with third party agreements for the Borman Road West extension to Kay Rd land and North City Road upgrade. Also saving of \$325k on Borman Road East Extension and development upsizing which will offset unbudgeted expenditure on the Western Rail Trail project	1,510 fav	1,185	
24 CE15095 - Integrated transport initiatives This is being driven by the Western Rail Trail (WRT) project. Included in the Transportation Activity report under Capital revenue there is \$3.8m received for the WRT project.	(5,180) unfav	-	
25 CE16003 - Transport Centre Land Unbudgeted expense associated with the sale and purchase of land relating to the Genesis Development on Bryce Street and the Transport Centre	(1,030) unfav		
26 CE15103 - Increase capacity of wastewater pump stations The initial concept design required additional in depth investigation and a subsequent redesign. This has resulted in a delay in construction commencement to 17/18.	252 fav	250	
27 CE15104 - Wastewater pipe upgrade - growth Underspend to offset overspend in CE15105.	293 fav		

	YTD Variance \$000	Indicative Deferral \$000	Projects brought forward \$000
28 CE15105 - Increase capacity of wastewater network - Rototuna Overspend due to development upsizing requirements - offset by CE15104	(269) unfav		
29 CE15107 - Increase capacity of Wastewater network in Rotokauri stage 1 \$397k deferral required due to development timing and subject to third party agreements which are currently being negotiated.	397 fav	397	
30 CE15111 - Increase capacity of Wastewater network throughout the city \$3,996k deferral required for contractually committed Rotokauri Far Western Wastewater Interceptor to align with contractor physical works program.	3,996 fav	3,996	
31 CE15112 - Increase capacity of Wastewater network (far east interceptor) \$1,002k deferral required in accordance with third party installation program - upsizing contribution for Ruakura Wastewater Infrastructure being installed by others as per Ruakura PDA.	1,002 fav	1,002	
32 CE15114 - Increase capacity of Wastewater network (bulk storage) Variance to offset CE15161 unfavourable result.	414 fav		
33 CE15161 - Wastewater master plan Variance fully offset by CE15114 favourable result	(361) unfav		
34 CE15121 - Wastewater customer connections to the network Over expenditure due to increased connections is offset by developer/customer derived revenue.	(242) unfav		
35 CE15127 - Water pipe upgrade - growth \$114k deferral required of contractually committed developer upsizing agreement in accordance with development timing. Remaining \$186k favourable year-end variance to offset CE15128 unfavourable result.	306 fav	114	
36 CE15140 - Rototuna reservoir and associated bulk mains \$1,300k deferral required to complete reservoir construction and commissioning in 2017/18. The remaining favourable variance is partially offsetting a \$2.4m overspend (timing) in 2015/16 with the balance being unrequired budget.	6,646 fav	1,300	
37 CE15144 - Upgrade water treatment plant \$828k deferral required in accordance with contractually committed construction program for the Hamilton South pipeline.	828 unfav	828	
38 CE15146 - Water customer connections Over expenditure due to increased connections is offset by developer/customer derived revenue.	(293) unfav		
39 CE15158 - Water model This project relates to the update of computerised hydraulic models. The timing of the model update has been delayed to provide more robust data for future growth planning. The full works programme is anticipated to be delivered in 2017/18.	684 fav	684	
40 CE16004 - Eastern Bulk Main Slip Unbudgeted expenditure approved by council (6 April 2017) to complete emergency works required in response to damage arising from Waikato River bank subsidence event in February 2017.	(978) unfav	-	
41 CE10152 - Computer Network and associated Hardware Deferral is required to complete the Unified Communications (UC) and SQL Server currency projects. Delay is due to vendor negotiations post the UC RFP process. The delivery is now expected in October 2017.	209 fav	209	
42 CE10153 - Core business applications Deferral is required to enable commencement of application upgrades. These upgrades are now scheduled to start later in 2017 as the programme was reprioritised to complete the UC RFP process, and GoDaas rollout in the 2016/17 financial year. The GoDaas project was a key dependency for future application rollouts.	532 fav	532	

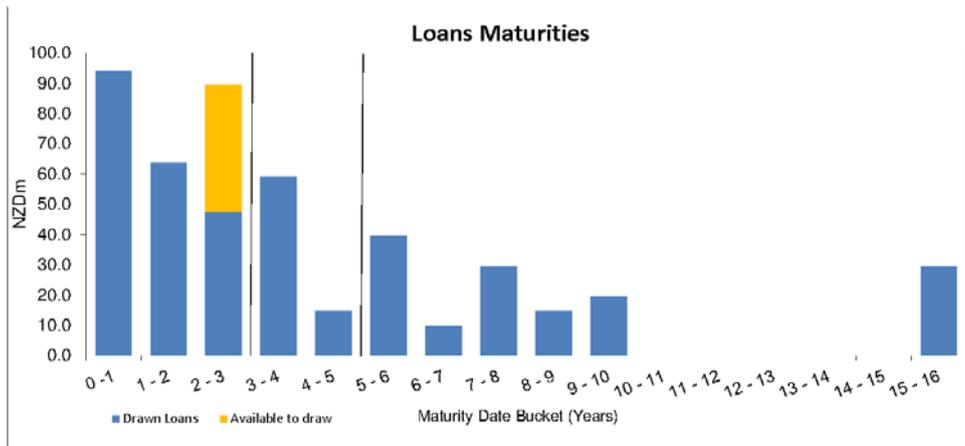
Attachment 3

	YTD Variance \$000	Indicative Deferral \$000	Projects brought forward \$000
<p>43 CE10154 - Minor applications The deferral request of \$20k is to complete both the Vernon Museum and Cardax upgrades. Both upgrades are in progress but did not complete prior to year end due to focus on higher priority & value projects.</p>	20 fav	20	
<p>44 CE15155 - Mobility and eservices The deferral request of \$138k is required to complete the Asset Assessment and Mobility Inspections projects. Both projects were delayed to review scope and SOW's as requested by steering Groups.</p>	138 fav	138	
<p>45 CE15157 - Authority replacement This funding has been authorised to be used to spend on the Growth Model and DC Funding Model. See CE 16002.</p>	1,028 fav	105	
<p>46 CE10158 - Replacement of fleet vehicles Council has purchased additional vehicles for the building inspectors. There has also been a unplanned replacement of a Hiab Crane.</p>	(234) unfav		
<p>47 CE16002 - DC Funding Model, Assessment Tool & Growth Model This project is being funded by a budget off-set from the project CE15157 - Authority replacement. This was approved by Council.</p>	(903) unfav		

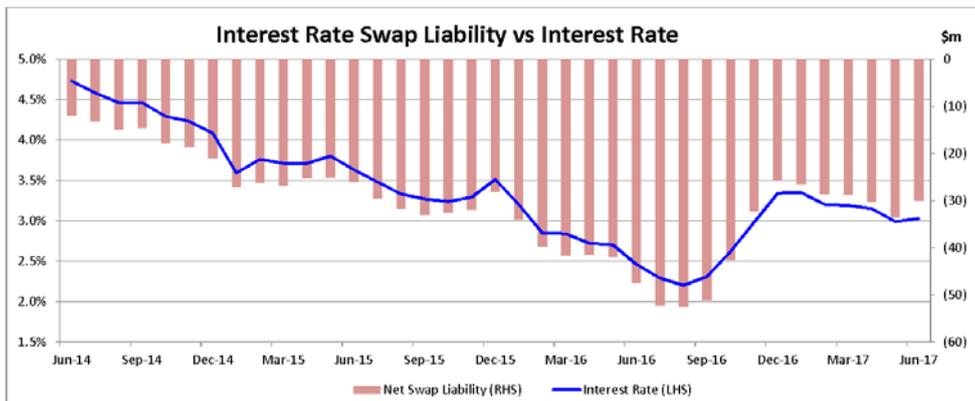
TREASURY REPORT
for the twelve months ended 30 June 2017

Policy Compliance	Policy	Result @ 30-Jun-17	Policy Compliance
Fixed rate maturity	all years	within annual parameters	achieved for all years ✓
Funding maturity	0 - 3 years	15% - 60%	44% ✓
	3 - 5 years	15% - 60%	19% ✓
	5 years plus	10% - 60%	37% ✓
Liquidity ratio	minimum	110%	118% ✓
Counterparty credit risk	maximum	\$75m per bank	achieved ✓

Comments on policy breaches
There are no breaches of policy.



Debt and Cash Investments (\$'000's)	Result @ 30-Jun-17	Budget @ 30-Jun-17	Variance Fav. / (Unfav.)
External debt	430,262	419,899	(10,363)
<i>less Cash investments</i>	<i>(107,722)</i>	(49,000)	58,722
Net external debt	322,540	370,899	48,359
<i>add Cash-backed reserves</i>	<i>40,474</i>	33,183	(7,291)
Total overall debt	363,014	404,082	41,068



The above graph shows how the movements in interest rates impact HCC's swap position in the balance sheet. If interest rates decrease the liability increases. Recent months have seen a decrease in interest rates leading to an increase in liability.

8. **Hamilton Ring Road Upgrade and Extension**
9. Land procurement is unresolved as the land is subject to iwi first rights for which confirming appropriate process and recognition is currently being developed through the Tainui/HCC co-governance forum. As this will be a State Highway intersection the land procurement process will also require NZTA endorsement which is still being planned.
10. In accordance with the update to 20 June Growth and Infrastructure Committee, the concept scope is approved and detailed design has commenced.
11. **Risk**
12. Project risks are identified on a project specific basis and are actively managed and monitored by the assigned project manager in conjunction with the relevant project governance/GM project sponsor.
13. Any change to risk profile or risk rating is included in the key projects status summary report for each project.
14. There has been no change to the project risk ratings for this period.

Attachments

Attachment 1 - Key Projects Status Summary Report - June 2017

Key Projects Status Summary Report - June 2017

Total Number of Projects	Count	Project Status	Risk Ratings
Project Status – On Track	8	Green	Increased = ↑
Project Status – Needs to be Monitored	1	Amber	Unchanged = →
Project Status – Needs urgent management attention	0	Red	Decreased = ↓

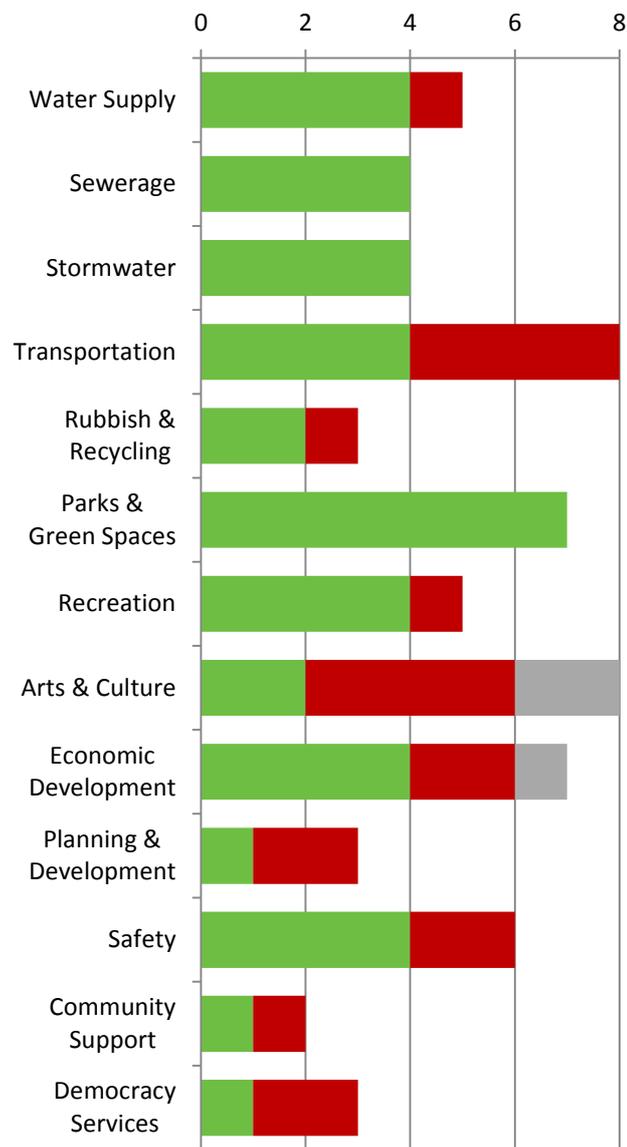
Project/ Programme Name	Project Sponsor	Project Manager	Start date	Expected completion date	Total project budget	Total project cost TD	2016/17 budget	YTD spend 2016/17	Project Status	Project Exception Report	Risks
Hamilton Gardens Development	Lance Vervoort	Helen Paki	02-Jun-14	31-Dec-18	\$ 7,580,686	\$ 4,583,496	\$ 2,274,288	\$ 2,090,117	Green	The Picturesque Garden Structures contract and Surrealist Garden upper tron structures are well underway. Work has started on the Information Centre redevelopment and office. Planning for the existing jetty refurbishment is in progress and on schedule No change to risks or risk ratings	→
Hamilton Ring Road Upgrade and Extension (Wairere Drive Extension)	Andrew Parsons	Tahl Lawrence	01-Jul-03	30-Jun-20	\$ 84,310,900	\$ 76,194,564	\$ 1,000,000	\$ 1,055,469	Amber	As previously reported the project shows an amber status as land procurement is unresolved as the land is subject to iwi first rights for which confirming appropriate process and recognition is currently being developed through the Tainui/HCC co-governance forum. As this will be a State Highway intersection the land procurement process will also require NZTA endorsement which is still being planned. In accordance with update to 20 June G&I Committee the concept scope is approved and detailed design has commenced. No change to risks or risk ratings	→
North City Road Urban Upgrade	Andrew Parsons	Chris Barton	01-Jul-15	23-Dec-21	\$ 8,126,000	\$ 652,120	\$ 531,000	\$ 427,815	Green	In principle agreement reached with developers in regard to construction staging, timing and cost share for first section of the upgrade. Contractual agreement under development. No change to risks or risk ratings	→
Pukete 3 Wastewater Treatment Plant Upgrade	Andrew Parsons	Barry Hu	01-Jul-15	30-Jun-20	\$ 18,354,000	\$ 1,772,645	\$ 839,431	\$ 924,645	Green	Progressing well and on track. Designs currently underway with a plan to award the physical works contract by the end of 2017. Update to be provided to G&I Committee on 12 September 2017. No change to risks or risk ratings	→
Rototuna Reservoir and Bulk Watermains Development	Andrew Parsons	Lance Haycock	01-Mar-15	31-Aug-17	\$ 21,989,000	\$ 20,125,114	\$ 16,074,263	\$ 9,352,690	Green	On track. Reservoir structure complete, initial leak test passed. Final mechanical, electrical and site civil works underway. Opening ceremony to be organised, preliminary date Thursday 31 August 2017. Underspend for 2016/17 is offset against previous overspend	→

