

Notice of Meeting:

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

Date: Thursday 23 July 2015
Time: 1.30pm
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Finance Committee OPEN AGENDA

Membership

Chairperson	Cr R Pascoe
Deputy Chairperson	Cr G Mallett
Members	Her Worship the Mayor J Hardaker
	Cr G Chesterman
	Cr M Forsyth
	Cr M Gallagher
	Cr K Green
	Cr A King
	Cr D Macpherson
	Cr A O'Leary
	Cr L Tooman
	Cr E Wilson
	Cr P Yeung

Quorum: A majority of members (including vacancies)

Meeting Frequency: Six weekly

Mary Birch
Democracy Team Leader

17 July 2015
Telephone: 07 838 6439
Mary.Birch@hcc.govt.nz
www.hamilton.govt.nz

Terms of Reference:

- To monitor the Council's financial and non-financial performance against the Long Term Plan and Annual Plan.
- To monitor the delivery of key projects.
- To approve and monitor contracts.
- To approve acquisition or sale or lease of properties owned by the Council, or owned by the Municipal Endowment Fund and the Domain Endowment Fund with reference to the strategy developed by the Business and Investment Sub-committee, for any endowment properties.
- To consider and approve deferred capital expenditure.
- To approve changes to projects resulting from staff recommendations within the Key Projects monitoring report.
- To consider and approve business cases referred by the Senior Leadership Team.

Power to act:

- Write off outstanding accounts greater than \$10,000 (in accordance with the Debtor Management Policy).
- To approve all contractual and other arrangements for supply and services and revenue generating contracts where the term of the contract (including renewal periods) and the total value of the contract is within limits set and delegated by Council.
- To approve contracts and other arrangements where the amount of work involved in a decision not to go to public tender exceeds \$100,000 (GST excluded) or in accordance with Council's Procurement Policy.
- To approve all other matters in accordance with the terms of reference of this committee.

Sub-committees:

This Committee will be supported in its work by the:

- Events Sponsorship Sub-committee.
- External Funding Sub-committee.
- Council Controlled Organisations (CCO) Sub-committee.

ITEM	TABLE OF CONTENTS	PAGE
1	Apologies	4
2	Confirmation of Agenda	4
3	Declarations of Interest	4
4	Public Forum	4
5	Finance Committee - Open Minutes - 21 May 2015 and 7 July 2015	5
6	Finance Committee Action List - Open - 23 July 2015	22
7	Recommended dates for reports to be presented to Finance Committee	28
8	10-Year Plan Monitoring Report	30
9	Key Projects Report - June 2015	105
10	Procurement Report	108
11	Contract 14378 - Three Waters Network Physical Works Contract Award – <i>Recommendation to Council</i>	136
12	Contract 0663 Collection and Disposal of Biosolids Contract 12046 Disposal of Sewage Sludge by Vermicomposting – <i>Recommendation to Council</i>	141
13	Lottery Significant Project Funding - Acceptance of Grant	144
14	Community Assistance Funding 2014/15 - Single-Year Grant Allocations	150
15	Community Assistance Funding 2015/16 - Multi-Year Community Grant Allocation	159
16	Hamilton Gardens Nursery Review - <i>Recommendation to Council</i>	165
17	Resolution to Exclude the Public	206

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 6772.

Finance Committee

OPEN MINUTES

Minutes of a Meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Thursday 21 May 2015 at 1.30pm.

PRESENT

Chairperson: Cr R Pascoe
 Deputy Chairperson: Cr G Mallett
 Members: Her Worship the Mayor J Hardaker
 Cr G Chesterman
 Cr M Gallagher
 Cr K Green
 Cr A King
 Cr D Macpherson
 Cr A O'Leary
 Cr L Tooman
 Cr E Wilson
 Cr P Yeung

In Attendance: Chief Executive (CE), Chief Financial Officer (CFO), General Manager Organisational Development, General Manager Performance, General Manager City Infrastructure, General Manager Events and Economic Development, General Manager Community, General Manager Customer Relationships, Revenue Manager, Accounting Unit Manager, Chief Information Officer, Corporate Projects Accountant, Parks & Open Spaces Manager, Unit Manager Strategy and Research, PMO Manager, Project Associate, Water Operations Manager, Principal Building Advisor and Senior Communications Advisor.

Also In Attendance: Stuart Henderson (PWC)
 Brent Kendrick (Microsoft)

Democracy Advisors: Ms L Preiss and Mrs J Pani

1. Apologies

Resolved: (Crs Pascoe/Mallett)

That the apologies from Councillor Forsyth (absence), Cr Macpherson (for arriving late) and Cr Mallett (for leaving early) be received and accepted.

2. Confirmation of Agenda

Resolved: (Crs Pascoe/Mallett)

That the Agenda be confirmed.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

There were no Public Forum speakers.

5. Finance Committee - Open Minutes - 23 April 2015

Page 8 of the Agenda, bullet 2, in relation to excess nursery stock, needed to be placed on the action list.

Page 8 of the Agenda, bullets 3 and 4 also needed to be placed on the action list and it would be noted on the Minutes that the theatres' budget and variance for the Customer Relationship Group had to be considered by the CFO as part of the 10-Year Plan Budget.

Resolved: (Crs Pascoe/Mallett)

That the Committee confirm and adopt as a true and correct record the Open Minutes of the Finance Committee Meeting held on 23 April 2015, subject to the above noted actions.

6. Finance Committee Action List - Open - 21 May 2015

That the Action List be updated as noted above in relation to the Finance Committee Minutes dated 23 April 2015.

Resolved: (Crs Pascoe/Mallett)

That the Report be received.

7. Recommended dates for Reports to be presented to Finance Committee

Resolved: (Crs Pascoe/O'Leary)

That the Report be received.

8. Six Monthly Report from the Chair of the External Funding Subcommittee to the Finance Committee

The General Manager Community, in the absence of the Chair of the Subcommittee, spoke to the Report and highlighted the following:

- Good progress had been made on updating systems and processes, especially in terms of the monitoring matrix (available online) which set out priorities and funding amounts sought for and obtained.
- Over the last year, the External Funding Subcommittee had secured \$1.5million out of \$13million sought, which included one large project that was not granted.
- Several HCC projects attracted external funding and a document could be drafted showing how much money had been obtained for each project, which would be reported back to the Finance Committee once completed.
- Overall the External Funding Subcommittee used a successful strategic and methodological approach in terms of all projects.

Resolved: (Crs Pascoe/Gallagher)

That the Report be received.

9. Six Monthly Report from the Chair of the Event Sponsorship Subcommittee to the Finance Committee

The Chair of the Event Sponsorship Subcommittee spoke to the Report and highlighted the following:

- At the last application round, the Subcommittee approved funds to the Gallagher's Great Race and the UCI Track Cycling World Cup 2015, which meant that out of a funding pool of \$222,596 (as proposed in the 10-year Plan) only around \$180,000 was still available.
- HCC previously funded three iconic events, including the Gardens Festival, the Balloons over Waikato and the Christmas events. If HCC proposed to keep funding these three events at the same level, then there would be no other funds available to any other events.
- Accordingly, it was recommended for the General Manager Events and Economic Development to take over the allocation of the leftover funds. However, matters to consider included:
 - whether or not the proposed funding pool would remain the same;
 - whether the three iconic events should be supported to the same levels as in previous years;
 - the original intent of the Subcommittee was to give seed money to events to get on their feet and three iconic events were already established; and
 - whether to put the three iconic events in the Budget as items in their own right.
- Further discussion on these points was needed and the matter would be looked at after the 10-year Plan (and the Subcommittee's budget) was finalised. The role and purpose of the Event Sponsorship Subcommittee could then be re-evaluated by Council.

Resolved: (Crs Pascoe/Yeung)

That the Report be received.

Cr Macpherson (1:50pm) arrived at the Meeting during the above item, he was present when the matter was voted on.

10. 10-Year Plan Monitoring Report

The CFO spoke to the Report and noted that it was a Summary Report and gave a brief synopsis of the Report.

The General Manager Customer Relations and General Manager Events and Economic Development gave updates on their areas as set out on page 29 of the Agenda.

Staff responded to questions as follows:

- **Loss of Rental Revenue Through Property Sales:** When properties were sold it resulted in loss of revenue through decreased rental income. Property sales could not be factored into the budget as the timing of sales was unknown and accordingly resulted in a negative variance the accounts, offset by interest and other savings, once sales were completed. There was discussion as to whether there was a more conservative approach to try and mitigate this.
- **Customer Relationships Group:** Eight vacancies in this group were being held open to try and offset negative variances. It was noted that the call centre target was one of “75% first-call resolutions”. Recent high turnover resulted in increased training required to meet that goal. Turnover was looked at and wages have now been increased to meet market rates.
- **Unfavourable Rates Outside Hamilton:** These were rates paid to other Councils for properties outside HCC boundaries including the Zoo, Newstead cemetery and numerous others. Other Councils’ rates were set at the same time as HCC’s and this negative variance was a result of other Councils’ rates being higher than originally estimated (and budgeted for). The CFO was asked to provide a list of properties and their respective rates to Councillors.
- **Commercial Water Meters:** The billing delay issues in relation to commercial water meters, had almost been cleared. There were 46 billing routes that were run during the year. As the respective routes had been run the previously unbilled matters had been billed and mostly resolved.
- **Decrease in Waste Water Revenue:** Some commercial/industrial tank waste was prohibited at the waste water treatment plant during a biological breakdown event. Other facilities, including in Rotorua, were used. This was at no extra cost to HCC, but it did result in a loss of revenue.
- **Favourable Expenses and Personnel Costs:** The significant difference between the current figures and March figures were noted and explained through savings in electricity, utilities, consultancies, and the like.
- **City Infrastructure Group:** It was noted that the favourable personnel variance did not include the costs of consultants which potentially offset the favourable position. This depended on the definition of consultants and where they were reported in the budget.
- **Arts and Recreation:**

The Art and Recreation decrease in revenue was partly due to events going from Founders Theatre to Claudelands Event Centre, as well as the competitive nature of the market. Next year’s budget would be more realistic, which should have a more positive result on the accounts.

Unfortunately there were unexpected challenges at the Hamilton Zoo in relation to maintenance costs following tree fall damage, as well as other expenditure difficulties.

The shortfall in relation to the Pools were largely due to Club Aqua. Membership structures had been reconsidered and new ones put in place to keep up with market rates. This would reduce the shortfall in time as the new memberships and payments take effect.

The increase in salaries at the Pools were also discussed. The increase was due to the extra lifeguards who were employed due to safety issues at the pools over summer.

The unfavourable salary variances at the Museum and Library were explained through adjustments in salaries to meet market rates, as per contractual obligations, as well as increased salaries for employing quality staff.

- **Nursery Revenue:** A review on the Nursery was being undertaken, which would be reported on in due course.
- **Interest Rates:** A mix of fixed and floating interest rates were used during each 10 year period. PWC, as treasury advisors, counselled HCC on the best interest rate options at any given time.
- **Graph on Page 26:** Corrected graphs needed to be produced to reflect HCC's current plan, and subsequently circulated to Councillors.

It was noted that the Report was in a good format, factual and easy to digest.

It was also noted that the financial results were pleasing with efforts to date better than expected.

Resolved: (Crs Pascoe/Mallett)

That the Report (noting the amended graphs on page 26) and the Risk and Opportunities Schedule be received.

11. Key Projects Report

The PMO Manager took the Report as read.

The brevity of the Report was appreciated, however, the total budgets and dates (of commencement and completion) of the projects also needed to be added to the information and provided at the next Finance Meeting on 23 July 2015.

Resolved: (Crs Pascoe/Wilson)

That the Report be received.

12. Update of Investment and Liability Management Policy

The Corporate Projects Accountant and Mr Stuart Henderson (PWC) took the Report as read and matters were addressed as follows:

- Track changes were required on all changes made to the Policy (and any other policy changes that come to Meetings).
- A verbal update stated some changes as follows:
 - HCC borrowing limits had been inserted into the Policy (at page 96, paragraph 7.1).
 - Fixed and Floating interest rates mix had been broken down and annual limits put in place.
 - The Policy allowed a greater degree of flexibility and a greater ability to manage forward risk.
 - Under paragraph 11.5 of the Policy there were refinancing changes which enabled greater certainty. Permissions to pre-fund projects were set out under bullet 2.
- It was noted that HCC used an 'overall debt' amount and the Local Government Funding Association (LGFA) used 'net debt'. These were different accounting measures and the 'overall debt' measure reflected HCC's more conservative position when compared to the LGFA.
- It was agreed that a 'tracked-changed' document outlining the Policy changes would be circulated to Councillors before Council's 10-Year Plan Meeting on 4 June 2015, for reconsideration of adoption of the Policy.

Resolved: (Crs Pascoe/Chesterman)

That the Report be received.

13. Proposed Amendments to New Zealand Local Government Funding Agency (NZLGFA) Documents

The Corporate Projects Accountant and Mr Stuart Henderson (PWC) took the Report as read and questions were answered as follows:

- The need for 'track-changed' documents was reiterated.
- It was noted that if the original documents were read with the three pages of amendments all the changes were captured.
- All the changes were in terms of compliance and regulatory requirements and some improvements had been made to processes.
- The changes were reviewed by Simpson Grierson on behalf of all Councils and HCC additionally had PWC check the changes for its purposes.
- HCC had a debt proportion with LGFA at 55% and that was estimated to increase into 80% due to added benefits.
- THE CFO to contact Simpson Grierson for a tracked changed version, if available, of the documents and to circulate these to Committee members.

Resolved: (Crs Pascoe/Mallett)

Recommendation to Council

That:

- a. The Report be received; and
- b. The Committee recommends that the changes to the documents be approved by Council.

14. IS Programme of Work - Quarterly Update

The General Manager Organisational Development and the Chief Information Officer spoke to the Report and answered questions as follows:

- Attachment 1 of the Report set out the plan to manage costs associated with the consumption model. The consumption model was more about the way items were procured than used. Staff agreed that tighter reigns needed to be placed on purchases and that waste would be better managed.
- There would always be growth and therefore more consumption. However, this model should keep HCC within its forecast.

Resolved: (Crs Mallett/Wilson)

That the Report be received.

15. Community Occupancy Applications - Graham Park and Beetham Park

The Parks & Open Spaces Manager took the Report as read.

It was confirmed that the Waikato Kindergarten Association was a not-for-profit company which fitted the Community Occupancy Policy criteria. Accordingly it could take over the lease on the same terms and conditions as the Hamilton Childcare Services Trust.

Resolved: (Crs O'Leary/Chesterman)

Recommendation to Council

That:

- a. The Report be received;
- b. Council consents to the Hamilton Childcare Services Trust assignment of lease at Beetham Park to the Waikato Kindergarten Association; and
- c. Council approves a variation to Clause 30(a) of the River Glade Archers Incorporated Licence to Occupy at Graham Park.

16. Refuse Transfer Station - Proposed Fee Changes

The General Manager City Infrastructure and Water Operations Manager took the Report as read and the following matters were addressed:

- The fact that a press release, from HCC, about this item went out prior to the Finance Meeting was questioned. It was agreed that there should be a set process in terms of formal press releases, which the CE would follow up on.
- The lease with the Operator had a clause in the agreement to advise HCC when costs increased and to then give an opportunity for HCC to consider subsidising the increased costs.
- A point was raised about the potential correlation of recycling charges and inner city littering problems. It was suggested that research about waste minimization, together with recycling charges and litter issues, should be looked at prior to any further discussions about comprehensive Recycling/Waste Management Policies.
- The Report had shown comparisons with centres at other areas, and noted that the fees were relatively in line with the market. However, the Organic Waste Centre was not looked at and it did not mention that every time the Refuse Station increased price, so did the Organic Centre.
- Staff were asked to request that the increase in fees by the Refuse Station were timed to coincide with when HCC looked at its fees and charges schedule as part of the budgets (if this is possible under the contract); and next year when Refuse Station fees Report was considered, five and/or 10 year comparisons should also be made.

Resolved: (Crs Mallett/Chesterman)

That:

- a. The Report be received; and
- b. Council notes the increase in RTS gate fees proposed by Waste Management to be implemented 1 July 2015 and declines the opportunity to offer a Council funded subsidy of these fees as detailed in lease arrangements.

Those for the Motion:	9	Councillors Mallett, King, Green, Yeung, Chesterman, O'Leary, Pascoe and Tooman
Those against the Motion:	3	Councillors Gallagher, Wilson and Macpherson

Her Worship the Mayor (3:55pm) left the Meeting during the above item, she was not present when the matter was voted on.

Matter addressed by CE - Frankton Railyards – Tyres

An updated Report on the Frankton Railyards would be in the Open section of the Agenda at the 28 May 2015 Council Meeting.

No further payments would be made in relation to this matter until it was discussed at Council.

17. Resolution to Exclude the Public

Resolved: (Crs Chesterman/Gallagher)

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 April 2015) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Finance Committee Action List - Public Excluded - 21 May 2015) Official Information and Meetings Act 1987	
C3. Report on overdue debtors as at 30 April 2015 & Bad Debts Writeoffs 2014/15)	
C4. Update for Weathertight Commercial Buildings		

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 prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C3.	to protect the privacy of natural persons	Section 7 (2) (a)
Item C4.	to enable Council to carry out negotiations	Section 7 (2) (i)

The Meeting adjourned between 4:00pm and 4:15pm.

Crs Mallet and Green retired from the Meeting during the adjournment.

The Meeting moved into Public Excluded between 4:15pm and 4:45pm.

The Meeting was declared closed at 4:45pm.

Extraordinary Finance Committee

OPEN MINUTES

Minutes of an Extraordinary Meeting of the Finance Committee held in the Council Chambers, Municipal Building, Garden Place, Hamilton on Tuesday 7 July 2015 at 1:00pm.

PRESENT

Chairperson	Cr G Mallett
Members	Her Worship the Mayor J Hardaker Cr G Chesterman Cr M Forsyth Cr M Gallagher Cr K Green Cr A King Cr D Macpherson Cr A O'Leary Cr L Tooman Cr E Wilson Cr P Yeung
In Attendance	Richard Briggs - Chief Executive Paul Conder - Chief Financial Officer Sean Murray - General Manager Events and Economic Development Olly Te Ua - General Manager Organisational Development. Stuart Gordon – CEO Waikato Innovation Park Limited
Committee Advisors	Mrs J Pani and Mrs M Birch

Councillor Mallett, Deputy Chair, assumed the Chair, in the absence of Councillor Pascoe who was away.

It was explained that the Extraordinary Finance Committee meeting was necessary as Council approval was required for Waikato Innovation Park Limited's ("WIPL") loan from the BNZ of \$9.4 million for the construction of the Tetra Pak building. Construction had commenced and the funding was required prior to the next CCO Subcommittee Meeting on 21 October 2015. The Chair advised that he had provided Members with additional background information to provide some further context.

1. Apologies

Resolved: (Crs Mallett/Chesterman)

That the apologies from Councillor Pascoe be received and accepted.

2. Confirmation of Agenda

Resolved: (Crs Mallett/Chesterman)

That the Agenda be confirmed.

3. Declarations of Interest

No members of the Council declared a Conflict of Interest.

4. Public Forum

Not required.

5. Shareholder Approval Required - Waikato Innovation Park Funding Contract

General Manager Events and Economic Development (“the GM”) introduced Mr Stuart Gordon, CEO Waikato Innovation Park Limited (“CEO WIPL”). The GM highlighted the following:

- **Loan Agreement** - The CEO WIPL had negotiated the loan of \$9.4 million for the construction of the Tetra Pak building from BNZ;
- **Underwriting** - No underwrite or guarantee of the BNZ loan was required from Hamilton City Council (“HCC”);
- **Major Transactions** – The Companies Act 1993 had a threshold of 50% of the value of the company’s assets for a transaction to be classified as a ‘Major Transaction’. However, the Shareholders Agreement had a threshold of 25% of the company’s net assets. In this instance, the Shareholders Agreement threshold would be triggered and therefore, as 100% shareholder of WIPL, it was necessary for HCC to formalise its approval of the BNZ loan; and
- **Legal Advice** - Pursuant to signing the loan agreement WIPL had sought legal advice and this had raised the issue of shareholder approval.

The Chair tabled the additional documents, highlighting some further key issues as follows:

- **Shareholder Approval Factsheet** (Tabled) - This included background information on the shareholder approval required for the BNZ Loan Funding Agreement;
- **Statement of Intent (“SOI”)** - The new building had been disclosed to Council in the Statements of Intent from WIPL for the years ending 30 June 2015 and 30 June 2016;
- **Liability** - It had always been confirmed that HCC had no liability or underwriting responsibilities;
- **Urgency** - Construction had already started and the BNZ loan was required before the next CCO Subcommittee Meeting in October 2015. Consequently, the Extraordinary Finance Committee Meeting had been scheduled to request shareholder approval of the Major Transaction;
- **Staff Report** (Tabled) – The staff report to the CCO Subcommittee Meeting of 22 April 2015 *“Innovation Waikato Ltd & Group – Draft Statement of Intent 2015/16 & Half Year Report to December 2014”* provided further background information; and
- **Email Correspondence** (Tabled) - Email correspondence between the CCO WIPL, the GM, the Chair of the CCO Subcommittee and Democracy staff discussing whether shareholder approval was required for the BNZ loan.

Concerns were expressed regarding the process, delayed timeframes for identifying whether the loan constituted a major transaction and consequently, whether Council approval was required. Staff confirmed that HCC had not sought legal advice.

It was confirmed that under the new Local Government Act, the Mayor had the authority to establish committees and appoint the chairperson of each established committee; Council had approved the delegations to these Committees in November 2013. It was noted that under its Terms of Reference, the CCO Subcommittee had the power to approve the SOIs, consider any proposed major transactions and make recommendations to the Finance Committee in relation to

those major transactions.

It was acknowledged that had this issue been picked up at an earlier stage, this item would have been referred to a scheduled Finance Committee Meeting. Staff knowledge of the foundation documents, staff turnover and late intervention by WIPL were all noted as factors in the delay.

Resolved: (Crs Chesterman/Mallett)

That:

- a) the report be received;
- b) the Committee authorise Waikato Innovation Park Limited (WIPL) to sign the Funding contract with the Bank of New Zealand for \$9,435,618 to fund the build of a 3,487 square metre building for Tetra Pak New Zealand (and all associated project documentation to which the funding will be applied (including the construction contract)); and
- c) no underwrite or guarantee of the BNZ loan is offered or implied by HCC.

The Meeting closed at 2.00pm

Committee: Finance Committee**Date:** 23 July 2015**Report Name:** Finance Committee Action List
- Open - 23 July 2015**Author:** Mary Birch

Status	<i>Open</i>
---------------	-------------

Recommendation

That the Report be received.

1. Attachments

- Attachment 1 - Finance Committee Action List - Open - 23 July 2015

Finance Committee - Action List - Open

D-1385914					
Meeting Date	Item #	Item	GM Responsible	Action	Status
24-Sep-13	15	Waiwhakareke Smart Subdivision – Retention or Disposal Options Current options for retention and disposal presented to Council on 29 May 2014 . Council resolved to continue to manage the land status quo and deferred a decision on the disposal or inclusion of the land in Waiwhakareke Natural Heritage Park until the costs and timing of required network infrastructure upgrades, that would allow development of the land to occur, are known.	GM Community & City Environments	Commissioners released their decision to apply a residential zoning to the Smart Subdivision site on 18 February 2015. The network infrastructure upgrades needed to facilitate the development of the Smart Subdivision are being considered within Council's draft LTP. consequential development options will be reported back to Council in December 2015	Elected Members notified of commissioners decision in February 2015. In progress.
20-Feb-14	11	Caro Street - Road Stopping (Telecom to purchase of small strip of land on Caro St to carry out Earthquake strengthening to the Telecom Building) - Any unresolved objections to be reported to Council for determination.	Infrastructure	September 2014 Update: Telecom has put its plans back one year and aren't proposing to start any work on the Caro Street building until the 15/16 financial year. The legal agreement between ourselves and Telecom has yet to be signed. Upon signing, Telecom will commence the public consultation process (and survey work) that is required due to the partial road stopping. The potential for objections will arise from that public consultation process. Public consultation may not commence this year. Any objections to the road stopping as a result of the consultation process will need to go to Council.	Work not expected to commence until the 2015/16 Financial Year.
14-Aug-14	C4	Swimming Facilities Report	Community	The Aquatic Facilities unfunded proposal options report was presented and considered during the 10 Year Plan process. Council has requested further work on the options that is to be discussed during the Annual Plan process.	In progress
02-Oct-14	10	Hamilton Ring Road Quarterly Update	GM Infrastructure	Staff provided an update on the macro scope of the Cobham Dr/Cambridge Road intersection project at the 7 July S&P Committee Meeting .	Completed. Update on intersection provided at 7 July S&P Meeting
04-Dec-14	11	Community Occupancy Applications Staff to carry out an analysis on whether the renewed leases would provide the projected income outlined in the policy and also concerning comparison of projections and actual outcome of rent charged and length of lease from original schedule of projections. Information to be circulated to Elected Members offline.	GM Community	Requested information to become part of the regular Community Occupancy Applications Report to the Finance Committee.	In Progress

Meeting Date	Item #	Item	GM Responsible	Action	Status
19-Feb-15	9	IS Programme of Work Update	GM Organisational Development	Staff to provide an updated table to also show total expenditure on projects to 21 May 2015 Finance Committee.	Completed - staff provided update at 21 May 2015 Finance Committee
19-Feb-15	12	Business Case for New Structure to Extract Water from the Waikato River	GM City Infrastructure	Upon completion of the project a Completion Report will be provided to the Finance Committee.	In progress
23-Apr-15		All Reports	All Staff	Font size and all reports to be of a readable size.	Ongoing
23-Apr-15	8	10-Year Monitoring Report	GM Community	Excess Nursery stock was discussed and different options needed to be explored to sell the stock.	Completed – final result \$12k surplus (16k under budget)
23-Apr-15	8	10-Year Monitoring Report	CFO	CFO was asked to consider the theatre's budget as part of the 10-Year plan budget.	In Progress.
23-Apr-15	8	10-Year Monitoring Report	CFO	CFO was asked to consider the Customer Relationship Group budget as part of the 10-year Plan budget.	In Progress.
23-Apr-15	9	Procurement Report	CFO	Provide consistent scaling for graphs printed on same page (Attachment 5).	In progress
23-Apr-15	10	New Lease Request at Melville Park	GM Community	Public consultation closed 6 June. 31 submissions were received. Hearings held 24 June. Recommendation will be reported back to 20 August Finance Committee.	In progress
23-Apr-15	11	Te Awa River Ride Easement - Horotiu Landfill	GM Community	Council to grant an easement in favour of Waikato District Council for the purposes of Te Awa River Ride over the Horotiu Landfill, subject to Council obtaining partial surrender of existing leases and licences. Partial surrender of existing leases and licences completed. Council to authorise the CE to negotiate the terms of the easement and any other instrument required to give effect to this resolution. Negotiations with Te Awa in progress.	In progress
21-May-15	8	Six monthly report from Chair of External Funding Subcommittee to Finance Committee	GM Community	A document setting out funding received for different projects would be completed, which would state the different projects and amounts received for them.	In Progress. The Six Monthly Chair report will be presented at the 22 October 2015 Finance Committee Meeting as requested.
21-May-15	9	Six monthly report from Chair of Event Sponsorship Subcommittee to Finance Committee	CM Events and Economic Development	The role and purpose of the Event Sponsorship Subcommittee to be discussed at the Subcommittee's meeting at 5 August 2015.	In Progress.

Meeting Date	Item #	Item	GM Responsible	Action	Status
21-May-15	10	10-Year Plan Monitoring Report	CFO and GM Community	<ul style="list-style-type: none"> • CFO was asked to provide a list of properties outside the city for which Council pays rates. • A review on the Nursery has been undertaken and this will be reported to the Committee at the July meeting • Corrected graphs for Page 26 of the Agenda to be produced and circulated to Elected Members. 	<p>List of properties provided by CFO byemail to Elected Members 17 June 2015.</p> <p>Suggested changes have been included in the current report.</p>
21-May-15	11	Key Projects Report	PMO Manager	The Report content to be reviewed based on feedback from the Committee	In Progress.
21-May-15	12	Update of Investment and Liability Management Policy	Corporate Projects Accountant	A tracked-changed document outlining the Policy changes to be circulate to Committee Members before the 10-year pan Meeting on 4 June 2015	Completed. Documents circulated as part of Council Agenda for 4 June Meeting.
21-May-15	13	Proposed Amendments to NZLGFA documents	Corporate Projects Accountant	CFO to contact Simpson Grierson for a tracked-changed version, if available, of the documents and to circulate these to Committee Members.	Completed on 28 May when document emailed to Elected Members.
21-May-15	16	Refuse Transfer Station	CE and General Manager Infrastructure	<ul style="list-style-type: none"> • Set processes in terms of formal press releases by HCC to be looked into by CE. • Research about waste minimisation, together with recycling and littering issues, should be looked at prior to further discussions about comprehensive Recycling/Waste Management Policies. • Staff to request that the increase in fees by the Refuse Station timed to coincide with when HCC looked at its fees and charges schedule as part of the budgets. Also, when the next Refuse Station Fees Report is drafted, 5 and 10 year comparisons should also be made. 	In Progress -A communications process for agenda items will be discussed and agreed by the Chair and General Manager at the Agenda Setting meeting.
21-May-15	Matter raised	Frankton Railyards - Tyres	CE	An Updated Report on the Frankton Railyards matter would be in the Open section of the Agenda at the 28 May 2015 Council Meeting.	Completed at 28 May 2015 Meeting.

Committee: Finance Committee **Date:** 23 July 2015
Report Name: Recommended dates for reports to be presented to Finance Committee **Author:** Kay Lindsay

Recommendation

That the Report be received.

1. Attachments

2. Attachment 1 - Recommended dates for reports to Finance Committee

3. Purpose of the report

4. This report provides detail of the regular reports that will be presented to this committee as well as estimated timing. Any new reports requested can be added to the attached list.

Signatory

Authoriser	Paul Conder, Chief Financial Officer
------------	--------------------------------------

Reports to Finance and Monitoring Committee	Frequency/Timing 2015								Comments
	February Q2 14/15	April Q3 14/15	May	July	August YE 14/15	October Q1 15/16	November	December	
Standard Monitoring Reports									
List of standard monitoring reports	x	x	x	x	x	x	x	x	
Financial Summary			x	x			x	x	
Key Projects Status Report			x	x			x	x	
Quarterly/Six Monthly Reports (Internal)									
Quarterly Financial and Non-financial Report, Key Projects Report (end of Q). Includes Open Development Contributions commentary	Dec-14	Mar-15			Jun-15	Sep-15			
IS Programme Update (Quarterly)	x		x		x		x		
Procurement Report (Quarterly)		x		x		x			
Ring Road Progress Report (Quarterly)						x			
Weathertight Buildings Update (Six monthly)		x				x			
Confidential Reports									
Overdue Debtors/Bad Debt Writeoffs	x	x	x	x	x	x	x	x	
Development Contributions Remissions (aligned with Q-reporting)	x	x		x		x			

Committee: Finance Committee

Date: 23 July 2015

Report Name: 10-Year Plan Monitoring Report

Author: Raniel Prasad

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>2012-22 10-Year Plan 2014/15 Annual Plan</i>
Financial overview	<i>Included in the report</i>

1. Purpose of the Report

2. To provide Council with progress reporting on the financial commitments contained in the 2014/15 Annual Plan. Specifically, this report includes the following components:
 - Financial results for the eleven months ended 31 May 2015.
 - A summary of the projected financial risks and opportunities for the eleven months ended 31 May 2015.