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										(see Capital Expenditure Variance Explanation) No change to risks or risk ratings	
Rototuna Town Centre – New Agreement Phase	Lance Vervoort	Helen Paki	02-Apr-13	31-Oct-17	\$ 3,839,300	\$ 3,286,376	\$ 0.00	\$ 0.00		On track. Consent has been lodged and still being processed. A change request has been approved and the new completion date is now 31 October 2017. (Was 31 July 2017) No change to risks or risk ratings	→
Victoria on the River (VOTR) Stage 2 works	Lance Vervoort	Gina Hailwood	01-May-16	28-Feb-18	\$ 7,000,000	\$ 3,084,057	\$ 4,900,000	\$ 1,980,860		Project in progress. Earthworks are 90% completed and on track. Piling for boardwalks completed. A change request has been approved and the new completion date is now 28 February 2018. (Was 31 August 2017) Underspend for 2016/17 has been deferred to 2017/18 to align with work programme. No change to risks or risk ratings	→
Waioira 2 Water Treatment Plant Upgrade	Andrew Parsons	Barry Hu	01-Jul-15	30-Jun-21	\$ 28,746,000	\$ 3,065,253	\$ 3,337,431	\$ 2,509,110		Project currently on track. Hamilton South pipeline installation progressing well. Overall project update to be provided to G&I Committee on 12 September 2017. No change to risks or risk ratings	→
Western Rail Trail	Chris Allen	Simon Crowther	01-Jul-15	31-Aug-17	\$ 7,146,000	\$ 6,890,803	\$ 6,400,000	\$ 5,967,008		Project planting completed in June 2017. From 9 July the Killarney Road traffic signals were switched on. All project related physical works are now complete. Financial summary and closure report are being completed. No change to risks or risk ratings	↓

Item 8



Financial Considerations

7. There are no financial implications in relation to the KPIs that are not achieved.

Risks

8. There are no risks in relation to the committee receiving this report.

Attachments

Attachment 1 - 2016/17 Year End KPI Report

2015-25 10-Year Plan Indicators
Quarter 4, Year 2 (2016/17)

M	Achieved
Mandatory	Needs Action
% per 1000	Not Achieved

#	LEVEL OF SERVICE	MEASURE	ANNUAL TARGET	YEAR END		QUARTER 4	QUARTER 3	QUARTER 2	QUARTER 1
				Result	Comment	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
Water Supply									
M 1	Water that is safe to drink	The extent to which the Council's water supply complies with: a) Part 4 of the drinking-water standards (bacteria compliance criteria)	Achieve Compliance	Achieved	Compliance has been achieved for 2016/17.	Achieved	Achieved	Achieved	Achieved
		b) Part 5 of the drinking-water standards (protozoal compliance criteria)	Achieve Compliance	Achieved	Compliance has been achieved for 2016/17.	Achieved	Achieved	Achieved	Achieved
M 2	The water network will be well maintained	The percentage of real water loss from the Council's networked reticulation system	No more than 16%	16%	This is an annual measure. Compliance has been achieved for 2016/17.	16%	No Data	No Data	No Data
M 3	The water supply will be managed so demand does not outstrip the available capacity.	The average consumption of drinking water per Hamilton resident per day	No more than 400 litres per resident per day	377 litres	The year end average is 377 litres. Compliance has been achieved for 2016/17.	363	419	379	347
M 4	The council will provide A quality service	The total number of complaints received by the Council about any of the following per 1000 connections to the Council's networked reticulation system: Drinking water clarity, taste, odour, pressure or flow, continuity of supply; or the Council's response to any of these issues.	No more than 5 complaints per 1000 connections	1.91‰ (complaints per 1000 connections)	Compliance has been achieved for 2016/17. The most frequent reason for complaint was no water (57) and low water pressure (37).	0.51‰	0.42‰	0.50‰	0.50‰
		The median response times for the following when the Council attends a call-out in response to a fault or unplanned interruption to its water system: a) Attendance for urgent call-outs: From the time that Council receives notification to the time that service personnel reach the site.	No more than 60 minutes	73 minutes	An increased number of service requests were received in quarter 4 as a result of significant weather events. There was also an increased level of staff absences due to illness and recruitment. These factors significantly impacted on response times in quarter 4 and led to the non achievement of the annual target.	186	55	29	61
		b) Resolution of non-urgent call-outs: From the time that the Council receives notification to the time that service service personnel confirm resolution of the fault or interruption.	No more than 5 hours	4 hours	Compliance has been achieved for 2016/17.	4	2.30	1.10	3
M 5	A timely response if there is a problem with the water supply	c) Attendance for non-urgent call-outs: From the time that Council receives notification to the time that service personnel reach the site.	No more than 5 days	6.2 days	An increased number of service requests were received in quarter 4 as a result of significant weather events. There was also an increased level of staff absences due to illness and recruitment. These factors significantly impacted on response times in quarter 4 and led to the non achievement of the annual target.	7.90	5.80	4.10	6.80
		d) Resolution of non-urgent call-outs: From the time that the Council receives notification to the time that service service personnel confirm resolution of the fault or interruption.	No more than 10 days	6.8 days	There was an increase in quarter 4 due to significant weather events. Compliance has been achieved for 2016/17.	8	5.70	4.30	6.90
Sewerage									
M 6	The sewerage system to be adequately designed and maintained.	The number of dry weather sewerage overflows from the Council's sewerage system, per 1000 sewerage connections to the system.	No more than 5 overflows per 1000 connections	0.28‰ (overflows per 1000 connections)	Compliance has been achieved for 2016/17.	0.05‰	0.04‰	0.02‰	0.12‰
		The Council's compliance with its resource consents for discharge from its sewerage system: a) The number of abatement notices.	No more than 1 abatement notice	0	Compliance has been achieved for 2016/17.	0	0	0	0
		b) The number of infringement notices.	0 infringement notices	0	Compliance has been achieved for 2016/17.	0	0	0	0
M 7	The sewerage system will be managed in a way that does not unduly impact on the environment.	c) The number of enforcement orders.	0 enforcement orders	0	Compliance has been achieved for 2016/17.	0	0	0	0

#	LEVEL OF SERVICE	MEASURE	ANNUAL TARGET	YEAR END		QUARTER 4	QUARTER 3	QUARTER 2	QUARTER 1
				Result	Comment	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
		d) The number of convictions.	0 convictions	0	Compliance has been achieved for 2016/17.	0	0	0	0
M 8	The Council will provide a quality service.	The total number of complaints received by the Council about any of the following per 1000 connections to its sewerage system: Sewerage odour, sewerage system faults or blockages and the Council's response to any of these issues.	No more than 25 complaints per 1000 connections	18.25% (complaints per 1000 connections)	Compliance has been achieved for 2016/17.	5.54%	4.89%	3.88%	4.09%
M 9	A timely response if there is a problem with the sewerage system.	The median response times for the following when the Council attends to sewerage overflows resulting from a blockage or other fault in the Council's sewerage system: a) Attendance time: From the time that the Council receives notification to the time that service personnel reach the site. b) Resolution time: From the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault.	No more than 60 minutes No more than 5 hours	57 minutes 2 hours	Compliance was achieved in 2016/17. The annual result was 57 minutes. Compliance has been achieved in 2016/17. The annual result was 2.03 hours	58 2.03	50 1.85	39 1.37	47 1.65
Stormwater									
M 10	The stormwater system will be adequately designed and managed.	a) The number of flooding events that occur within the city b) For each flooding event, the number of habitable floors affected per 1000 properties connected to the Council's stormwater system	No more than 1 flooding event No more than 1 per 1000 properties connected	0 0% (per 1000 properties connected)	Compliance has been achieved for 2016/17. Compliance has been achieved for 2016/17.	0 0%	0 0%	0 0%	0 0%
M 11	The stormwater system will be managed in a way that does not unduly impact on the environment.	The Council's compliance with its resource consents for discharge from its stormwater system: a) The number of abatement notices b) The number of infringement notices c) The number of enforcement notices d) The number of convictions	No more than 1 abatement notice 0 infringement notices 0 enforcement orders 0 convictions	0 0 0	Compliance has been achieved for 2016/17. Compliance has been achieved for 2016/17. Compliance has been achieved for 2016/17. Compliance has been achieved for 2016/17.	0 0 0	0 0 0	0 0 0	0 0 0
M 12	The Council will provide a quality service.	The number of complaints received by the Council about the performance of its stormwater system, per 1000 properties connected to the Council's stormwater system.	No more than 10 complaints per 1000 properties connected	0.14% (complaints per 1000 properties connected)	Compliance has been achieved for 2016/17.	0.05%	0.04%	0.04%	0.02%
M 13	A timely response if there is a flooding event.	The median response time to attend a flooding event, measured from the time that the Council receives notification to the time that service personnel reach the site.	No more than 60 minutes	0	Compliance has been achieved for 2016/17.	0	0	0	0
Transport									
M 14	A Transport network that is safe to use.	The change from the previous financial year in the number of fatalities and serious injury crashes on Hamilton's local road network	Two less deaths or serious injuries than the previous financial year	46*	*INTERIM RESULT AS AT 30 JUNE 2017. As at June 2017 there were 46 deaths/serious injuries. This data is collected annually by an external party and is an interim result as the full 2016/17 data set is not complete. The final result will be reported in quarter 1 2017/18. This result puts the measure off track for two less deaths or serious injuries than the previous financial year. Previous Data: 2015/16 = 34, 2014/15 = 27, 2013/14 = 30.	46	No Data	No Data	No Data

#	LEVEL OF SERVICE	MEASURE	ANNUAL TARGET	YEAR END		QUARTER 4	QUARTER 3	QUARTER 2	QUARTER 1
				Result	Comment	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
15	The Council will invest in making biking safer.	The change from the previous financial year in the number of deaths and serious injuries involving cyclists on Hamilton's roads.	Decreasing trend	4*	*INTERIM MEASURE AS AT 30 JUNE 2017. As at June 2017 there have been 4 deaths/serious injuries involving cyclists. This data is collected annually by an external party and is an interim result as the full 2016/17 data set is not complete. The final result will be reported in quarter 1 2017/18. This results put the measure on track for a result of a decreasing trend in cyclists deaths/serious injuries from the previous year. Previous data: 2015/16 = 6, 2014/15 = 4, 2013/14 = 3.	4	No Data	No Data	No Data
M 16	Roads to be kept in good condition.	The average quality of ride on Hamilton's sealed local road network, measured by smooth travel exposure	At least 86% smooth travel exposure	85%	The target for the 2016-17 year has not been met. Smooth travel exposure calculations completed in quarter 4 show a decrease in the level of smooth travel for high volume roads (over 4000 vehicles per day).	85%	93%	93%	93%
M 17	Roads will be adequately maintained.	The percentage of Hamilton's sealed local road network that is resurfaced each year	5.5%	5.05%	The target has not been met, this is based on an increased understanding of the need and delivering overall value for money in the transport maintenance and renewal activity.	5.05%	4.70%	0.44%	0.15%
18	Footpaths will be kept in good condition.	The percentage of footpaths within Hamilton that fall within the service standard for the condition of footpaths that is set out in the Council's Asset Management Plan	97%	96.0%	Due to the quarter 4 result the target has not been met for the 2016/17 year. There have been proactive network inspections which have identified an increase in recorded faults.	96.0%	97.0%	97.8%	96.0%
M 19	A timely response to requests for service.	The percentage of customer service requests relating to roads and footpaths responded to within five working days	95%	96.21%	Compliance has been achieved for the 2016/17.	96.24%	95.80%	96.76%	96.15%
20	Predictable vehicle travel times for peak time trips.	The percentage of extra time taken for vehicles to travel key routes in the city during peak travel times	No more than 50%	48%	Compliance has been achieved for 2016/17. The data is collected 6 monthly. The result is based on data obtained from all 5 routes.	48%	No Data	32%	No Data
21	Parking in the central city will be managed effectively.	The percentage of on-street car parks in the central city high demand parking areas that are full between 10am - 4pm on weekdays	No more than 85%	68%	Compliance has been achieved for 2016/17. The data is collected 6 monthly.	68%	No Data	70%	No Data
Rubbish and Recycling									
22	Reliable rubbish and recycling collections.	The number of weeks with more than 20 complaints about uncollected kerbside household rubbish and recycling	0 weeks	0	Compliance has been achieved for 2016/17.	0	0	0	0
23	Reliable rubbish and recycling collections.	The percentage of customer complaints about uncollected kerbside rubbish and recycling resolved within 24 hours	95%	99.40%	Compliance has been achieved for 2016/17.	100.00%	100.00%	100.00%	98.75%
24	The Council will promote and encourage recycling and reuse.	The percentage of waste recovered for recycling through the kerbside collection	At least 30%	27.18%	In the future there will be significant improvements in the percentage of waste recovered for recycling. These are not anticipated to be observed until the proposed improvements are implemented. The improvements include long term waste education, communication, marketing and engagement strategy and any future changes to expand the level of services of the kerbside recycling collection.	26.19%	26.86%	28.01%	27.62%
Parks and Green Spaces									
25	The Council will protect, restore and enhance Hamilton's beautiful green landscape	The quantity of public green space in the city.	No net loss.	14.10	14.1 hectares of additional open space was acquired in 2016/17. The Cities total open space is 1149ha.	6.66	0	0	7.44
26	The Council will protect, restore and enhance Hamilton's beautiful green landscape	The number of street trees in the city	Annual growth in the number of street trees	444	444 new street trees were planted in 2016/17. The total number of street trees is 35,327.	268	22	23	131
27	The Council will protect, restore and enhance Hamilton's beautiful green landscape	The number of native plants planted in Council-owned natural areas each year	At least 25,000 each year	36,148	The annual target has been met. During quarter 4 12,000 native plants were planted at Waiwhakareke Natural Heritage Park on Arbor Day.	27,856	0	0	8,292
28	Destination playgrounds will be completed as planned.	Delivery of the destination playgrounds programme	1	2	The upgrade of Steele Park neighbourhood playground was completed in quarter 4 and the target of two new destination playgrounds has been met with the opening of Hamilton Gardens Destination Playground and Dominion Park Destination Playground	0	0	2	0
29	The Council will invest in sports fields	The number of hours of play provided per week by the Council's sports fields during winter	836 hours	836	There has been no change to existing sports fields. Planning for the development of new sports park at Rototuna was completed in quarter 4.	836	836	836	836
30	The Hamilton Gardens programme will be completed as planned	Delivery of the four-year Hamilton Gardens development programme.	Hamilton Gardens development programme completed by 2017/18	On Track	Key accomplishments during the 2016/17 financial year include the completion and opening of the Hamilton Gardens Playground and the achievement of the funding target, well ahead of the projects completion.	On Track	On Track	On Track	On Track

#	LEVEL OF SERVICE	MEASURE	ANNUAL TARGET	YEAR END		QUARTER 4	QUARTER 3	QUARTER 2	QUARTER 1
				Result	Comment	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
31	The Hamilton Gardens programme will be completed as planned	The estimated number of visitors to the Hamilton Gardens each year	Annual increase in the number of visitors to the Gardens, reaching at least 1.2 million by 2024/25	13.50%	There were an estimated 1,148,613 visitors in 2016/17. The annual visitor numbers are up 13.5% on last year.	13.50%	11.00%	14.00%	4.00%
Recreation									
32	Hamilton Zoo will provide unique visitor and learning experiences.	The number of visits to Hamilton Zoo each year	At least 120,000	132,805	The 2016/17 patronage (132,805) is up 2.5% on 2015/16 (129,548). The annual target of 120,000 visitors exceeded by 10.67%.	32,471	33,404	35,135	31,795
33	Hamilton Zoo will provide unique visitor and learning experiences.	The number of students participating in Zoo education programmes each year	At least 8,000	8,135	More than \$48,000 was raised for The Warehouse ZOO FARI programme. The funds will be used to provide transport and an educational experience at Hamilton Zoo.	2,348	680	3,323	1,784
34	Council pools will provide opportunities for recreation, learning and leisure.	The number of visits to Waterworld and Gallagher Aquatic Centre each year	At least 580,000	515,211	Errors were found in the result calculation of previous years and have been corrected from quarter 1 2016/2017 and figures are now accurate. The visitor number target needs to be adjusted in the next 10-Year Plan to reflect actual achievable patronage numbers as the current target was based on incorrect results and is not achievable with now accurate figures. The financial targets related to visitors are expected to be met in the coming 2017/18 financial year.	108,439	149,939	137,698	119,135
35	Council pools will provide opportunities for recreation, learning and leisure.	The number of students participating in aquatic education classes at Council pools	At least 28,000	36,094	The annual target was achieved. The water safety component of the Aqua Education delivery has been suspended as it was not financially sustainable. This will impact on the target in 2017/18 with the number of participants expected to be lower.	5,750	12,775	9,710	7,859
36	Council pools will provide opportunities for recreation, learning and leisure.	The number of people participating in learn to swim classes at Council pools	At least 40,000	52,193	The annual target was achieved.	13,307	13,620	13,767	11,499
Arts and Culture									
37	A modern and relevant library service	The number of physical and online visits to the libraries each year	1% increase each year	-11.56%	The total visitor number in 2016/17 was 1,080,830. Contributing factors to the decline include the continued closure of the Central Library and the implementation of a new Library Management System (LMS) during which all the libraries were closed for two business days. The Libraries website and catalogue were also unavailable during this period.	-12.12%	-17.53%	-11.87%	-5.13%
38	A modern and relevant library service	Use of library collections, both print and electronic	1% increase each year	-9.87%	The total number of issues in 2016/17 was 1,282,267. Contributing factors to the decline include the continued closure of the Central Library limiting access to specialised collections and the implementation of a new Library Management System (LMS), during which all libraries were closed for two business days limited the use of the collections. The Libraries website and catalogue were also unavailable during this period with no access to the libraries e-Collections.	-13.55%	-10.06%	-9.44%	-6.67%
39	A modern and relevant library service	The number of people attending events, programmes and classes at the libraries	1% increase each year	-4.47%	During quarter 1 and quarter 2 of the 2016/17 financial year the target was exceeded by 21%. The closure of the Central Library has impacted the delivery of large events, regular services and adult and children's programmes, many of which have been cancelled pending a return to the Central Library.	-37.08%	4.23%	20.64%	21.21%
40	A modern and relevant library service	The ratio of e-Books to print books purchased	14% e-books	28.24%	This is an annual measure. The target has been achieved.	28.24%	No Data	No Data	No Data
41	Waikato museum to share and celebrate our region's history, creative and diversity	The number of visits to Waikato Museum each year	At least 118,000	136,955	The annual target has been met.	42,250	34,490	28,594	31,621
42	Waikato museum to share and celebrate our region's history, creative and diversity	The number of children and students visiting the Museum for education each year	At least 8,000	6,986	The quarter 4 result was up due to the popularity of Permian Monsters Exhibition. However, the annual total is 13.4% below target due to lower results in quarters 1-3. There has been a reliance on Blockbuster exhibitions and not fully utilising other exhibitions programmes.	3,660	1,993	613	720
43	Theatres will be well used	The number of people attending events at Founders Theatre each year	At least 70,000	No Data	Founders Theatre was closed on 1 March 2016. Audit NZ confirmed that as the measure is included in the 2015-2025 10-Year Plan, a result in 2016/17 must be recorded.	No Data	No Data	No Data	No Data
44	Theatres will be well used	The total number of hire days across Founders Theatre	At least 180	No Data	Founders Theatre was closed on 1 March 2016. Audit NZ confirmed that as the measure is included in the 2015-2025 10-Year Plan, a result in 2016/17 must be recorded.	No Data	No Data	No Data	No Data

#	LEVEL OF SERVICE	MEASURE	ANNUAL TARGET	YEAR END		QUARTER 4	QUARTER 3	QUARTER 2	QUARTER 1
				Result	Comment	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
Economic Development									
45	Our venues should be well used	The total number of hire days across the Claudelands facilities each year	At least 510	503.25	The calculation basis for the hire days resulted in inflated target setting expectations. As a result the number of Claudelands hire days was just below the target set. Attendance and financial results finished ahead of budget and show higher yielding events did take place but did not meet the target of 510 hire days.	150.25	75.50	126.00	151.50
46	Our venues should be well used	The number of people attending events at Claudelands each year.	At least 185,000	310,951	The annual target was met.	84,438	37,174	86,750	102,589
47	Our venues should be well used	The total number of hire days across the stadium facilities each year	At least 420	336.50	The calculation basis for the hire days resulted in inflated target setting expectations. As a result the number of stadia hire days was well below the target set. Attendance and financial results finished ahead of budget and show higher yielding events did take place but did not meet the 420 hire days.	97.50	73.75	79.75	85.50
48	Our venues should be well used	The number of people attending events at the stadiums each year	At least 200,000	201,142	The annual target was met.	75,495	54,304	23,778	47,565
49	A financial return on the Council's commercial property investments	The financial return on the Council's commercial property investments	7%	8.67%	Returns consistent, improvement expected as yields increase.	8.67%	8.67%	8.67%	8.61%
50	In-depth economic monitoring	Quarterly and annual economic analysis of Hamilton's economy to be produced	Quarterly and annual monitoring or reports produced	Achieved	Reports have been produced, the annual target has been met.	Achieved	Achieved	Achieved	Achieved
51	Growth in Hamilton and Waikato region visitor economy	The percentage of growth in the visitor economy of the Hamilton and Waikato region	2.8% growth annually	No Data	This is an annual expenditure figure provided by Ministry of Business, Innovation and Employment (MBIE) and isn't available quarterly. The results for year end March 2017 will be available in November 2017. MBIE have recast growth figures so Hamilton and Waikato Tourism have decreased their target to 2.7% .	No Data	No Data	No Data	No Data
Planning and Development									
52	The Council will provide an adequate supply of land for housing	The number of years of residential land supply zoned and ready for development in greenfield areas	At least 5 years	7	7 years was reported to Council in August 2016. The updated figures will be available to Council in September 2017.	7	7	7	7
53	Planning and building consents will be processed on time	The percentage of non-notified resource consent applications processed within statutory timeframes	100%	99.64%	835 consents were completed within the timeframe and three consents ran over time during 2016/17. Resourcing issues have been addressed. Two consents went overtime in quarter 1 by 2 days each and were both processed by an external consultant due to high workloads. One extremely complex and complicated application went over time in quarter 2.	100.00%	100.00%	99.50%	99.02%
54	Planning and building consents will be processed on time.	The percentage of building consents processed within statutory timeframes	100%	99.79%	1883 consents were completed within the timeframe and four ran overtime during quarter 3, the resourcing and timeframes are to be constantly monitored. The annual target has not been met due to the quarter 3 result.	100.00%	99.11%	100.00%	100.00%
Safety									
55	The Council will work with others to improve perceptions of safety in the central city.	The percentage of central city users surveyed who feel very safe or reasonably safe in the central city during the daytime	Improvement on the previous year's result	83%	The survey was redone during quarter 4. There was a 4% improvement in the Perception of Safety, up from the 2015 and 2016 result of 79%.	83%	79%	79%	79%
56	A reliable response to requests for graffiti, excessive noise and dog control	The percentage of graffiti removal jobs completed within two working days	95%	95.35%	The quarter 4 result was slightly lower than the target but the annual target has been met due to the results in quarters 1-3.	94.33%	95.01%	98.91%	97.99%
57	A reliable response to requests for graffiti, excessive noise and dog control	The percentage of complaints about excessive noise responded to within 30 minutes.	95%	94.45%	The target was met in quarter 4 but did not meet the annual target due to the results in quarters 1-3. The Contractor Waikato Security Services will aim to respond to all excessive noise requests within 30 minutes.	95.00%	94.98%	93.61%	94.00%
58	A reliable response to requests for graffiti, excessive noise and dog control	The percentage of urgent requests for dog control responded to within 60 minutes	100%	99.35%	During quarter 2 a job was incorrectly sent to the AEC Team as routine instead of urgent.	100.00%	100.00%	98.11%	100.00%
59	Premises selling food will be regularly monitored.	The percentage of high risk premises selling food inspected at least once each year for compliance with the current food safety requirements (excluding those premises subject to the new Food Act 2014 regime)	100%	100%	The annual target was met. All high risk food premises have been inspected at least once in the past 12-months (180/180)	100%	100%	100%	100%
60	Premises selling liquor will be regularly monitored.	The percentage of high risk premises selling liquor monitored annually	100%	100%	The annual target was met. All high risk premises were assessed (45/45).	100%	100%	100%	100%

#	LEVEL OF SERVICE	MEASURE	ANNUAL TARGET	YEAR END		QUARTER 4	QUARTER 3	QUARTER 2	QUARTER 1
				Result	Comment	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
				Result	Comment	Result	Result	Result	Result
Community Support									
61	The Council to always be ready for an emergency	Hamilton's overall capability for an emergency event, assessed against the Ministry of Civil Defence criteria	75%	 44%	This is an annual measure. An initial capability assessment was completed by the Ministry of Civil Defense Management. The result provides the baseline for which we can benchmark our progress yearly going forward. A report on the assessment went to the Community and Services Committee on May 16.	 44%	No Data	No Data	No Data
62	Council grants will be used effectively	The value of services leveraged for every \$1 of community grant funding provided	\$3 worth of services leveraged for every \$1 provided	 \$14.63	\$14.63 worth of services was leveraged for every \$1.00 provided. After allocating the Single-Year Community Grant in May, the \$1,160,000 allocated via Community Assistance Funding in 2016/17 contributed to \$16,975,520 total project costs.	 14.63	 \$ 14.93	 \$14.93	 \$14.93
Democracy Services									
63	Timely and open access to public information.	The percentage of official information requests responded to within 20 working days.	100%	 96.12%	All official information requests were responded to within the timeframe during quarter 4. The annual target was not met due to previous quarters results.	 100.00%	 98.36%	 98.15%	 92.31%
64	Timely and open access to public information.	The number of complaints about Council withholding information upheld by the Ombudsman.	0 complaints upheld	 0	No complaints were upheld by the Ombudsman.	 0	 0	 0	 0
65	Timely and open access to public information.	The percentage of Council meeting agendas circulated at least two working days prior to the meeting.	100%	 94.34%	All agendas were circulated on time in quarter 4. The annual target was not met due to the results in previous quarters. During 2016/17, there were 50 of 53 agendas circulated within the timeframe. The figures reported in quarter 1 have been revised.	 100.00%	 83.33%	 66.67%	 100.00%

Council Report

Item 9

Committee: Finance Committee **Date:** 15 August 2017
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 - Review of Director Remuneration and Term of Appointment

Report Status	<i>Open</i>
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Purpose

1. To seek approval for the Mayor and/or Chief Executive to vote in favour of an increase in fees and an adjustment to the term of appointment for Waikato Regional Limited (WRAL) Directors at WRAL's Annual General Meeting in October 2017.

Staff Recommendation

2. That the Finance Committee:
 - a) approves WRAL Director fees to be increased as follows:
 - i. Chair from \$34,800 to \$45,000 per annum with effect from 1 July 2017
 - ii. Directors from \$23,200 to \$30,000 per annum with effect from 1 July 2017
 - b) approves an amendment to the WRAL constitution by adding the following clause under the heading Appointment and Removal:

"15.2 (e) Directors to be appointment for an initial three-year term with a maximum of two concurrent terms to be served unless under circumstances that dictate otherwise."
 - c) delegates authority to the Mayor and/or Chief Executive to vote on behalf of the WRAL Annual General Meeting in October 2017 in support of the above resolutions;
 - d) notes the resolutions under a) and b) above can only be activated by a majority vote of WRAL shareholders.

Background

3. WRAL is a limited liability company treated as a CCO by Council. WRAL shareholders are all local body authorities, listed as follows:
 - Hamilton City Council 50%
 - Waipa District Council 15.6%
 - Matamata-Piako District Council 15.6%
 - Waikato District Council 15.6%
 - Otorohanga District Council 3.1%

4. As a part of WRAL’s reporting responsibility to shareholders each year, the company holds an AGM which is usually attended by Mayors and Chief Executives of the shareholding councils. In the case of Hamilton City Council, the chairman of the Finance Committee also attends.
5. A letter (attachment 1) from the Chairman of WRAL signals his intention to propose at WRAL’s next AGM that shareholders vote on two resolutions. The first is to approve an increase in director remuneration for WRAL Directors (parent company only not for any subsidiaries) and that a set timeframe be established for an appointment period and a maximum number of concurrent terms are established.
6. The WRAL Constitution (attachment 2) provides for a minimum of four to a maximum of 6 directors. The WRAL Board currently comprises of 4 directors and there is no thought to increasing numbers at this time.
7. The shareholders are required to approve directors’ remuneration levels. All shareholders are currently considering these matters in advance of the WRAL AGM in October 2017.

Discussion

8. Director Remuneration

9. A review of the remuneration for WRAL Directors has not been undertaken since 2007. This is long overdue particularly given the major advances in the past 2-3 years under the stewardship of the current Board and its direct accountabilities.
10. Following discussion with the WRAL Chairman Ernst & Young (EY) were appointed to undertake an independent review and benchmark appropriate director remuneration levels across New Zealand with similar business dynamics. A copy of the EY report is attached. (Attachment 3).
11. While the report also provided guidance on additional fees structures for Directors through various “Committee” activity this is not a subject for this paper nor is there any notion to consider fees to directors of WRAL’s subsidiary entities.
12. The report clearly establishes a case based on comparative market data for a lift in the current fees structure. The table below summarises the findings.

	Current remuneration level	EY Report Median	Recommendation
Chair	\$34,800	\$50,000	\$45,000
Director	\$23,200	\$30,000	\$30,000

13. HCC’s policy “Appointment and Remuneration of Board Members of: COs/CCOs and CCTOs” ([linked here](#)) is silent on the treatment of director remuneration. It is however prudent to assume that director remuneration levels based on comparable market practice and within the close proximity to the market median would be a fair and reasonable approach.
14. **Term of Appointment**
15. The WRAL Constitution potentially allows Directors to remain a director for an indefinite period of time subject to shareholder vote to reappoint. This leads for a very open-ended understanding of tenure once appointed.
16. HCC’s policy on the appointment and remuneration of directors on the other hand suggests that appointments can be made for two full and concurrent terms although the duration of the period of the “term” is not stipulated.
17. While the duration of a term and the matter of serving concurrent terms directors can serve vary greatly, there is a weighing towards similar organisation (particularly across the public

sector) is for a term to be a three year in duration and with a maximum of two concurrent terms. Any appointment for a second term would be subject to shareholder vote.

Financial Considerations

18. The recommended increase in fees would lift the total cost of WRAL Director fees by \$37,400.
19. There is no direct financial impact upon Council finances as a result of the staff recommendation above. All incremental costs will be met WRAL.