3. Executive Summary

4. The 30 June year end procedures are now underway to produce the annual report and financial statements. A verbal update will be provided at the meeting. This report is a summary of the results to 31 May 2015, as has been the practice in prior years.
5. Council has a \$5.9m 'Balancing the Books' surplus for the eleven months ended 31 May 2015, which is \$9.0m positive against the predicted year to date budget deficit of \$3.1m. This has improved by \$600,000 since the April 2015 position which was reported to the committee in May 2015. Refer paragraph 12.
6. The Accounting Result, the Surplus / (Deficit) before Tax after accounting for the non cash effect of revaluing interest rates swaps, is a surplus of \$11.0m. This has improved by \$1.6m since the April 2015 position which was reported to the committee in May 2015. Refer paragraph 10.
7. Council reports at 31 May 2015 a current debt to revenue ratio of 191% (April 202%) compared with the 2014/15 limit of 235%. Total 'Overall Debt' (paragraph 16) as at 31 May 2015 is \$372.0m (April \$379.4m) which is \$45.3m favourable against the year end target of \$417.3m. The debt reduction has resulted from good financial performance, asset sales (paragraph 60) and capital expenditure deferrals (paragraph 74).
8. The Risks and Opportunities Schedule shows improving overall financial performance and the year end forecast (paragraph 20) reflects this.

Recommendation from Management

That the report and the Risk and Opportunities Schedule be received.

9. Attachments

10. Attachment 1 - Statement of Comprehensive Income
11. Attachment 2 - Statement of Financial Position
12. Attachment 3 - Capital Expenditure Statement
13. Attachment 4 - Risks and Opportunities
14. Attachment 5 - Treasury Report
15. Attachment 6 - Individual Activity Statement

16. Key Financial Strategy Measures

This report is for the first eleven months of the 2014/15 financial year. Council's financial performance is primarily measured against its 2012-22 Financial Strategy and the 2014/15 Annual Plan, using the 'Balancing the Books' and the 'Debt to Revenue ratio' targets. The Financial Strategy was developed in the 2012-22 10 Year Plan and the 2014/15 Annual Plan is the third year of implementing this strategy. The financial report includes attachments 1-6 listed above.

17. Accounting Result

18. Council complies with Tier 1 Public Benefit Entity accounting standards which include the requirement to report the Surplus / (deficit) before tax. This measure is less conservative than the Balancing the Books target as it includes revenue from non-cash items such as assets vested in Council from developers, the revaluation of interest rate swaps and gains/(losses) on the sale of properties.

19. Balancing the Books

20. Council has planned to balance the books from 2017. The Balancing the Books measure is more conservative than a traditional accounting surplus/(deficit) as it excludes non cash items such as gains or losses from the valuation of financial instruments, vested assets and capital subsidies on the Ring Road. The annual plan target for 2014/15 is a deficit of \$3.3m.

21. Variance table for the Accounting Result and Balancing the Books

22. The following table summaries the key contributors to both the Balancing the Books and the Operating Result year to date when compared to budget.

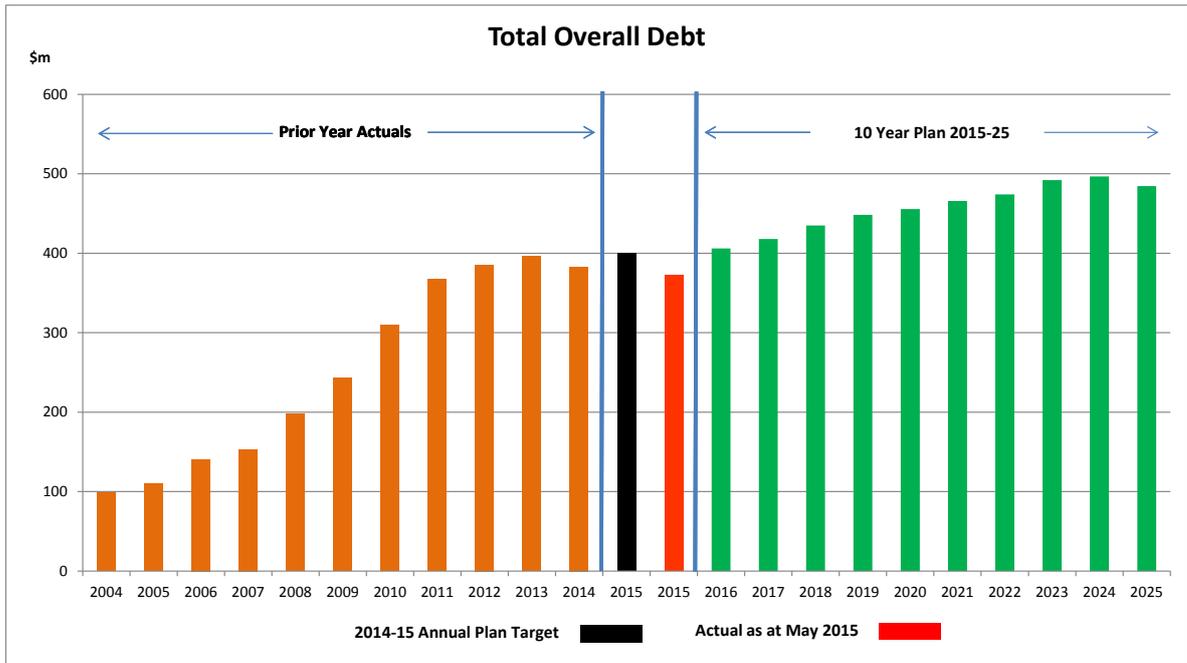
(000`s)	Accounting Result	Balancing the Books
Budget as at 31 May - Surplus/(Deficit)	10,280	(3,122)
Other Expenses	1,641	1,641
Personnel Costs	(1,834)	(1,834)
Targeted rate for commercial water	(507)	(507)
Other revenue	1,722	1,722
Rates Revenue	486	486
Sundry	(61)	(61)
Sub-total	1,447	1,447
Development Contributions	6,085	6,085
Finance Costs	1,491	1,491
Revenue from Vested Assets	8,979	
Subsidy on the Ring Rd	(4,915)	
Losses from non-cash Items	(12,361)	
Sub-total	(721)	7,576
Total Variance	726	9,023
Actual as at 31 May - Surplus/(Deficit)	11,006	5,901

23. Debt Management

24. 'Total Overall Debt' is currently \$372.0m, which is \$45.3m less than Council's year end budget target of \$417.3m. Good financial performance, assets sales and capital expenditure deferrals have contributed to this improvement. Total overall debt is calculated as follows:

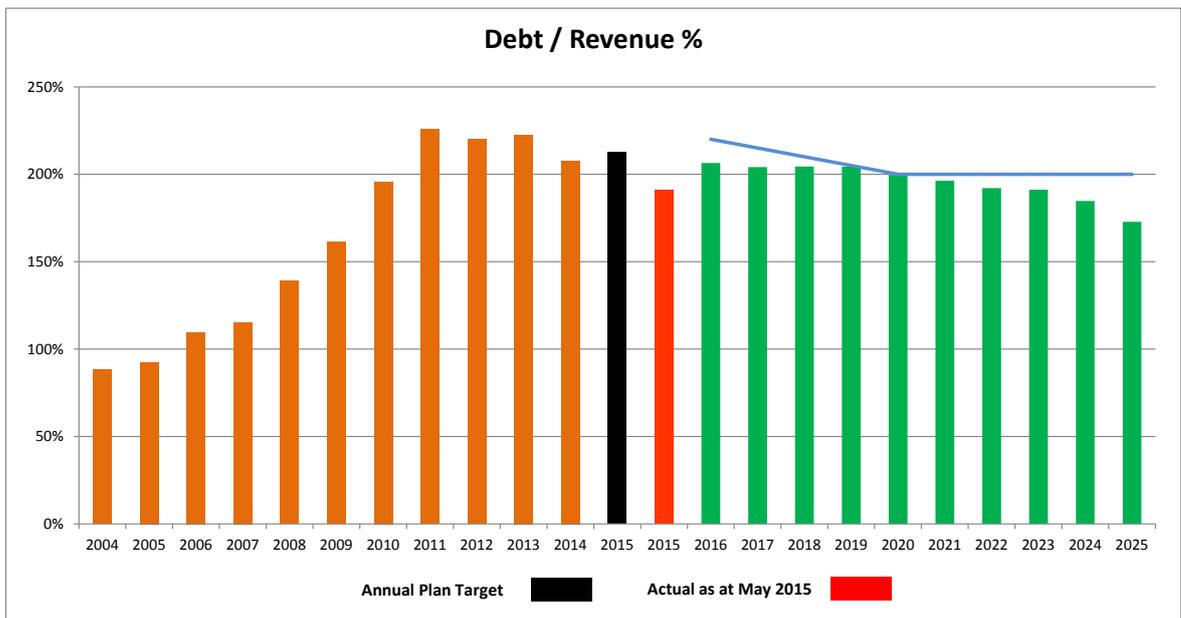
As at 31 May 2015 Council's total overall debt is calculated as following:	\$m
Total external debt	377.0
plus cash backed reserves	38.0
less cash investments	43.0
'Total Overall Debt' as at 31 May 2015	372.0

25. The improvement from the April position (\$379.4m) is the result of receiving a high proportion of rates revenue in May, Council received 3/16th of the Annual rates or ¼ of one instalment.



The measure for each year is as at 30 June

- 26. The debt to revenue ratio at 31 May 2015 is 191%. This calculation uses a 12 month rolling average for revenue.



The measure for each year is as at 30 June

27. Year End Forecast

- 28. The Risks and Opportunities (R&O) Schedule (attachment 4) reflects changes in priorities, financial assumptions or unplanned works, and other events that impact the financial forecasts estimated in the Annual Plan and advises Council of the actions taken to resolve them. The process being that all items included on the R&O Schedule must have a report outlining how the item has arisen and action to resolve the issues along with the approval of the CFO.

29. This is a forecast of the financial outcome of Council for the year ended 30 June 2015. The forecast uses draft financial data as at 30 June 2015.
30. This schedule has been updated since that presented to the Finance Committee on May 21st and the Audit and Risk committee on June 17th.
31. The attached R&O Schedule projects a net unfavourable position against the balancing the books measure of \$58,000 in the operating activities. These have been noted in the report as controllable or uncontrollable; an example of uncontrollable is the impact of the sale of the BNZ building.
32. This is before allowance for favourable movements in Development Contributions (DC) revenue, interest cost, and depreciation. Any favourable impact from interest and DC revenue will be used to reduce debt. The reason these are excluded from the operating activities is because any favourable impact from interest and DC revenue cannot be used within the operating areas of Council.
33. The Accounting Result is further impacted by non-cash items. The unfavourable unrealised loss on interest rate swaps \$14.1m, the delay in \$5.8m capital subsidies are partially offset by the favourable movement in vested assets \$11.5m.
34. A summary of attachment 4 detailing the Financial estimates for Operating Risks and Opportunities at 31 May 2015 is:

Risks and opportunities estimated impact on year end result (\$000s)	Accounting Result	Balancing the Books
Surplus / (Deficit) from Annual Plan	11,508	(3,266)
Operating activities - Controllable	472	472
Operating activities - Uncontrollable	(6,338)	(530)
DC revenue, interest and depreciation	8,969	8,969
Work in Progress reclassifications	(912)	(912)
Unrealised gains/(losses) on interest rate swaps	(14,100)	
Gains/(losses) on assets sales	1,000	
Vested Assets	11,500	
Total Movement Positive/(Negative)	591	7,999
Projected Surplus / (Deficit) as at 30 June 2015	12,099	4,733

35. The capital expenditure activities' report a favourable variance of \$12.9m

36. Variance Analysis

37. Council actively manages its finances to achieve both its 'Balancing the Books' and Accounting Result targets, and where possible improve its actual results against these targets. The year-to-date favourable results reflect the intentional actions taken by Management to deliver all services while improving Council's overall financial performance.
38. Year-to-date revenue is \$12.1m ahead of budget and expenses are \$1.0m better than budget.

39. Material variances include:

40. Revenue

41. Year to date rates revenue is \$486,000 (April \$507,000) favourable due mainly to more revenue received from penalties \$144,000 and rates remissions being \$135,000 less than expected.
42. Targeted rates for commercial water is unfavourable \$507,000 (April \$460,000). Of this \$450,000 is related to a reduced demand by the high water user group and has been included on the R&O Schedule.
43. Waste Water revenue is unfavourable by \$541,000 (April \$465,000) due to reductions in tanker waste which was prohibited from the waste water plant to protect it during the biological breakdown event and from reductions in trade waste revenue from two significant customers, one which has closed down and the other which is not discharging to the expected levels.
44. Subsidies and Grants are \$4.8m unfavourable (April \$4.4m) due to the deferral of the completion of the Hamilton Ring Road with Year-to-date \$4.9m subsidies not received as a result (see paragraph 79). The total subsidy of \$5.8m will be received when the project is completed in 2015/16. Other subsidies and grants are slightly behind budget.
45. Development and Financial Contributions (DC) revenue are \$6.1m favourable (April \$4.9m) (See paragraph 67). Through the Risk and Opportunity Schedule the annual amount has now been assessed at \$14.0m which is \$6.5m higher than the approved budget.

46. Expenses

47. Interest (Finance Costs) are favourable by \$1.5m (April \$1.2m).
48. Depreciation is unfavourable \$319,000 (April \$348,000 favourable). The annual forecast for depreciation is \$700,000 unfavourable; this reflects the impact for the assets revaluation for building and Parks and Garden improvements.
49. The net of Other Expenses and Personnel costs are unfavourable by \$193,000 (April \$536,000 favourable).
50. **City Environment Group** has an unfavourable personnel variance of \$614,000. This is due to extra staff being employed to meet consenting demand. Employing staff for most roles is more cost effective than contract arrangements and as a user's pays activity the costs are fully recoverable from the consenting revenue. After balancing the consenting costs and revenue, the City Environment Group has an overall favourable variance of \$475,000 (April \$460,000), largely driven by Proposed District Plan timing and favourable appeal negotiations.
51. **City infrastructure Group** has a favourable personnel variance of \$734,000, this relates to unfilled vacancies. The Group is managing the vacant positions through consultants. After excluding the impact of the Ring Road deferral the group has an overall favourable variance of \$442,000 (April \$104,000 unfavourable).
52. **Community Group** has an overall favourable variance of \$1,019,000 (April \$783,000). Within this is an unfavourable personnel variance of \$640,000 due to higher personnel cost at the Museum, libraries and Aquatic Facilities. These costs are being off-set by increased revenue and other cost savings.

53. **Customer Relationships Group** has an unfavourable personnel variance of \$269,000. This is due to increased permanent replacements in the call centre, and extra casual staff to cover peak periods. There were also additional costs for contract staff and consultants to cover vacancies in other areas of the Group and to complete project work. The Group is managing the variance by making significant operational adjustments and holding all vacancies until the end of the financial year. The Customer Relationships Group has an overall unfavourable variance of \$197,000 (April \$166,000).
54. **Events and Economic Development Group** has an unfavourable personal variance of \$717,000 (April \$463,000). This has been driven by a number of factors including the need for staff positions to conduct economic development work; increased event activity at the stadia and Claudelands; and the implementation of the upgrade operating system at H3. A range of additional cost cutting measures have been put in place for the balance of the year including the non-replacement of up to eight vacant positions at H3 and reductions in contract staffing. The Events and Economic Development Group has an overall unfavourable variance of \$789,000 (April \$633,000) of which \$424,000 relates to lost revenue as a result of the sale of the BNZ and ANZ properties.
55. **Performance Group** has an overall favourable variance of \$57,000 (April \$166,000) including an unfavourable personnel variance of \$206,000, that is off-set by favourable variances in fuel, insurance and maintenance.
56. **Organisational Development Group** has an overall favourable variance of \$638,000 (April \$735,000) including a favourable variance in Support and Licence Agreements of \$739,000 and personnel of \$4,000.
57. **Finance Group** has an unfavourable personnel variance of \$145,000. This is due to the requirement of an additional role in the Development Contributions team (segregation of duties as required by internal audit), additional staff resource for the 10 year plan and back filling of roles for the AX implementation (July to October). Legal and consulting costs associated with Development Contributions revenue have been higher than expected. The Group is attempting to manage the variance from additional external revenue and efficiencies in other expenditures. Finance has an overall unfavourable variance of \$188,000 (April \$175,000).
58. The annual leave accrual is unfavourable \$548,000 (April \$270,000). This is a significant movement from the April result and is due to the correction of an historic problem associated with staff on maternity leave. While this was not included in the last report to Council the chair and deputy chair were verbally briefed on this item.
59. Management continue to search for new efficiencies and as a result there have been reviews within H3, Community Services, City Infrastructure and the Performance Groups. This has lead to \$352,000 (April \$349,000) in redundancy costs and severance payments.
60. Net consultants and legal cost are favourable \$1.2m (April \$1.2m). The main contributors arise in Strategy and Research, City Planning, Transportation and City Waters.
61. Utility Costs (electricity and gas) are favourable \$665,000 (April \$548,000). This is due to reduced electricity demand as a result of a Council wide project and utility costs at the water treatment plant.
62. Security costs are favourable \$325,000 (April \$252,000). There has been a change in the service delivery model within the Community Group resulting in savings which have been

included on the R&O Schedule. The remainder in City Safety is the result of changes in timing of service and will correct by year end.

63. Advertising and Marketing costs are favourable \$609,000 (April \$414,000). The main contributor to this is within the H3 activity. This is the result of H3 endeavouring to offset the impact of additional staff costs and is reflected on the R&O Schedule.
64. Grants are currently favourable by \$221,000 (April \$334,000), though these are expected to be fully expended by year end. No amount has been included on the R&O Schedule as a result.
65. Recruitment costs are unfavourable \$334,000 (April \$304,000). Council does not budget for recruitment as it expects these costs to be covered by matching savings in staff costs. The main contributors are CEO, Building Control and Finance.
66. For the eleven months ended 31 May 2015 there have been unrealised losses of \$13.1m (April \$13.2m) against financial instruments (interest rate swaps). This has an unfavourable impact on the Accounting Result but has no impact on the Balancing the Books result.

67. Impact from Asset Sales

68. Recent asset sales including Knox St Carpark, ANZ Building and BNZ Building were not budgeted and have resulted in an impact on the operating results year to date. The year end estimate has been included on the R&O Schedule.

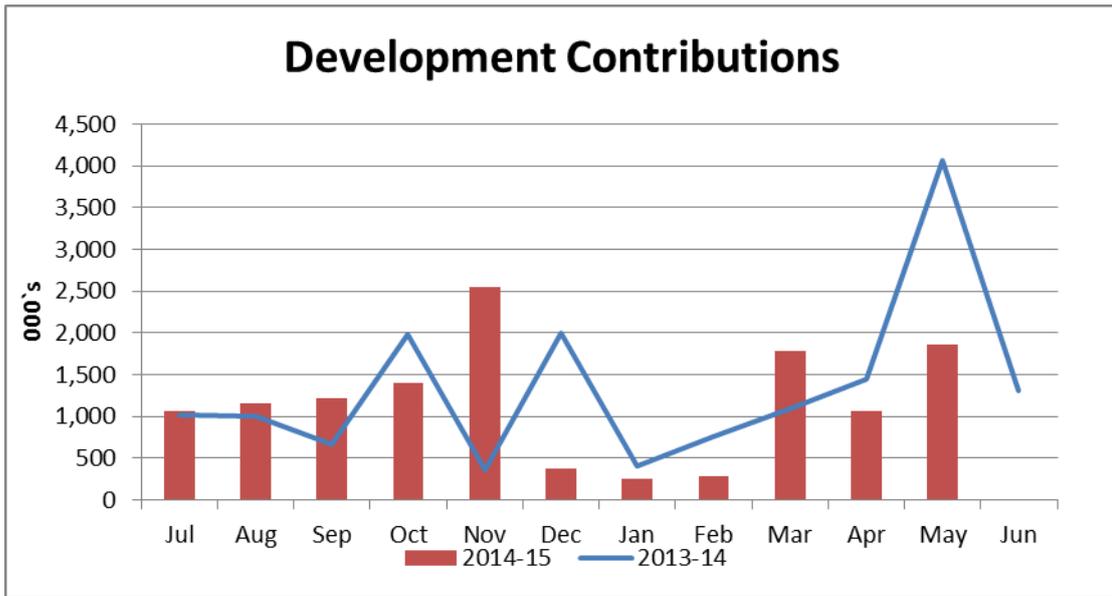
69. The sales impact is as follows:

\$000`s	YTD 31 May	Year end Estimate
Loss of rental revenue	(909)	(1,114)
Reduced direct expenditure	153	178
Reduction in Depreciation	74	86
Reduction in Interest	369	450
Net Impact on Operating Result	<u>(313)</u>	<u>(400)</u>

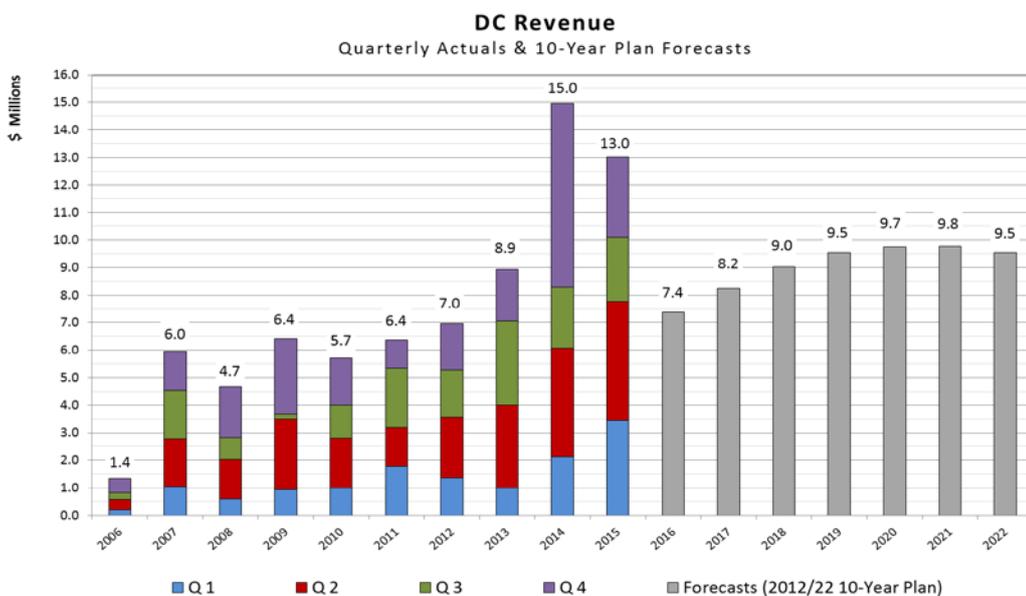
70. Development and Financial Contributions

71. The table and graph below shows the actual DC revenue collected month by month beginning from July 2013.

(000`s)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
2013-14	1,025	1,006	668	1,977	367	1,992	401	760	1,091	1,440	4,060	1,316	16,103
2014-15	1,072	1,163	1,211	1,397	2,547	369	259	277	1,780	1,071	1,854		13,000



- 72. Management continue to monitor and review the annual forecast for DC revenue, based on actual amounts for the eleven months ended 31 May 2015 along with an assessment of the last month. The forecast has been revised upwards to \$16.1m (previously \$12.5m), this is an additional \$8.3m over the approved budget and is included on the latest R&O Schedule.
- 73. The following graph shows the revenue from development contributions (excluding financial contributions under the Resource Management Act) for the last nine years with the 2014-15 year to April 2015 (last quarter) and the 2012-22 LTP DC revenue estimates. The 2015-25 year plan includes increased DC revenue estimates for 2015-25.



74. Capital Expenditure and Deferred Capital Expenditure

The capital programme for the 2014/15 financial year is:	\$m
Approved Annual Plan	67.9
plus Approved Deferred Projects from 2013-14	13.2
Total Capital Programme for 2014-15	81.1
Less Proposed Deferred Projects for 2014-15	21.0
Less Other Risk and Opportunity changes	1.8
Revised Capital Programme for 2014-15	58.3

75. For the eleven months ended 31 May 2015 Capital Expenditure of \$45.3m (April \$40.2m) has been expended. This represents 55% of the total programme and is \$28.3m behind the approved budget expectation.

76. In forecasting the end of year position for Capital expenditure two factors have an impact, the value of deferrals and the impact from the R&O Schedule It is now estimated that total capital expenditure of \$58.3m will be expended by 30 June 2015.

77. Using the revised capital expenditure target, Council has completed 77% of the capital programme. It also means that Council will need to spend \$13.5m in the final month of the year.

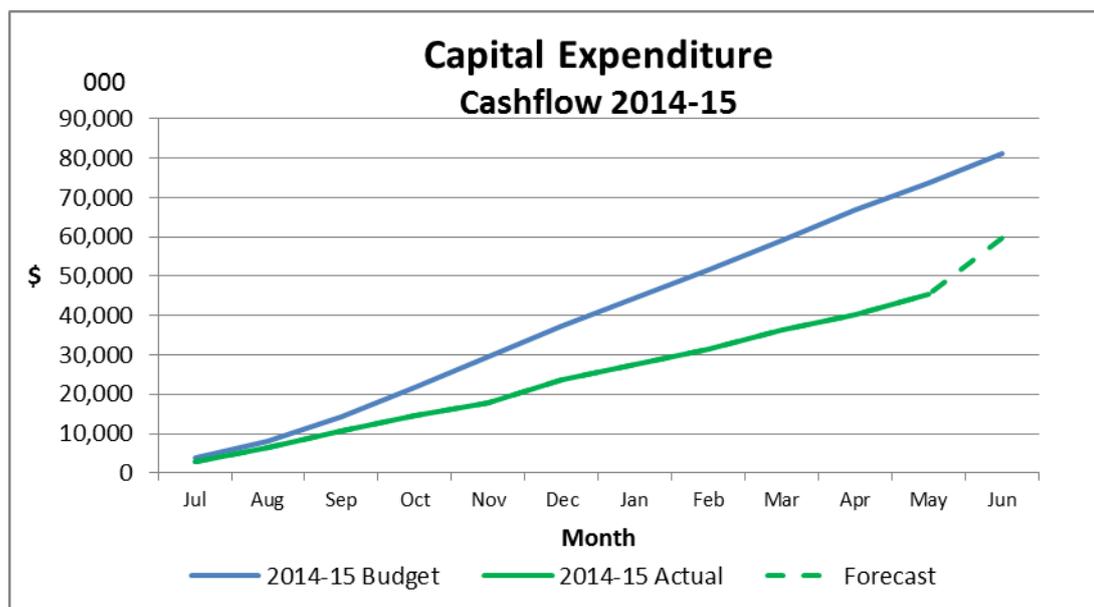
78. Six large capital programmes account for over half the year to date variance:

Project	Reason	Impact (\$m)
Hamilton Ring Road	Proposed as a deferral	9.3
Rototuna Reservoir and Bulk Water Main	Deferral approved – business case confirmed project timing	4.4
Dewatering Facility at the Water Treatment Station	now not proceeding and that the funding is being allocated to other more urgent priorities	2.5
Structure to extract water from the Waikato River	Project saving identified through procurement process	2.8
Roading in Rototuna	Proposed as a deferral	2.2
Replacement of Property Assets	Timing, the programme will be completed by 30 June 2015.	0.9
		22.1

79. Council has a policy of 'just in time' construction for new growth infrastructure related to growth developments and as a result is dependent on developers deciding on proceeding. This can make it difficult to estimate the exact timing for some capital projects, however Council needs to provide in its 10 year and Annual Plans for these projects.

80. The following graph shows the total capital expenditure cash flow against the YTD actual result. Note while each individual project is cash flowed to reflect the expected spend, when the Councils entire programme is consolidated the cash flow appears even. A forecast line has

been added, this takes into account the effect of removing the value of the proposed deferred projects.



Budget includes approved deferrals.

81. After eleven months, fifteen (15) projects have been identified that will not be complete by the end of the year.

	\$m
Rototuna Reservoir and Bulk Water Mains	4.20
Hamilton Ring Road completion*	10.50
Peacocke Wastewater*	0.40
Rototuna Roding*	1.60
Integrated Catchment Management Plans	1.20
New Structure to extract water from the Waikato River	1.60
Rototuna Wastewater Capacity*	0.10
Water Treatment Plant Equipment (Scrubber)	0.30
Hamilton Zoo Siamang Exhibit	0.20
Roding Upgrades in Rotokauri*	0.20
Software for Growth Planning	0.10
Peacocke Stormwater	0.40
Stormwater Local Growth	0.06
Minogue Park Playground	0.05
Land Purchase for Sports Parks	0.10
Total Deferred Expenditure	21.01
External subsidy (Ring Road)	5.80
Net Deferral	15.21

* Timing of these projects is dependent on Third party agreements being signed.

82. Since the report presented to the Finance Committee in May, one further deferral has been identified, Land Purchase for Sports Parks. While the 3 projects that had been identified as “at Risk” have now been confirmed as required and therefore added to the list. This brings the number of deferrals to 15 with a net value of \$15.21m
83. The Ring Road deferral, previously noted in the December report to the Finance Committee, is the final stage of the project and the form of the intersection on Cobham Drive is still to be agreed. This stage of the project is funded by the New Zealand Transport Agency (NZTA) through an advanced funding agreement. As such any deferral has no impact on Council’s borrowing requirements.
84. Integrated Catchment Management Plans (ICMP’s) are now a necessary requirement of development that allow sensible co-ordination of stormwater, water and wastewater services. The exact form of an ICMP is being developed with stakeholders, including the Waikato Regional Council and the land developers. This engagement has meant that the programme of work has not proceeded as quickly as anticipated. There is no new funding in the 2015-25 10 Year Plan to complete the current priority ICMP’s and deferrals of capital will be requested.
85. There are a number of Projects in the current 2014/15 Annual Plan that contribute to the development of ICMP’s in Rotokauri and Rototuna and from which the capital deferment request will be based including;
- Project 12018- Stormwater catchment assessment (\$440k)
 - Project 12059- Rotokauri Stormwater (\$215k)
 - Project 12068- Waste water network in Rotokauri (\$75k)
 - Project 12077- Water mains in Rotokauri (\$100k)
86. Peacocke Wastewater- Council has now entered into an agreement with a developer in the Peacockes stage 1 area to build a new waste water pump station. To work effectively as the development fills up the existing waste water pipes will need to be upsized. This work was put on hold while the agreement for the wastewater pump station was developed. This delay has meant that the pipe upgrade has to be deferred until after winter to avoid deep trenching in the sensitive Mangatukutuku catchment (project 12071).
87. Rototuna Roothing (project 12003) has been dependant on third party agreements with the Ministry of Education and Ryvington Holdings to develop roads in the Rototuna area that have been agreed by Council. The lateness of receiving signed agreements has meant that not all works will be completed this financial year.