Legal and Policy Considerations

20. See references above.

Significance & Engagement Policy

Significance

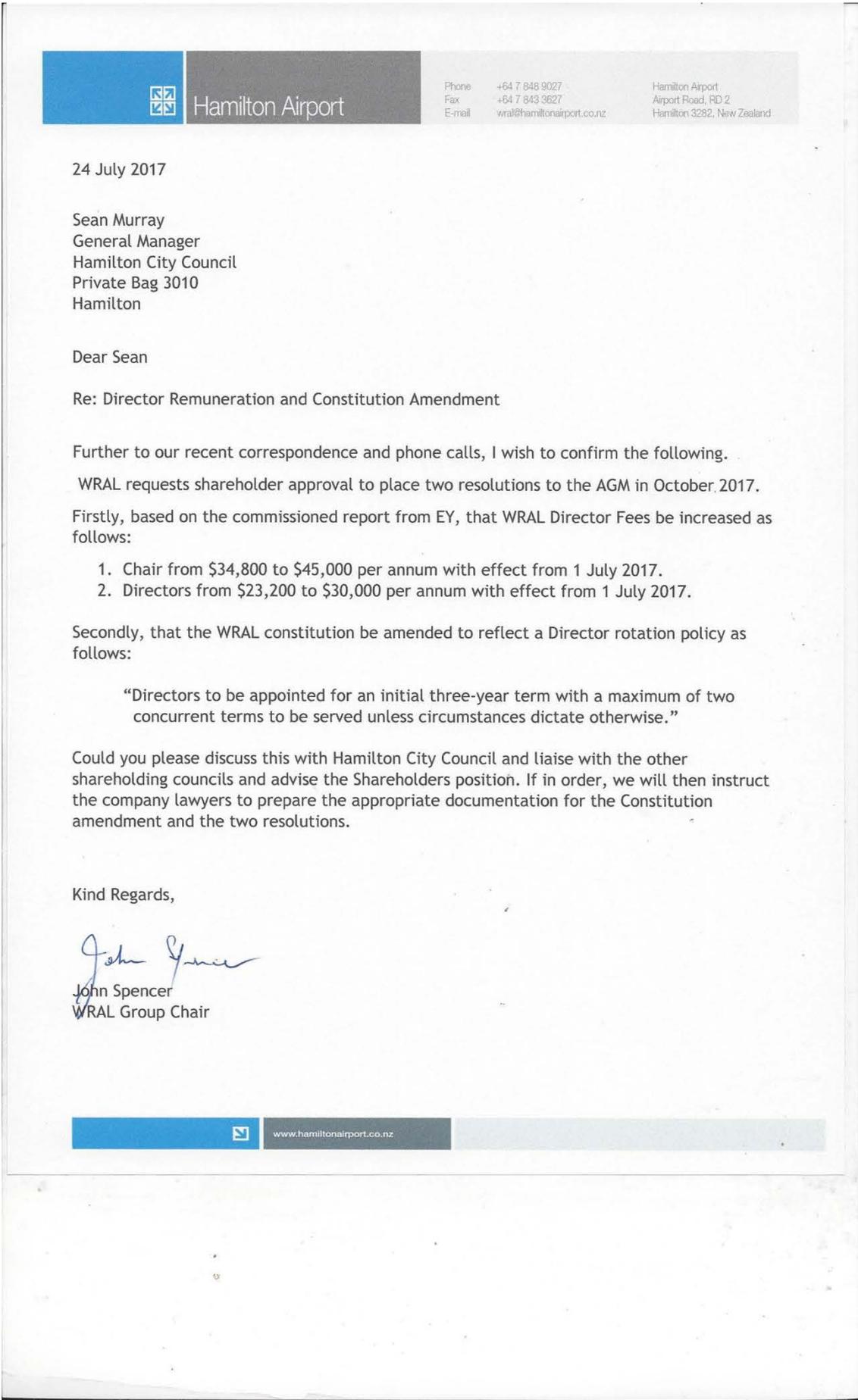
21. Staff have assessed that the recommendations of this report are of low significance under the Significance and Engagement Policy.

Attachments

Attachment 1 - Letter from WRAL Chairman - July 2017

Attachment 2 - Copy of WRAL Constitution 2015

Attachment 3 - Ernst & Young Report Review of Director Fees - July 2017



CONSTITUTION

-of -

WAIKATO REGIONAL AIRPORT LIMITED

June 2015

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**CONSTITUTION
OF
WAIKATO REGIONAL AIRPORT LIMITED**

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CONSTITUTION OF WAIKATO REGIONAL AIRPORT LIMITED
PURSUANT TO THE COMPANIES ACT 1993

1. DEFINITIONS

- 1.1** In this constitution, unless the context otherwise requires, the following words and expressions have the meanings given to them in this clause:

"Act" means the Companies Act 1993.

"alternate director" means a director appointed pursuant to clause 15.6(a).

"amalgamation" means the completed act of the company and one or more other companies amalgamating pursuant to Part 13 of the Act and continuing as one company, which may be one of the amalgamating companies or may be a new company.

"annual meeting" means a meeting of shareholders held pursuant to clause 13.1.

"balance date" means the date adopted by the company as the end of its financial year for the purpose of its annual financial statements.

"board" means the directors numbering not less than the required quorum acting as the board of directors of the company, and where one director is a quorum it means that director so acting alone.

"call" means a resolution of the board under clause 8.1 requiring shareholders to pay all or part of the unpaid amount of the issue price of any shares and, where the context requires, means the obligation of a shareholder to meet the amount due pursuant to such a resolution.

"class" and *"class of shares"* means a class of shares having attached to them identical rights, privileges, limitations, and conditions.

"chairperson" means the chairperson of the board, elected under clause 18.1(a) or appointed under clause 18.1(c).

"company" means WAIKATO REGIONAL AIRPORT LIMITED.

"constitution" means this constitution of the company and all amendments to it from time to time.

"director" means a person appointed and continuing in office for the time being, in accordance with this constitution, as a director of the company.

"distribution", in relation to shares held by a shareholder, means:

- (a) the direct or indirect transfer of money or property, other than shares, by the company to or for the benefit of that shareholder; or

- (b) the incurring of a debt by the company to or for the benefit of a shareholder, whether by means of a purchase of property, the redemption or other acquisition of shares, a distribution of indebtedness, or by some other means.

"*dividend*" means a distribution by the company other than a distribution to which section 59 (acquisition of company's own shares) or section 76 (financial assistance in acquisition of company's shares) of the Act applies.

"*general meeting*" means any meeting of shareholders, other than an interest group meeting.

"*interests register*" means a register kept by the company at its registered office as required by section 189(1)(c) of the Act.

"*major transaction*", in relation to the company, means:

- (a) the acquisition of, or an agreement to acquire (whether contingent or not), assets the value of which is more than 10% of the value of the company's assets before the acquisition; or
- (b) the disposition of, or an agreement to dispose of (whether contingent or not), assets the value of which is more than 10% of the value of the company's assets before the disposition; or
- (c) a transaction which has or is likely to have the effect of the company acquiring rights or interests or incurring obligations or liabilities, the value of which is more than 10% of the value of the company's assets before the transaction;

but does not include:

- (d) any transaction entered into by a receiver appointed pursuant to a security over all or substantially all of the property of the company.

Nothing in paragraph (c) of this definition applies by reason only of the company giving, or entering into an agreement to give, a floating charge secured over assets of the company the value of which is more than 10% of the value of the company's assets for the purpose of securing the repayment of money or the performance of an obligation.

"*managing director*" means a director who is appointed under clause 20 as an employee of the company, with the responsibility for the management of the company (together with any other employee).

"*month*" means calendar month.

"*ordinary resolution*" means a resolution approved by a simple majority of the votes of those shareholders entitled to vote and voting on the question.

"*ordinary share*" means a share which confers on the holder:

- (a) the right to vote at meetings of shareholders and on a poll to cast one vote for each share held;
- (b) subject to the rights of any other class of shares, the right to an equal share in dividends and other distributions made by the company; and
- (c) the right to an equal share in the distribution of the surplus assets of the company on its liquidation.

"register" means the register of shares required by clause 5 of this constitution and section 87 of the Act to be kept.

"Registrar" means the Registrar of Companies appointed under section 357(1) of the Act.

"securities" has the same meaning as in the Financial Markets Conduct Act 2013.

"share" means a share in the company.

"shareholder" means a person:

- (a) registered in the register as the holder of one or more shares; or
- (b) until the person's name is entered in the register, a person named as a shareholder in the application for registration of the company at the time of registration of the company; or
- (c) until the person's name is entered in the register, a person who is entitled to have that person's name entered in the register under a registered amalgamation proposal as a shareholder in an amalgamated company.

"solvency test" means an examination to be applied to the financial state of the company, which will be satisfied if:

- (a) the company is able to pay its debts as they become due in the normal course of business; and
- (b) the value of the company's assets is greater than the value of its liabilities, including contingent liabilities,

and in respect of which regard has been had to the matters referred to in section 4(2) of the Act.

For the purpose of this definition *"debts"* and *"liabilities"* have the meaning given to those terms in section 52(4) of the Act.

"special meeting" means any meeting (other than an annual meeting) of shareholders entitled to vote on an issue, called at any time by the board.

"*special resolution*" means a resolution of shareholders approved by a majority of 75 per cent of the votes of those shareholders entitled to vote and voting on the question.

"*working day*" means a day of the week other than:

- (a) Saturday, Sunday, Good Friday, Easter Monday, Anzac Day, the Sovereign's Birthday, Labour Day, and Waitangi Day;
- (b) a day in the period commencing with the 25th day of December in any year and ending with the 2nd day of January in the following year;
- (c) if the first day of January in any year falls on a Friday, the following Monday; and
- (d) if the first day of January in any year falls on a Saturday or Sunday, the following Monday and Tuesday.

"*writing*" includes all modes of representing or reproducing words, figures or symbols in a visible form including reproduction by facsimile machine.

- 1.2 Words importing the singular include the plural and vice versa.
- 1.3 A reference to a person includes any firm, company or other body corporate.
- 1.4 Words importing one gender include the other genders.
- 1.5 Subject to this clause 1, expressions contained in this constitution bear the same meaning as specified in the Act at the date on which this constitution becomes binding on the company.
- 1.6 A reference to a clause means a clause of this constitution.
- 1.7 The clause headings are included for convenience only and do not affect the construction of this constitution.

2 SHARES AND ISSUE OF SHARES

2.1 Issue of further shares

The board may only issue further shares in the company upon the following conditions:

- (a) the shareholders must first pass a special resolution authorising the board to issue further shares;
- (b) all new or additional shares must be first offered to the existing shareholders of the company. If more than one shareholder wishes to accept that offer, they will be entitled to accept the shares offered

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in the same proportion as between themselves as their existing holding. This right shall extend to and include shares which are not accepted by any shareholder to the intent that the remaining entitled shareholders shall be entitled to such shares in the same proportion as between themselves as their existing holdings.

The requirements of this clause 2.1(b) may be waived or altered by a special resolution of the shareholders.

- (c) shares shall not be issued to any person or corporation who is not already a shareholder of the company unless the shareholders pass a special resolution approving the new shareholder of shareholders.

2.2 Board may issue redeemable shares:

2.2.1 Subject to clause 2.1 and the Companies Act 1993, the board may issue shares that are redeemable by the company:

- (a) At the option of the company; or
- (b) At the option of the holder of the shares; or
- (c) On a date specified or determined by the board for a consideration that is
- (d) Specified or otherwise determined by the board; or
- (e) To be calculated by reference to a formula; or
- (f) Required to be fixed by a suitably qualified person who is not associated with or interested in the company.

2.2.2 Subject to the Companies Act 1993 the company may redeem any shares which, by their terms of issue, are redeemable and such redemption may be exercised in respect of one or more shareholders or in respect of part of the shares held by any shareholder.

2.2.3 The company may redeem shares, where:

- (a) the precise terms and conditions of the specific proposal to redeem those shares has been approved by special resolution of each class of equity security whose rights of entitlement are affected by that redemption; or
- (b) the redemption is in terms of the conditions of issue of the shares.

2.3 Consideration for issue of shares

- (a) Subject to clause 2.3(b), before the board issues shares (other than shares issued upon incorporation), it must:

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- (i) decide the consideration for which the shares will be issued and the terms on which they will be issued;
 - (ii) if the shares are to be issued other than for cash, determine the reasonable present cash value of the consideration for the issue;
 - (iii) resolve that, in its opinion, the consideration for the shares and their terms of issue are fair and reasonable to the company and to all existing shareholders; and
 - (iv) if the shares are to be issued other than for cash, resolve that, in its opinion, the present cash value of that consideration is not less than the amount by which the shares would be credited as paid up.
- (b) Clause 2.3(a) does not apply to:
- (i) the issue of shares that are fully paid up from the reserves of the company to all shareholders of the same class in proportion to the number of shares held by each such shareholder; or
 - (ii) the consolidation or subdivision of shares.
- (c) The consideration for which shares are issued, or for the payment of shares already issued, may take any form and may be cash, promissory notes, contracts for future services, real or personal property, or other securities of the company.

2.4 Directors' certificate on consideration for issue

- (a) The directors who vote in favour of a resolution under clause 2.3(a) to issue shares must sign a certificate:
- (i) stating the consideration for, and the terms of, the issue;
 - (ii) describing the consideration in sufficient detail to identify it;
 - (iii) where a present cash value has been determined in accordance with clause 2.3(a)(ii), stating that value and the basis for assessing it;
 - (iv) stating that, in their opinion, the consideration for and terms of issue are fair and reasonable to the company and to all existing shareholders; and
 - (v) if the shares are to be issued other than for cash payable on issue, stating that, in their opinion, the present cash value is not less than the amount to be credited as paid up for the issue of the shares.

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- (b) A copy of the directors' certificate given under clause 2.4(a) must be filed with the Registrar within 10 working days after it is given.

2.5 Payment for shares already issued

Before shares that have already been issued are credited as fully or partly paid up other than for cash, the board must:

- (a) determine the reasonable present cash value of the consideration; and
- (b) resolve that, in its opinion, the present cash value of the consideration is:
 - (i) fair and reasonable to the company and all existing shareholders; and
 - (ii) not less than the amount to be credited in respect of the shares.

2.6 Directors' certificate on payment for shares already issued

- (a) The directors voting in favour of a resolution under clause 2.5 regarding the consideration payable for shares previously issued, must sign a certificate:
 - (i) describing the consideration in sufficient detail to identify it; and
 - (ii) stating:
 - (A) the present cash value of the consideration and the basis for assessing it;
 - (B) that the present cash value of the consideration is fair and reasonable to the company and to all existing shareholders; and
 - (C) that the present cash value of the consideration is not less than the amount to be credited in respect of the shares.
- (b) A copy of the directors' certificate given under clause 2.6 must be filed with the Registrar within 10 working days after it is given.

2.7 Deemed payment other than for cash

For the purposes of clauses 2.3 and 2.5, shares that are (or are to be) credited as paid up (whether wholly or partly) as part of an arrangement that involves the transfer of property or the provision of services and an exchange of cash or cheques or other negotiable instruments (whether

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simultaneously or not), must be treated as paid up other than in cash to the value of the property or services.

2.8 Amount owing on issue of shares

Where money or other consideration is due at a fixed time to the company on shares in accordance with their terms of issue, that amount does not comprise a call and no notice is required to be given to the shareholder (or other person liable under the terms of issue) before the company may enforce payment of the amount due.

2.9 Bonus shares

The board may authorise the allotment to all shareholders of the same class, shares issued as fully or partly paid up (from the assets of the company) in proportion to the number of shares held by each such shareholder.

2.10 Company paying up partly paid shares

Subject to the solvency test being satisfied after the distribution is made, and to clause 2.5, the board may authorise the payment (from the assets of the company) of any amount unpaid on shares already issued by the company.

3 PURCHASE OF OWN SHARES

3.1 Purchase by company of its shares

The company may purchase or otherwise acquire its shares in accordance with, and subject to, sections 58 to 66, 107 and 110 to 112C of the Act, and may hold the acquired shares in accordance with section 67A of the Act.