88. Treasury Management

89. Council is compliant with all Treasury Policy measures.
90. The current 12 month weighted average interest rate applicable to Council debt is 5.84%. This has increased very slightly over recent months along with market interest rate increases. Council has 90% of debt at fixed interest rates meaning that any future increases or decreases of interest rates will not have a significant impact in the short term.

91. Rates and Debtors

92. The following tables present a high level summary of the invoicing and collection of rates, rating statistics, and an aged debtors summary as at 31 May 2015.

93. Table1 – Total Rates

Whole Dollars	May-15		May-14	
	\$	%	\$	%
Rates brought forward as at 1 July includes credit balances	1,612,313		1,792,766	
Instalments to date	153,969,262		146,580,628	
Penalties, Adjustments & Postponed	843,951		744,065	
Rates Receipts	(143,422,604)	91.69%	(136,502,054)	91.54%
Outstanding Balance	13,002,922	8.31%	12,615,405	8.46%

94. Table 2 – Rates Arrears

	May-15		May-14	
	\$	%	\$	%
Arrears brought forward as at 1 July 2014	3,322,738		3,194,265	
Collected to Date	3,227,200	97.12%	3,063,325	95.90%
Outstanding Balance	95,538	2.88%	130,940	4.10%

95. Table 3 and 4 – Sundry Debtors total debt expressed in dollars and percentage.

	Total	Current	0 - 30 Days	30 -60 Days	60 -90 Days	>90 Days
Debtors	3,173,429	2,036,166	754,730	146,321	44,220	191,992
Rentals	473,082	148,805	14,688	13,525	819	295,245
Total	3,646,511	2,184,971	769,418	159,846	45,039	487,237
% (this year)	100%	59.9%	21.1%	4.4%	1.2%	13.4%
% (last year)	100%	80.8%	5.8%	0.8%	1.4%	11.2%

96. Table 5 - Water by Meter

Whole Dollars	May-15		May-14	
	\$	%	\$	%
Current	1,102,211	83.81%	622,552	85.29%
Past Due date	212,860	16.19%	107,386	14.71%
Outstanding Balance	1,315,071	100.00%	729,938	100.00%

Signatory

Authoriser	Paul Conder, Chief Financial Officer
------------	--------------------------------------

STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE FOR THE ELEVEN MONTHS ENDED 31 MAY 2015

	Council					
	Actual YTD	AX Budget YTD	Variance YTD (AX Budget)	Annual Budget 2015	Annual AX Budget 2015	Actual YTD May 2014
	\$000	\$000	\$000	\$000	\$000	\$000
Revenue						
Rates, excluding targeted water supply rates	121,793	121,307	486	132,404	132,404	115,836
Targeted rates for water supply	7,110	7,617	(507)	8,121	8,121	7,056
Revenue from activities	39,105	38,925	180	41,280	44,793	39,445
Subsidies and grants	9,547	14,384	(4,837)	14,582	15,355	8,595
Development and financial contributions	13,025	6,940	6,085	7,571	7,571	14,786
Other revenue	21,882	11,181	10,701	11,141	11,141	20,957
Total revenue	212,462	200,354	12,108	215,099	219,385	206,675
Expenses						
Depreciation and amortisation	51,923	51,604	(319)	56,295	56,295	50,158
Finance costs	21,323	22,814	1,491	24,887	24,887	20,748
Other expenses	58,934	60,575	1,641	66,225	66,744	59,434
Personnel costs	56,915	55,081	(1,834)	56,184	59,951	52,204
Total expenses	189,095	190,074	979	203,591	207,877	182,544
Operating surplus (deficit)	23,367	10,280	13,087	11,508	11,508	24,131
Gains	775	-	775	-	-	17,990
Losses	(13,136)	-	(13,136)	-	-	(447)
Share of associates' surplus/(deficit)	-	-	-	-	-	-
Surplus (deficit) before tax	11,006	10,280	726	11,508	11,508	41,674
Income tax expense	-	-	-	-	-	-
Surplus (deficit) after tax	11,006	10,280	726	11,508	11,508	41,674
Other comprehensive revenue and expense						
Gain/(loss) on property revaluations	-	-	-	143,967	143,967	-
Fair value through other comprehensive revenue and expense	-	-	-	-	-	-
Share of associates' other comprehensive revenue and expense	-	-	-	-	-	-
Other comprehensive revenue and expense for the period	-	-	-	143,967	143,967	-
Total comprehensive revenue and expense for the period	11,006	10,280	726	155,475	155,475	41,674

BALANCING THE BOOKS MEASURE FOR THE ELEVEN MONTHS ENDED 31 MAY 2015

	Council					
	Actual YTD	AX Budget YTD	Variance YTD (AX Budget)	Annual Budget 2015	Annual AX Budget 2015	Actual YTD May 2014
	\$000	\$000	\$000	\$000	\$000	\$000
Total comprehensive revenue and expense for the period	11,006	10,280	726	155,475	155,475	41,674
Adjustments for balancing the books measure						
Gains	775	-	775	-	-	17,990
Losses	(13,136)	-	(13,136)	-	-	(447)
(Loss) gain on property revaluations	-	-	-	143,967	143,967	-
Vested assets (included in Other revenue)	16,692	7,713	8,979	8,414	8,415	18,200
Ring Road subsidy (included in Subsidies and grants)	774	5,689	(4,915)	6,360	6,360	1,693
Total adjustments	5,105	13,402	(8,297)	158,741	158,742	37,436
Balancing the books surplus (deficit)	5,901	(3,122)	9,023	(3,266)	(3,267)	4,238

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2015

	Council		
	Actual	Annual Budget	Prior YTD
	\$000	\$000	\$000
Assets			
Current assets			
Cash and cash equivalents	41,671	25,000	30,404
Debtors and other receivables	11,541	17,661	23,914
Prepayments	1,457	-	1,062
Inventory	312	533	348
Other financial assets	100	242	580
Derivative financial instruments	-	-	-
Non-current assets held for sale	38	-	-
Total current assets	55,119	43,436	56,308
Non-current assets			
Property, plant and equipment	3,200,938	3,901,574	3,192,668
Intangible assets	14,427	9,090	10,117
Investment property	23,898	57,326	41,652
Investment in associates	7,430	7,430	13,430
Other financial assets	8,417	9,765	8,467
Investment in subsidiaries	10,150	1	1
Total non-current assets	3,265,260	3,985,186	3,266,335
Total assets	3,320,379	4,028,622	3,322,643
Liabilities			
Current liabilities			
Employee entitlements	5,080	6,177	4,038
Creditors and other payables	19,730	18,183	17,972
Borrowings	56,386	107,744	47,333
Derivative financial instruments	261	-	35
Provisions	1,716	2,024	2,151
Total current liabilities	83,173	134,128	71,529
Non-current liabilities			
Employee entitlements	746	1,917	1,177
Borrowings	320,611	321,446	361,443
Derivative financial instruments	24,881	-	14,966
Provisions	8,085	9,479	8,297
Total non-current liabilities	354,323	332,842	385,883
Total liabilities	437,496	466,970	457,412
Net assets	2,882,883	3,561,652	2,865,231
Equity			
Accumulated funds	1,612,051	1,611,984	1,620,197
Other reserves	1,270,832	1,949,668	1,245,034
Total equity attributable to Hamilton City Council	2,882,883	3,561,652	2,865,231
Total equity	2,882,883	3,561,652	2,865,231

**CAPITAL EXPENDITURE
FOR THE ELEVEN MONTHS ENDED 31 MAY 2015**

STATUS KEY	
	Project on track or under budget
	Project over budget as per Risks and Opportunities Register
	Project deferral or potential deferral
	Funding reprioritised as per Risks and Opportunities Register

PIF	YTD Total Cost			Less YTD External Funding			YTD Net Cost			Annual Budget				Status	
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Approved 2014/15	Approved Deferred	Less External Funding	Net Cost		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
ARTS AND RECREATION															
Funding for new Public Art	12037	12	0	(12)	10	0	10	2	0	(2)	50		0	50	
Te Rapa Sportsdrome	13005	123	114	(9)		0	-	123	114	(9)		114	0	114	
Replacement of Library Assets	9036	27	88	61		0	-	27	88	61	88		0	88	
Collection Purchases	9037	860	961	101		0	-	860	961	101	1,048		0	1,048	
Replacement of Sports Parks assets	9058	1,068	1,078	10	97	0	97	972	1,078	106	1,078		0	1,078	
Renewal of Waterworld Assets	9033	408	333	(75)	13	0	13	395	333	(62)	353	20	0	373	
Replacement of Gallagher Aquatic Centre Assets	9034	55	118	63		0	-	55	118	63	70	54	0	124	
Replacement of Fixed Equipment at Theatres	9041	50	64	15		0	-	50	64	15	70		0	70	
Replacement of Technical Equipment at Theatres	9042	87	116	28		0	-	87	116	28	126		0	126	
Replacement of Museum Assets	9035	114	133	19		0	-	114	133	19	108	25	0	133	
Hamilton Zoo Animal Enclosures Renewal	9043	97	128	31		0	-	97	128	31	140		0	140	
Replacement of Zoo Assets (Including Animals)	9044	119	123	4		0	-	119	123	4	101	30	0	131	
New Saimang Exhibit at Zoo	12046	64	371	308		0	-	64	371	308	405		0	405	
		3,084	3,627	542	119	0	119	2,965	3,627	662	3,637	243	0	3,880	
CITY PROSPERITY															
Replacement of Fixtures, Fittings and Equipment at Claudelands	9038	52	126	73		0	-	52	126	73	137		0	137	
Replacement of Furniture, Fixtures and Equipment Rentals at Stadia	9039	614	137	(477)	378	0	378	236	137	(99)	143		0	143	
Replacement of Turf Services Equipment at Stadia	9040	11	32	21		0	-	11	32	21	35		0	35	
Hamilton Organic Recycling Centre Wall		8	0	(8)		0	-	8	0	(8)			0	-	
		686	294	(391)	378	0	378	308	294	(13)	315	-	0	315	
CITY SAFETY															
Installation of Additional Security Cameras	12301	41	44	3		0	-	41	44	3	48		0	48	
		41	44	3	0	0	-	41	44	3	48	-	0	48	
COMMUNITY SERVICES															
Replacement of Furniture & Fittings at Community Facilities	9032		11	11		0	-	0	11	11	11		0	11	
Replacement of Cemeteries & Crematorium Assets	9031	137	167	30		0	-	137	167	30	167		0	167	
		137	178	41	0	0	-	137	178	41	178	-	0	178	

Project on track or under budget
Project over budget as per Risks and Opportunities Register
Project deferral or potential deferral
Funding reprioritised as per Risks and Opportunities Register

PIF	YTD Total Cost			Less YTD External Funding			YTD Net Cost			Annual Budget				Status	
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Approved 2014/15	Approved Deferred	Less External Funding	Net Cost		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
PARKS AND OPEN SPACES															
Replacement of Parks & Opens Spaces Assets	9030	881	1,299	418	6	0	6	875	1,299	424	1,103	196	0	1,299	
Acquisition of Parks	12012	2,238	1,237	(1,001)		0	-	2,238	1,237	(1,001)	556	781	0	1,337	
Memorial Gardens		224	0	(224)	131	0	131	93	0	(93)			0	0	
Hamilton Gardens Replace Fencing	13006	11	15	4		0	-	11	15	4		15	0	15	
Stabilise Riverbank Walkway	13007	1,364	301	(1,063)	408	0	408	956	301	(655)		301	0	301	
Upgrade of City Playgrounds	12036	335	519	184		0	-	335	519	184	370	149	0	519	
Planting & Track Construction at Waiwhakareke Natural Heritage Park	12133	5	54	49		0	-	5	54	49	54		0	54	
Completion of Fantasy Gardens at Hamilton Gardens	12124	325	201	(124)	87	81	6	237	120	(117)	216		81	135	
Hamilton Gardens Development (Targeted Rate)		111	0	(111)		0	-	111	0	(111)			0	0	
		5,493	3,626	(1,867)	633	81	552	4,860	3,545	(1,316)	2,299	1,442	81	3,660	
SOLID WASTE MANAGEMENT															
Replacement of Closed Landfill Assets	9013	100	69	(31)	391	0	(0)	100	69	(31)	75		0	75	
Replacement of Refuse Transfer Station Assets	9012	404	451	47		0	-	404	451	47	810		0	810	
Closed Landfill Management	12016	161	225	63		0	-	161	225	63	161	89	0	250	
		664	744	80	391	0	(0)	665	744	79	1,046	89	0	1,135	
STORMWATER DRAINAGE															
Replacement of Channel Lining on the Waitawhiriwhiri Stream	9014		0	-		0	-	0	0	-	270		0	270	
Replacement of Stormwater Outfalls in Waikato River	9015	43	164	121		0	-	43	164	121	164		0	164	
Replacement of Stormwater Assets	9016	269	323	54		0	-	269	323	54	323		0	323	
Rototuna Stormwater	12058		429	429		0	-	0	429	429	215	241	0	456	
Treatment to Improve Stormwater Recovery	12017	18456.59	66	48		0	-	18	66	48	66		0	66	
Stormwater Catchment Assessment for Intensification Areas	12018	150	668	518		0	-	150	668	518	270	474	0	744	
Stormwater Project Watershed Capital Works	12019	25	54	30		0	-	25	54	30	54		0	54	
Rotokauri Stormwater Infrastructure	12059	473	760	287		0	-	473	760	287	538	250	0	788	
Peacocke Stormwater Infrastructure	12060		354	354		0	-	0	354	354	22	373	0	395	
Local Growth Related Stormwater Projects	12061	22	108	86		0	-	22	108	86	108		0	108	
Ruakura Stormwater	12062	14	9	(5)		0	-	14	9	(5)		10	0	10	
Citywide Stormwater Upgrades	12094	292	490	198		0	-	292	490	198		551	0	551	
Stormwater Connections	12174	90	248	159	69	248	(179)	20	0	(20)	271		271	0	
		1,396	3,674	2,278	69	248	(179)	1,327	3,426	2,099	2,301	1,899	271	3,929	

Project on track or under budget
Project over budget as per Risks and Opportunities Register
Project deferral or potential deferral
Funding reprioritised as per Risks and Opportunities Register

PIF	YTD Total Cost			Less YTD External Funding			YTD Net Cost			Annual Budget				Status
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Approved 2014/15	Approved Deferred	Less External Funding	Net Cost	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
TRANSPORTATION														
Replacement of Parking Equipment	9010	216	98	(118)	0	-	216	98	(118)	107		0	107	
Replacement of Footpaths and Non-Subsidised Renewals	9001	1,667	1,631	(36)	192	0	(0)	1,667	1,631	(36)	1,780		0	1,780
Replacement of Kerbs and Channels	9002	1,185	1,366	181	534	615	(81)	651	751	100	1,490	671	819	
Replacement of Road Base	9003	482	649	167	217	292	(75)	265	357	92	649	292	357	
Road Resurfacing	9004	3,129	3,685	556	1408	1658	(249)	1,721	2,027	306	4,344	1954	2,390	
Replace Bridges and Culverts	9005	374	0	(374)	171	0	171	203	0	(203)		0	0	
Replacement of Retaining Walls and Structures	9006		0	-		0	-	0	0	-	11	4	7	
Replacement of Street Lights	9017	345	461	116	155	208	(53)	190	253	63	503	227	276	
Replacement of Traffic Signals	9018	462	271	(191)	208	122	86	254	149	(105)	271	122	149	
Replacement of Street Signs	9019	1	50	49	0	23	(22)	1	28	27	55	25	30	
Replacement of Safety Barriers	9020	1	50	48	1	22	(21)	1	28	27	54	24	30	
New Roding in Peacocke	12001	1,629	583	(1,045)	47	0	47	1,582	583	(998)	200	471	0	671
New Roding in Rototuna	12003	525	2,746	2,221		0	-	525	2,746	2,221	1,527	1,380	0	2,907
Hamilton Ring Road Completion	12005	4,605	13,857	9,251	774	5689	(4,915)	3,831	8,167	4,336	11,135	4,227	6275	9,087
Minor Improvements to the Transport Network	12020	644	660	16	354	363	(9)	290	297	7	742	408	334	
Bus Stop Infrastructure	12022	31	99	68	92	50	42	(61)	50	111	108	54	54	
Integration of Existing Areas with New Developments in the City	12051	117	173	56		0	-	117	173	56	189		0	189
Roding Upgrades in Rotokauri	12053	28	358	330		0	-	28	358	330	390		0	390
Transport Network Planning	12056	10	85	75		0	-	10	85	75	85		0	85
Integration of New Transport Modes	12172	1,100	1,907	807	534	913	(380)	566	994	427	2,007	961	1,046	
		16,552	28,729	12,178	4495	9954	(5,460)	12,057	18,775	6,718	25,647	6,078	11017	20,708

Project on track or under budget
Project over budget as per Risks and Opportunities Register
Project deferral or potential deferral
Funding reprioritised as per Risks and Opportunities Register

PIF	YTD Total Cost			Less YTD External Funding			YTD Net Cost			Annual Budget				Status	
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Approved 2014/15	Approved Deferred	Less External Funding	Net Cost		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
WASTEWATER															
Replacement of Wastewater Pump Station Assets	9022	783	814	31	0	-	783	814	31	888		0	888		
Replacement of Wastewater Assets	9023	3,729	3,202	(527)	0	-	3,729	3,202	(527)	3,493		0	3,493		
Upgrade Existing or Build New Wastewater Network in Rototuna	12008		241	241	0	-	0	241	241	27	241	0	268		
Treatment Plant Upgrade	12009	432	322	(109)	0	-	432	322	(109)		363	0	363		
Increase Capacity of Wastewater Pump Stations	12024/25	462	618	156	0	-	462	618	156	674		0	674		
Increase Capacity of Wastewater Network in Rototuna	12066		81	81	0	-	0	81	81	5	86	0	91		
Integrate Wastewater Network in New Areas with Existing Network	12067	27	87	60	0	-	27	87	60	87		0	87		
Increase Capacity of Wastewater Network in Rotokauri	12068	52	453	401	0	-	52	453	401	453		0	453		
Increase Capacity of Wastewater Network in Peacocke	12069	7	36	30	0	-	7	36	30	22	16	0	38		
Increase Capacity of Wastewater Network Throughout the City	12071	11	432	421	0	-	11	432	421	432		0	432		
Wastewater Connections	12175	198	248	51	184	248	(65)	14	0	(14)	271	271	0		
Replacement of Wastewater Treatment Plant Assets	9024	427	885	458	0	-	427	885	458	893		0	893		
Upgrade of Wastewater Treatment Plant Systems	12026	265	370	105	0	-	265	370	105	378		0	378		
Plant Recovery (WWTP)		309	0	(309)	0	-	309	0	(309)			0	0		
		6,702	7,790	1,089	184	248	(65)	6,518	7,542	1,024	7,623	706	271	8,058	
WATER SUPPLY															
Replacement of Water Mains	9025	2,270	2,695	425	0	-	2,270	2,695	425	2,938		0	2,938		
Replacement of Water Meter Valves and Hydrants	9026	252	270	17	0	-	252	270	17	293		0	293		
Replacement of Water Works During Intersection Upgrades	9027	0	216	216	108	(108)	0	108	108	216		108	108		
Software for Growth Planning	12027	148	396	248	0	-	148	396	248		396	0	396		
Upgrade or Build New Watermains in Rototuna	12073		49	49	0	-	0	49	49	49		0	49		
Additional Water Supply Storage in Rototuna	12074	257	4,700	4,443	0	-	257	4,700	4,443	4,857		0	4,857		
City Wide Upgrade of Water Pipes	12076	320	312	(8)	0	-	320	312	(8)	340		0	340		
Upgrade or Build New Water Mains in Rotokauri	12077	53	428	374	0	-	53	428	374	370	65	0	435		
Upgrade or Build New Water Mains in Peacocke	12079		87	87	0	-	0	87	87	16	80	0	96		
Integrate Water Mains in New Areas with Existing Network	12080	16	78	63	0	-	16	78	63	87		0	87		
Ruakura Water Growth	12081	(27)	14	42	0	-	(27)	14	42		16	0	16		
Assessment of Demand for Water and Water Loss in the Network	12173	419	394	(25)	0	-	419	394	(25)	430		0	430		
Water Connections	12176	349	248	(101)	260	248	12	89	0	(89)	271	271	0		
Replacement of Water Reservoir Assets	9028	17	138	121	0	-	17	138	121	162		0	162		
Replacement of Water Treatment Plant Assets	9029	342	453	111	0	-	342	453	111	523		0	523		

Project on track or under budget
Project over budget as per Risks and Opportunities Register
Project deferral or potential deferral
Funding reprioritised as per Risks and Opportunities Register

	PIF	YTD Total Cost			Less YTD External Funding			YTD Net Cost			Annual Budget				Status
		Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Approved 2014/15	Approved Deferred	Less External Funding	Net Cost	
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Installation of Dewatering Facility at the Water Treatment Plant	12029	48	2,573	2,525	0	-	48	2,573	2,525	2,807		0	2,807		
Upgrade of Water Treatment Plant Equipment	12030	437	710	273	0	-	437	710	273	810		0	810		
New Structure to Extract Water from the Waikato River	12031	403	3,240	2,837	0	-	403	3,240	2,837	3,240		0	3,240		
Plant Recovery (WTP) and Chlorine Scrubber		355	0	(355)	0	-	355	0	(355)			0	0		
		5,658	17,001	11,343	260	356	(96)	5,398	16,645	11,247	17,409	557	379	17,587	
SUPPORT SERVICES															
Extension of Events Booking Management System	12040	35	0	(35)	0	-	35	0	(35)			0	0		
Upgrade of Specialist Software Applications	9045	1	33	32	0	-	1	33	32	38		0	38		
Finance Lease Funding Infrastructure Equipment	12014	174	932	759	0	-	174	932	759	1,017		0	1,017		
Upgrade of Council's Core Software Applications	12015	1,229	1,834	605	0	-	1,229	1,834	605	584	1,500	0	2,084		
Development of Online Services & Mobile Applications	12049	592	556	(36)	0	-	592	556	(36)	640	625	0	1,265		
Management of IT Environment Including Security Software	12050	49	0	(49)	0	-	49	0	(49)	530		0	530		
Replacement of Property Assets	9046	2,172	3,170	998	76	0	76	2,097	3,170	1,073	3,122	69	0	3,191	
Replacement of Pensioner Housing Assets	9047	94	555	461	0	-	94	555	461	566		0	566		
Replacement of Fleet Vehicles	9048	558	793	236	0	-	558	793	236	866		0	866		
Upgrade of Council Owned Buildings	12047	3	36	33	0	-	3	36	33	38		0	38		
		4,906	7,910	3,004	76	0	76	4,830	7,910	3,080	7,401	2,194	0	9,595	
Total		45,319	73,618	28,299	6213	10888	(4,675)	39,105	62,729	23,624	67,904	13,208	12019	69,093	

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	Following Year
CITY ENVIRONMENTS					
Southern Links - Recovery of expenditure	192,000	192,000			
Proposed District Plan (PDP) Review Programme - operating savings as costs now estimated to be less than expected	100,000	100,000			
CITY ENVIRONMENTS TOTAL	292,000	292,000	0	0	0
COMMUNITY					
Gym revenue - is \$310,000 less than expected. This has improved from the \$371,000 originally advised to the finance committee.	(280,000)	(280,000)			
Pools expenditure - Additional staffing requirements over summer due to high visitor numbers and increased health and safety requirements and a high number of security incidents at Waterworld. Other variances include an increase in chemical costs (with the conversion from gas to liquid), and electricity.	(150,000)	(150,000)			
One Victoria Trust Grant - is unable to be paid due to a condition in the agreement that states that payment can only be made upon completion of Earth-quake proofing work at the Meteor Theatre. Work will be undertaken in 15/16 at which time payment will be made and disclosed on the 15/16 risk and opportunities list.	75,000	75,000			(75,000)
Hamilton Gardens - Personnel and cleaning budget understated, increased security costs over summer, purchase of new shop merchandise, development project feasibility study, and unfavourable venue hire. Increased maintenance costs due to paint and smaller works associated with \$60k underspent in renewals. The construction of the Fantasy Gardens was \$87k over budget and funded by contributions received from external parties. Net borrowing impact is the net of the \$87k Fantasy Garden overspend and the \$60k underspend on renewals)	(273,000)	(273,000)	(27,000)	(27,000)	
Amenity Parks - contributions received and applied towards construction of WW1 Gardens and Minogue Park net ball courts.	195,000	195,000	(195,000)	(195,000)	
Museum - Operating savings from controlling costs.	75,000	75,000			
Nursery - unfavourable revenue due to less external funding being sourced as was originally forecast	(200,000)	(200,000)			
Rototuna Town Centre - the Rototuna Comprehensive Development Plan (including Area A Town Centre and Area P Sports Park) was originally to be completed 2013/14. Due to the complex nature of this work, it has taken significantly longer than anticipated and \$168K has fallen into 2014/15. No budget was allocated for this project in 2014/15.	(168,000)	(168,000)			

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		Following Year
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	
Bryce Street River Slip Remediation - Overall project cost is \$1.357m with \$301k carried forward from 13/14. The capital overspend of \$1.057m is offset by \$670k budgeted in operating and \$709k external funding. \$168K of the expected saving is available to offset work on the Rototuna Town Centre Comprehensive Development Plan.	1,379,000	1,379,000	(1,057,000)	(1,057,000)	

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		Following Year
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	
Land Purchase Rototuna West Sports Park - a settlement has been achieved on the purchase of the Rototuna West Sports Park land. The settlement will mean an additional payment by Council \$1.602 million (over and above what has been paid to date for the land). \$462k of funding is available from an approved deferred capital budget. The shortfall of \$1.140million is to be funded from debt as reported to Council as part of the 2014 Financial result.			(1,140,000)	(1,140,000)	
Sports Parks - \$96k capital contribution from Athletic Waikato for Porritt stadium track upgrade.	96,000	96,000			
Toilets - Savings in contract price.	40,000	40,000			
City Landscapes - reduced car park and fountain renewal budgets due to reprioritised work.			85,000	85,000	
Street and Parks - reduced tree replacement budgets due to reprioritised work.	40,000	40,000			
Natural Areas - Council has secured River Authority funding for several parks projects. The nature of these projects and their associated reporting requirements did not neatly align with Council's financial years; the projects straddled two financial years. Revenue could only be recouped once the projects were completed and the necessary reporting requirements satisfied. Revenue should have been accrued against these projects last financial year. This was not done and the full revenue associated with the projects has been received this financial year.	110,000	110,000			
COMMUNITY TOTAL	939,000	939,000	(2,334,000)	(2,334,000)	(75,000)

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		Following Year
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	
CITY INFRASTRUCTURE					
Water revenue is expected to be \$450,000 less than budget due in part to a large customer not requiring water in the quantities expected after refurbishing their own independent water plant and two other high water users who have ceased operation.	(450,000)	(450,000)			
Wastewater revenue is expected to be \$654,000 less than budget. Trade waste revenue is expected to be \$540,000 less than budget due in part to a major customer who is no longer in operation (\$300,000) and another major customer not discharging as much as expected (\$240,000). Tankered waste is expected to be \$114,000 less than budget due to restrictions at the wastewater treatment plant to facilitate its recovery.	(500,000)	(500,000)			
Plants efficiencies - electricity, gas and chemicals are expected to be \$650,000 under budget due to a drier than expected winter, reduced tankered waste processing costs, and one-off reduced processing costs due to unexpected stability at the plant. This is subject to a change in operation resulting from increased conveyance charges.	650,000	650,000			
Water supply expenditure is expected to be \$400,000 favourable by year end due to efficiencies in managing the water alert levels and other work programming efficiencies.	400,000	400,000			
Catchment management plans have been reclassified as capital expenditure. The total costs of the catchment management plan work is expected to be \$500,000 by the end of the year, which will be met within existing stormwater capital budgets.	500,000	500,000			
River outfall improvements are capital in nature and have been completed within the existing capital expenditure budget, which means the operating budget of \$90,000 is surplus to requirements for this work.	90,000	90,000			
Closed landfill maintenance savings due to optimising the capital programme (instead of maintaining we have renewed).	220,000	220,000			
Plants recovery - operating costs associated with water and wastewater treatment plants recovery plan funded from PIF 12029 Installation of dewatering facility at the water treatment plant.	(605,000)	(605,000)			
Water and Wastewater Treatment Plants - PIF 12029 Installation of dewatering facility at the water treatment plant has been reprioritised and the funding reallocated in order to fund higher priority projects that have emerged in 2014/15. The first priority is to fund the treatment plant recovery costs of \$1,235,000 (\$605k operating costs and \$630k capital costs). The Finance Committee agreed to allocate the remaining funding of PIF 12029 to off-set additional Health and Safety measures at the water treatment plant. This is expected to cost \$960,000 (down from an original estimate of \$1.7m)			2,807,000	2,807,000	
			(630,000)	(630,000)	
			(960,000)	(960,000)	

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		Following Year
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	
Water Supply funding for Carpark - PIF 9027 Replacement of water works during intersection upgrades has been reprioritized to fund the replacement of Garden Place Car Park access control system. Total cost of \$216,000 is no longer required and external funding of \$108,000 will not be received either and therefore the funds available to fund parking equipment is \$108,000.	(108,000)	(108,000)	216,000	216,000	
Parking Equipment - new parking Equipment and access control system for the Underground Car park as approved by the Finance Committee on 2 October 2014. This is funded by PIF 9027 and discretionary transport fund.			(350,000)	(350,000)	
Discretionary Transportation Capital Fund - release of funds for the new Parking equipment for the Garden Place Underground Carpark.			242,000	242,000	
Paid connections revenue for wastewater connections and stormwater connections will be approximately \$240,000 less than budget. However, as this is a user pays services, this is offset by a corresponding decrease in capital expenditure of \$240,000 with a net cost to Council of zero.	(240,000)	(240,000)	240,000	240,000	
Sale of Knox Street Carpark - due to the sale of the Knox Street carpark, revenue is expected to be \$380,000 less than budget, direct expenditure is expected to be \$178,000 less than budget (net direct cost will be \$202,000 unfavourable), depreciation is expected to be \$86,000 less than budget, and interest from sale proceeds is expected to be \$150,000 favourable. This leaves a total net favourable variance of \$34,000.	34,000	34,000			
Claudelands Bridge abutment - protection works have been completed and the final cost of the works is \$194,000 (\$365,000 capital spend less a subsidy of \$171,000 from NZTA).	171,000	171,000	(365,000)	(365,000)	
Transportation renewals programmes - the programme approved by NZTA was less than the Council approved budget. As such, transportation renewals will be \$426,000 less than budget and NZTA subsidy will be \$426,000 less than budget. The spend in subsidised renewals will be \$950k less than budget and the spend in non-subsidised renewals will be \$500k more than budget but the net cost to Council will not change.	(426,000)	(426,000)	426,000	426,000	
New structure to extract water from the Waikato River (PIF 12031) - the total approved cost for this project will be \$900,000 less than the budget per the annual plan.			900,000	900,000	
Replacement of Refuse Transfer Station assets (PIF 9012) - final market is \$400,000 less than expected.			400,000	400,000	
Replacement of channel lining on the Waitawhiriwhiri Stream (PIF 9014) - this project is no longer required and funding is being released.			270,000	270,000	

**Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary**

	Operating Impact		Balance Sheet Impact		
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	Following Year
Compassionate Property Purchases - purchase of two properties affected by roading designation on compassionate grounds. Council were advised in approving these purchases that the funding was unbudgeted and the costs would be managed from debt capacity through the Risks and Opportunities schedule. Costs are being charged to PIF 12001 New roading in Peacocke.			(980,000)	(980,000)	
Transportation - Budget surplus in PIF 12053, 12068 \$347,000.			347,000	347,000	
Stormwater - budget surplus in PIF 9015 and 12094 total \$341,000.			341,000	341,000	
Wastewater - Budget surplus in PIF 9024, 12067, 12068 total \$269,000 less budget overspend in PIF 12009 Treatment Plant Upgrade \$117,000 as per Pukete 2 report.			152,000	152,000	
Water supply - budget surpluses in PIF 9025, 12030, 12077, 12079, 12080 total \$407,000.			414,000	414,000	
Ring Road subsidy - due to delays in the project, a deferral of \$10.5m is required. This also results in a reduced subsidy of \$5.8m. Both items will occur in later years. As final timing is dependent on third party agreement this is uncontrollable.		(5,808,000)	10,560,000	10,560,000	(4,752,000)
CITY INFRASTRUCTURE TOTAL	(264,000)	(6,072,000)	14,030,000	14,030,000	(4,752,000)
CUSTOMER RELATIONSHIPS					
Unfavourable operating costs - personnel costs of \$222k due to permanent replacements in the call centre, and extra casual staff to cover peak periods. There was also additional costs for contract staff and consultants to cover vacancies with other areas of the group and to complete project work. This is offset by favourable variances at group level.	(150,000)	(150,000)			
CUSTOMER RELATIONSHIPS TOTAL	(150,000)	(150,000)	0	0	0

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	Following Year
EVENTS AND ECONOMIC DEVELOPMENT					
Lost rental revenue - Due to sale of the BNZ and the ANZ. This is \$734,000 less the partial offset by interest savings of \$300,000. This was approved by Council.	(434,000)	(434,000)			
Lost rental revenue - From the Beggs Wiseman building not achievable due to non tenancy.	(130,000)	(130,000)			
Operating Savings - Savings in Strategic Property and Economic Development from controlling costs.	255,000	255,000			
Revenue shortfall - driven by falling Theatres revenue.	(153,000)	(153,000)			
Structural assessment - Additional costs associated with Founders and Clarence St Theatre gifting.	(34,000)	(34,000)			
Legal costs - Associated with Waikato Shows Trust arbitration (Claudelands).	(120,000)	(120,000)			
Reduced revenue for the Zoo Strategic Plan - Expectation that the cost of the Zoo plan would be recovered.	(80,000)	(80,000)			
Lease Expense - Cost of (1) removal of abandoned tyres and (2) extension to term of lease from Kiwi Rail to allow sufficient time to remove the tyres. The tyres have been abandoned by a failed tenant and Council has a legal obligation to remove them prior to returning the site to Kiwi Rail	(290,000)	(290,000)			
EVENTS AND ECONOMIC DEVELOPMENT TOTAL	(986,000)	(986,000)	0	0	0
FINANCE					
Unfavourable operating costs - additional role required for the Development Contributions team (segregation of duties as required by Internal Audit). Legal and consulting costs related to Development contributions have also been higher than expected. Additional staff resources were also required for the ten year plan and back filling of roles for the financial system implementation.	(130,000)	(130,000)			
FINANCE TOTAL	(130,000)	(130,000)	0	0	0
ORGANISATIONAL DEVELOPMENT					
Upgrades to Core Software Applications - includes Recoveries from another local authority (\$304k) and project and programme contingency not used			750,000	750,000	
Finance Lease for Infrastructure Equipment - As a result of extending the PC lease time from three to four years savings have been achieved.			190,000	190,000	
ORGANISATION DEVELOPMENT TOTAL	0	0	940,000	940,000	0

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	Following Year
PERFORMANCE					
Insurance - the insurance programme has been placed through a LASS collective programme and has resulted in a reduction of insurance premiums.	50,000	50,000			
Shared Water Business Case - contribution to Water CCO business case project (50% share), along with Waikato and Waipa Councils. Estimated cost is \$325,000 less \$75,000 offset available funding in Performance Admin. This joint project was approved by Council.	(250,000)	(250,000)			
Fuel - savings resulting from lower fuel prices due to the drop in global price of oil.	100,000	100,000			
Major Painting - activity management plan work has identified major painting works have been incorrectly classified as capital expenditure. There will be a nil impact on overall cash flow.	(300,000)	(300,000)	300,000	300,000	
Pensioner Housing - revenue is ahead of budget and operating expenditure is lower than anticipated.	100,000	100,000			
Art Gallery - contributions received towards the Art Gallery upgrade.	87,000	87,000	(87,000)	(87,000)	
Strategy - professional service are tracking lower than anticipated as various works have been completed in-house. Savings of \$177k have been achieved which is offset by an unfavourable personnel cost variance of (\$93k).	84,000	84,000			
Partnership with Maori - professional services lower than expected due to a delay in contract work with the service provider.	70,000	70,000			
Pensioner Housing Renewals - reduced renewal programme reflecting essential health and safety works following the decision to sell Pensioner Housing portfolios. All costs are reserve funded and any savings remain in a cash backed reserve.			450,000		
PERFORMANCE TOTAL	(59,000)	(59,000)	663,000	213,000	0
COUNCIL WIDE					
ACC Levies - budget is higher than expected outcome by \$350k.	300,000	300,000			
COUNCIL WIDE TOTAL	300,000	300,000	0	0	0
Net Business Impact before Debt Servicing, Development Contributions, Unrealised Gains/Losses and Non Cash	(58,000)	(5,866,000)	13,299,000	12,849,000	(4,827,000)

**Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary**

	Operating Impact		Balance Sheet Impact		
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	Following Year
SUMMARY					
Future Years	0	(5,808,000)	10,560,000	10,560,000	(4,752,000)
Permanent Impact	(58,000)	942,000	2,739,000	2,289,000	(75,000)
Debt Servicing and Development Levies	0	0	0	0	0
Development Contributions	8,319,000	8,319,000	0	0	0
Debt Servicing	1,350,000	1,350,000	0	0	0
Non Cash items	0	0	0	0	0
Vested Assets	0	11,500,000	0	0	0
Depreciation	(700,000)	(700,000)	0	0	0
WIP Reclassifications	(912,000)	(912,000)	0	0	0
Unrealised Gains/Losses	0	(14,100,000)	0	0	0
Surplus (Deficit)	7,999,000	591,000	13,299,000	12,849,000	(4,827,000)

TREASURY - SUMMARY REPORT

31 May 2015

Policy Compliance

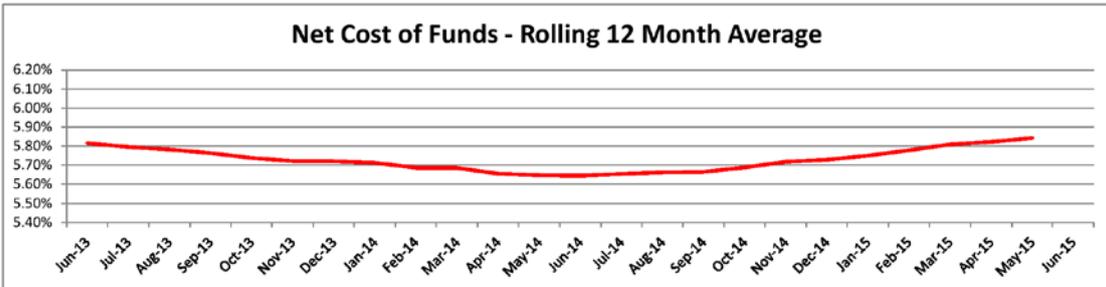
	Policy	Result @ 31-May-15	Policy Compliance
Fixed debt parameters	fixed	50% - 95%	90% ✓
Fixed rate maturity	1 - 3 years	15% - 60%	16% ✓
	3 - 5 years	15% - 60%	26% ✓
	5 years plus	15% - 60%	58% ✓
Funding maturity	0 - 3 years	15% - 60%	59% ✓
	3 - 5 years	15% - 60%	21% ✓
	5 years plus	10% - 40%	21% ✓
Liquidity ratio	minimum	110%	121% ✓
Counterparty credit risk	maximum	\$50m per bank	- ✓

Comments on policy breaches

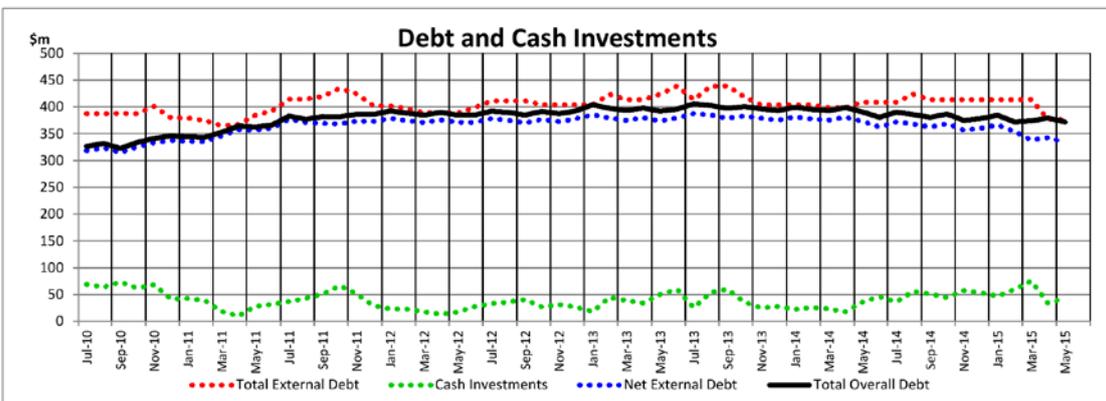
There are no breaches of policy.

Finance Costs (\$'000's)	Result @ 31-May-15	Budget @ 31-May-15	Variance Fav. / (Unfav.)	Annual Budget
Interest and financing costs paid (net of interest paid to reserves)	21,322	21,825	503	23,809
less Interest received	(2,246)	(1,100)	1,146	(1,200)
Net finance costs	19,076	20,725	1,649	22,609

Weighted average net cost of funds (12 month rolling average)	5.84%	-	-	-
---	-------	---	---	---

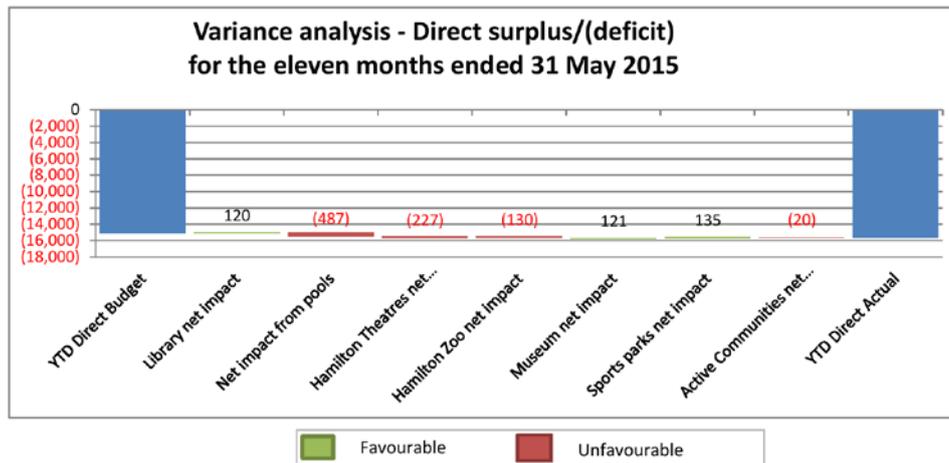


Debt and Cash Investments (\$'000's)	Result @ 31-May-15	Budget @ 30-Jun-15	Variance Fav. / (Unfav.)
External debt	376,997	429,190	52,193
less Cash investments	(43,013)	(29,300)	13,713
Net external debt	333,984	399,890	65,906
add Cash-backed reserves	37,967	17,368	(20,599)
Total overall debt	371,951	417,258	45,307



ARTS AND RECREATION for the eleven months ended 31 May 2015

Prior YTD Actual \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Direct				
6,330	6,519	7,324	(805)	7,830
21,303	22,120	22,437	317	24,430
(14,974)	(15,601)	(15,113)	(488)	(16,600)
Indirect				
4,297	4,403	4,909	506	5,356
2,372	2,406	2,930	523	3,196
547	529	573	44	625
7,216	7,338	8,412	1,074	9,177
(22,189)	(22,939)	(23,525)	586	(25,777)



Variance explanations on next page.

Variance explanation:

The Arts and Recreation activity comprises Theatres, The Zoo, Sports Parks, Libraries, Museum and Arts, Active Communities, Swimming and Recreation. The activity is \$805K unfavourable in revenue and \$317K favourable in expenditure. This results in a net direct deficit of \$488K with the big variances explained as follows:

Hamilton theatres - net direct deficit \$227K unfavourable. Theatres have a revenue shortfall against budget of \$545K, the net direct deficit is primarily driven by the revenue shortfall and unbudgeted cost associated with structural assessment for Founders and Theatres gifting \$34K. Forward bookings are as expected but will not improve the current under budget result. A number of un-resolved internal recharge anomalies require attention.

Hamilton Zoo - net direct deficit \$130K unfavourable. Revenue is behind budget targets by \$93K, revenue targets for this year included an additional \$80K to offset the cost of the Zoo Strategic Plan, this \$80K has been identified as a risk on the Risk and Opportunity Report dated 31 January 2015. Revenue of \$35K was not captured for the month and will appear in June. Increased Zoo expenditure of \$37K is due to unbudgeted reactive maintenance required following tree fall damage, increased zoo animal food costs and an increase in the leave accrual due to the parental leave adjustment put through in May.

Active communities - grants previously received and allocated to fund community based projects have been reduced by \$135k from previous years. Overall there is a nil impact on the bottom line as allocated expenditure is capped at the level of funding received.

Pools revenue is (\$248K) unfavourable against budget and includes Club Aqua gym income which is tracking better than the original expected annual shortfall of (\$371k) previously reported to the Finance Committee. Membership has increased from 600 to 1000 members from 1 July. Gym expenditure is currently tracking \$73k favourable against budget. There is an overall net cash contribution towards pool

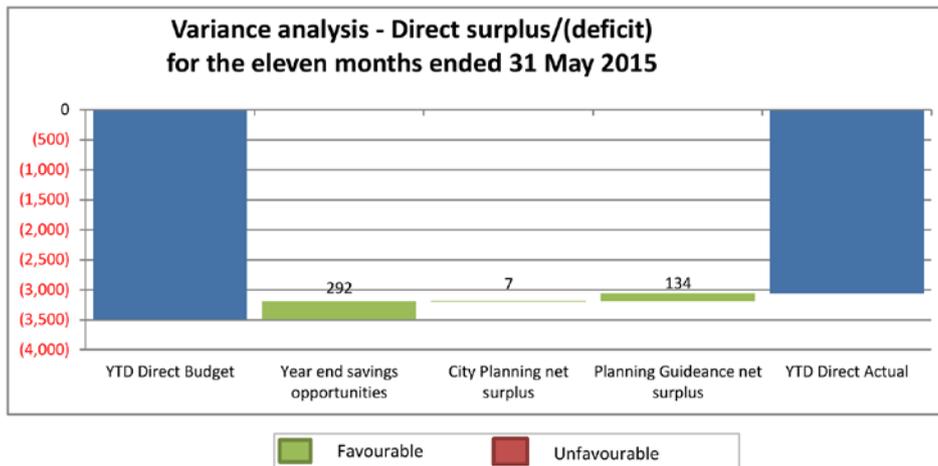
Pools expenditure is (\$334k) unfavourable against budget. Salaries are \$179k over budget due to higher

Sports Parks - 135k favourable revenue includes a \$96k external capital contribution for the Porritt Stadium Upgrade. Maintenance charges are also lower than expected.

Museum & Library - Unfavourable salary variances Museum (\$24k) and Library (\$105k) as various positions have been regraded during the year to bring them up to market level. The Library variance is offset by favourable revenue. Museum exhibit costs are lower than the budget anticipated.

CITY PLANNING AND DEVELOPMENT
for the eleven months ended 31 May 2015

Prior YTD	Year to Date		Variance Favourable/ (Unfavourable)	Annual Budget	
	Actual	Budget			
\$000	\$000	\$000	\$000	\$000	
Direct					
1,524	Revenue	1,421	1,026	395	1,119
5,185	Expenditure	4,478	4,517	39	4,928
(3,661)	Direct surplus/(deficit)	(3,058)	(3,491)	434	(3,809)
Indirect					
804	Corporate overheads	895	918	23	1,001
0	Asset costs (depreciation)	0	0	0	0
0	Net finance revenue (expense)	0	0	0	0
804		895	918	23	1,001
(4,465)	Operating surplus/(deficit)	(3,953)	(4,409)	456	(4,810)



Variance explanations on next page.

Variance explanation:

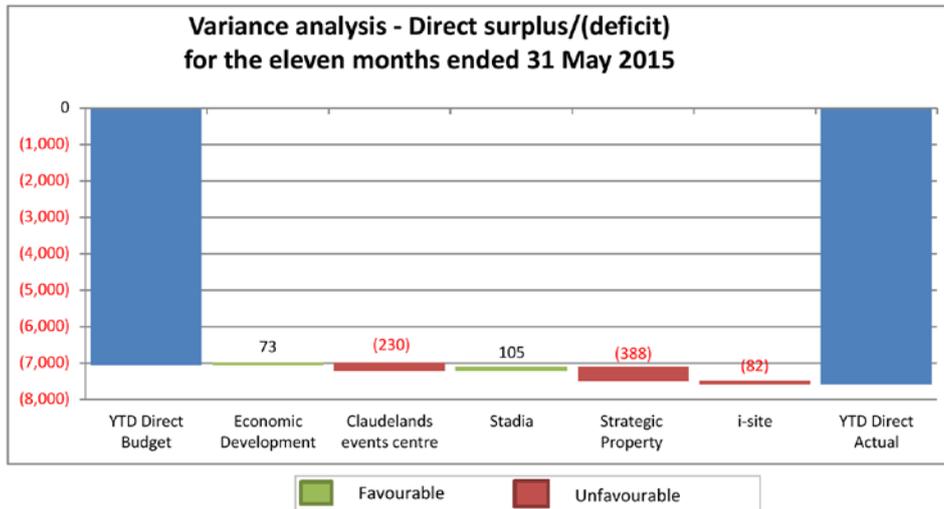
The City Planning and Development activity comprises City Planning and Planning Guidance. The activity is showing a \$395K increase in revenue and a \$39K decrease in costs. This results in a net direct surplus of \$434K with key drivers of this variance explained as follows:

City Planning - net surplus \$299K favourable. Expenditure is \$296K favourable YTD with the District Plan Review timing and progress in resolving the appeals now tracking as previously reported. \$292K is identified as an opportunity and has been reported on Risk and Opportunities.

Planning Guidance - net surplus \$134K favourable. Revenue is \$391K favourable YTD, offsetting related unfavourable expenditure of \$257K, due to higher activity levels. The favourable revenue is due to the increase in resource consents processed and is the key driver for increased expenditure.

CITY PROSPERITY
for the eleven months ended 31 May 2015

Prior YTD Actual \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Direct				
9,472	9,648	8,934	714	9,924
16,199	17,229	15,990	(1,239)	17,333
(6,727)	(7,581)	(7,056)	(525)	(7,409)
Indirect				
1,816	1,947	1,978	31	2,158
2,567	2,335	2,002	(333)	2,184
6,098	5,911	6,394	483	6,975
10,481	10,193	10,374	181	11,317
(17,207)	(17,774)	(17,430)	(344)	(18,726)



Variance explanations on next page.

Variance explanation:

The City Prosperity activity comprises Economic Development, i-Site, Claudelands Event Centre, Stadia (Waikato Stadium and Seddon Park) and Strategic Property. The activity is showing a net direct deficit of \$344K with the big variances shown as follows:

Economic Development - net surplus \$73K favourable. This is due to the timing of large events and sponsorships. Continued tight cost containment and the ceasing of temporary staffing in February 2015 are the drivers of the forecasted year end favourable variance of \$200K. This opportunity has been identified on Risk and Opportunities.

Claudelands Events Centre - net deficit \$230K unfavourable. Revenue is \$40K or 1% unfavourable and continues to trend close to budgeted revenue expectations. Claudelands expenditure is \$190K unfavourable, predominantly due to legal costs for the Waikato Shows Trust arbitration (refer Risk and Opportunity report) YTD spend \$99K and the cost of staff which is on par with 2013/14 actuals.

Stadia - net surplus \$105K favourable. Capital Contributions for Seddon Park contributed \$378K to the favourable revenue. Cricket World Cup activity delivered an on budget result. Expenditure over-run driven by increased contractor costs for temporary stand.

Strategic Property - net deficit \$388K unfavourable. Revenue \$522K unfavourable due to continued vacancy in the Beggs Wiseman building \$108K and the sale of investment properties \$567K. Commercial revenue is forecast to be down on budget target at year end by \$863K primarily as a result of property sales. Associated short term interest savings of \$300K will be achieved as a result of asset sales. Total direct expenditure under budget by \$133K (includes tyre removal payment).

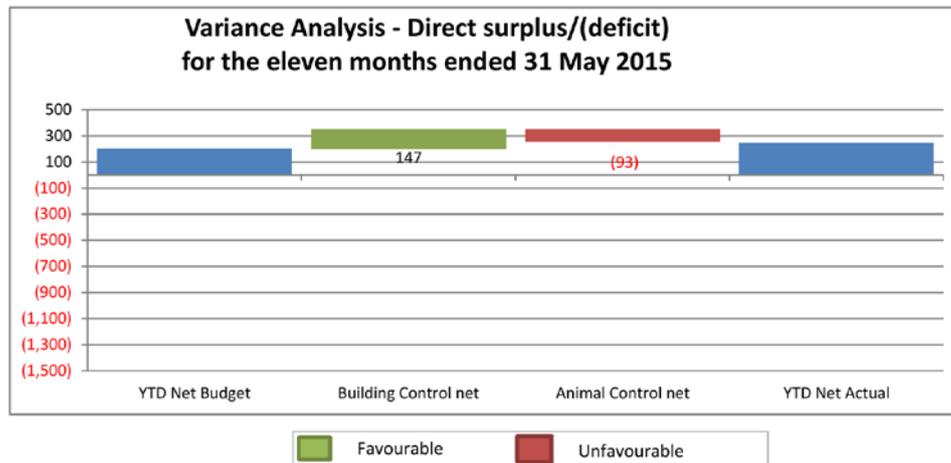
i-Site - net deficit \$82K unfavourable. Revenue \$50K unfavourable and expenditure \$32K unfavourable.

CLAUDELANDS EVENTS CENTRE for the eleven months ended 31 May 2015

Prior YTD Actual \$000	Year to Date		Variance \$000	Annual \$000
	Actual \$000	Budget \$000		
Direct				
2,688	2,741	2,782	(40)	3,035
6,397	6,592	6,403	(190)	6,985
(3,709)	(3,851)	(3,621)	(230)	(3,950)
Indirect				
535	560	633	73	691
835	830	813	(17)	887
3,884	3,767	4,074	308	4,445
5,254	5,156	5,521	364	6,023
(8,963)	(9,007)	(9,141)	134	(9,972)

CITY SAFETY
for the eleven months ended 31 May 2015

Prior YTD Actual \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Direct				
7,396	7,859	6,929	930	7,457
8,361	7,614	6,726	(888)	7,372
(964)	245	204	41	86
Indirect				
1,285	1,224	1,547	322	1,687
56	47	36	(11)	39
33	33	35	3	39
1,374	1,304	1,618	314	1,765
(2,338)	(1,059)	(1,414)	356	(1,679)



Variance explanations on next page.

Variance explanation:

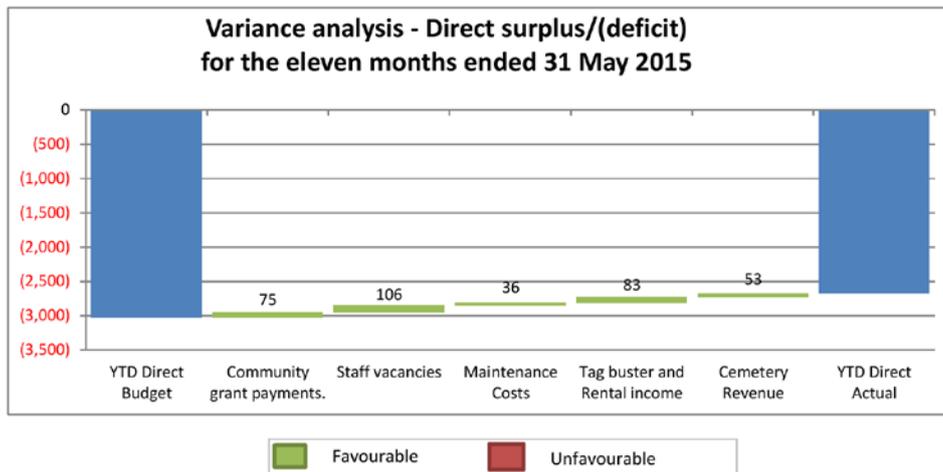
The City Safety activity comprises building control, animal control, city safe operations, food premises, public health, environmental control and liquor licensing. The activity is showing a \$930K increase in revenue and a matching \$888K increase in costs. This results in a net direct surplus of \$41K with key drivers of this variance explained as follows:

Building control's direct revenue is \$898K favourable YTD offsetting unfavourable expenditure of \$751K - a net favourable result of \$147K. Drivers of the unfavourable expenditure are personnel costs and contractors to meet building consent processing demand and statutory timeframes. The favourable result is being applied to speed up the digitisation of paper building records to allow the effective implementation of the Mobile solutions for inspectors in June 2015.

Animal Control direct revenue is \$14K favourable due to locating more dogs that have previously been unregistered and cost recovery of some vet fees. Direct expenditure is \$107K unfavourable -the three major contributors to the increased expenditure are legal fees associated with prosecutions, court fees and staff costs. Measures are being put in place to reduce legal fees by upskilling staff to process prosecutions in house. Staff budgets have historically not fully reflected actuals and this has been corrected through the LTP 2015-25.

COMMUNITY SERVICES
for the eleven months ended 31 May 2015

Prior YTD Actual \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000	
	Actual \$000	Budget \$000			
Direct					
3,400	Revenue	3,483	3,342	141	3,698
6,009	Expenditure	6,160	6,372	212	7,187
(2,609)	Direct surplus/(deficit)	(2,677)	(3,030)	353	(3,489)
Indirect					
974	Corporate overheads	1,014	964	(50)	1,051
107	Asset costs (depreciation)	92	127	35	139
81	Net finance revenue (expense)	76	83	7	91
1,162		1,183	1,175	(8)	1,281
(3,771)	Operating surplus/(deficit)	(3,859)	(4,205)	345	(4,771)



Variance explanations on next page.

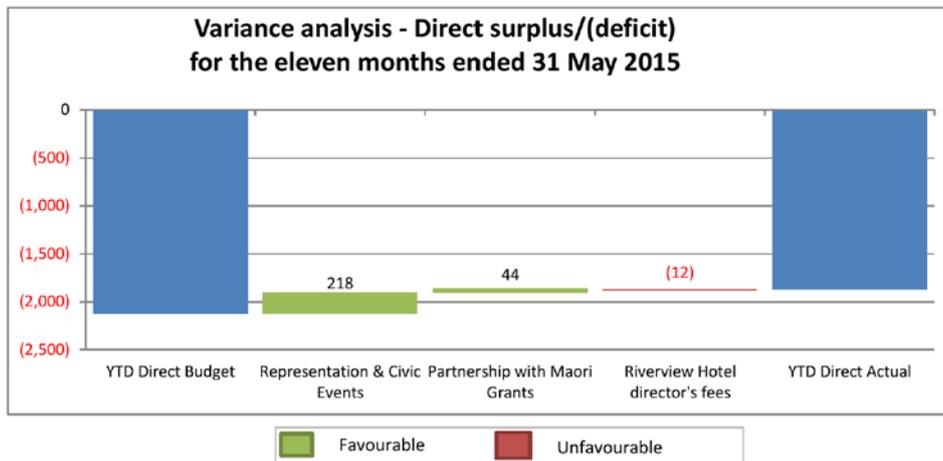
Variance explanation:

Revenue - favourable variances of \$53k for Cemetery plot sales and burials, \$19k graffiti removal and \$69k rental of Community Centres and Pensioner Housing.

Expenditure - favourable variance of 212k includes One Victoria Grant \$75k, favourable staff costs \$106k (the result of vacancies that existed earlier in the year) and lower than budgeted maintenance works. The latter is expected to be favourable at year end.

DEMOCRACY
for the eleven months ended 31 May 2015

Prior YTD Actual \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Direct				
217	16	28	(12)	30
2,102	1,886	2,149	262	2,403
(1,885)	(1,871)	(2,121)	250	(2,373)
Indirect				
2,645	2,620	2,648	28	2,888
0	0	0	0	0
0	0	0	0	0
2,645	2,620	2,648	28	2,888
(4,530)	(4,491)	(4,768)	278	(5,261)



Variance explanations on next page.

Variance explanation:

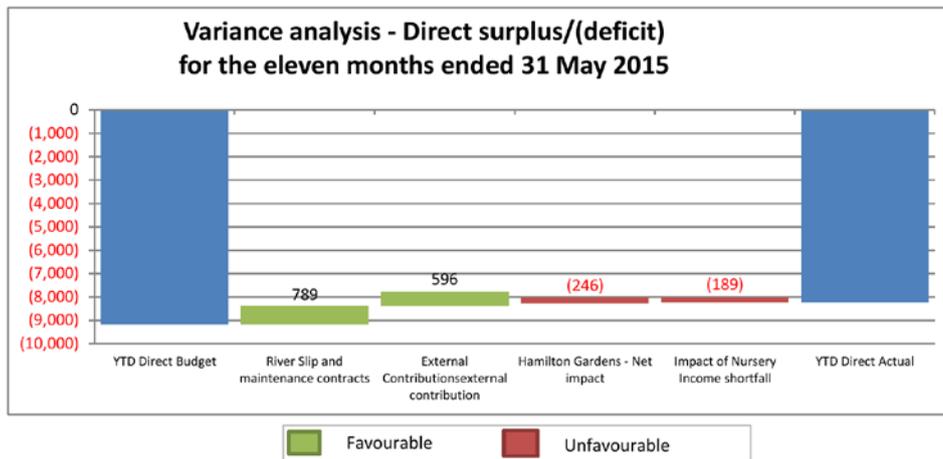
Unfavourable revenue relates to the loss of the Riverview Hotel's directorship income as Council's interest in the venture has been sold.

Partnership with Maori - professional service costs favourable as the use of the new service providers has been less than expected. \$70k is included as a saving on the risk and opportunities report.

Representation and Civic Affairs. Various favourable variances including training, civic ceremony costs, photocopying and elected member remuneration. The latter is expected to be favourable at year end.

PARKS AND OPEN SPACES
for the eleven months ended 31 May 2015

Prior YTD	Year to Date		Variance Favourable/ (Unfavourable)	Annual Budget	
	Actual	Budget			
\$000	\$000	\$000	\$000	\$000	
Direct					
1,136	Revenue	1,866	1,196	670	1,347
9,025	Expenditure	10,079	10,359	281	11,390
(7,889)	Direct surplus/(deficit)	(8,213)	(9,163)	950	(10,043)
Indirect					
1,193	Corporate overheads	1,256	1,180	(75)	1,288
1,511	Asset costs (depreciation)	1,300	1,448	148	1,580
1,276	Net finance revenue (expense)	1,237	1,338	102	1,460
3,980		3,792	3,967	175	4,327
(11,869)	Operating surplus/(deficit)	(12,005)	(13,130)	1,125	(14,370)



Variance explanations on next page.

Variance explanation:

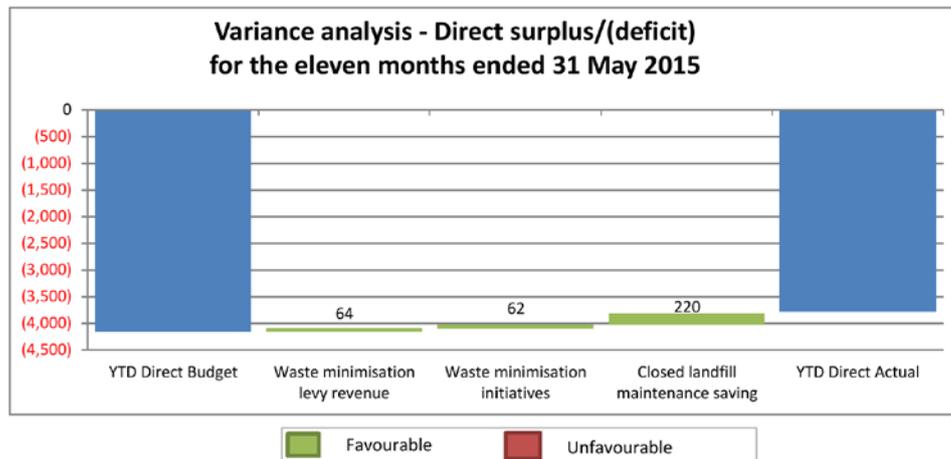
Parks and Open Spaces. Favourable revenue includes contributions received for Bryce Street Riverbank Slip remediation work \$408k, for Natural Area projects \$110k. Both items are included on the risk and opportunities report. Project Watershed income is also above budget as it has been billed in advance. Favourable expenditure as the project has been incorrectly budgeted as operating expenditure. The project value is \$670k is flat phased over the year and the overall impact is nil as any operating expenditure underspend will be offset by increased capital expenditure. The favourable variance is offset by charges from the Nursery. (Refer next item below)

Nursery revenue is \$189k below budget and as the Nursery is a Support Unit and is reflected in Parks & Open Spaces direct expenditure. A review of operations is in progress and the Committee will be advised of the outcome of the review in July.

Hamilton Gardens is (\$246k) unfavourable against budget forecast. Part of the variance relates to increased planned maintenance as items fell beneath the capitalisation threshold. Other unfavourable variances include personnel (\$118k), cleaning costs (\$64k). Also included are unbudgeted costs involved in the purchase of shop stock from the Friends of the Gardens. Unfavourable variances will be managed within existing budgets at group level. This is offset by favourable revenue - capital contribution towards gardens.

SOLID WASTE
for the eleven months ended 31 May 2015

Prior YTD Actual \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Direct				
323 Revenue	819	755	64	755
4,532 Expenditure	4,589	4,911	323	5,358
(4,209) Direct surplus/(deficit)	(3,769)	(4,156)	387	(4,602)
Indirect				
598 Corporate overheads	636	592	(44)	646
251 Asset costs (depreciation)	230	362	132	395
129 Net finance revenue (expense)	126	136	10	148
977	992	1,090	98	1,189
(5,186) Operating surplus/(deficit)	(4,761)	(5,246)	485	(5,791)



Variance explanations on next page.

Variance explanation:

The solid waste activity is showing a direct favourable variance of \$387k with the larger variances being:

Operating revenue year to date is \$64k favourable.

Waste minimisation levy revenue received is \$64k favourable due to the levy we have received from the Ministry for the Environment being more than budget.

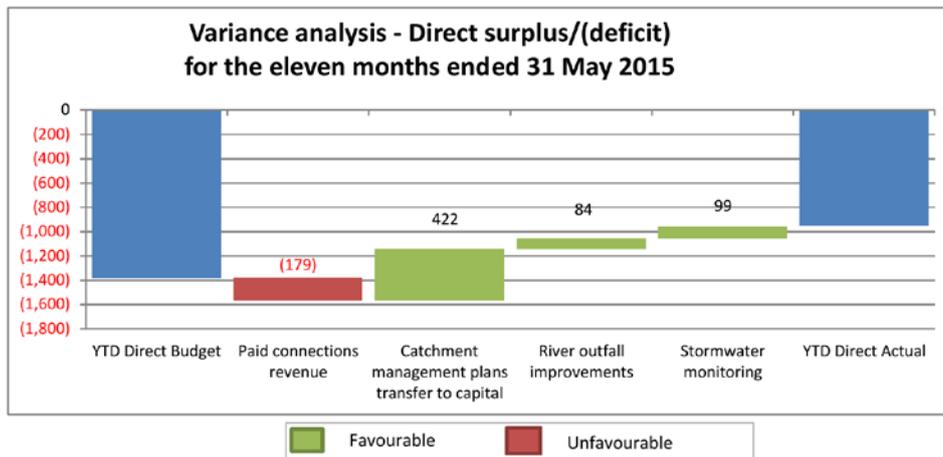
Operating expenditure year to date is \$289k favourable.

Waste minimisation initiatives are currently \$62k favourable and this work, which is waste levy funded, is expected to be \$35k favourable at year end. Any favourable variance will be treated as income in advance for the waste levy reserve. It is expected that this reserve will be fully spent during the next two years, leading up to a waste service change.

Closed landfills are favourable due to \$220k of maintenance savings due to optimising the capital programme (instead of maintaining we have renewed). This saving has been reported on the risks and opportunities register.

STORMWATER
for the eleven months ended 31 May 2015

Prior YTD Actual \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Direct				
133	354	547	(194)	574
1,529	1,306	1,931	625	2,107
(1,396)	(952)	(1,384)	432	(1,533)
Indirect				
258	273	255	(18)	279
5,102	5,156	5,231	75	5,706
346	336	363	28	396
5,706	5,765	5,849	84	6,381
(7,102)	(6,717)	(7,233)	516	(7,914)



Variance explanations on next page.

Variance explanation:

The stormwater activity is showing a direct favourable variance of \$432k with the larger variances being:

Operating revenue year to date is \$194k unfavourable.

Capital contributions for paid connections are \$179k below budget but as this is a user pays service this is offset by reduced capital expenditure. This unfavourable revenue won't be made up and is estimated to be \$170k by end of year (it is included on risks and opportunities together with other revenue implications from other connections).

Operating expenditure year to date is \$625k favourable.

Catchment management plans are \$422k favourable due to it being reclassified as capital expenditure. The total cost of the catchment management plan work is expected to be \$500k by the end of the year, which will be met within existing stormwater capital budgets. This leaves a forecast \$500k operational favourable variance, which has been reported on the risks and opportunities register.

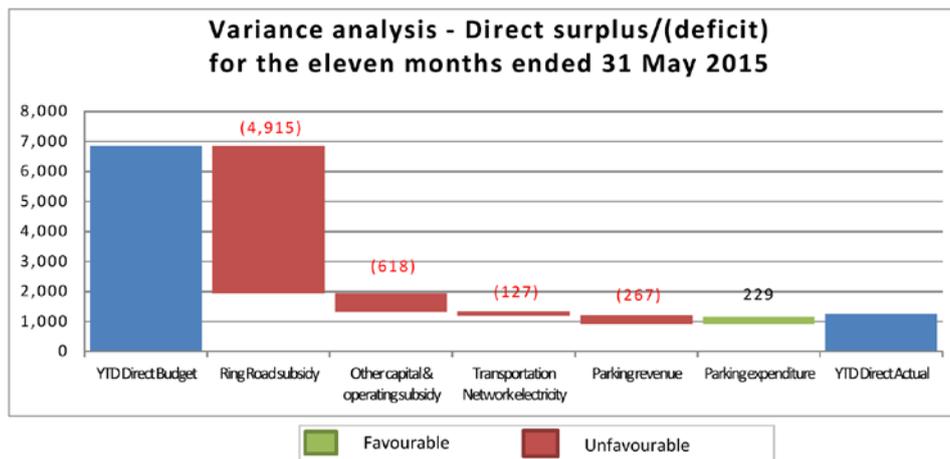
River outfall improvements are \$84k favourable due to the works being capital in nature and being completed within the existing capital budget. This leaves a forecast \$90k operational favourable variance, which has been reported on the risks and opportunities register.

Stormwater monitoring is \$99k favourable due to a review of required monitoring programme resulting in adjustments to deliver a programme over a two year period instead of a one year period.

Stormwater monitoring is \$99k favourable due to a review of required monitoring programme resulting in adjustments to deliver a programme over a two year period instead of a one year period.

TRANSPORTATION for the eleven months ended 31 May 2015

Prior YTD Actual \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000	
	Actual \$000	Budget \$000			
Direct					
14,480	Revenue	14,426	20,309	(5,883)	22,631
13,157	Expenditure	13,184	13,454	270	15,136
<u>1,324</u>	Direct surplus/(deficit)	<u>1,242</u>	<u>6,855</u>	<u>(5,613)</u>	<u>7,495</u>
Indirect					
2,701	Corporate overheads	2,780	2,672	(108)	2,915
15,230	Asset costs (depreciation)	15,625	15,956	331	17,406
6,040	Net finance revenue (expense)	5,858	6,337	479	6,912
<u>23,971</u>		<u>24,262</u>	<u>24,965</u>	<u>703</u>	<u>27,233</u>
<u>(22,647)</u>	Operating surplus/(deficit)	<u>(23,020)</u>	<u>(18,110)</u>	<u>(4,911)</u>	<u>(19,738)</u>



Variance explanations on next page.

Variance explanation:

The transportation activity comprises Transportation Network (including Travel Demand Management), Parking, and Transport Centre. The transportation activity is showing a direct unfavourable variance of \$5,613k with the larger variances being:

Operating revenue year to date is \$5,883k unfavourable.

NZTA subsidy received for the Ring Road project is \$4,915k lower than expected due to delays in the project. As this project will now occur in 2015/16 this revenue will be collected then. The end of year revenue shortfall for the Ring Road will be \$5,800k and this is included on the risks and opportunities register.

Other capital subsidy is \$547k below budget but this is offset by reduced subsidised capital expenditure due to the NZTA approved work programme being less than the approved budget. We expect renewals to be \$426k less than budget and subsidy to be \$426k less than budget and this has been reported on the Risks and Opportunities Register. Other operating subsidy is \$71k below budget but this is offset by reduced subsidised expenditure due to non-subsidised maintenance work programmes, such as litter control and landscape maintenance, being prioritised.

Parking revenue is \$267k unfavourable due largely to the sale of Knox Street but offset by increased parking revenue elsewhere. Knox Street revenue is also offset by reduced expenditure, depreciation, and interest, which is reported on the risks and opportunities register.

Operating expenditure year to date is \$270k favourable.

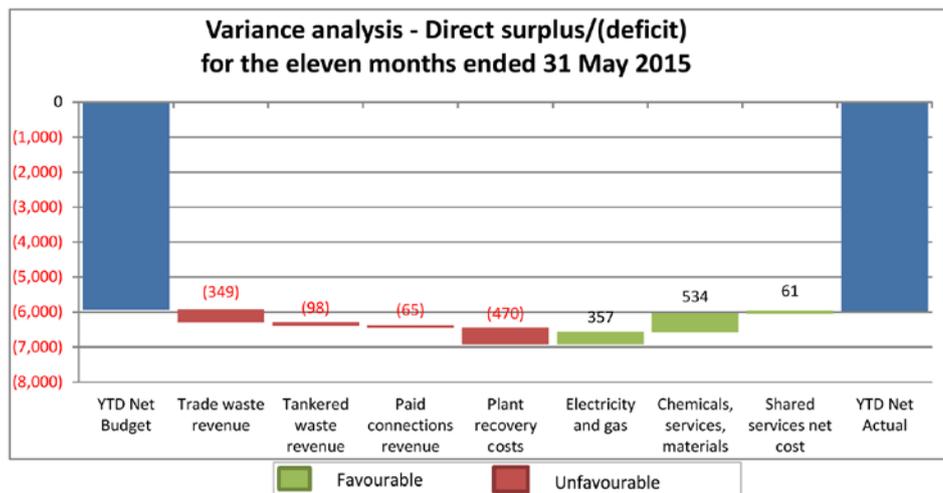
Transportation Network is \$127k unfavourable due to an unfavourable electricity expense but this will be managed within existing Transportation budgets.

Parking expenditure is \$229k favourable largely due to the sale of Knox Street.

Transport Centre expenditure is \$119 favourable (but this offsets unfavourable revenue of \$82k).

WASTEWATER for the eleven months ended 31 May 2015

Prior YTD Actual \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000	
	Actual \$000	Budget \$000			
Direct					
4,402	Revenue	3,879	4,420	(541)	5,402
10,793	Expenditure	9,839	10,358	519	11,299
(6,391)	Direct surplus/(deficit)	(5,960)	(5,938)	(22)	(5,897)
Indirect					
1,294	Corporate overheads	1,391	1,340	(51)	1,462
7,042	Asset costs (depreciation)	8,589	6,775	(1,814)	7,391
3,445	Net finance revenue (expense)	3,341	3,614	273	3,943
11,781		13,320	11,729	(1,591)	12,795
(18,172)	Operating surplus/(deficit)	(19,280)	(17,667)	(1,613)	(18,692)



Variance explanations on next page.

Variance explanation:

The wastewater activity comprises wastewater and shared services. The wastewater activity is showing a direct unfavourable variance of \$22k with the larger variances being:

Operating revenue year to date is \$541k unfavourable due to:

- \$349k unfavourable trade waste revenue
- \$98k unfavourable tankered revenue
- \$65k unfavourable paid connections revenue
- \$36k favourable shared services revenue

Capital contributions for paid connections are \$65k below budget but as this is a user pays service this is offset by reduced capital expenditure. This unfavourable revenue won't be made up and is estimated to be \$70k by end of year (it is included on risks and opportunities together with other revenue implications from other connections).

\$500k is included on the risks and opportunities schedule to include:

- \$400k for trade waste revenue from 2 major customers, one which has closed and one which is not discharging as predicted.
- \$100k from reductions in tankered waste, which was prohibited to protect treatment plant during breakdown event.

Unfavourable revenue is offset by corresponding favourable expenditure on consumables (power, gas, chemicals).

Operating expenditure year to date is \$519k favourable due to:

- \$470k unfavourable year to date plant recovery costs
- \$891k favourable year to date consumable and processing costs
- \$97k favourable shared services costs

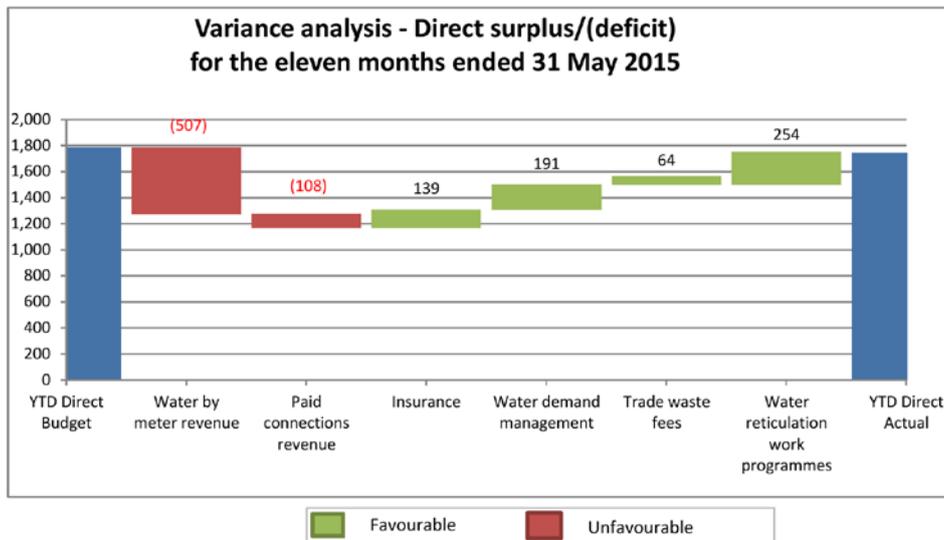
Operating plant recovery costs are on track with \$470k spent year to date. Plant recovery operating costs are expected to be \$605k by the end of the year and this is reported on the risks and opportunities register.

The plant recovery costs are being offset by favourable variances on processing resources (e.g. electricity and gas \$357k, and chemicals, services and materials \$534k) due to one-off reduced processing costs due to stability at the plant, a drier than expected 2014 winter, and reduced tankered waste processing costs.

Consumable and processing costs are expected to be \$650k favourable by the end of the year allowing for increased seasonal consumables, which will help to offset unfavourable revenue, and this is reported on the risks and opportunities register.

WATER SUPPLY
for the eleven months ended 31 May 2015

Prior YTD Actual	Year to Date		Variance Favourable/ (Unfavourable)	Annual Budget
	Actual	Budget		
\$000	\$000	\$000	\$000	\$000
Direct				
7,709 Revenue	7,608	8,272	(663)	8,807
5,863 Expenditure	5,865	6,488	623	7,078
1,847 Direct surplus/(deficit)	1,743	1,783	(40)	1,729
Indirect				
1,021 Corporate overheads	989	1,150	161	1,254
5,971 Asset costs (depreciation)	6,769	6,591	(178)	7,190
2,581 Net finance revenue (expense)	2,504	2,708	204	2,955
9,574	10,261	10,449	188	11,399
(7,727) Operating surplus/(deficit)	(8,518)	(8,666)	147	(9,670)



Variance explanations on next page.

Variance explanation:

The water activity is showing a direct unfavourable variance of \$40k with the larger variances being:

Operating revenue year to date is \$663k unfavourable due to water by meter revenue (\$507k), and a project with assumed subsidy not proceeding (\$108k).

Project 9027 to replace water mains during an intersection upgrade has not proceeded and has not received \$108k of assumed subsidy. The local share of funding has been reprioritised on risks and opportunities to fund the Garden Place car parking equipment.

Water by meter revenue is \$507k unfavourable due to a \$450k reduction in use by major customers with the biggest reduction from a customer who has completed their own private plant upgrades resulting in less water than expected from Council. Water revenue from high users is expected to be \$450k less than budget at year end and this has been reported on the risks and opportunities register.

Operating expenditure year to date is \$623k favourable due largely to:

Insurance is \$139k favourable year to date due to the timing of the premium for insurance on underground assets and the total premium being less than expected. The savings component forms part of the overall insurance saving on the risks and opportunities register.

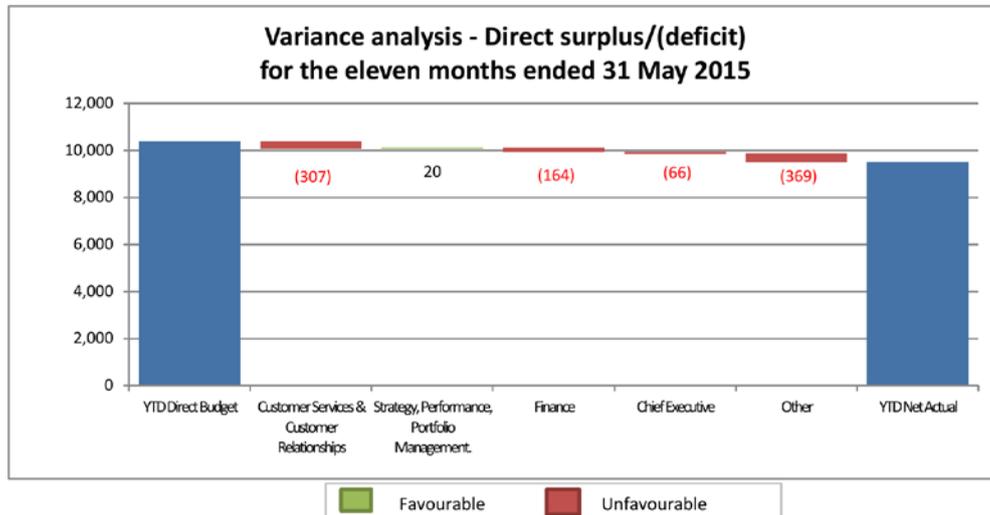
Water demand management expenditure is under budget by \$191k. Savings have been made in the water alert level campaign due to a shorter than expected alert period this summer and from only managing one alert level (i.e. we did not move from one alert level to another). Savings have also been achieved in the water demand management plan actions. It is expected water demand management will be \$200k favourable at year end and this has been reported on the risks and opportunities register.

Trade waste fees are \$64k favourable due to the costs being incurred in June but the budget being allocated to May. It is expected all of these costs will be incurred by 30 June.

Water reticulation work programmes are \$254k favourable due to prioritisation of work programmes and workloads. It is expected these programmes will be \$200k favourable at year end and this has been reported on the risks and opportunities register.

OVERHEADS
for the eleven months ended 31 May 2015

Prior YTD Actual \$000	Year to Date		Variance Favourable/ (Unfavourable) \$000	Annual Budget \$000
	Actual \$000	Budget \$000		
Direct				
35,519	35,180	36,011	(831)	39,285
24,916	25,668	25,613	(55)	28,132
10,604	9,512	10,398	(886)	11,153
Indirect				
0	0	0	0	0
10,505	9,452	10,092	639	11,009
45	59	132	73	144
10,550	9,512	10,224	712	11,153
54	0	174	(174)	(0)



Variance explanations on next page.

Variance explanation:

Customer Services (\$177k) Unfavourable - Variance is due to recruitment and training of new call centre staff, timing of income and expenditure. Operational adjustments are being made to address the variance.

Customer Relationships (\$130k) Unfavourable. Variances include unbudgeted spend on business activities covered by contract staff and consultants which will be addressed through timing and phasing.

Communication and Marketing (\$62k) Unfavourable. Variances due to additional marketing expenditure during this period and timing with revenue income for sponsorship.

Strategy \$157k Favourable - professional service costs track lower than budget as various works have also been completed in-house. Savings of \$229k have been achieved which is offset by an unfavourable personnel cost variance of (\$145k).

Performance (\$101k) Unfavourable. Contribution to Water CCO business case project (50% share), along with Waikato and Waipa Councils. Total estimated cost HCC \$325,000 less \$75,000 available funding in Performance Admin. This item is included in the Waters Business Case report to full Council on 30 October 2014. This will be offset by savings from within the Performance group.

Portfolio Management (\$36k) Unfavourable. Variance relates to a revenue target that is unachievable. This has been corrected in the ten year plan and will be managed within existing budgets at Performance group level.

Property Management (\$211k) Unfavourable. Fleet revenue is (\$107k) unfavourable and offset by 75k Capital contributions for Museum art gallery upgrade . The unfavourable expenditure variance includes (\$266k) of painting work reclassified as operating expenditure to capital offset by favourable fuel and insurance variances. Items related to insurance, fuel and paint reclassification are included on the risk and opportunities report.

Finance (\$175k) Unfavourable. Variances due to costs associated with development levy support, external support for the ten year plan, and the recruitment of the interim Chief Financial Officer. Operating savings are being made to partially reduce the unfavourable variance.

Chief Executive (\$66k) Unfavourable. Variance relates to recruitment costs associated with the Chief Executive.

Organisational Development \$638k Favourable. Variances include the timing of computer licence payments \$763k.

Committee: Finance Committee

Date: 23 July 2015

Report Name: Key Projects Report - June 2015

Author: Carol Serra

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Long Term Plan – 2012-2022 10 Year Plan – 2015-2025</i>
Financial status	<i>Budget is as per project – noted in detail on individual project reports</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

2. To provide an overview of the key projects underway at Hamilton City Council for the June 2015 period.
3. To provide an overview of PMO activity in relation to key projects, across the organisation.

4. Executive Summary

5. The June 2015 key projects summary report is provided as Attachment 1.
6. Project YTD spend figures are provisional for all projects.
7. Financial System IT Implementation is showing amber – this is due to time delays which have been previously signaled.
8. Consolidation of business case activity (arising from the 10 year plan) was provided to SLT in early June and Business Case requirements identified.
9. PMO will continue to address PWC review recommendations.
10. The full key projects report for June 2015 is available on request (via Mary Birch).

Recommendation from Management

That the report be received.

11. Attachments

12. Attachment 1 - Key Projects Summary Report - June 2015

13. Key Issues

14. One project is showing amber:
 - Financial System IT Implementation (the original project timeline has been exceeded- however no other project impact is foreseen and completion is scheduled for September 2015)
15. One project has changed from amber to green:
 - Hamilton Ring Road Upgrade and Extension (the macro scope of the Cambridge Road to Cobham Drive section was approved at the 7 July Strategy and Policy Committee meeting)
16. One project has now been completed and closed (YTD spend information is provisional but not expected to change):
 - 2015-25 10-Year Plan Project (successfully completed 30 June 2015)
17. All YTD Spend figures, for the open projects, are provisional for June – the confirmed YTD spend will be provided in the July report
18. PMO has provided SLT with a consolidated view of Business Cases required covering years 1-3 of the 10 year plan (2015-2025).
19. PMO is continuing to work through a process in conjunction with City Transportation staff to finalise the business case process which will be required to be applied to all projects seeking NZTA funding.
20. The second project governance training session was delivered to 10 senior staff on 11 June.

21. Financial and Resourcing Implications

22. Nil new

23. Risk

24. 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 group/GM project sponsor.
25. Any change to risk profile or risk rating is included in the key projects summary report for each project.
26. As previously reported (Finance Committee 23 April 2015) the PWC assurance review of HCC's project management framework identified two high risks and six moderate risks.
27. The review of PMO as part of the support services review process and the organisational structure changes have been major contributors to minimal progress occurring between April and July. These elements will impact on previously reported timelines and priorities which will need to flex to accommodate timing for appointment of General Managers and realignment of CEO priorities.

Signatory

Authoriser	Blair Bowcott, General Manager Performance Group
------------	--

Key Projects Summary Report - June 2015 (Full Key Projects report available in Trim [D-1852541](#))

Total Number of Projects	Count	Project Status	Risks
Project Status – On Track	7		Increased = ↑
Project Status – Needs to be Monitored	1		Unchanged = →
Project Status – Needs urgent management attention	0		Decreased = ↓

Project/ Programme Name	Project Sponsor	Project Manager	Start date	Expected completion date	Total project budget	Total project cost to TD	YTD spend 7/2014- 6/2015	Project Status	Project Exception Report	Risks
2015-25 10-Year Plan Project ❖	Richard Briggs	Paul Gower and Sarah Ward	01-May-14	30-Jun-15	\$ 450,373	\$ 416,659	\$ 363,286		Final Key Projects report. Project was successfully completed 30 June 2015.	Closed
Financial System IT Implementation ❖	Richard Briggs	Mark Donnelly	1-Oct-13	15-Sept-15	\$ 2,312,740	\$ 2,301,816	\$ 493,487		The timing has been exceeded for this project, therefore it will remain in an Amber status until completed. Following a change request, this project is now due to be completed in September 2015. No other project impact arising.	→
Hamilton Ring Road Upgrade and Extension ❖	Chris Allen	Chris Barton	1-Jul-03	31-Dec-16	\$ 84,270,900	\$ 73,671,243	\$ 4,799,800		Project status has gone from amber to green, following the macro scope of the Cambridge Road to Cobham Drive section being approved at the 7 July Strategy and Policy Committee meeting.	→
District Plan Review – Phase VIII ❖	Brian Croad	Luke O’Dwyer	01-Jan-10	31-Dec-16	\$ 5,417,224	\$ 5,536,446	\$ 948,280		Total project cost figure is approved budget and approved changes up to 14/15 FY. Cost overspend has been absorbed through operational budgets. Funding of \$750,919 has been approved for 15/16 FY and will be effective from 1 July 2015.	→
Hamilton Gardens Development ❖	Lance Vervoort	Helen Paki	02-Jun-14	31-Dec-18	\$ 7,587,000	\$ 402,058	\$ 402,058			→
Rototuna Town Centre – New Agreement Phase ❖	Lance Vervoort	Helen Paki	02-Apr-13	29-Nov-15	\$ 2,087,800	\$ 243,609	\$ 276,000			→
Southern Links – Designation as part of the Peacocke Structure Plan ❖	Chris Allen	Tony Denton	01-Jul-09	31-Dec-16	\$ 3,577,000	\$ 3,301,915	\$ 650,000		Following a change request, this project is now due to be completed in December 2016.	→
Rototuna Reservoir and Bulk Watermains Development ❖	Tony Denton	Chris Barton	01-Mar-15	30-Jun-18	\$ 19,279,000	\$ 557,000	\$ 557,000			→

❖ Note: Total Project cost TD & YTD spend for 7/2014-6/2015 figures are provisional, as annual processing has yet to be completed. Confirmed spend will be provided in the July report.