4 TRANSFER OF SHARES

4.1 Entry in register

Subject to clause 4.2, shares may be transferred by entry of the name of the transferee on the register.

4.2 Signed transfer

For the purpose of transferring shares, a form of transfer signed by the present holder of the shares or the holder's personal representative must be delivered to the company or to the agent of the company who maintains the register.

4.3 Form of transfer

- (a) The form of transfer may be in any form prescribed for that purpose under the Financial Markets Conduct Act 2013 or in any usual or common form, or any other form approved by the board.

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- (b) The form of transfer must be signed by the transferee if registration as holder of the shares would impose a liability to the company on the transferee.

4.4 Board's right to refuse or delay registration of transfer

- (a) The board may, within 30 working days of the receipt of a form of transfer of shares, refuse or delay the registration of the transfer if:
 - (i) the holder of the shares has failed to pay an amount due to the company in respect of those shares;
 - (ii) the provisions of clauses 4.6 to 4.13 and 4.16 dealing with pre-emptive rights have not been fully complied with; or
 - (iii) the board considers that to effect the transfer would result in a breach of the law;
 - (iv) the board considers that it is not in the best interests of the company to register the transfer; or
 - (v) clause 6.3 (transfer to be accompanied by share certificate) has not been complied with or the form of transfer has not been properly executed or does not comply with clause 4.3.
- (b) A resolution of the board to refuse or delay a transfer of shares must set out in full the reason for doing so, and a copy of the resolution must be sent to the transferor and transferee within 5 working days of the date of the resolution being passed.

4.5 Registration of transfer

Subject to clauses 4.2 and 4.3, on receipt of a duly completed form of transfer, the company must enter the name of the transferee on the register as holder of the shares, unless the board has resolved in accordance with clause 4.4 to refuse or delay the registration of the transfer of the shares.

4.6 Pre-emptive rights on transfers

Except as provided in clause 4.14 (transfer approved by all shareholders), no shares may be sold or transferred by any shareholder, liquidator, official assignee or personal representative of any shareholder, unless and until the rights of pre-emption conferred in this constitution have been exhausted.

4.7 Transfer notice

- (a) Except where the transfer is made pursuant to clause 4.14 (transfer approved by all shareholders), the person proposing to sell or transfer any shares ("proposing transferor") must give notice in writing ("a transfer notice") to the company stating that the proposing transferor desires to transfer the shares. The transfer notice must specify the sum which the proposing transferor

considers to be the value of the shares and must (subject to clause 4.14) make the company the proposing transferor's agent for the sale or transfer of the shares to any shareholder at the value specified or, at the option of the purchasing shareholder (as defined in clause 4.8), at the fair value to be fixed in accordance with clause 4.9.

- (b) If a transfer notice includes several shares it will not operate as if it were a separate transfer notice in respect of each of the shares, and the proposing transferor will be under no obligation to sell or transfer only some of the shares specified in the transfer notice. Other than as provided in clause 4.10, the transfer notice is not revocable without the sanction of the board in writing. If no value is specified by a proposing transferor, the proposing transferor will be deemed to want to sell or transfer the shares at their fair value.

4.8 Company finding buyer

If the company, within 3 months after being served with a transfer notice, finds a shareholder willing to purchase all the shares ("purchasing shareholder") and gives notice of that fact to the proposing transferor, the proposing transferor will subject to clause 4.10 (right to revoke) be bound upon payment of the sum specified in the transfer notice or, as the case may be, at the fair value determined under clause 4.9 (subject to any right which the company may have under the constitution to make a deduction in respect of any lien), to transfer the shares to the purchasing shareholder.

4.9 Arbitration of fair value

- (a) If any difference arises between a proposing transferor and a purchasing shareholder as to the value of the shares, the fair value of the shares will be fixed on the application of either party by the arbitration of a single arbitrator. Such an application must be made within 3 months of the date of the transfer notice. If the parties fail to agree on a single arbitrator, then the matter will be determined by the arbitration of two arbitrators, one to be appointed by each party to the dispute. The arbitrators shall appoint an umpire before entering upon their reference.
- (b) Upon the fair value of the shares being fixed, the value specified in the transfer notice will be deemed to have been the fair value determined by this clause 4.9.
- (c) The arbitration will be determined in accordance with the provisions contained in the Arbitration Act 1996 or any statutory modification or re-enactment of that Act for the time being in force. The costs of any arbitration will be borne equally between the proposing transferor and the purchasing shareholder.

4.10 Right to revoke

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If the fair value of the shares fixed in accordance with clause 4.9 is less than the sum specified by the proposing transferor in the proposing transferor's transfer notice, the proposing transferor will be entitled to revoke the transfer notice at any time before the expiration of seven days after the date of receiving notice of the award fixing the fair value.

4.11 Default by transferor

- (a) If a proposing transferor, after becoming bound to transfer the shares described in the transfer notice, defaults in transferring the shares, any director may execute a transfer of the shares on behalf of the proposing transferor and the company may receive the purchase money and cause the name of the purchasing shareholder to be entered in the register as the holder of the shares.
- (b) The company will hold the purchase money (subject to any lien in favour of the company in respect of the shares) in trust for the proposing transferor. The receipt of the purchase money by the company will be a good discharge to the purchasing shareholder.

4.12 Company not finding buyer

- (a) If the company does not, within 3 months after being served with a transfer notice, find a shareholder willing to purchase all the shares and gives notice to the proposing transferor to that effect, the proposing transferor may then, at any time within 4 months thereafter, sell or transfer the shares (or those shares not placed) to any person.
- (b) The proposing transferor may not transfer all or any of the shares at a price lower than the value specified in the transfer notice.

4.13 Offer to shareholders

The shares specified in a transfer notice received by the company must be first offered to the holders of the same class of shares as in the transfer notice. If more than one shareholder of that class wishes to accept the offer, they will be entitled to accept the shares offered in the same proportion as between themselves as their existing holding in that class. Any shares not so accepted must then be offered to all other shareholders; and if more than one shareholder wishes to accept, they will be entitled to accept the shares offered in the same proportion as the shares held by them.

4.14 Transfer approved by all shareholders

Any share may be transferred by a shareholder to any person if the transfer is approved in writing by all shareholders. The restrictions in clauses 4.6 to 4.13 do not apply to any transfer authorised by this clause.

4.15 Corporate shareholders

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- (a) Where a corporation is a shareholder and any one or more of the following events occur (whether by any one or by a series of transactions completed after the date at which the corporate shareholder was first entered in the register):
- (i) The transfer of the legal or beneficial ownership of, or of any interest in any shares in the corporation which in relation to the corporate shareholder or any holding company (as the term is defined in section 5 of the Act) of the corporation:
 - (A) Alters the beneficial ownership of 50 per cent or more in nominal value of the shares in the capital of the corporation; or
 - (B) Alters the beneficial ownership of 50 per cent or more of the number of shares in the corporation; or
 - (C) Alters the beneficial ownership of shares in the corporation carrying 50 per cent or more of the voting rights at any general meeting of the corporation; or
 - (D) Alters the beneficial ownership of shares in the corporation allowing the holder thereof to appoint a director or directors having 50 per cent or more of the voting rights at any directors' meeting; or
 - (E) Alters the beneficial ownership of shares carrying an entitlement to receive 50 per cent or more of any dividend or distribution declared by the corporation;
 - (ii) The happening of any event whereby the control of the corporation or any holding company (as defined in section 5 of the Act) of the corporation is altered;

the corporation shall immediately give the company a transfer notice pursuant to clause 4.7 in respect of all the shares held by the corporation. If the corporation fails to give such notice, any director of the company may give a notice on its behalf and the provisions of clauses 4.6 to 4.13 shall apply mutatis mutandis to such transfer notice.

- (b) The obligations imposed on corporate shareholders by this clause shall not be capable of being waived by lapse of time, by acquiescence, or by knowledge (whether actual or constructive) of any other shareholder.

4.16 Pre-emption rights entrenched

The pre-emption rights and procedures set out in clauses 4.6 to 4.16 inclusive shall not be removed, varied or altered in any way except by a

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unanimous resolution of all of the shareholders entitled to vote at a shareholders meeting of the company.

5 SHARE REGISTER

5.1 Maintain register

- (a) The company must maintain a register which records all shares issued by the company and which states:
 - (i) whether, under this constitution or the terms of issue of any shares, there are any restrictions or limitations on their transfer; and
 - (ii) where any document that contains the restrictions or limitations may be inspected.
- (b) The company may appoint an agent to maintain the register.

5.2 Contents of register

The register must state, with respect to each class of shares:

- (a) the names (alphabetically arranged) and the latest known address of each person who is, and each person who has been within the last 10 years, a shareholder;
- (b) the number of shares held by each shareholder within the last 10 years; and
- (c) the date of any:
 - (i) issue of shares to;
 - (ii) repurchase or redemption of shares from; or
 - (iii) transfer of shares by or to;

each shareholder within the last 10 years; and in relation to the transfer, the name of the person to or from whom the shares were transferred.

5.3 Directors' duty to supervise register

It is the duty of each director to take reasonable steps to ensure that the register is properly kept and that the transferees' names are promptly entered on it in accordance with clause 4.5.

5.4 Register prima facie evidence

Subject to section 91 of the Act (power of Court to rectify register), the entry of the name of a person in the register as holder of a share is prima facie evidence that the legal title to the share is vested in that person.

5.5 Register evidence of rights

The company may treat the registered holder of a share as the only person entitled to:

- (a) exercise the right to vote attaching to the share;
- (b) receive notices in respect of the share;
- (c) receive a distribution in respect of the share; and
- (d) exercise the other rights and powers attaching to the share.

5.6 Trust not to be registered or recognised

- (a) No notice of a trust, whether express, implied, or constructive, may be entered on the register.
- (b) Except as required by law, no person will be recognised by the company as holding any share upon trust or holding any interest in a share (whether equitable, contingent, future or partial) except the absolute legal right to the entirety of the share vested in the registered holder.
- (c) A personal representative of a deceased holder of shares is entitled to be entered in the register as the holder of such shares as a personal representative. The registration of a trustee, executor or administrator as a personal representative of a deceased shareholder does not constitute notice of a trust.

6 SHARE CERTIFICATES**6.1 Application for share certificate**

A shareholder may apply to the company for a certificate relating to some or all of the shareholder's shares.

6.2 Issue of share certificate

- (a) The company must, within 20 working days after receiving an application for a share certificate under clause 6.1, send to the shareholder a certificate stating the name of the company, and the class and number of shares to which the certificate relates.
- (b) If the application relates to some but not all of the applicant's shares, the company must separate the shares shown in the register as owned by the applicant into separate parcels; one parcel being the shares to which the share certificate relates, and the other parcel being any remaining shares.

6.3 Transfer to be accompanied by share certificate

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Notwithstanding clause 4 of this constitution and section 84 of the Act (transfer of shares), where a share certificate has been issued, a transfer of the shares to which it relates must not be registered by the company unless the form of transfer is accompanied by the share certificate relating to the shares (or by evidence as to its loss or destruction and, if required, an indemnity in a form required by the board).

6.4 Surrendered share certificate

Where shares to which a share certificate relates are transferred, and the share certificate has been sent to the company to enable registration of the transfer, the share certificate will be cancelled and no further share certificate will be issued except at the request of the transferee.

7 TRANSMISSION OF SHARES

- (a) In the case of the death of a shareholder, the survivor (where the deceased was a joint holder) or the legal personal representative of the deceased (where the deceased was a sole holder) will be the only person recognised by the company as having any title to the deceased's interest in the shares. Nothing contained in this clause 7(a) will release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by the deceased with other persons.
- (b) Notwithstanding clause 5.6 (trust not to be registered or recognised), the assignee of the property of a bankrupt shareholder is entitled to be registered as the holder of the shares held by the bankrupt.

8 CALL ON SHARES

8.1 Board may make calls

Subject to the terms of issue of any shares, the board may resolve to require the holders of unpaid or partly paid shares to pay all or part of the amount unpaid on the shares. The terms of the resolution will constitute the terms of the obligation to pay the call (including payment by instalments). The call may be revoked or postponed at any time by the board.

8.2 Notice of calls

- (a) Subject to the terms of issue of any class of shares and to clause 8.4, unless all the holders of a class of shares subject to a call unanimously agree, a call (or the postponement or revocation of a call) will apply to all the holders of shares of the class equally.
- (b) Notice of the call must be given to the shareholder at the time of the call or to a subsequent holder of the shares. Failure to give notice to a shareholder will not invalidate a call but it will not be

payable by that shareholder until the notice has been served on the shareholder.

- (c) Notice of a call sent by post to a shareholder to the address recorded in the register as the address of the shareholder will be deemed to have been received by the shareholder the day after it was posted.

8.3 Liability for calls

- (a) The joint holders of shares are jointly and severally liable to pay all calls in respect of the shares.
- (b) If a call is not paid before or on the day appointed for payment, the person from whom the sum is due will be liable to pay interest on the sum (from the day appointed for payment until the time of actual payment) at such rate as the board determines either at the time of the call or subsequently.
- (c) The liability for a call which has become due and payable attaches to the current shareholder and not a prior shareholder, notwithstanding that at the date of the call (or the date the call fell due for payment) another person was the holder of the shares or that the notice of the call was served on the then shareholder and not the current shareholder.
- (d) Following the registration in the register of a change of ownership of shares in respect of which a call has been made, a notice of the call is not required to be served on the new shareholder.

8.4 Agreement to differentiate between calls

The board may, on the issue of shares, by agreement with the shareholders concerned, differentiate between the holders of the same class as to the amount to be paid on the shares and the times for payment.

9 SUSPENSION OF RIGHT TO DIVIDENDS AND LIEN

9.1 Notice of suspension of right to dividends

- (a) If a shareholder fails to pay any call (or instalment of a call) on the day appointed for payment, the board may at any time after that date, while any part of the call or instalment payable by the shareholder remains unpaid, suspend payment of any dividends or other distributions payable to the shareholder.
- (b) The amount owing under the call for the purposes of clauses 9.1, 9.2 and 9.3 may include any interest which may have accrued and all expenses which may have been incurred by the company by reason of non-payment by the shareholder of the amount owing under the call.

9.2 Application of suspended dividends

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All dividends and other distributions suspended pursuant to clause 9.1(a) may be applied by the company to reduce the amount owing under the call. Dividends so applied will be deemed to have been paid in full.

9.3 Lifting suspension of right to dividends

When the total dividends and distributions withheld and applied under clause 9.2 equal the total amount owing under the call, including amounts owing under clause 9.1(b), the suspension of the right to dividends and distribution will be lifted, and all rights to be paid dividends and distributions on the shares will resume.

9.4 Lien

- (a) The company has a first and paramount lien upon every share registered in the name of a shareholder (whether solely or jointly with others) and upon the proceeds of sale of those shares. This lien is for:
- (i) all money payable (whether presently or not) in respect of shares held by the shareholder;
 - (ii) all other money presently payable by the shareholder to the company on any account whatever; and
 - (iii) any amount the company may be called upon to pay under any statute or regulation in respect of shares of a deceased shareholder or other shareholder (whether or not the period for the payment, fulfilment or discharge has actually arrived).
- (b) The lien extends to all dividends from time to time declared in respect of the shares.