Committee: Finance Committee

Date: 23 July 2015

Report Name: Procurement Report

Author: Scott Copeland

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Not Applicable</i>
Financial overview	<i>Not Applicable</i>

1. Purpose of the Report

- The purpose of this report is to provide the Finance Committee with information on a standard set of Council procurement metrics.

3. Executive Summary

- This report gives an overview of procurement activities for Hamilton City Council for the period 1 April 2015 to 30 June 2015.

Recommendation from Management

That the report be received.

5. Attachments

- Attachment 1 - Procurement KPI Dashboard
- Attachment 2 - Contracts Awarded By Council Between 1 April and 30 June 2015
- Attachment 3 - Contracts Currently Being Tendered Or Under Evaluation
- Attachment 4 - Professional Services Panel Instruction For Services Issued By Council Between 1 April and 30 June 2015
- Attachment 5 - Professional Service Spend by Financial Year

11. Key issues

- The Procurement KPI Statistics Dashboard is contained in Attachment One.
- The ten year forecast for procurement savings is contained within the Procurement KPI Statistics Dashboard. The ten year forecast for procurement savings is currently \$9.68 million. Savings are calculated from the contract start until the end of contract and are benchmarked against pre contract costs unless there is a reasonable expectation that these savings will continue post contract expiry. Savings are shown in the financial year they will fall.

- Attachment Two shows all contracts awarded by Council for the period between 1 April 2015 and 30 June 2015.
- Attachment Three shows all contracts currently being tendered or under evaluation.
- Attachment Four shows all Professional Service Panel Instruction for Services issued by Council for the period between 1 April 2015 and 30 June 2015.
- Attachment Five shows all Professional Service spend for Council by category for the last three financial years as well as spend by Professional Services Provider for the 1 July 2014 and 30 June 2015.

12. Risks and legal implications

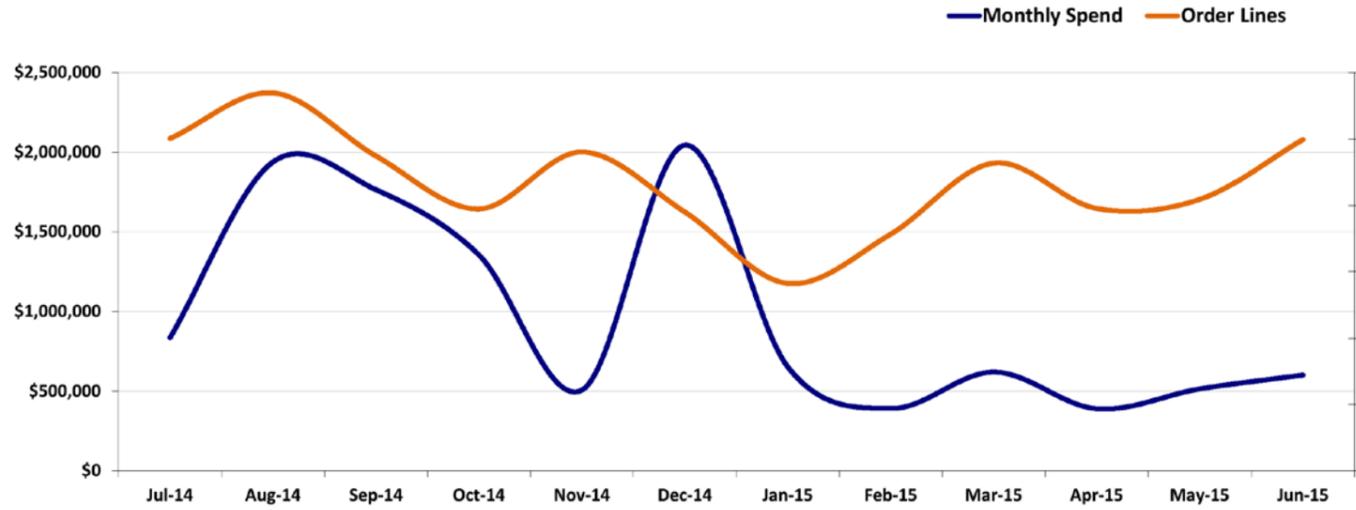
13. Not Applicable

Signatory

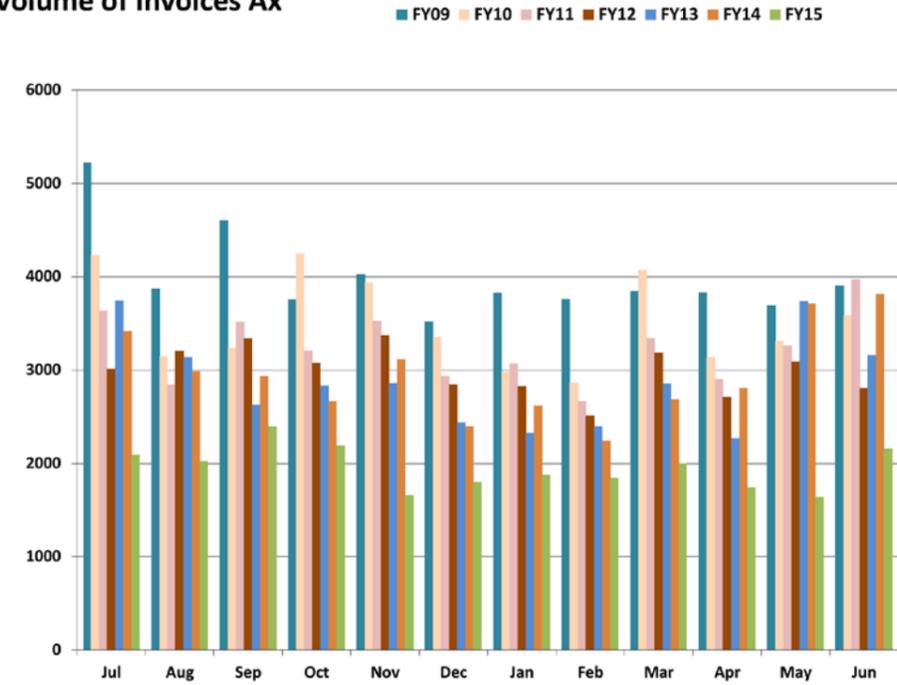
Authoriser	Paul Conder, Chief Financial Officer
------------	--------------------------------------

PROCUREMENT - KPI Statistics Dashboard

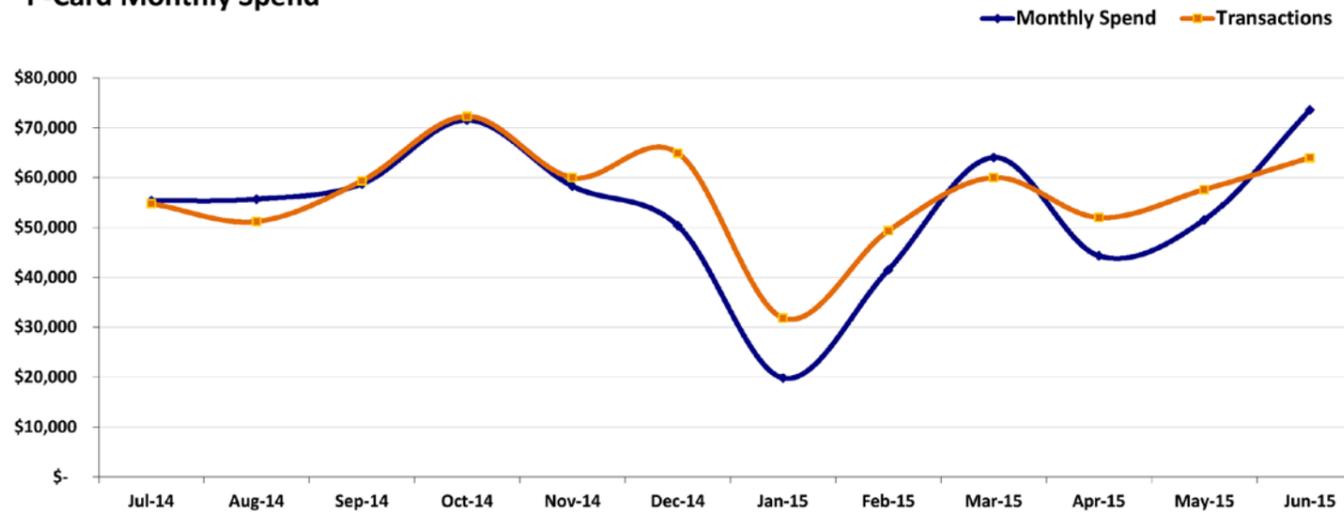
Unimarket Monthly Spend



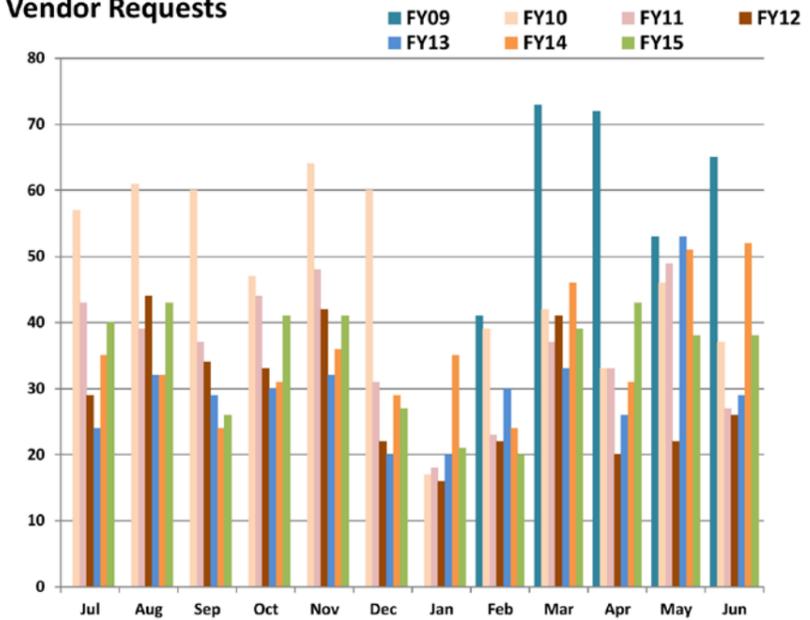
Volume of Invoices Ax



P-Card Monthly Spend

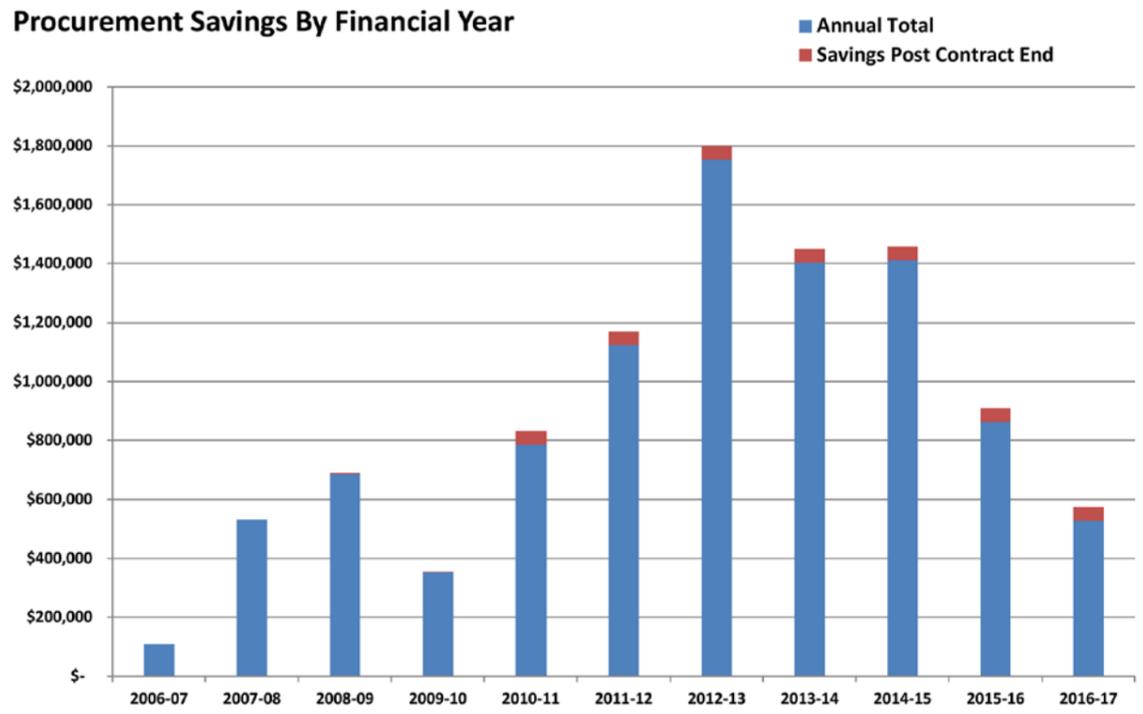


New Vendor Requests

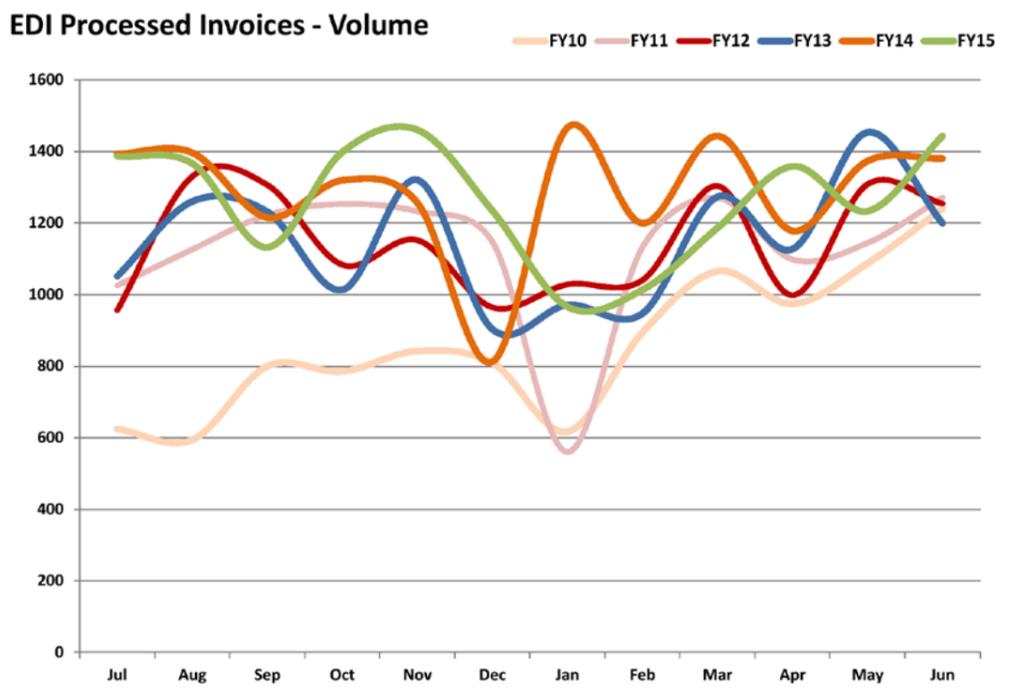


PROCUREMENT - KPI Statistics Dashboard

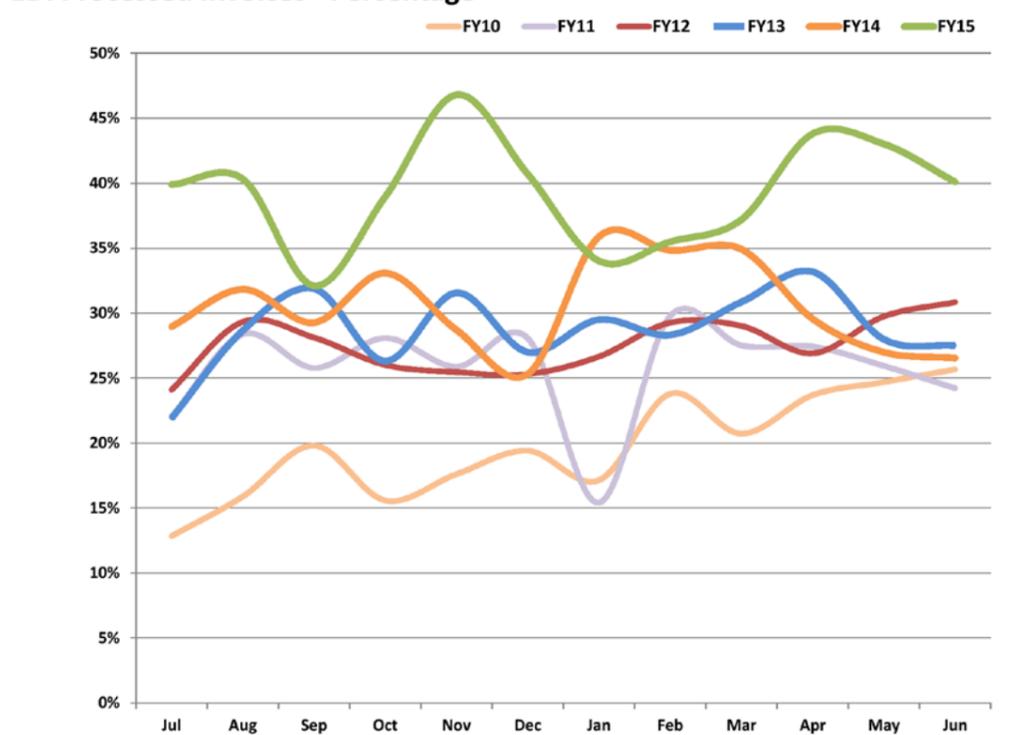
Procurement Savings By Financial Year



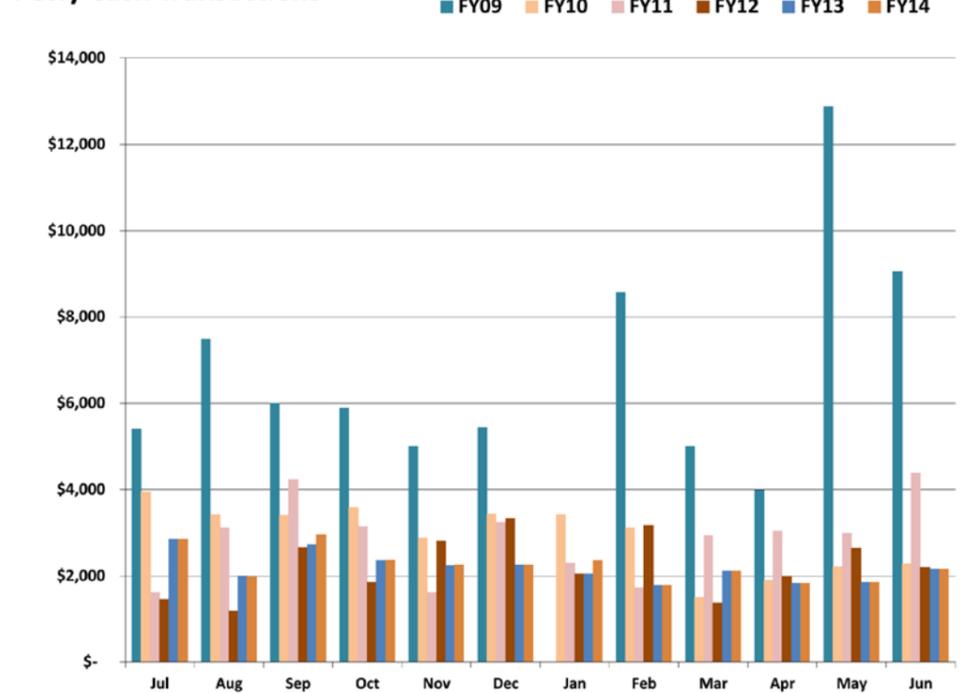
EDI Processed Invoices - Volume



EDI Processed Invoices - Percentage



Petty Cash Transactions



Contracts Awarded Between 1 April and 30 June 2015

Contract No.	Contract Description / Name	NZTA	Public or Private	RFX Method	Supplier Selection Method	Contract Delivery Model	Approved By	Approved Date	Contractor	Current Approved Contract Sum	Approved Contract Start Date	Approved Contract End Date
14010	Sand Filter Backwash Pump Installation	Not Funded	Public	RFQ	Price Quality	Minor Work	Chris Allen - General Manager - City Infrastructure	23/04/2015	Industrial Welding Ltd	\$ 120,000	12/05/2015	30/06/2015
14086	Grit Classifier Pipework Renewal	Not Funded	Public	Direct Appointment	Direct Appointment	Minor Work	Chris Allen - General Manager - City Infrastructure	15/04/2015	HEB Construction Ltd	\$ 40,000	20/04/2015	8/05/2015
14201	Odour Investigation and Media Replacement	Not Funded	Private	Direct Appointment	Direct Appointment	Minor Work	Chris Allen - General Manager - City Infrastructure	1/04/2015	Armatech Environmental Ltd	\$ 26,000	15/12/2014	30/05/2015
14214	Garden Place Library Fire Compliance Upgrade	Not Funded	Private	RFT	Price Quality	Minor Work	Elton Parata - Unit Manager - Property & Risk	15/05/2015	Argus Fire Systems Servies Ltd	\$ 80,453	18/05/2015	24/06/2015
14215	Waikato Museum Fire Compliance Upgrade	Not Funded	Private	RFP	Price Quality	Minor Work	Blair Bowcott - General Manager - Performance	30/04/2015	Fire Security Services Ltd	\$ 359,830	12/05/2015	26/06/2015
14260	Non-Executive Director Search - Waikato Innovation Park Limited	Not Funded	Public	Direct Appointment	Direct Appointment	IPENZ Short Form	Sean Murray - General Manager - Events & Economic Development	21/04/2015	Kerridge & Partners	\$ 60,000	5/02/2015	31/05/2015
14261	MoU Waikato Museum and Tuahu Watene (Te Paepae Tapu O Te Whare Pupuri Taonga O Waikato)	Not Funded	Private	Direct Appointment	Direct Appointment	Bespoke	Richard Briggs - Chief Executive	23/04/2015	Tuahu Watene	\$ 50,000	2/04/2015	1/04/2016
14262	MoU Waikato Museum and Heketarangi Broadhurst (Te Paepae Tapu O Te Whare Pupuri Taonga O Waikato)	Not Funded	Private	Direct Appointment	Direct Appointment	Bespoke	Richard Briggs - Chief Executive	23/04/2015	Heketarangi Broadhurst	\$ 50,000	2/04/2015	1/04/2016
14264	Rototuna Reservoir Preload	Not Funded	Public	RFT	Price Quality	NZS 3910 Traditional	Richard Briggs - Chief Executive	15/05/2015	Schick Construction and Cartage Ltd	\$ 895,000	18/05/2015	30/06/2015
14277	Chlorine Scrubber Installation	Not Funded	Public	RFT	Weighted Attributes	NZS 3910 Traditional	Chris Allen - General Manager - City Infrastructure	15/05/2015	Filtration Technology Ltd	\$ 325,000	3/06/2015	28/08/2015
14281	Boundary Road Bridge & Hamilton Parade Steps Replacement	Not Funded	Public	RFQ	Price Quality	Minor Work	Sally Sheedy - Unit Manager - Parks and Open Spaces	24/04/2015	Kingan Landscaping Ltd	\$ 61,136	30/04/2015	30/05/2015
14290	Siamang Exhibit Construction	Not Funded	Public	RFT	Price Quality	Minor Work	Richard Briggs - Chief Executive	21/04/2015	Fletcher Construction Ltd	\$ 281,840	28/04/2015	24/07/2015
14315	Mooney Park Playground Renewal Landscaping	Not Funded	Private	RFQ	Price Quality	Minor Work	Gina Hailwood - Team Leader - City Landscapes	17/04/2015	Fluhler Contracting Ltd	\$ 24,809	12/05/2015	22/05/2015
14319	Design Work for Smart Water Curriculum Resource	Not Funded	Private	Direct Appointment	Direct Appointment	Bespoke	Chris Allen - General Manager - City Infrastructure	23/04/2015	Anomaly	\$ 10,000	31/03/2015	30/06/2015
14327	Baverstock Road Stormwater Relocation	Not Funded	Private	Direct Appointment	Direct Appointment	Instruction for Service	Chris Allen - General Manager - City Infrastructure	1/04/2015	West Construction Ltd	\$ 75,000	2/04/2015	24/04/2015

Appendix 2

1

Contracts Awarded Between 1 April and 30 June 2015

Contract No.	Contract Description / Name	NZTA	Public or Private	RFX Method	Supplier Selection Method	Contract Delivery Model	Approved By	Approved Date	Contractor	Current Approved Contract Sum	Approved Contract Start Date	Approved Contract End Date
14328	Minogue Park Playground Renewal Landscaping	Not Funded	Private	RFT	Price Quality	Minor Work	Lance Vervoort - General Manager - Community	30/04/2015	Fluhler Contracting Ltd	\$ 217,480	13/05/2015	17/07/2015
14333	City Infrastructure 2015-25 10 Year Plan Performance Measure Assurance	Not Funded	Private	Direct Appointment	Direct Appointment	IPENZ Short Form	Chris Allen - General Manager - City Infrastructure	12/04/2015	Brian Smith Advisory Services Ltd	\$ 20,000	7/04/2015	30/06/2015
14338	Minogue Park Playground Renewal Water Play	Not Funded	Private	Direct Appointment	Direct Appointment	Minor Work	Lance Vervoort - General Manager - Community	9/04/2015	Playground People Ltd	\$ 25,000	16/04/2015	12/06/2015
14339	City Infrastructure End to End Revenue Process Review	Not Funded	Private	Direct Appointment	Direct Appointment	IPENZ Short Form	Chris Allen - General Manager - City Infrastructure	12/04/2015	Kaizen Institute	\$ 25,000	23/03/2015	30/06/2015
14341	Ruakura Variation - Landscape and Visual Amenity Assessment	Not Funded	Private	Direct Appointment	Direct Appointment	IPENZ Short Form	Brian Croad - General Manager - City Environments	9/04/2015	Isthmus	\$ 35,000	19/03/2015	29/04/2015
14342	Mobility Data Integration Project	Not Funded	Private	Direct Appointment	Direct Appointment	IPENZ Short Form	Olly Te Ua - General Manager - Organisational Development	16/04/2015	Absolute IT	\$ 70,000	27/04/2015	28/08/2015
14366	Delivery of Waugh Consultancy Services	Not Funded	Private	Direct Appointment	Direct Appointment	IPENZ Short Form	Olly Te Ua - General Manager - Organisational Development	30/04/2015	Waugh Infrastructure Management Ltd	\$ 60,000	14/04/2015	30/07/2015
14368	Contracted Project Management Resource	Not Funded	Private	Direct Appointment	Direct Appointment	Bespoke	Olly Te Ua - General Manager - Organisational Development	21/04/2015	Absolute IT	\$ 25,000	23/04/2015	29/06/2015
14371	Removal of Tyres From Frankton Rail Yard	Not Funded	Private	Direct Appointment	Direct Appointment	Bespoke	Finance Committee	23/04/2015	Kawerau Tyre Storage Ltd (T/A 'Ecoversion')	\$ 248,900	7/04/2015	31/05/2015
14380	Development Contribution Model Review	Not Funded	Private	Direct Appointment	Direct Appointment	Bespoke	Blair Bowcott - General Manager - Performance	4/05/2015	PricewaterhouseCoopers	\$ 50,000	4/05/2015	30/06/2015
14384	Review of Potential Conflicts of Interest	Not Funded	Private	Direct Appointment	Direct Appointment	Bespoke	Blair Bowcott - General Manager - Performance	7/05/2015	PricewaterhouseCoopers	\$ 25,000	1/03/2015	1/06/2015
14386	Primary Sedimentation Tank Rails	Not Funded	Private	Direct Appointment	Direct Appointment	Minor Work	Chris Allen - General Manager - City Infrastructure	20/05/2015	Industrial Welding Ltd	\$ 80,000	21/05/2015	30/09/2015
14403	SVDS Data Supply Agreement	Not Funded	Private	Direct Appointment	Direct Appointment	Bespoke	Richard Briggs - Chief Executive	10/06/2015	Local Authority Shared Services Ltd	\$ 78,000	1/06/2015	31/05/2019
14405	Siamang Restraint Cage	Not Funded	Private	Direct Appointment	Direct Appointment	Minor Work	Sean Murray - General Manager - Events & Economic Development	26/05/2015	Shanalli Holdings Ltd (T/A Shane Graves Builder)	\$ 21,700	18/06/2015	31/08/2015

Contracts Awarded Between 1 April and 30 June 2015

Contract No.	Contract Description / Name	NZTA	Public or Private	RFX Method	Supplier Selection Method	Contract Delivery Model	Approved By	Approved Date	Contractor	Current Approved Contract Sum	Approved Contract Start Date	Approved Contract End Date
14409	Future Proof Independent Chair	Not Funded	Private	Direct Appointment	Direct Appointment	IPENZ Short Form	Brian Croad - General Manager - City Environments	2/06/2015	Wasley Knell Consultants Ltd - Bill Wasley	\$ 45,000	1/04/2015	31/03/2016
14412	Project Management 10 Year Plan	Not Funded	Private	Direct Appointment	Direct Appointment	IPENZ Short Form	Blair Bowcott - General Manager - Performance	27/05/2015	Working Smarter	\$ 50,000	4/05/2015	30/06/2015
14416	Development Contributions Policy Support	Not Funded	Private	Direct Appointment	Direct Appointment	IPENZ Short Form	Blair Bowcott - General Manager - Performance	29/05/2015	Greg Castens	\$ 99,500	13/07/2015	4/12/2015
14438	Business Analysis Services for Information Services	Not Funded	Private	Direct Appointment	Direct Appointment	Bespoke	Olly Te Ua - General Manager - Organisational Development	15/06/2015	NineTwenty Ltd	\$ 50,000	1/07/2015	31/10/2015
14440	Hamilton Gardens Nursery Review	Not Funded	Private	Direct Appointment	Direct Appointment	Bespoke	Lance Vervoort - General Manager - Community	12/06/2015	PricewaterhouseCoopers	\$ 18,000	24/04/2015	29/05/2015
14447	Asset Valuation Assistance	Not Funded	Private	Direct Appointment	Direct Appointment	IPENZ Short Form	Paul Conder - Chief Financial Officer	18/06/2015	SPM Assets Ltd	\$ 75,000	23/04/2015	31/08/2015
14451	UFB2 ROI Support	Not Funded	Private	Direct Appointment	Direct Appointment	IPENZ Short Form	Aaron Felming - Unit Manager - Strategy and Research	18/06/2015	Deahnn Tinsley	\$ 5,500	18/06/2015	3/07/2015
14461	Scaffolding for WWTP Acid Digester 2 Cleaning and Condition Assessment	Not Funded	Private	Direct Appointment	Direct Appointment	Minor Work	Chris Allen - General Manager - City Infrastructure	19/06/2015	A-Z Scaffolding Ltd	\$ 20,000	29/06/2015	10/07/2015

Contracts Currently Being Tendered or Under Evaluation

Contract Status	Contract No.	Contract Description / Name	NZTA Funded	Public or Private	RFX Method	Supplier Selection Method	Contract Delivery Model	Estimated Value
Tender	14025	Hamilton Organic Recycling Centre Wall Replacement	Not Funded	Public	RFT	Price Quality	Minor Work	\$ 115,000
RFX Evaluation	14362	Low River Contingency Building Works	Not Funded	Private	RFT	Price Quality	NZS 3910 Traditional	\$ 528,000
Tender	14390	Council Chamber Voting Board Upgrade	Not Funded	Private	REOI	Quality	Bespoke	\$ 30,000
RFX Evaluation	14414	Hamilton Gardens Infrastructure Project	Not Funded	Public	RFT	Price Quality	NZS 3910 Design & Build	\$ 450,000

Definition of Terms	
RFX	A generic abbreviation that covers all 'Request for "processes"'. i.e.:
<i>RFP</i>	Request for Proposal
<i>RFT</i>	Request for Tender
<i>RFQ</i>	Request for Quotation
<i>REOI</i>	Request for Expression of Interest
	The RFX Specifies what Council wishes to purchase, the terms and conditions plus instructions on how to bid and respond.
Estimated Value	The total estimated cost of contract over the proposed contract term (which may be subject to negotiation).
Public or Private	Private or Public RFX:
<i>Private RFX</i>	Limited numbers of Tenderers' are invited to submit a tender without public advertisement of Contract.
<i>Public RFX</i>	A publically advertised tender that any party may respond to.

PSP's Awarded Between 1 April and 20 June 2015

PSP Number	Description	NZTA	Consultancy Company	Group	Unit	IFS Signatory	Date IFS Signed	Current Approved
PSP 14098	Mangaiti and Te Manatu Parks Concept Development Plans	Not Funded	Mansergh Graham Landscape Architects	Community	Parks and Open Spaces	Gina Hailwood - Team Leader - City Landscapes	22/06/2015	\$ 12,690
PSP 14249	WWTP RAS Pipe system Strengthening Work	Not Funded	AECOM	City Infrastructure	City Waters	Bridget Morgan - Asset Management Planning Team Leader	30/03/2015	\$ 8,960
PSP 14255	Treatment Plants Project Works Planning	Not Funded	Beca Ltd	City Infrastructure	City Development	Chris Barton - Project Development Manager	10/02/2015	\$ 5,000
PSP 14266	Review Report for 10 Parr Street	Funded	AECOM	Community	Parks and Open Spaces	Sally Sheedy - Unit Manager - Parks and Open Spaces	23/02/2015	\$ 4,000
PSP 14292	Shared Services - Sub-Regional Water Management Plan Strategy Overview Document	Not Funded	MWH New Zealand Ltd	City Infrastructure	City Waters	Andrew Parsons - Unit Manager - City Waters	24/03/2015	\$ 19,700
PSP 14313	Structural Engineering Check on WaterWorld Hydroslide and Dive Tower	Not Funded	Opus International Consultants	Performance	Property & Risk	Stu Girvan - Operations Manager - Property	17/06/2015	\$ 5,500
PSP 14330	Hamilton South Reservoir Roof Water Proof Review	Not Funded	CH2M Beca Ltd	City Infrastructure	City Waters	Bridget Morgan - Asset Management Planning Team Leader	8/04/2015	\$ 8,880
PSP 14332	WWTP Screen Room Crane Modification	Not Funded	AECOM	City Infrastructure	City Waters	Bridget Morgan - Asset Management Planning Team Leader	9/04/2015	\$ 5,000
PSP 14340	Model Maintenance and Engagement Framework	Not Funded	Beca Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	1/04/2015	\$ 5,000
PSP 14346	Stormwater Master Plan	Not Funded	Morphum Environmental Ltd	City Infrastructure	City Development	Chris Allen - General Manager - City Infrastructure	4/05/2015	\$ 230,028
PSP 14347	Technical Advice Mangaheka ICMP	Not Funded	Beca Ltd	City Infrastructure	City Development	Tony Denton - Unit Manager - City Development	11/05/2015	\$ 50,000
PSP 14348	Garden Place Carpark Analysis	Not Funded	MRCagney Pty Ltd	City Infrastructure	City Transportation	Robyn Denton - Acting Unit Manager - City Transportation	17/04/2015	\$ 5,000
PSP 14353	Design of Pictorial Perspectives	Not Funded	de Lisle Jenkins Architects Ltd	Community	Hamilton Gardens (Incl. Nursery)	Peter Sergel - Director - Hamilton Gardens	8/05/2015	\$ 15,000
PSP 14354	Benefits Consulting for the Mobility Project	Not Funded	Xelocity	Organisational Development	Information Services	David Gunn - Chief Information Officer	22/04/2015	\$ 6,000
PSP 14355	Design and Project Management for Surrealist Garden	Not Funded	de Lisle Jenkins Architects Ltd	Community	Hamilton Gardens (Incl. Nursery)	Peter Sergel - Director - Hamilton Gardens	8/05/2015	\$ 36,885
PSP 14356	Design and Project Management for Concept Garden	Not Funded	de Lisle Jenkins Architects Ltd	Community	Hamilton Gardens (Incl. Nursery)	Peter Sergel - Director - Hamilton Gardens	8/05/2015	\$ 40,000
PSP 14357	Design and Project Management for Lawn Court	Not Funded	de Lisle Jenkins Architects Ltd	Community	Hamilton Gardens (Incl. Nursery)	Peter Sergel - Director - Hamilton Gardens	8/05/2015	\$ 12,500
PSP 14361	Rototuna Reservoir Peer Review	Not Funded	Beca Ltd	City Infrastructure	City Development	Chris Barton - Project Development Manager	30/04/2015	\$ 15,000
PSP 14364	Member of Urban Design Panel	Not Funded	Beca Ltd	City Environments	City Planning	Alice Morris - Policy Team Leader - City Planning	4/05/2015	\$ 5,000
PSP 14369	Beca - Delivery of the 2015-17 Plant Works Programme	Not Funded	Beca Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	11/04/2015	\$ 35,000
PSP 14370	MWH - Delivery of the 2015-17 Plant Works Programme	Not Funded	MWH New Zealand Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	16/04/2015	\$ 37,000
PSP 14375	Turf Analysis Waikato Stadium - April 2015	Not Funded	Recreational Services	Events and Economic Development	Event Facilities	Karl Johnson - Turf Manager H3 - Waikato Stadium	5/05/2015	\$ 3,100
PSP 14379	Concept Plan for Lake Domain Reserve Management Plan	Not Funded	Boffa Miskell Ltd	Community	Parks and Open Spaces	Renee McMillan - Team Leader, Assets & Planning	19/05/2015	\$ 8,946

PSP's Awarded Between 1 April and 20 June 2015

PSP Number	Description	NZTA	Consultancy Company	Group	Unit	IFS Signatory	Date IFS Signed	Current Approved
PSP 14381	Pukete Wastewater Pipe Bridge - Pipe Condition Assessment	Not Funded	AECOM	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	4/05/2015	\$ 5,805
PSP 14382	Bryce Street Stormwater Outfall Upgrade - Design	Not Funded	Bloxam Burnett & Olliver Ltd	City Infrastructure	City Development	Lance Haycock - Project Engineer	5/05/2015	\$ 8,440
PSP 14385	Resolution Drive Funding Application and Business Case	Not Funded	Gray Matter Ltd	City Infrastructure	City Development	Chris Barton - Project Development Manager	30/06/2015	\$ 10,000
PSP 14387	Garden Place Library Floor Cracks Assessment	Not Funded	Opus International Consultants Ltd	Performance	Property & Risk	Steve Cox - Contract Supervisor - Property	13/05/2015	\$ 4,000
PSP 14388	Design and Project Management of Tarot Court	Not Funded	de Lisle Jenkins Architects Ltd	Community	Hamilton Gardens (Incl. Nursery)	Peter Sergel - Director - Hamilton Gardens	21/05/2015	\$ 19,350
PSP 14391	Water Storage - Synergies Between Treatment Plant and Network	Not Funded	GHD Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	12/05/2015	\$ 7,700
PSP 14392	Solid Waste Contract Specialist	Not Funded	MWH New Zealand Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	19/05/2015	\$ 14,000
PSP 14393	Treatment Plants - Asset Lifecycle Information Management Roadmap	Not Funded	MWH New Zealand Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	8/05/2015	\$ 20,000
PSP 14394	Water Treatment Plant Permanent Intake Solution	Not Funded	GHD Ltd	City Infrastructure	City Development	Tony Denton - Unit Manager - City Development	7/05/2015	\$ 38,400
PSP 14395	Waitawhiriwhiri Stream Erosion Works - Aberdeen Drive	Not Funded	AECOM	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	8/05/2015	\$ 7,475
PSP 14397	Waikato Stadium Venue Naming Signage Resource Consent Application 2015	Not Funded	Bloxam Burnett & Olliver Ltd	Events and Economic Development	Event Facilities	Murray Jeffrey - Director Business Development & Marketing	18/05/2015	\$ 9,400
PSP 14398	Miscellaneous Environmental Engineering Work	Not Funded	Morphum Environmental Ltd	City Infrastructure	City Development	Tony Denton - Unit Manager - City Development	21/05/2015	\$ 100,000
PSP 14400	Design and Project Management of Hamilton Gardens Playground	Not Funded	de Lisle Jenkins Architects Ltd	Community	Hamilton Gardens (Incl. Nursery)	Peter Sergel - Director - Hamilton Gardens	18/06/2015	\$ 10,530
PSP 14402	Overall Project Management of Hamilton Gardens Projects	Not Funded	de Lisle Jenkins Architects Ltd	Community	Hamilton Gardens (Incl. Nursery)	Peter Sergel - Director - Hamilton Gardens	18/06/2015	\$ 10,000
PSP 14404	Mangaiti Park Topographic Survey	Not Funded	Waikato Roading Services Ltd	Community	Parks and Open Spaces	Renee McMillan - Team Leader, Assets & Planning	20/05/2015	\$ 2,000
PSP 14407	Organic Recycling Centre Pit Wall	Not Funded	AECOM	City Infrastructure	City Development	Chris Barton - Project Development Manager	2/06/2015	\$ 6,000
PSP 14408	Rototuna Bulkmain Booster Pump Investigation	Not Funded	Opus International Consultants	City Infrastructure	City Development	Chris Barton - Project Development Manager	29/05/2015	\$ 20,200
PSP 14410	Misc. Services for City Transportation - Opus	Funded	Opus International Consultants	City Infrastructure	City Transportation	Dawn Shannon - Asset Management Team Leader	11/06/2015	\$ 50,000
PSP 14411	Cadastral Data - Final Supply	Not Funded	Jacobs SKM (Sinclair Knight Merz) Ltd	Organisational Development	Information Services	Chris Mardon - Information Manager - Information Services	3/06/2015	\$ 1,251
PSP 14413	Wastewater Review for Bourn Brook Ave	Not Funded	Beca Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	18/05/2015	\$ 12,535
PSP 14417	GIS Systems Development and Support	Not Funded	Eagle Technology Group Ltd	Organisational Development	Information Services	David Gunn - Chief Information Officer	15/06/2015	\$ 35,000
PSP 14419	WTP Chemical Dosing System Condition Assessment	Not Funded	GHD Ltd	City Infrastructure	City Waters	Maire Porter - Water Operations Manager	27/05/2015	\$ 5,000
PSP 14420	MSQA for Parana Park Bridge	Not Funded	Bloxam Burnett & Olliver Ltd	Community	Parks and Open Spaces	Michael McCurdy - Taitua Arboretum Manager	2/06/2015	\$ 3,000
PSP 14421	WTP Upgrade Project Development Plan	Not Funded	GHD Ltd	City Infrastructure	City Waters	Andrew Parsons - Unit Manager - City Waters	28/05/2015	\$ 10,000

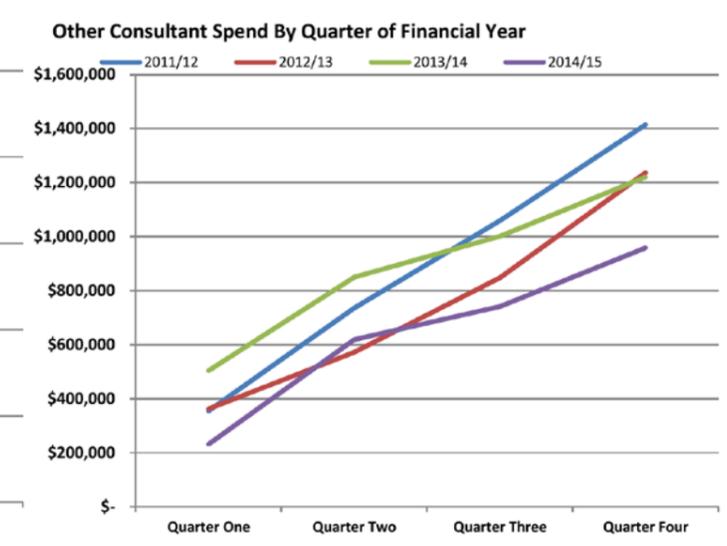
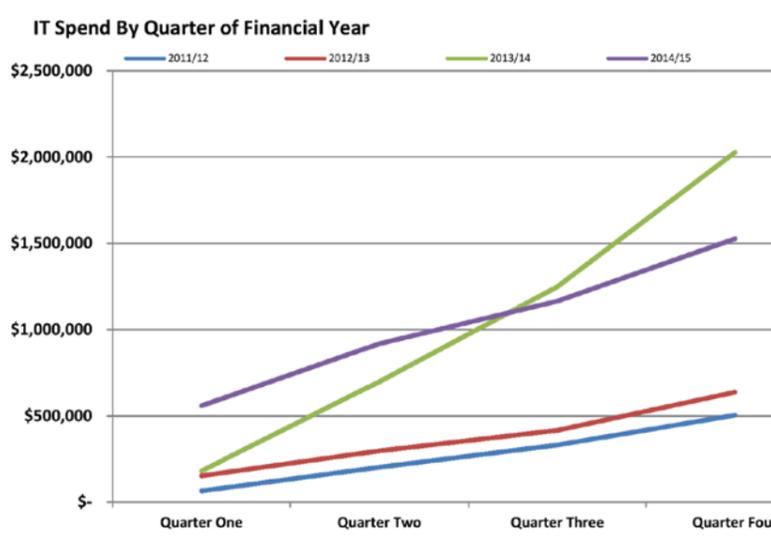
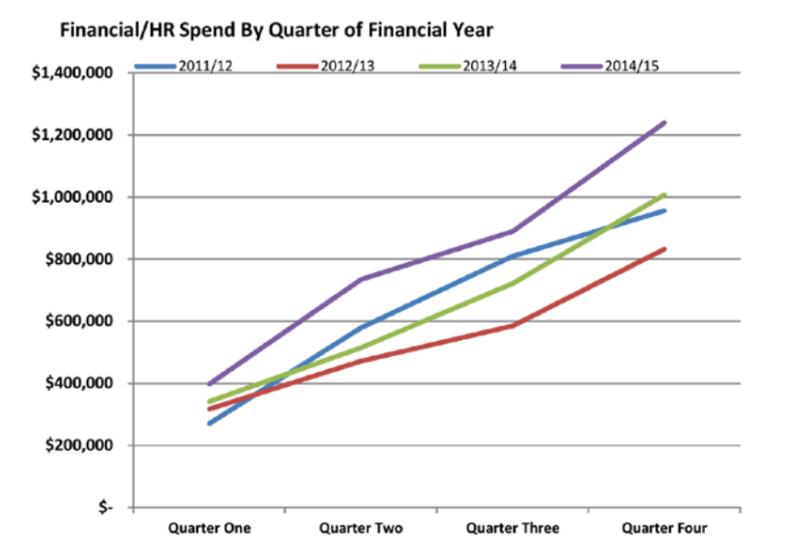
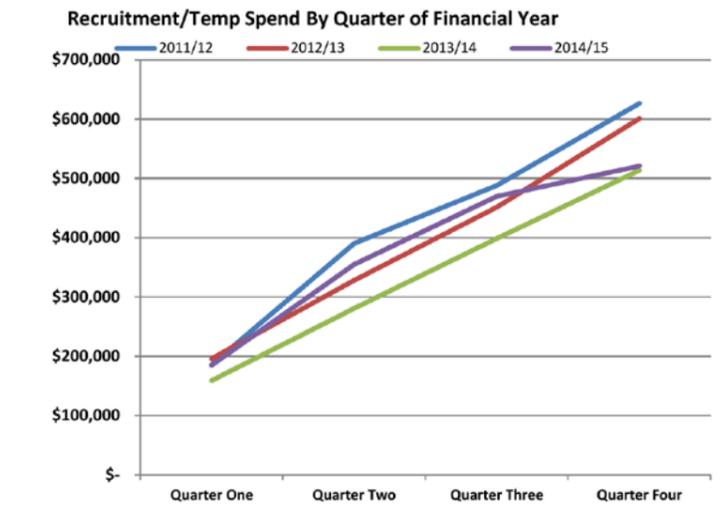
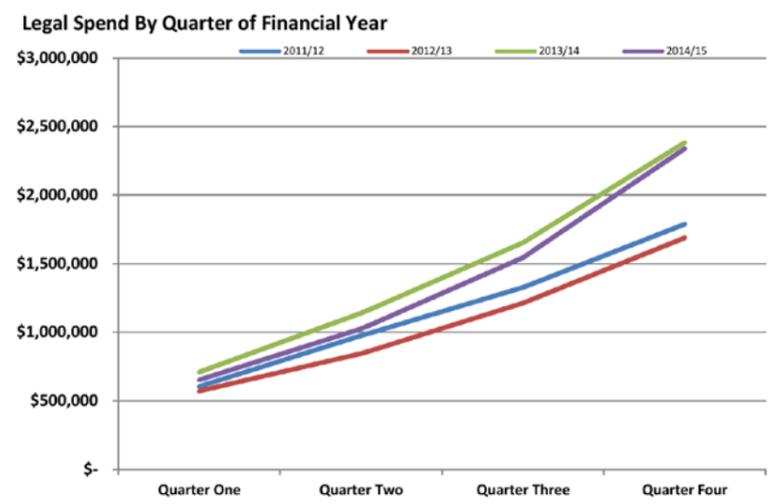
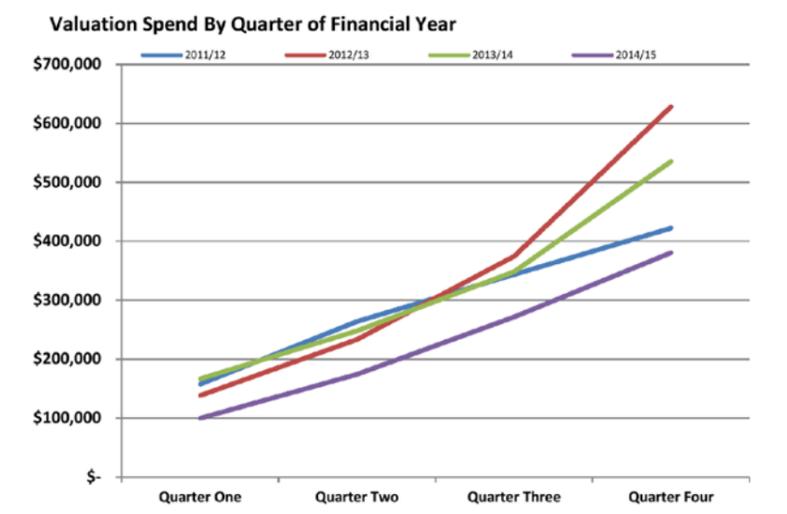
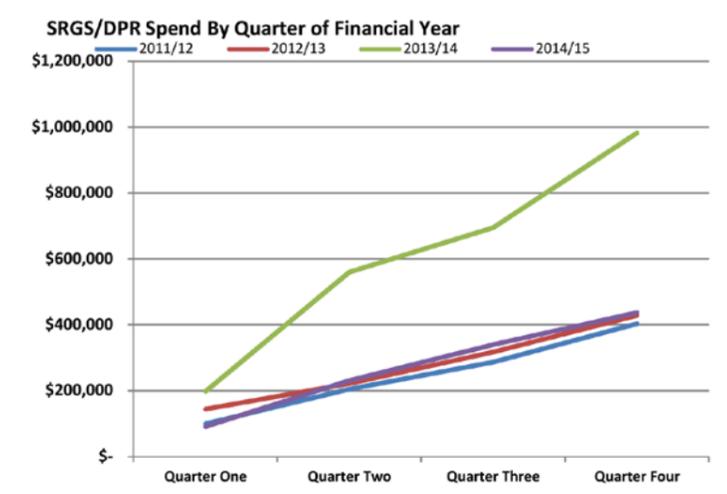
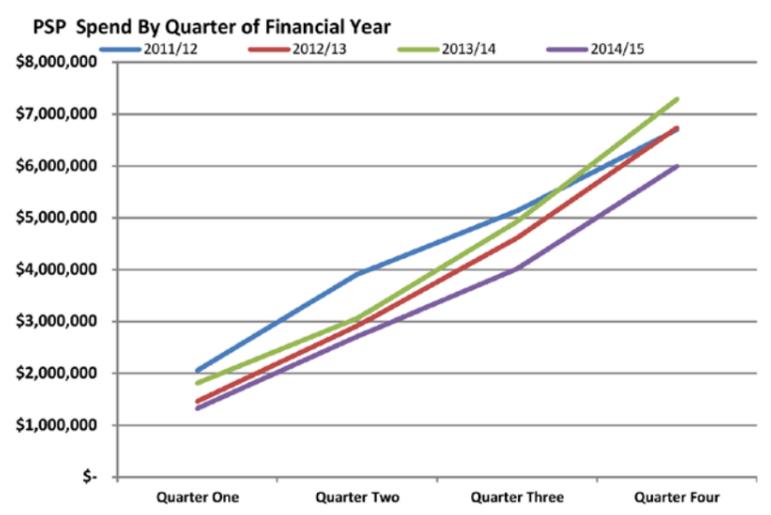
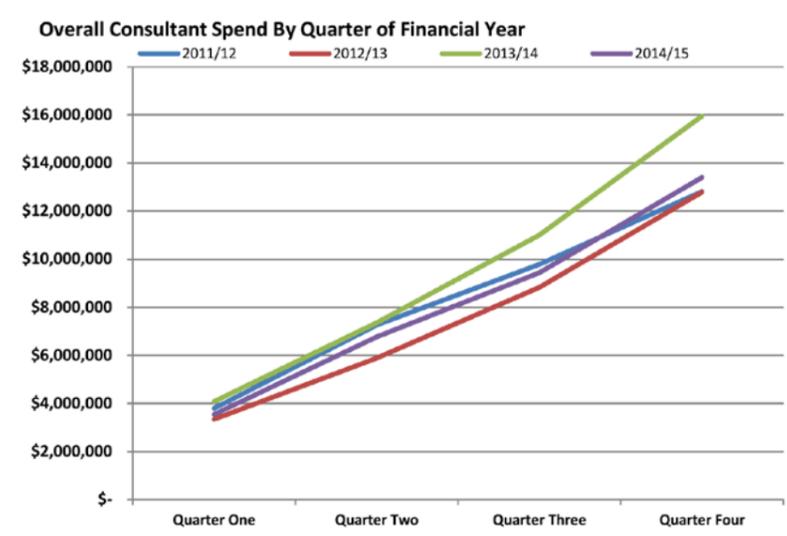
PSP's Awarded Between 1 April and 20 June 2015

PSP Number	Description	NZTA	Consultancy Company	Group	Unit	IFS Signatory	Date IFS Signed	Current Approved
PSP 14422	917 River Road Investigations	Not Funded	Beca Ltd	Community	Parks and Open Spaces	Jeremy Froger - Team Leader Natural Environments - Parks and Open Spaces	24/06/2015	\$ 28,590
PSP 14423	Horotiu S.127	Not Funded	Tonkin & Taylor Ltd	City Infrastructure	City Waters	Trent Fowles - Compliance Manager - City Waters	2/06/2015	\$ 6,800
PSP 14424	Misc. Services for City Transportation - MWH	Funded	MWH New Zealand Ltd	City Infrastructure	City Transportation	Dawn Shannon - Asset Management Team Leader	8/06/2015	\$ 50,000
PSP 14425	Misc. Services for City Transportation - Beca	Funded	Beca Ltd	City Infrastructure	City Transportation	Dawn Shannon - Asset Management Team Leader	4/06/2015	\$ 50,000
PSP 14426	Misc. Services for City Transportation - AECOM	Funded	AECOM	City Infrastructure	City Transportation	Dawn Shannon - Asset Management Team Leader	8/06/2015	\$ 50,000
PSP 14427	Update of Hamilton City Council Logo on Corporate Website	Not Funded	Datacom Group Ltd	Customer Relationships	Communication	Lee Cowan - Communication Unit Manager - Customer Relationships	5/06/2015	\$ 1,313
PSP 14429	2015-16 WWTP Renewals Clarifier Levelling Design	Not Funded	MWH New Zealand Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	4/06/2015	\$ 8,200
PSP 14430	WWTP Upgrade Project Development Plan	Not Funded	MWH New Zealand Ltd	City Infrastructure	City Waters	Andrew Parsons - Unit Manager - City Waters	29/05/2015	\$ 10,000
PSP 14431	2015-16 WWTP Renewals Primary Sedimentation Tanks Longitudinal Gearbox Design	Not Funded	MWH New Zealand Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	4/06/2015	\$ 7,700
PSP 14432	2015-16 Treatment Plants Laboratory Equipment	Not Funded	MWH New Zealand Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	4/06/2015	\$ 9,400
PSP 14433	2015-16 Treatment Plants Minor Capital Works and Renewals - Design	Not Funded	Beca Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	8/06/2015	\$ 43,060
PSP 14434	2015-16 Treatment Plants Minor Capital Works and Renewals - Project Management	Not Funded	MWH New Zealand Ltd	City Infrastructure	City Waters	Chris Allen - General Manager - City Infrastructure	9/06/2015	\$ 276,590
PSP 14435	Planning Assessment for 2015-17 Renewal Programmes	Not Funded	MWH New Zealand Ltd	City Infrastructure	City Waters	Bridget Morgan - Asset Management Planning Team Leader	5/06/2015	\$ 6,200
PSP 14436	Matakanohi Slip	Not Funded	Beca Ltd	Community	Parks and Open Spaces	Jeremy Froger - Team Leader Natural Environments - Parks and Open Spaces	24/06/2015	\$ 6,390
PSP 14439	Parapet Design Project Management	Not Funded	de Lisle Jenkins Architects Ltd	Performance	Property & Risk	Julie Sanderson - Business Manager - Property	24/06/2015	\$ 1,653
PSP 14441	Wairere Drive Extension SPD Post Construction Acoustic Monitoring	Funded	AECOM	City Infrastructure	City Development	Chris Barton - Project Development Manager	11/06/2015	\$ 15,000
PSP 14442	Revaluation of Miscellaneous Assets	Not Funded	AECOM	Finance	Finance	Raniel Prasad - Unit Manager - Accounting	16/06/2015	\$ 5,000
PSP 14448	Resource Consent Processing for Signage at Waikato Stadium	Not Funded	Environmental Management Services Ltd	City Environments	Planning Guidance	Fraser McNutt - Acting Unit Manager - Planning Guidance	16/06/2015	\$ 6,000
PSP 14449	Rotokauri Major Drainage Review	Not Funded	Beca Ltd	City Infrastructure	City Development	Lance Haycock - Project Engineer	16/06/2015	\$ 1,600
PSP 14450	Rotokauri Wastewater Modelling	Not Funded	AECOM	City Infrastructure	City Development	Chris Barton - Project Development Manager	18/06/2015	\$ 12,800
PSP 14452	Low River Contingency Contract MSQA	Funded	MWH New Zealand Ltd	City Infrastructure	City Development	Chris Barton - Project Development Manager	22/06/2015	\$ 25,000
PSP 14453	Rotokauri ICMP Stage 1 - Geotech and Hydrological Assessment	Not Funded	CH2M Beca Ltd	City Infrastructure	City Development	Chris Barton - Project Development Manager	22/06/2015	\$ 12,600
PSP 14454	Vernall Family Trust RC Assessment & Report (1 Cook St)	Not Funded	Bloxam Burnett & Olliver Ltd	City Environments	Planning Guidance	Fraser McNutt - Acting Unit Manager - Planning Guidance	22/06/2015	\$ 22,219

PSP's Awarded Between 1 April and 20 June 2015

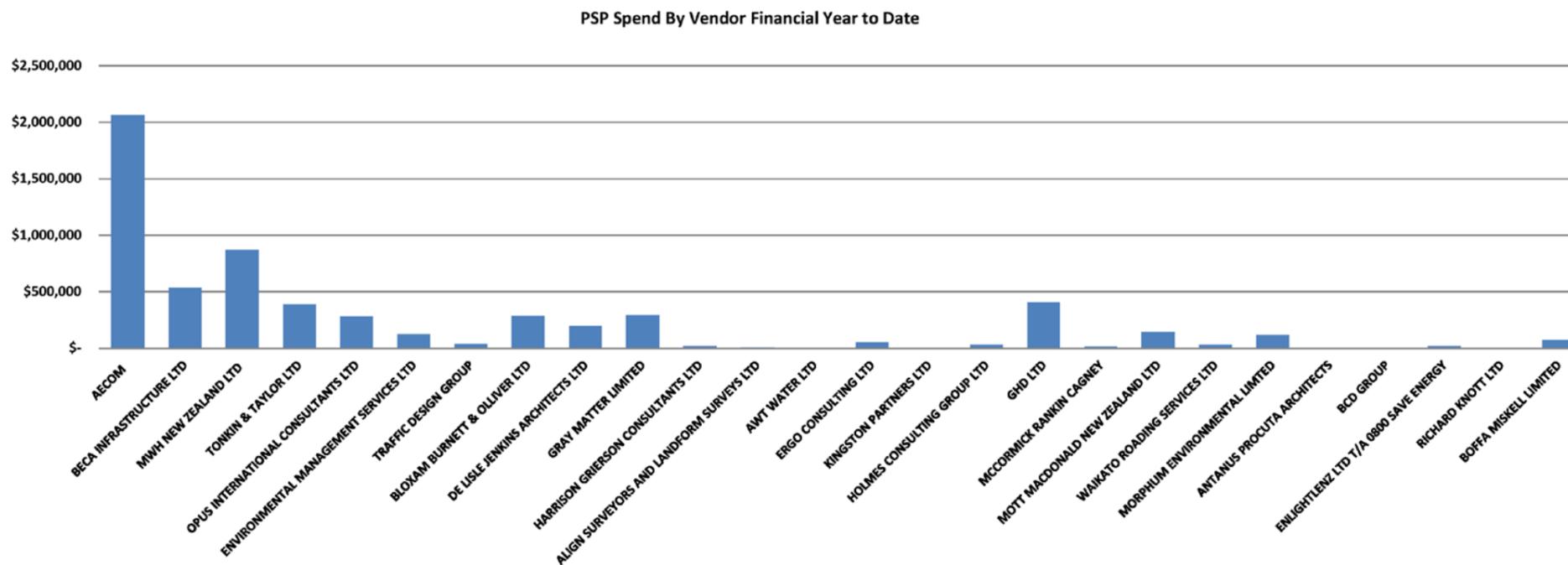
PSP Number	Description	NZTA	Consultancy Company	Group	Unit	IFS Signatory	Date IFS Signed	Current Approved
PSP 14456	Post Chlorine Sample Pumps	Not Funded	BCD Group Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	26/06/2015	\$ 10,900
PSP 14457	SharePoint Environment Preparation	Not Funded	Datacom Group Ltd	Organisational Development	Information Services	Chris Mardon - Information Manager - Information Services	25/06/2015	\$ 9,000
PSP 14459	Environmental Monitoring for RC 105279	Not Funded	Tonkin & Taylor Ltd	City Infrastructure	City Waters	Trent Fowles - Compliance Manager - City Waters	26/06/2015	\$ 49,300
PSP 14460	Replacement of Raw Water Valves	Not Funded	MWH New Zealand Ltd	City Infrastructure	City Waters	Emily Botje - Asset Management Manager	30/06/2015	\$ 8,500