9.5 Sale on exercise of lien

- (a) Subject to this clause 9.5, the company may sell in such a manner as the board thinks fit any shares on which the company has a lien. No sale may be made until:
- (i) a sum in respect of which the lien exists is due and payable;
 - (ii) a notice in writing stating, and demanding payment of, the amount due and payable (in respect of which the lien exists) has been given to the current registered holder of the share (or the person entitled to that share by reason of the registered holder's death or bankruptcy); and
 - (iii) 14 days have expired since the giving of that notice.

- (b) The net proceeds of the sale of any shares sold for the purpose of enforcing a lien are to be applied in or towards satisfaction of any unpaid calls, instalments or any other money in respect of which the lien existed. The residue, if any, shall be paid to the former holder of the shares.
- (c) A certificate signed by a director stating that the power of sale provided in this clause 9.5 has arisen, and is exercisable by the company under this constitution, will be conclusive evidence of the facts stated in the certificate.
- (d) For giving effect to any sale enforcing a lien in purported exercise of the powers given in this constitution, the board may authorise some person to transfer the shares sold to the purchaser. The purchaser will be registered as the holder of the shares comprised in the transfer and will not be bound to see to the application of the purchase money, nor will the purchaser's title to the shares be affected by an irregularity or invalidity in the proceedings in reference to the sale. The remedy of any person aggrieved by the sale will be in damages only, and against the company exclusively. If the certificate for the shares is not delivered up to the company, the board may issue a new certificate distinguishing it as the board thinks fit from the certificate not delivered up. A sale under this clause is subject to clauses 4.6 to 4.13.

10 DISTRIBUTIONS

10.1 Solvency test

- (a) Subject to clause 10.2, the board may, if it is satisfied on reasonable grounds that the company will satisfy the solvency test immediately after the distribution, authorise a distribution by the company to shareholders of any amount and to any shareholders as it thinks fit.
- (b) The directors who vote in favour of a distribution must sign a certificate stating that, in their opinion, the company will satisfy the solvency test immediately after the distribution. The grounds for that opinion must also be stated in that certificate.

10.2 Dividends payable pari passu.

- (a) Subject to clause 10.2(b), the board may not authorise a dividend:
 - (i) in respect of some but not all the shares in a class; or
 - (ii) that is of a greater value per share in respect of some shares of a class than in respect of other shares of that class; unless the amount of the dividend in respect of a share of that class is in proportion to the amount paid to the company in satisfaction of the shareholder's liability under this constitution or under the terms of issue of the share.

- (b) A shareholder may waive his or her entitlement to receive a dividend by giving a notice in writing, signed by or on behalf of the shareholder, to the company.
- (c) If all the shareholders of the same class concur in writing in respect of each proposed dividend, the company may pay a dividend which is distributed other than in accordance with clause 10.2(a).

10.3 Bonus shares in lieu of dividend

The board may issue shares to any shareholders who have agreed to accept the issue of shares, wholly or partly, in lieu of a proposed dividend or proposed future dividends; if:

- (a) the right to receive shares, wholly or partly, in lieu of the proposed dividend or proposed future dividends, has been offered to all shareholders of the same class on the same terms; and
- (b) relative voting or distribution rights, or both, would be maintained if all shareholders elected to receive the shares in lieu of the proposed dividend; and
- (c) the shareholders to whom the right is offered are afforded a reasonable opportunity of accepting it; and
- (d) the shares issued to each shareholder are issued on the same terms and subject to the same rights as the shares issued to all shareholders in that class who agree to receive the shares; and
- (e) the provisions of section 47 of the Act are complied with by the board.

10.4 Financial assistance on acquisition of shares

The company may, subject to and in accordance with sections 76, 81, 107(1)(e) and 108 of the Act, give financial assistance (whether directly or indirectly) to a person for the purpose of, or in connection with, the purchase of shares issued (or to be issued) by the company, or by its holding company.

11 STATEMENT OF SHAREHOLDER RIGHTS

11.1 Issue of statement of rights to shareholder

- (a) The company must issue to any shareholder, on request, a statement that sets out:
 - (i) the class of shares held by the shareholder, the total number of shares of that class issued by the company, and the number of shares of that class held by the shareholder;

- (ii) the rights, privileges, conditions, and limitations, including restrictions on transfer, attaching to the shares held by the shareholder; and
 - (iii) the relationship of the shares held by the shareholder to other classes of shares.
- (b) The company is not obliged to provide a shareholder with a statement under clause 11.1(a), if:
- (i) a statement that complies with clause 11.1(a)(i) to (iii) has been provided within the previous 6 months;
 - (ii) the shareholder has not acquired or disposed of shares since the previous statement was provided;
 - (iii) the rights attached to the shares have not been altered since the previous statement was provided; and
 - (iv) there are no special circumstances which would make it unreasonable for the company to refuse the request.
- (c) A statement issued pursuant to clause 11.1(a) must state in a prominent place that it is not evidence of title to the shares or of the matters set out in it.

12 EXERCISE OF POWERS RESERVED TO SHAREHOLDERS

12.1 Powers reserved to shareholders

- (a) Powers reserved to shareholders of the company by the Act or by this constitution may be exercised:
- (i) at an annual meeting or a special meeting; or
 - (ii) by a resolution in lieu of a meeting pursuant to clause 13.3.
- (b) Unless otherwise specified in the Act or this constitution, a power reserved to shareholders may be exercised by an ordinary resolution.

12.2 Special resolutions

When shareholders exercise a power to approve any of the following, that power may only be exercised by a special resolution:

- (a) an alteration to or revocation of this constitution or the adoption of a new constitution;
- (b) a major transaction;
- (c) an amalgamation;

- (d) the liquidation of the company.

Any decision made by special resolution pursuant to this clause may be rescinded only by a special resolution, provided that a resolution to put the company into liquidation cannot be rescinded.

12.3 Management review by shareholders

- (a) A shareholder may question, discuss, and comment on the management of the company at a meeting of shareholders.
- (b) A meeting of shareholders may pass a resolution relating to the management of the company.
- (c) Notwithstanding section 128 of the Act (management of company by board) or any other clause of this constitution, a resolution relating to the management of the company passed at a meeting of shareholders (in accordance with clause 12.3(b)) is not binding on the board.

12.4 Dissenting shareholder may require company to purchase shares

- (a) Where:
- (i) a shareholder is entitled to vote on the exercise of one or more of the powers set out in:
- (A) clause 12.2(a) (alteration to constitution) and the proposed alteration imposes or removes a restriction on the activities of the company; or
- (B) clause 12.2(b) or (c) (major transaction or an amalgamation); and
- (ii) the shareholder resolves to exercise the power; and
- (iii) the shareholder casts all the votes attached, to shares registered in the shareholder's name and having the same beneficial owner against the exercise of the power; or
- (iv) where the resolution to exercise the power was passed under section 122 of the Act, the shareholder did not sign the resolution, that shareholder is entitled to require the company to purchase those shares in accordance with section 111 of the Act.
- (b) Within 20 working days of receiving a notice from a shareholder given under clause 12.4(a), the board must:
- (i) agree to the purchase of the shares by the company from the shareholder giving the notice; or

- (ii) arrange for some other person to agree to buy the shares; or
 - (iii) apply to the Court under section 114 or section 115 of the Act; or
 - (iv) arrange, before taking the action concerned, for the special resolution entitling the shareholder to give the notice to be rescinded by a special resolution, or decide in the appropriate manner not to take the action concerned; and
 - (v) give written notice to the shareholder of the board's decision under this clause 12.4(b).
- (c) Where the board agrees to the company purchasing the shares, pursuant to clause 12.4(b)(i), it must comply with section 112 of the Act.

12.5 Shareholder proposals

- (a) A shareholder may give written notice to the board of a matter the shareholder proposes to raise for discussion or resolution at the next meeting of the shareholders at which the shareholder is entitled to vote.
- (b) If the notice is received by the board not less than 20 working days before the last day on which notice of the relevant meeting of shareholders is required to be given by the board, the board must (at the expense of the company) give notice of the shareholder's proposal and the text of any proposed resolution to all shareholders entitled to receive notice of the meeting.
- (c) If the notice is received by the board not less than 5 working days and not more than 20 working days before the last day on which notice of the relevant meeting of shareholders is required to be given by the board, the board must (at the expense of the shareholder) give notice of the shareholder's proposal and the text of any proposed resolution to all shareholders entitled to receive notice of the meeting.
- (d) If the notice is received by the board less than 5 working days before the last day on which notice of the relevant meeting of shareholders is required to be given by the board, the board may, if practicable, give notice (at the expense of the shareholder) of the shareholder's proposal and the text of any proposed resolution to all shareholders entitled to receive notice of the meeting.
- (e) If the directors intend that shareholders may vote on the proposal by proxy or by postal vote, they must give the proposing shareholder the right to include in or with the notice given by the board a statement of not more than 1000 words prepared by the proposing shareholder in support of the proposal, together with the name and address of the proposing shareholder.

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- (f) The board is not required to include in or with the notice given by the board a statement prepared by a shareholder which the directors consider to be defamatory, frivolous, or vexatious.
- (g) Where the costs of giving notice of the shareholder's proposal and the text of any proposed resolution are required to be met by the proposing shareholder, the proposing shareholder must (on giving notice to the board) deposit with the company or tender to the company a sum sufficient to meet those costs.

13 MEETINGS OF SHAREHOLDERS

13.1 Annual meeting

- (a) The board must, in accordance with section 120 of the Act, call an annual meeting of shareholders to be held:
 - (i) not later than 6 months after the balance date of the company; and
 - (ii) not later than 15 months after the previous annual meeting.
- (b) The company must hold the annual meeting on the date on which it is called to be held.

13.2 Special meetings

A special meeting:

- (a) may be called at any time by the board; and
- (b) must be called by the board on the written request of shareholders holding not less than 5 per cent of the votes entitled to be cast on the issue.

13.3 Resolution in lieu of meeting

- (a) A resolution in writing signed by not less than 75 per cent of the shareholders who would be entitled to vote on that resolution at a meeting of shareholders, who together hold not less than 75 per cent of the votes entitled to be cast on that resolution, is as valid as if it had been passed at a meeting of those shareholders.
- (b) Within 5 working days of a resolution being passed under this clause, the company must send a copy of the resolution to every shareholder who did not sign the resolution or on whose behalf the resolution was not signed.

13.4 Chairperson of meetings of shareholders

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- (a) If the directors have elected a chairperson, and that chairperson is present at a meeting of shareholders, he or she must chair the meeting.
- (b) If no chairperson has been elected or if, at any meeting of shareholders, the chairperson is not present within 15 minutes of the time appointed for the commencement of the meeting, the shareholders present may choose one of their number to chair the meeting.

13.5 Shareholders entitled to notice of meeting

- (a) The shareholders entitled to receive notice of a meeting of shareholders are those shareholders of the relevant class:
 - (i) if the board has fixed a date for the purpose of establishing an entitlement to receive notice of meeting, whose names are registered in the register on that date; or
 - (ii) if the board does not fix a date for purpose of establishing an entitlement to receive the notice of meeting, whose names are registered in the register at the close of business on the day immediately preceding the day on which the notice is given.
- (b) A date fixed by the board under clause 13.5(a)(i) must not precede by more than 30 working days nor less than 5 working days the date on which the meeting is to be held.

13.6 Notice of meeting

Written notice of the time and place of a meeting of shareholders must be sent to every shareholder entitled to receive notice of the meeting, and to every director and the auditor of the company, not less than 5 working days before the meeting.

13.7 Contents of notice

The notice referred to in clause 13.6 must state:

- (a) the nature of the business to be transacted at the meeting in sufficient detail to enable a shareholder to form a reasoned judgement in relation to it;
- (b) the text of any special resolution to be submitted to the meeting;
- (c) the postal address to which postal votes may be sent and the name or office of person to whom they may be sent; and
- (d) that the postal vote must be received by the person referred to in paragraph (c) at least 48 hours prior to the start of the meeting.

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13.8 Irregularities in notice

- (a) An irregularity in a notice of a meeting is waived if all the shareholders entitled to receive notice of the meeting attend the meeting and agree to the waiver.
- (b) The accidental omission to give notice of a meeting to, or a failure to receive notice of a meeting by, a shareholder does not invalidate the proceedings at that meeting.

13.9 Method of holding meeting

A meeting of shareholders may be held either:

- (a) by a number of shareholders, who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
- (b) by means of audio, or audio and visual, communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting.

13.10 Adjournments

If a meeting of shareholders is adjourned for less than 30 days, it is not necessary to give notice of the time and place of the adjourned meeting other than by announcement at the meeting which is adjourned.

13.11 Minutes

- (a) The board must ensure that full and accurate minutes are kept of all proceedings at meetings of shareholders.
- (b) Minutes which have been signed as correct by the chairperson of the meeting are prima facie evidence of the proceedings.

14 VOTING AT MEETINGS**14.1 Quorum**

- (a) A quorum for a meeting of shareholders is present if those shareholders who have cast postal votes or who are present, or their proxies who are present, are between them able to exercise a majority of the votes to be cast on the business to be transacted by the meeting.
- (b) Subject to clause 14.1(c), no business may be transacted at a meeting of shareholders if a quorum is not present.
- (c) If a quorum is not present within 30 minutes after the time appointed for the meeting:

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- (i) in the case of a meeting called pursuant to a requisition of shareholders under clause 13.2(b), the meeting is dissolved:
- (ii) in the case of any other meeting, the meeting is adjourned to the same day in the following week at the same time and place, or to such other date, time and place as the directors may appoint and if at the adjourned meeting, a quorum is not present within 30 minutes after the time appointed for the meeting, the shareholders present or their proxies are a quorum.

14.2 Voting

- (a) In the case of a meeting of the shareholders held under clause 13.9(a), unless a poll is demanded, voting at the meeting shall be by whichever of the following methods is determined by the chairperson of the meeting:
 - (i) voting by voice; or
 - (ii) voting by show of hands.
- (b) In the case of a meeting of the shareholders held under clause 13.9(b), unless a poll is demanded, voting at the meeting shall be by the shareholders signifying individually their assent or dissent by voice.
- (c) A declaration by the chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded in accordance with clause 14.2(d).
- (d) At a meeting of shareholders, a poll may be demanded by:
 - (i) not less than 2 shareholders having the right to vote at the meeting; or
 - (ii) a shareholder or shareholders representing not less than 10 per cent of the total voting rights of all shareholders having the right to vote at the meeting; or
 - (iii) a shareholder or shareholders holding shares that confer a right to vote at the meeting and on which the aggregate amount paid up is not less than 10 per cent of the total amount paid up on all shares that confer that right.
- (e) A poll may be demanded either before or after the vote is taken on a resolution.
- (f) If a poll is taken, votes must be counted according to the votes attached to the shares of each shareholder present (in person or by proxy) and voting.

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- (g) A shareholder is not entitled to vote at any meeting of shareholders unless all sums due to the company by that shareholder in respect of any share registered in that shareholder's name have been paid.
- (h) The chairperson of a shareholders' meeting is not entitled to a casting vote.

14.3 Proxies and representatives

- (a) A shareholder may exercise the right to vote either by being present or by proxy.
- (b) A proxy for a shareholder is entitled to attend, be heard, and vote at a meeting of shareholders as if the proxy were the shareholder.
- (c) A proxy must be appointed by notice in writing signed by the shareholder, and the notice must state whether the appointment is for a particular meeting or a specified term not exceeding 12 months.
- (d) No proxy is effective in relation to a meeting unless a copy of the notice of appointment is produced before the start of the meeting.
- (e) A body corporate which is a shareholder may appoint a representative to attend a meeting of shareholders on its behalf in the same manner as that in which it could appoint a proxy.
- (f) An instrument appointing a proxy may be in the following term, or any other form which the board shall approve:

I,
of _____ a Member of WAIKATO REGIONAL AIRPORT LIMITED hereby appoint.....or failing him or her.....of.....as my proxy to vote for me (it) on my (its) behalf at the ordinary (or extraordinary, as the case may be) general meeting of the company to be held on the.....day of..... 20.....and at any adjournment thereof.

Signed this _____ day of _____ 20_____

- (a) This form is to be used in favour of */ against * the resolution.
- (b) Unless or otherwise instructed the proxy will vote or abstain from voting as he or she thinks fit.

*strike out which one is not required

.....

Signature

14.4 Postal votes

- (a) A shareholder may exercise the right to vote at a meeting by casting a postal vote in accordance with the provisions of this clause 14.4.
- (b) The notice of a meeting at which shareholders are entitled to cast a postal vote must state the name of the person authorised by the board to receive and count postal votes at that meeting.
- (c) If no person has been authorised to receive and count postal votes at a meeting, or if no person is named as being so authorised in the notice of the meeting, every director is deemed to be so authorised.
- (d) A shareholder may cast a postal vote on all or any of the matters to be voted on at the meeting, by sending a notice of the manner in which his, her or its shares are to be voted to a person authorised to receive and count postal votes at that meeting. The notice must reach that person not less than 48 hours before the start of the meeting.
- (e) It is the duty of the person authorised to receive and count postal votes at a meeting:
 - (i) to collect together all postal votes received by him or her, or by any other authorised person, or by the company;
 - (ii) in relation to each resolution to be voted on at the meeting, to count:
 - (A) the number of shareholders voting in favour of the resolution and the number of votes cast by each shareholder in favour of the resolution; and
 - (B) the number of shareholders voting against the resolution, and the number of votes cast by each shareholder against the resolution;
 - (iii) to sign a certificate stating that he or she has carried out the duties set out in paragraphs (a) and (b) of this clause and which sets out the results of the counts required by paragraph (b) of this clause; and
 - (iv) to ensure that the certificate required by paragraph (c) of this clause is presented to the chairperson of the meeting.
- (f) If a vote is taken at a meeting on a resolution on which postal votes have been cast, the chairperson of the meeting must:
 - (a) on a vote by show of hands, count each shareholder who has submitted a postal vote for or against the resolution;

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- (b) on a poll, count the votes cast by each shareholder who has submitted a postal vote for or against the resolution.
- (g) The chairperson of a meeting must call for a poll on a resolution on which the chairperson holds sufficient postal votes that if a poll were taken the result could differ from that obtained on a show of hands.
- (h) The chairperson of a meeting must ensure that a certificate of postal votes held by the chairperson is annexed to the minutes of the meeting.

14.5 Votes of joint holders

Where 2 or more persons are recorded in the register as the holder of a share, the vote of the person named first in the register and voting on a resolution will be accepted to the exclusion of the votes of the other joint holders.

14.6 Unpaid calls

If a sum due to the company in respect of a share has not been paid, that share may not be voted at a shareholders' meeting other than at a meeting of an interest group.

15 APPOINTMENT AND REMOVAL

15.1 Number of directors

Subject to clause 18.9 (continuing directors), the number of directors may not be fewer than 4 nor more than 6.

15.2 Appointment and removal by notice

- (a) Subject to clause 15.3, the directors are the persons appointed from time to time as directors by a notice in writing signed by the holders of the majority of the ordinary shares and who have not retired or been removed or disqualified from office under this constitution.
- (b) A director may be removed from office at any time by a notice in writing signed by the holders of the majority of the ordinary shares.
- (c) A notice given under clauses 15.2(a) or 15.2(b) takes effect upon receipt of it at the registered office of the company (including the receipt of a facsimile copy) unless the notice specifies a later time at which the notice will take effect. The notice may comprise one or more similar documents separately signed by the shareholders giving the notice.

- (d) A director holds office until his or her retirement, disqualification or removal in accordance with this constitution.

15.3 Appointment and removal of directors by resolution

- (a) In addition to the appointment or removal of directors under clause 15.2, a director may be appointed or removed from office by an ordinary resolution.
- (b) A resolution to appoint 2 or more directors may be voted on as one resolution without each appointment being voted individually.
- (c) A notice of meeting at which the removal of a director will be considered must state that a purpose of the meeting is the removal of the director.

15.4 Disqualification and removal

A person will be disqualified from holding the office of director if he or she:

- (a) is removed under clauses 15.2 or 15.3; or
- (b) resigns in writing and is not reappointed in accordance with this constitution, or
- (c) is or becomes disqualified from being a director pursuant to section 151 of the Act;
- (d) is prohibited from being a director or promoter of or being concerned with or taking part in the management of a company under section 382 or section 385 of the Act;
- (e) dies;
- (f) becomes a protected person under the Protection of Personal and Property Rights Act 1988;
- (g)
- (i) is prohibited by law from being a director.
- (j) is an elected member or paid employee of any shareholder which is a local authority.

15.5 Shareholding qualification

A director is not required to hold shares.

15.6 Alternate directors

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- (a) Every director may, by notice given in writing to the company, appoint any person (including any other director) to act as an alternate director in the director's place, either generally, or in respect of a specified meeting or meetings during the director's absence from a meeting.
- (b) At the director's discretion, by notice in writing to the company, the appointing director may remove the director's alternate director.
- (c) An alternate director may, while acting in the place of the appointing director, represent, exercise and discharge all the powers, rights, duties and privileges (but not including the right of acting as chairperson and signing board resolutions) of the appointing director. The alternate director is subject in all respects to the same terms and provisions as the appointing director, except as regards remuneration and except as regards the power to appoint an alternate director under this constitution.
- (d) For the purpose of establishing a quorum of the board, an alternate director is deemed to be the director appointing him or her, and if the alternate director is a director he or she can count separately in both capacities.
- (e) An alternate director does not have a right to attend, speak or vote at a meeting of the board while his or her appointing director is present.
- (f) An alternate director's appointment lapses upon his or her appointing director ceasing to be a director.
- (g) The notice of appointment of an alternate director must include an address for service of notice of meetings of the board. Failure to give an address will not invalidate the appointment, but notice of meetings of the board need not be given to the alternate director until an address is provided to the company.
- (h) An alternate director shall not be the agent of his or her appointer, and shall exercise his or her duties as a director independently of his or her appointer.

15.7 Rotation of directors

- (a) Subject to paragraph (f) below at the first annual meeting of the company after re-registration two directors shall retire from office and at the annual meeting in every subsequent year one third in number of the directors (with a minimum of two) or if their number is not a multiple of three then the number nearest to one third shall retire from office.
- (b) The directors to retire in every year shall be those who have been longest in office since their last election, but as between persons

who became directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

- (c) A retiring director shall be eligible for re-election.
- (d) The company at the meeting at which a director retires by rotation may fill the vacated office by electing a person there to, and in default the retiring director shall, if offering himself or herself for re-election, be deemed to have been re-elected, unless at that meeting it is expressly resolved not to fill the vacated office or unless a resolution for the re-election of that director is put to the meeting and lost.
- (e) No person other than the director retiring at an annual meeting shall, unless recommended by the directors, be eligible for election to the office of director at any annual meeting unless, not less than three nor more than ten working days before the date appointed for the meeting, there has been left at the registered office of the company notice in writing, signed by a member duly qualified to attend and vote at the meeting for which the notice is given, of his/her or its intention to propose that person for election, and also notice in writing signed by that person of his or her willingness to be elected.
- (f) For the purpose of paragraph (a) above of this clause any managing director shall be disregarded.

16 INDEMNITY AND INSURANCE

16.1 Indemnity of directors and employees

- (a) The board shall cause the company to indemnify a director or employee of the company or a related company for costs incurred by him or her in any proceeding:
 - (i) that relates to liability for any act or omission in his or her capacity as a director or employee; and
 - (ii) in which judgment is given in his or her favour or in which he or she is acquitted, or which is discontinued.
- (b) The board shall cause the company to indemnify a director or an employee of the company or a related company in respect of:
 - (i) liability to any person other than the company or a related company for any act or omission in his or her capacity as a director or employee; or
 - (ii) costs incurred by the director or employee in defending or settling any claim or proceeding relating to any liability under paragraph (a) above;

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not being:

- (iii) criminal liability; or
- (iv) liability for the breach of section 131 (director's duty to act in good faith and in the best interests of the company); or
- (v) in the case of an employee, liability for breach of any fiduciary duty owed to the company or related company.

16.2 Insurance of directors and employees

- (a) The board may, subject to section 162 of the Act, cause the company to effect insurance for directors and employees of the company or a related company in respect of:
 - (i) liability, not being criminal liability, for any act or omission in his or her capacity as a director or employee; or
 - (ii) costs incurred by such directors or employees in defending or settling any claim or proceeding relating to any such liability; or
 - (iii) costs incurred by a director or employee in defending any criminal proceedings that have been brought against the director or employee in relation to any act or omission in his or her capacity as a director or employee and in which he or she is acquitted.
- (b) The directors who vote in favour of authorising the effecting of insurance under clause 16.2(a) must sign a certificate stating that, in their opinion, the cost of effecting the insurance is fair to the company.
- (c) The board must ensure that particulars of any indemnity given to, or insurance effected for, any director or employee of the company or related company are forthwith entered in the interests register.

16.3 Definitions

For the purpose of this clause 16, "director" includes a former director and "employee" includes a former employee.

17 POWERS AND DUTIES OF THE BOARD

17.1 Powers of the board

- (a) Subject to clause 17.1(b) and any restrictions in the Act or this constitution, the business and affairs of the company must be managed by or under the direction or supervision of the board.

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- (b) The board has, and may exercise, all the powers necessary for managing, directing and supervising the management of the business and affairs of the company except to the extent that this constitution or the Act expressly requires those powers to be exercised by the shareholders or any other person.

17.2 Delegation by board

- (a) The board may delegate to a committee of directors, a director, an employee of the company, or any other person any one or more of its powers, other than the powers referred to in the following sections of the Act:
 - (i) section 23(1)(c) (change of company name);
 - (ii) section 42 (issue of other shares);
 - (iii) section 44 (shareholder approval for the issue of shares);
 - (iv) section 47 (consideration for the issue of shares);
 - (v) section 52 (distributions);
 - (vi) section 54 (shares in lieu of dividends);
 - (vii) section 55 (shareholder discounts);
 - (viii) section 60 (offers to acquire shares);
 - (ix) section 61 (special offers to acquire shares);
 - (x) section 63 (stock exchange acquisitions subject to prior notice to shareholders);
 - (xi) section 65 (stock exchange acquisitions not subject to prior notice to shareholders);
 - (xii) section 69 (redemption of shares at the option of the company);
 - (xiii) section 71 (special redemptions of shares);
 - (xiv) section 76 (provision of financial assistance);
 - (xv) section 78 (special financial assistance);
 - (xvi) section 80 (financial assistance not exceeding 5 per cent of shareholders' funds);
 - (xvii) section 84(4) (transfer of shares);
 - (xviii) section 187 (change of registered office);

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- (xix) section 193 (change of address for service);
- (xx) section 221 (manner of approving an amalgamation proposal);
- (xxi) section 222 (short form amalgamations);
- (b) The board is responsible for the exercise of a power by any delegate (where that power is delegated under this clause 17.2) as if the power had been exercised by the board, unless the board:
 - (i) believed on reasonable grounds at all times before the exercise of the power that the delegate would exercise the power in conformity with the duties imposed on the directors by the Act and this constitution; and
 - (ii) has monitored, by means of reasonable methods properly used, the exercise of the power by the delegate.

17.3 Directors to act in good faith

- (a) Subject to this clause 17.3, a director, when exercising powers or performing duties, must act in good faith and in what the director believes to be the best interests of the company.
- (b) If the company is a wholly-owned subsidiary, a director may (when exercising powers or performing duties as a director), act in a manner which he or she believes is in the best interests of the company's holding company even though it may not be in the best interests of the company.
- (c) If the company is a subsidiary (but not a wholly-owned subsidiary), a director may, when exercising powers or performing duties as a director, with the prior agreement of the shareholders (other than its holding company), act in a manner which he or she believes is in the best interests of the company's holding company even though it may not be in the best interests of the company.
- (d) If the company is incorporated to carry out a joint venture between its shareholders, the director may, when exercising powers or performing duties as a director in connection with the carrying out of the joint venture, act in a manner which he or she believes is in the best interests of a shareholder or shareholders, even though it may not be in the best interests of the company.

17.4 Major transactions

The board may not procure or permit the company to enter into a major transaction unless the transaction is:

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- (a) approved by a special resolution; or
- (b) made contingent on approval by a special resolution.

17.5 Borrowing

The directors may, subject to the restrictions contained herein, exercise all powers of the company to borrow money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures, notes, bonds and other securities, whether outright or as collateral securities, and whether secured or unsecured, for any debt, liability or obligation of the company or of any third party PROVIDED HOWEVER that the directors may not without obtaining the sanction of the shareholders by special resolution exercise such powers to increase the total borrowings of the company to a sum which would exceed the targeted debt to equity ratio set out in clause 22.2A(g)(iv) of this constitution.

18 PROCEEDINGS OF THE BOARD

18.1 Chairperson

- (a) The directors may elect one of their number as chairperson of the board.
- (b) The director elected as chairperson holds that office until he or she ceases to be a director or the directors elect a chairperson in his or her place.
- (c) If no chairperson is elected, or if at a meeting of the board the chairperson is not present within 5 minutes after the time appointed for the commencement of the meeting, the directors present may choose one of their number to be chairperson of the meeting.

18.2 Notice of meeting

- (a) A director or, if requested by a director to do so, an employee of the company, may convene a meeting of the board by giving notice in accordance with this clause 18.2.
- (b) Not less than 2 days' notice of a meeting of the board must be given to every director who is in New Zealand. The notice must include the date, time and place of the meeting and the matters to be discussed.
- (c) Any irregularity in the notice of a meeting is waived if all directors entitled to receive notice of the meeting attend the meeting without protest as to the irregularity.

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- (e) Notice of a meeting may be given by any means, including by telephone. Notice given by a letter addressed to a director at his or her last known residential address will be deemed to have been given on the day following the day the letter is posted.
- (f) It is not necessary to give notice of a meeting of the board to any director for the time being absent from New Zealand but if a director is resident outside New Zealand, or to the knowledge of the company is temporarily absent from New Zealand, and the director has appointed an alternate director under the provisions of this constitution, notice must (subject to clause 15.6(g)) be given to the alternate director.

18.3 Method of holding meetings

A meeting of the board may be held either:

- (a) by a number of directors sufficient to form a quorum, being assembled together at the place, date, and time appointed for the meeting; or
- (b) by means of audio, or audio and visual communication, by which all the directors participating in the meeting and constituting a quorum, can simultaneously hear each other throughout the meeting.

18.4 Quorum

- (a) A quorum for a meeting of the board is a majority of the directors.
- (b) No business may be transacted at a meeting of directors if a quorum is not present.
- (c) In accordance with clause 15.6, an alternate director present at a meeting may be included for the purpose of establishing a quorum.

18.5 Voting

- (a) Every director has one vote.
- (b) The chairperson does not have a casting vote.
- (c) A resolution of the board is passed if it is agreed to by all directors present without dissent, or if a majority of the votes cast are in favour of it.
- (d) A director present at a meeting of the board is presumed to have agreed to, and to have voted in favour of, a resolution of the board, unless he or she expressly dissents from (or votes against) the resolution at the meeting.

- (e) A director may vote in respect of any transaction in which the director is interested and if the director does so the director's vote will be counted and the director will be counted in the quorum present at the meeting.
- (f) An alternate director may attend and vote at meetings of the board in accordance with and subject to clause 15.7(a) if the director that has appointed the alternate director is absent from the meeting.

18.6 Minutes

The board must ensure that full and accurate minutes are kept of all proceedings at meetings of the board.

18.7 Unanimous resolution

- (a) A resolution in writing, signed or assented to by all directors then entitled to receive notice of a board meeting, is as valid and effective as if it had been passed at a meeting of the board duly convened and held.
- (b) Any such resolution may consist of several documents (including facsimile or other similar means of communication) in like form each signed or assented to by one or more directors.
- (c) A copy of any such resolution must be entered in the minute book of board proceedings.

18.8 Other proceedings

Except as provided in this clause 18 the board may regulate its own procedure.

18.9 Continuing directors

The continuing directors will continue to comprise the board notwithstanding any vacancy in the number of directors. If their number is reduced below the number fixed by or pursuant to this constitution as the minimum number of directors, the continuing directors will comprise the board only for the purpose of summoning a general meeting of the company and of increasing the number of directors to the minimum number.

19 INTERESTED DIRECTORS

19.1 Authority to remunerate directors

- (a) The shareholders in each year shall approve at a general meeting a global sum to be paid by the board as director's remuneration pursuant to this clause.

- (b) The board may authorise up to the amount of such global sum approved pursuant to clause 19.1(a):
- (i) the payment of remuneration (or the provision of other benefits) by the company to a director for his or her services as a director, or by way of compensation for loss of office;
 - (ii) the giving of guarantees by the company for debts incurred by a director; or
 - (iii) the entering into of a contract to do any of the things set out in sub-clauses (i)-(ii) (inclusive) of this clause 19.1(b):
- if the board is satisfied that to do so is fair to the company.
- (c) The payment of remuneration (or the giving of any other benefit) to a director in accordance with a contract authorised pursuant to clause 19.1(b) need not be separately authorised by the board.
- (d) The board must ensure that forthwith after authorising any payment, guarantee, or contract under clause 19.1(b), particulars are entered in the interests register.
- (e) The directors who vote in favour of authorising a payment, guarantee or contract under-clause 19.1(b) must sign a certificate stating that, in their opinion, the making of the payment or the giving of the guarantee, or the entering into of the contract is fair to the company. Grounds for that opinion must also be stated in the certificate.

19.2 Other offices with company held by director

- (a) Subject to sub-clause (d) any director may act by himself or herself, or by the director's firm in a professional capacity for the company; and the director or the director's firm will be entitled to remuneration for professional services as if the director were not a director. Nothing in this clause authorises a director or the director's firm to act as auditor for the company.
- (b) Subject to sub-clause (d), a director may hold any other office or place of profit under the company (other than the office of auditor) in conjunction with the director's office of director, for such period and on such terms (as to remuneration and otherwise) as the board may determine.
- (c) Other than as provided in clause 19.3, a director is not disqualified by virtue of his or her office from entering into any transaction with the company. Any such transaction will be valid and enforceable to the same extent if he or she were not a director and not in a fiduciary relationship with the company.

- (d) No director shall be entitled to remuneration from the company (other than director's fees) for consultancy or other work outside the work of a director unless such work has been awarded as a result of a tender process.

19.3 Notice of interest to be given

- (a) A director must, forthwith after becoming aware of the fact that he or she is interested in a transaction or proposed transaction with the company, cause to be entered in the interests register, and, if the company has more than one director, disclose to the board of the company:
 - (i) if the monetary value of the director's interest is able to be quantified, the nature and monetary value of that interest; or
 - (ii) if the monetary value of the director's interest cannot be quantified, the nature and extent of that interest.
- (b) For the purposes of clause 19.3 (a), a general notice entered in the interests register or disclosed to the board to the effect that a director is a shareholder, director, officer or trustee of another named company or other person and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that company or person, is a sufficient disclosure of interest in relation to that transaction.

20 MANAGING DIRECTORS

20.1 Appointment and dismissal

- (a) The board may from time to time appoint one or more of their body to the office of managing director or managing directors of the company, either for a fixed term or an indefinite term.
- (b) Every managing director is liable to be dismissed or removed by a resolution of the board. The board may enter into any agreement on behalf of the company with any person who is or is about to become a managing director with regard to the length and conditions of the managing director's employment. The remedy of any such person for any breach of the agreement will be in damages only and the managing director will not have a right or claim to continue in office as managing director contrary to the will of the board.

20.2 Termination of employment

A managing director is, subject to the terms of any contract, subject to the same provisions as regards resignation, removal and disqualification as the other directors. If the managing director ceases to hold the office of director for any reason, the managing director will immediately cease to be a managing director.

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21 LIQUIDATION**21.1 Distribution of surplus assets**

Subject to the terms of issue of any shares, upon the liquidation of the company, any assets of the company remaining after payment of the debts and liabilities of the company and the costs of liquidation shall be distributed among the holders of ordinary shares in proportion to their shareholding, provided however that a holder of shares not fully paid up shall receive only a proportionate share of his, her or its entitlement being an amount which is in proportion to the amount paid to the company in satisfaction of the liability of the shareholder to the company in respect of the shares.

21.2 Distribution in specie

Upon the liquidation of the company the liquidator may, with the sanction of an ordinary resolution and any other sanction required by law, divide amongst the shareholders in kind the whole or any part of the assets of the company (whether they consist of property of the same kind or not). The liquidator may for that purpose set such value as the liquidator deems fair upon any assets to be divided as aforesaid and may determine how the division shall be carried out as between the shareholders holding different classes of shares. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the shareholders as the liquidator thinks fit (but so that no shareholders shall be compelled to accept any shares or other securities whereon there is any liability).

22. STATEMENT OF INTENT

22.1 The board of the company shall provide the members with a draft Statement of Intent in accordance with the Local Government Act 2002 recognising however any other reporting protocol(s) that have been agreed (or may be agreed) with the members from time to time.

22.2 Each Statement statement of Intent shall contain, to the extent that is appropriate given the organisational form of the company, information relating to the group comprising the company and its subsidiaries (if any), and in respect of the financial year immediately following the financial year in which it is required to deliver a completed Statement of Intent to the shareholders on or before 30 June in each year and each of the immediately following two financial years, the following information:

- A. (a) the objectives of the group; and
- (b) a statement of the board's approach to governance of the group; and
- (c) the nature and scope of the activities to be undertaken by the group: and

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- (d) the ratio of consolidated shareholders funds to total assets and the definition of those terms; and
- (e) a targeted debt to equity ratio to operate between 40:60 and 60:40 provided the interest coverage ratio does not fall below 1.5; and
- (f) the accounting policies of the group; and
- (g) the performance targets and other measures by which the performance of the group may be judged in relation to its objectives.

The financial performance targets must include:

- (i) Ratio of net profit before tax/interest/re-valuations to total assets (including re-valuation);
 - (ii) Ratio of net profit after tax/re-valuation to total assets (including re valuations);
 - (iii) Ratio of net profit before tax/interest/re-valuations to consolidated members funds;
 - (iv) Ratio of net profit after tax/re-valuations to consolidated members funds.
- (h) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders; and
 - (i) the kind of information to be provided to the shareholders by the group during the course of those financial years. including the information to be included in each half yearly report (and, in particular, what prospective financial information is required and how it is to be presented); and
 - (j) the procedures to be followed before any member or the groups subscribes for, purchases, or otherwise acquires shares in any company or other organisation. In cases where any member of the group intends to subscribe for or otherwise acquire (whether at the same time or over a period of time) 20% or more of the issued capital of any company, it will give prior written notice to the members of its intention; and
 - (k) any activities for which the board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation); and

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- (l) the board's estimate of the commercial value of the shareholders investment in the group and the manner in which, and the times at which, that value is to be reassessed; and
 - (m) any other matters that are agreed by the shareholders and the board.
- B. Acknowledgement that Audit New Zealand is responsible for the audit of the financial statements of the group.
- C. Details which will enable the members to assess the value of the investment in the group including:
- (a) details relating to the proposal by the group to diversify the range or scope of activities; and
 - (b) details relating to any purchases of shares in any other company during the year; and
 - (c) six monthly financial reports of the group including a statement of financial position, a statement of financial performance and a cashflow statement; and
 - (d) the groups annual business strategic plan (other than this statement), and any major revisions to these plans; and
 - (e) any other information that may reasonably be required by the members.

23 AUDITOR

During any period in which the company shall have the majority of its shares owned by the local authorities as that term is defined in the Local Government Act 2002 auditors shall be appointed and the Auditor-General shall be the auditor of this company.

Review of Current Director Fee Practices

Waikato Regional Airport Limited

28 June 2017

Item 9

Attachment 3



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1. Introduction

Waikato Regional Airport Limited (Hamilton Airport) has engaged Ernst & Young (EY) to provide market data in relation to Chair fees and Non-Executive Director (NED) fees. This report provides information to inform the organisation's understanding of market fee practices for Directors. Specifically, this report provides:

- ▶ Market fee data for the Chair and Non-Executive Directors
- ▶ Comparison between current fee levels and the market data
- ▶ Overview of Committee fees in the New Zealand market
- ▶ Information on how to interpret the market data.

1.1 Our understanding of your organisation

Hamilton Airport's current revenue is approximately \$8 million, with current assets of approximately \$64 million. We understand that a growth 2016 has been driven primarily by growth in commercial landing charges, increases in passenger numbers and revenue from car parking.

1.2 Current fee structure

The current fee structure is as follows:

Role	Total Fees (\$)
Chairman	\$34,800
Non-Executive Trustees	\$23,200

1.3 Source of comparative data

EY partner with the Institute of Directors (IoD) to produce the annual *IoD Directors' Fees Survey*. The information included in this report has been taken from EY's Directors' fee database. From previous experience we have found that the main determinants of Director and Director remuneration are the size of the organisation in terms of revenue and assets, the type of the organisation and the sector(s) in which the organisation operates. This data forms the basis of each data set.

1.4 Annual fee movement data

The table below outlines annual fee movements for the Chair and Non-Executive Directors from EY's Directors' Fees Report 2016.

Role	Median movement (%)	Upper quartile movement (%)
Chairman	3%	-4%
Non-Executive Director	3%	10%

The movements above are affected by two key factors:

- ▶ Some organisations do not review fees annually, so the changes to fees can be affected by the changes in the data sample
- ▶ The data above reflects a whole sample movement. As a result, changes in the sample composition can impact fee movement data.

2. Market Data

2.1 Board policy fees – Chair

The table below compares the fees paid to Hamilton Airport's Chair to market data within the data sample.

Table 3: Policy fees for disclosed Chairs						
	Hamilton Airport	Market data				
		25 th percentile	Median	75 th percentile	Average	Sample size
Chair policy fees (\$000's)	34,800	30,000	50,000	60,000	47,280	13

- ▶ The Hamilton Airport Chair's current fees are between the **25th percentile** and the **median** of the data sample.

2.2 Board policy fees -NED

The table below compares Hamilton Airport's NED fees to market data within the data sample

Table 4: Policy fees for disclosed NEDs						
	Hamilton Airport	Market data				
		25 th percentile	Median	75 th percentile	Average	Sample size
NED policy fees (\$000's)	23,200	24,350	30,000	32,125	28,123	15

- ▶ Hamilton Airport NED fees are below the **25th percentile** of the data sample.

2.3 Committee fee information

6.3% of the Directors participating in the IoD Directors' Fees Report indicated that they receive additional remuneration specifically related to their Committee duties. The following tables provide an interquartile range of market data for fees paid Committee Chair and Committee Members of Boards within the New Zealand general market.

Table 5: Interquartile range of Committee fees – Committee Chairs				
Committee type	Lower Quartile (\$)	Median (\$)	Upper Quartile (\$)	Average (\$)
Audit and Finance Committee Chair	5,000	9,000	13,500	15,589
Remuneration Committee Chair	5,000	6,000	10,000	8,444
Nominations Committee Chair	-*	5,844	-*	8,172

* Note: An interquartile range could not be provided for the Nominations Committee Chair due to insufficient data.

Table 6: Interquartile range of Committee fees – Committee Members				
Committee type	Lower Quartile (\$)	Median (\$)	Upper Quartile (\$)	Average (\$)
Audit and Finance Committee Member	5,000	8,000	12,900	9,116
Remuneration Committee Member	3,000	5,500	11,125	6,966
Nominations Committee Member	1,796	3,198	4,599	3,198

At first glance it may appear that the fee data in Tables 5 and 6 are incongruous. However, this is a reflection of sample composition (i.e. the data does not reflect the same organisations but instead covers all incumbents who provided committee fee data within the sample group).

2.4 Frequency of fee reviews

- ▶ Companies will periodically review fees relative to their “market”. The market adjustment of fees ensures fee levels are competitive to attract, motivate and retain the calibre of Directors required to participate in the company’s corporate governance, regulatory compliance and other affairs.
- ▶ EY’s Directors’ Fees Survey 2016 observes that a total of **21.5%** of boards review fees only when market conditions justify. Of those that do review fees on a regular basis, annual reviews are the most common practice (**28.1%**).
- ▶ Following the review, fee adjustments are made to align to their desired positioning against market (e.g. to be around the market median), whilst considering the absolute quantum of increases (it is relatively uncommon to see significant increases in Director Fees for a company in a “business as usual” position).
- ▶ During periods of high growth, mergers and acquisitions and business transformation, it is common for fees to be reviewed or one off payments provided.

3. Interpreting market fee data

There are a number of factors that should be taken into account when determining a fair and appropriate fee for your Directors. There include:

- ▶ The amount of commitment required from Directors. This is usually based on the relative workload, including time spent in meetings and other commitments required of the Directors.
- ▶ Stage in the organisation's 'life cycle'
- ▶ The experience and knowledge required in order to add value in the Director role
- ▶ The unique skills and experience of the Directors that contribute to their 'value-add'

All the above factors impact on the level of commitment required from Directors and the expectations incumbent on the Directors to deliver appropriate governance to the entity.

Please don't hesitate to contact EY if you have any questions or require clarification on any point, we would be more than happy to discuss this report with you.

Kind regards



Una Diver
Partner, People Advisory Services
Ernst & Young Limited

4. Appendix

Remuneration data

- ▶ Market remuneration data used in the analysis has been sourced from a combination of Annual Reports and EY's Institute of Directors Remuneration Survey.

Market data presented

- ▶ The market data includes individuals who were in their role for the full financial year.

Market positioning

- ▶ Fees were considered to be 'at' the relevant market reference point if Hamilton Airport incumbent fees were positioned within 10% of the market data reference point.

Waikato Regional Airport Limited
28 June 2017

EY | Assurance | Tax | Transactions | Advisory

About EY

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Our report may be relied upon by Waikato Regional Airport Limited for the purpose of understanding market remuneration only pursuant to the terms of our engagement letter dated 21 June 2017. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.

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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. Finance Committee Public Excluded Minutes 4 July 2017) 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 June 2017 & Debt write-offs 2016/17)	

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 protect the privacy of natural persons	Section 7 (2) (a)
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)