Professional Services Spend by Financial Year

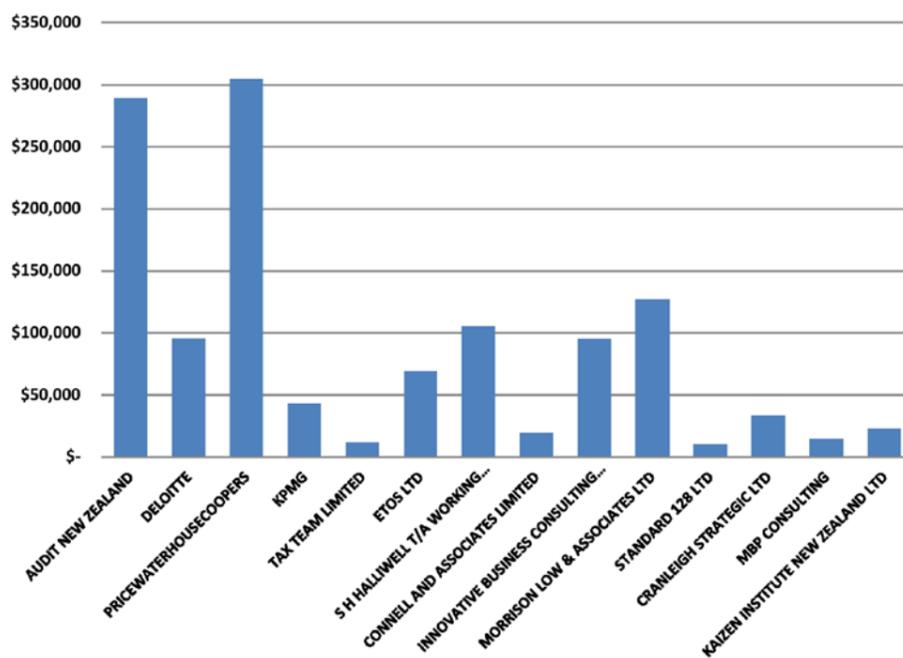


Appendix 5

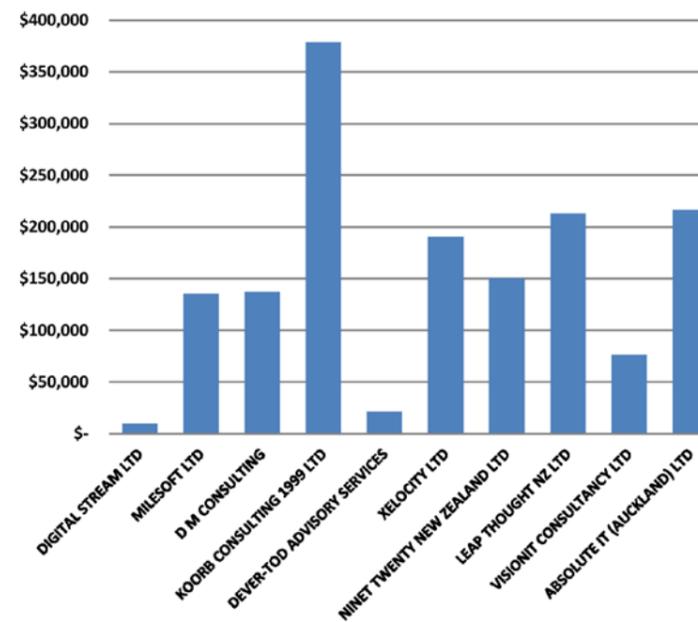
Professional Services Spend by Vendor and Category Year to Date



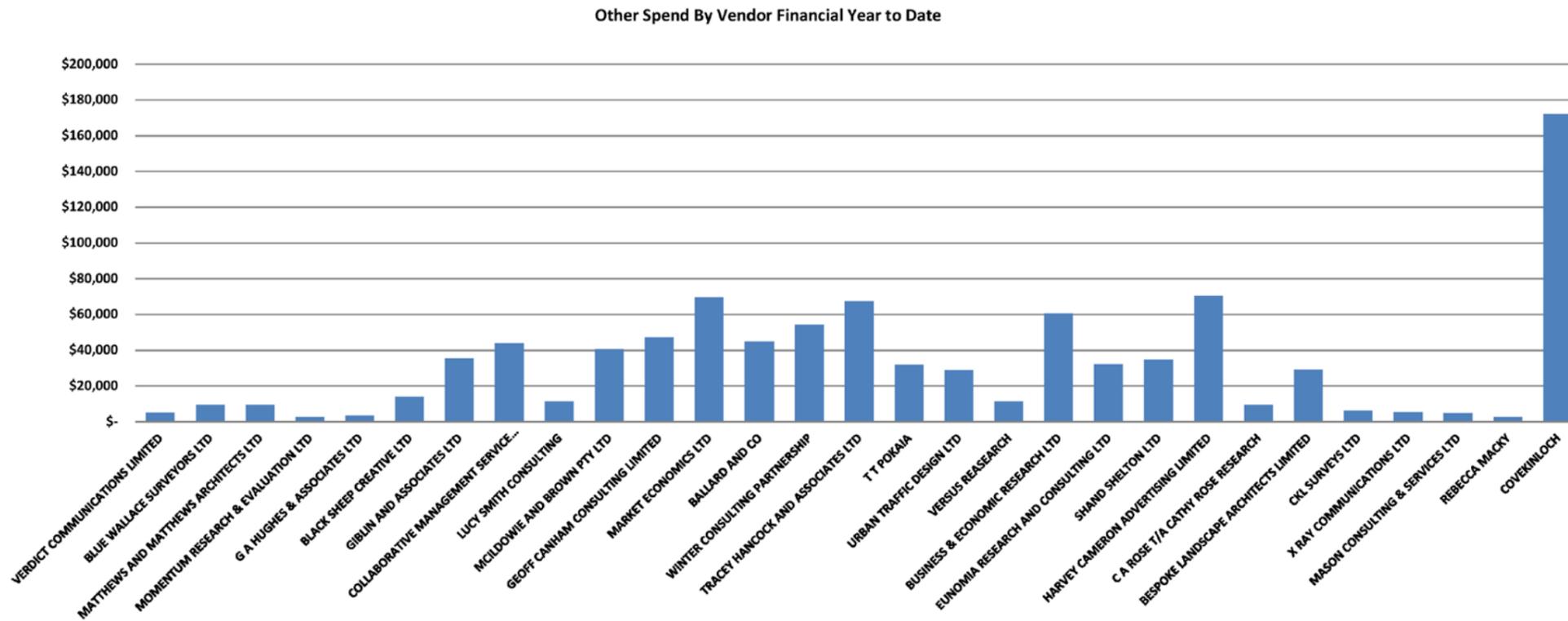
Financial /HR Spend by Vendor Financial Year to Date



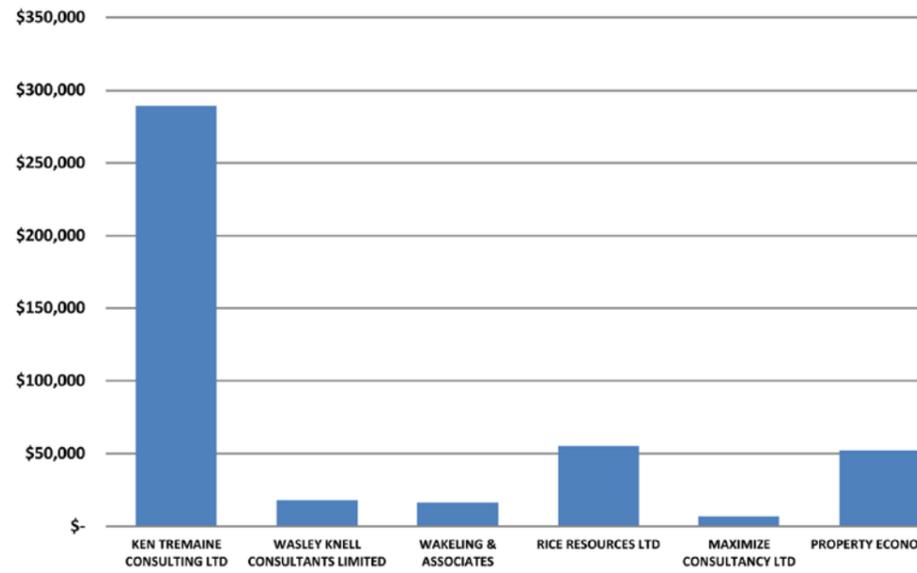
IT Spend by Vendor Financial Year to Date



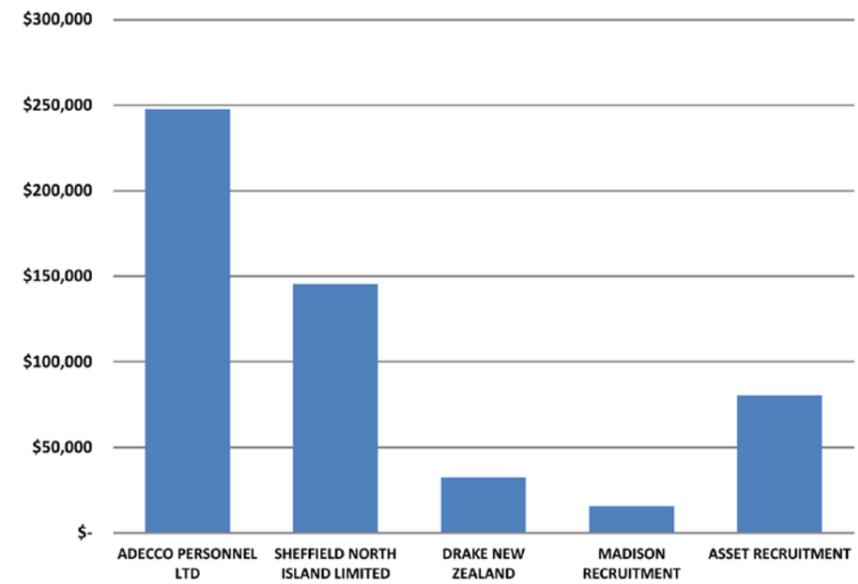
Professional Services Spend by Vendor and Category Year to Date



SGRS/DPR Spend By Vendor Financial Year to Date



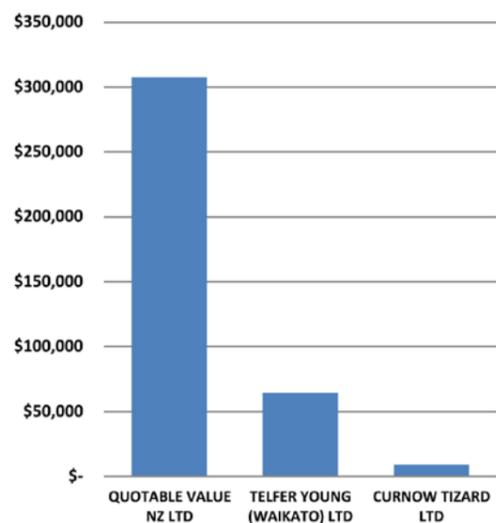
Recruitment/Temp Spend By Vendor Financial Year to Date



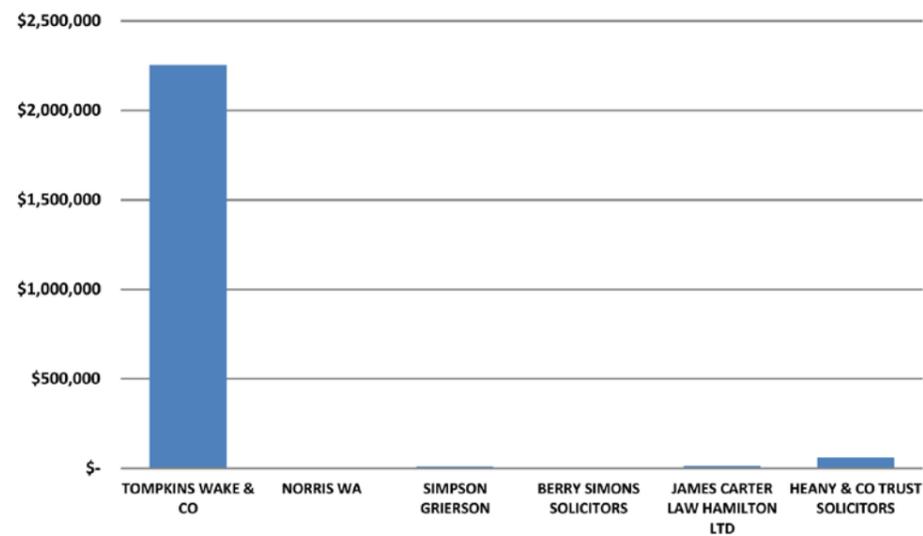
Appendix 5

Professional Services Spend by Vendor and Category Year to Date

Valuation Spend By Vendor Financial Year to Date



Legal Spend By Vendor Financial Year to Date



Appendix 5

Committee: Finance Committee

Date: 23 July 2015

Report Name: Contract 14378 - Three Waters
 Network Physical Works
 Contract Award

Author: Christopher Barton

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan – Providing Outstanding Infrastructure</i>
Financial status	<i>There is budget allocated Amount \$18,500,000</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

2. The purpose of this report is to seek approval to award Contract 14378 for the programmed renewal and upgrade of city stormwater, wastewater and water reticulation network assets.
3. Committee Approval is required because the Contract amount exceeds the Chief Executives delegation.

4. Executive Summary

5. Contract 14378 is a combined Lump Sum and Measure and Value three year contract to undertake renewal and upgrade of stormwater, wastewater and water reticulation network assets at various locations within Hamilton City.
6. Council have undertaken a public Request for Tender for this contract. The objective of the Request for Tender was to select the best value for Council.
7. Following evaluation of submitted tenders, the recommendation is to award the contract to HEB Construction Ltd, whose tender submission was the lowest price and provides the best quality attributes to Council.
8. Delivery of the contract works is a core infrastructure management activity, and there is sufficient budget to complete the contract and overall project works within existing 10 Year Plan financial allocations.

Recommendation from Management

- a) That the report be received;
- b) That the tender submitted by HEB Construction Ltd, in the sum of sixteen million, eight hundred and six thousand, five hundred and eighty one dollars and sixteen cents (\$16,806,581.16) excluding GST, be approved for Contract No. 14378 – Three Waters Network Physical Works; and
- c) That the Approved Contract Sum be set at \$18,500,000.00, excluding GST, comprising of \$16,806,581.16, the tendered amount, and \$1,693,418.84 for contingency and provisional work (if deemed necessary) in accordance with this report.

9. Attachments

10. There are no attachments for this report.

11. Key Issues

12. Purpose and Structure of Contract
13. The purpose of the Contract is to undertake renewal and upgrade of existing 3-waters reticulation network assets no longer providing the intended level of service at various locations within Hamilton City.
14. The Contract is for a three year term, and utilises part Lump Sum and part Measure and Value contract forms.
15. The primary work to be carried out under the contract includes renewal and upgrade of stormwater assets including outfalls, pipes and open channels, and renewal and upgrade of wastewater reticulation network assets including pipes, rising mains and pump stations.
16. Provisional items have also been included in the recommended Approved Contract Sum for potential inclusion in the contract scope pending confirmation of project scopes and alignment with the tendered works. Provisional items include renewal and upgrade of water reticulation network and closed landfill assets as well as 3-waters network upgrades to facilitate growth and development. Subsequent incorporation of the identified provisional items into the contract scope enables leveraging of competitively tendered rates and also reduces subsequent overhead costs to undertake similar works. Provisional items are only to be included into the contract scope pending confirmation of project details and alignment with tendered rates.
17. Contract conditions allow for amendment of contract scope for years 2 and 3 pending confirmation of annual plan budgets and associated work scopes.
18. Evaluation Process
19. Following a public request for tender process, one alternative and two conforming tenders were received prior to the advertised closing time of 2:30pm on 18 June 2015.
20. The alternative tender is based around a different construction methodology and alternative materials for one project in year 1 and has been assessed as acceptable by the tender evaluation and technical teams.

21. The tenders were evaluated using the 'Price-Quality Method' for physical works as detailed in the Request for Tender documentation. This method involves evaluating the non priced attributes then converts the non price attributes score into a dollar value – the Supplier Quality Premium (SQP). The SQP represents the dollar value of that the quality of the non priced attributes scores of higher ranked tenders present over the lowest ranked tender. For evaluation purposes, the SQP is then deducted off the tender price. The tenderer with the lowest evaluation price is then the preferred tenderer.
22. The non price attributes used in this evaluation were:
 - Methodology (10%)
 - Relevant Experience & Track Record (5%)
 - Relevant Skill (5%)
 - Resources (5%)
 - Local Impact (5%)
 - Financial Viability (Pass/Fail)
23. The non price attributes had an overall 30% weighting (price weighting 70%).
24. No tenders failed the non-priced attributes grading.
25. The table below summarises the tender evaluation:

Tenderer	Tender Price	Supplier Quality Premium (SQP)	Evaluation Price
Hawkins Construction Ltd.	\$24,661,544.96	\$0	\$24,661,544.96
HEB Construction Ltd. (Conforming)	\$17,147,883.57	\$899,996.43	\$16,247,887.14
HEB Construction Ltd. (Alternative)	\$16,806,581.16	\$946,447.86	\$15,860,133.30

26. Preferred Tenderer and Contract Sum
27. The preferred tender is the alternative submission from HEB Construction Ltd, which following evaluation had the highest quality and the lowest evaluation price.
28. The Approved Contract Sum sought is \$18,500,000.00, excluding GST, comprising \$16,806,581.16, the tendered amount, and \$1,693,418.84 for contingency and provisional work as deemed necessary.

29. Financial and Resourcing Implications

30. The project budget for this contract is outlined in the following table and confirms there is sufficient budget to complete the project.

Project Budget (\$000's)	2015/16	2016/17	2017/18	Total (\$000's)
CE10058 - Replacement of Stormwater Assets	707	562	612	1881
CE10100 - Replacement of Wastewater Pump Stations	1,013	996	783	2,792
CE10101 - Replacement of Wastewater Assets	3,915	3,633	4,183	11,731
CE15103 - Increase Wastewater Pump Station Capacity	423	369	423	1,215
<i>CE10054 - Replacement of Closed Landfill Assets (Provisional Item)</i>	<i>50</i>	<i>50</i>	<i>50</i>	<i>150</i>
<i>CE15064 - Stormwater Pipe Upgrades to Facilitate Growth (Provisional Item)</i>	<i>50</i>	<i>50</i>	<i>50</i>	<i>150</i>
<i>CE15104 – Wastewater Pipe Upgrades to Facilitate Growth (Provisional Item)</i>	<i>150</i>	<i>150</i>	<i>150</i>	<i>450</i>
<i>CE15127 – Water Pipe Upgrades to Facilitate Growth (Provisional Item)</i>	<i>150</i>	<i>150</i>	<i>150</i>	<i>450</i>
<i>CE10124 – Replacement of Water Meters, Valves and Hydrants (Provisional Item)</i>	<i>150</i>	<i>150</i>	<i>150</i>	<i>450</i>
<i>CE10123 – Replacement of Watermains (Provisional Item)</i>	<i>250</i>	<i>300</i>	<i>400</i>	<i>950</i>
<i>CE15113 – Water Network Loss and Demand Management (Provisional Item)</i>	<i>200</i>	<i>200</i>	<i>200</i>	<i>600</i>
Total Project Funds Available	7,058	6,610	7,151	20,819

Forecast Project Costs	Total (\$000's)
Contract 14378 (including contingency and provisional items)	18,500
Other project related costs	2,310
Total Project Costs	20,810

31. Risk

32. Contract works involve working on live the wastewater network and carries risks around wastewater spillages and blockages. The preferred tenderer has provided the best methodology to minimise the risks and has previously completed similar works for HCC successfully.
33. Contract works involve working at various sites throughout Hamilton City, including within road corridors and within private properties. Contract conditions are in place to minimise potential disruption or injurious affect to public and affected residents including provision of appropriate traffic management and post-construction reinstatement. The preferred tenderer has previously completed similar works for HCC successfully.

- 34. The contract term, conditions and provisions have been designed based on status quo management of Council 3-waters assets. If any change to asset ownership or management occurs as a result of the current Waikato Water Study, it is likely that this contract would be novated into any new management model or required contract amendments could be incorporated without any associated contract penalties being incurred.

Signatory

Authoriser	Chris Allen, General Manager City Infrastructure Group
------------	--

Committee: Finance Committee **Date:** 23 July 2015

Report Name: Contract 0663 Collection and Disposal of Biosolids
Contract 12046 Disposal of Sewage Sludge by Vermicomposting **Author:** Emily Botje

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Sustainable Hamilton Waste Management and Minimisation Plan</i>
Financial status	<i>There is budget allocated Amount \$6,234,000</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

2. To seek approval to increase the Approved Contract Sums for the 2 contracts associated with disposal of waste water sludge and screenings from the waste water treatment plant in Pukete and to extend one of the contracts by another 3 years as anticipated in the original contract.

Recommendation from Management

- a) That the report be received;
- b) That a 3 year extension for Contract 12046 Disposal of Sewage Sludge by Vermicomposting from 1 February 2016 to 1 February 2019 be approved;
- c) That the Approved Contract Sum of \$2,025,000 for Contract 12046 Disposal of Sewerage Sludge by Vermicomposting be extended by \$2,863,000 to \$4,888,000 excluding GST for the period to 1 February 2019; and
- d) That the Approved Contract Sum of \$8,769,000 for Contract 0663 Collection and Disposal of Biosolids be increased by \$2,852,000 to \$11,621,000 excluding GST for the period to 1 February 2019.

3. Attachments

4. There are no attachments for this report.

5. Purpose and Structure of Contracts

6. Background

7. Treatment of wastewater at the wastewater treatment plant produces approximately 14,400 tonnes of waste water sludge (sludge) and 640 tonnes of screenings per year. The sludge is transported to a vermicomposting facility where it is mixed with wood chip and composed using worms. The screenings are transported and landfilled at Tirohia Landfill near Paeroa.
8. Prior to October 2012 Council transported all of its sludge and screenings to the Hampton Downs Landfill. The transportation was managed through a contract with Transpacific (contract 0663) which was awarded on 7 December 2006 as part of a suite of waste management activities managed under a long term Heads of Agreement. The Heads of Agreement and associated contracts (including kerbside collection) were due to expire on 30 June 2017.
9. In 2012 Council considered a proposal to divert its sludge from the Hampton Downs landfill under a beneficial re use proposal. A contract was awarded to NOKE on 23 October 2012 (contract 12046) under which NOKE receive city sludge at their vermicomposting site in Tokoroa where it is mixed with wood chip and composed using worms.
10. Council still has the obligation to transport its sludge to the vermicomposting facility in Tokoroa and to continue taking the screenings to the Tirohia landfill. At the time of entering into the NOKE contract, Council varied the terms of the Transpacific contract to allow for the revised arrangements and also extended the term of the contract to match the termination date of 1 February 2019 for the NOKE Contract.

Contract Terms and Current Approved Contract Sums

11. Original contract 0663 was awarded to Transpacific on 7 December 2006 following public tender. At the 23 October 2012 Finance and Monitoring Committee the contract term was extended to 1 February 2019 and the Approved Contract Sum was set at \$8,769,000 for the period to 1 February 2016, accepting that a subsequent increase in Approved Contract Sum would be required at a later date to match the new extended contract period.
12. Contract 12046 was awarded to NOKE on 23 October 2012 and the contract term was 3 years to 1 February 2016 and an Approved Contract Sum of \$2,025,000 was set to match this contract term.
13. A 3 year right of renewal for the NOKE contract was also agreed subject to further Council approval.
14. The NOKE contract is working well, with no issues concerning consenting, treatment, disposal or agreements with other parties. To date 34,539 tonnes of sludge has been diverted from landfill as a result of this contract. The 3 year extension of the contract to 1 February 2019 is recommended as part of this report.

Variations to Approved Contract Sums

15. Both contracts are measure and value contracts and payment is determined by the actual tonnage of sludge and screenings transported, which will vary from year to year subject to such things as city growth or operations at the wastewater treatment plant.

16. It is difficult to accurately estimate the estimates of tonnage given these variables. In addition more sludge has been transported over the past 2 years than normal due to the refurbishment of the sludge digesters as part of the waste water treatment plant upgrade project.
17. An increase in Approved Contract Sum for both contracts is required based on the quantities transported to date and an estimate for the further period to 1 February 2019.

18. Financial and Resourcing Implications

Funding Availability

19. The 2015-25 10 Yr Plan has funding provision within the operational budgets to carry out these works. Noting the final cost will be determined by the operational needs at the wastewater treatment plant.

	Average forecasted cost per month	Estimated cost per year (2015/16)
Contract 0663	\$71,400	\$857,000
Contract 12046	\$69,300	\$832,000
Total Forecasted Expenditure 2015/16		\$1,689,000
#Available Budget 2015/16		\$1,689,000

budgets increased in subsequent years by escalation.

20. The increases in Approved Contract Sums to enable transportation and disposal of wastewater sludge and screenings to the 30th June 2016 are as follows

Contract	Approved Contract Sum	Estimated Contract Expenditure (1 Feb 2019)	Increase to Approved Contract Sum Required	New Approved Contract Sum
Contract 0663	\$8,769,000	\$3,179,000	\$2,852,000	\$11,621,000
Contract 12046	\$2,025,000	\$3,055,000	\$2,863,000	\$4,888,000

21. Risk

22. Not approving this increase in Approved Contract Sum and pursuing alternate procurement methods will introduce delays which could result in poor environmental outcomes such as sludge being stockpiled at the wastewater treatment plant, creating a health and odour hazard.

Signatory

Authoriser	Chris Allen, General Manager City Infrastructure Group
------------	--

Committee: Finance Committee

Date: 23 July 2015

Report Name: Lottery Significant Project
Funding - Acceptance of Grant

Author: Helen Paki

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan</i>
Financial status	<i>There is budget allocated</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

2. To seek approval from the Finance Committee to accept funding of \$2,500,000 from the Lottery towards the Hamilton Gardens Development Project and for delegated authority to be granted to the CEO and General Manager Community to sign the online Lottery Funding Agreement.

Recommendations from Management

- a) That the report be received
- b) That the Finance Committee approves and accepts funding of \$2,500,000 from the Lottery Significant Project Fund for the Hamilton Gardens Development Project, to be paid in three installments between 2015/16 and 2017/18
- c) That delegated authority is granted to the CEO and General Manager Community to sign the online Lottery Funding agreement as acceptance of the funding and associated terms and conditions

3. Attachments

4. Attachment 1 - Lottery Significant Project Fund - Copy of Online Agreement Requiring CEO/GM signature

5. Key Issues

6. Background
7. After successfully passing an Expression of Interest process in November 2014, Hamilton City Council submitted an application in March 2015 to the Lottery Significant Project Fund for a contribution towards the Hamilton Gardens Development Project.
8. Lottery advised in June 2015 that the application was successful for the amount of \$2,500,000.

9. The funding is to be paid in three instalments over three years as follows:

Scheduled Date	Payment
6/7/2015	\$1,250,000.00
7/7/2016	\$1,000,000.00
7/7/2017	\$250,000.00

10. The reporting schedule accompanying the payments is listed below. The first of these, the pre-payment report confirming the project start and completion dates, was submitted on 2 July 2015.

Report Date	Report Type
6/7/2015	Pre-Payment Report
7/7/2016	Ara poutama/Milestone 1 Report
7/7/2017	Ara poutama /Milestone 2 Report
6/10/2017	Additional Conditions Report
5/10/2018	Otinga Kōrero Final Results Report

11. Strategic alignment
12. The Hamilton Gardens Development Project is a key priority of the Hamilton Plan. The Lottery funding will contribute to the stated goal of completing the Garden within ten years.
13. Treaty requirements/implications
14. Staff have consulted with local iwi and hapu on the Hamilton Gardens Development Project during different stages of the project conception and implementation. Since the public notification of the Lottery funding, the Mana Whenua board have met with the Hamilton Gardens Director for an update on the project.

15. Financial and Resourcing Implications

16. Finance Committee approval is required for acceptance of the Lottery funding of \$2,500,000 as this amount is outside of CEO delegation.
17. The total budget for the project has been estimated at \$7.03m over the next three years.
18. Confirmed funding to date, including the targeted rate (\$2.42m), Lottery Significant Project funding (\$2,500,000) and other external funding and donations (\$240,000) totals \$5.41m towards the project, which is 73 per cent of the total project cost. This leaves a total of \$1.83 still to be raised prior to the project completion date of June 2018.
19. A number of funding applications and sponsorship/donor proposals are currently in progress or programmed in this financial year.

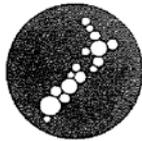
20. Risk

21. The successful Lottery Significant Project Fund application greatly reduces the risk of insufficient funding to complete the project. With a number of other applications and proposals in progress, the outstanding funding target of \$1.83m is considered to be highly achievable.

Signatory

Authoriser	Lance Vervoort, General Manager Community
------------	---

Grant Agreement



Lottery Grants Board

Te Puna Tahua

LOTTO FUNDS FOR YOUR COMMUNITY

The New Zealand Lottery Grants Board, acting by and through the Department of Internal Affairs, has agreed to contribute a Lottery Significant Projects Fund grant of \$2,500,000.00 to Hamilton City Council to support you to achieve the outcomes described in your request.

Each party warrants it has the authority to enter into this agreement and that all the information provided is true, complete and accurate.

Each party warrants it will fulfil its obligations as set out in this agreement.

Each party warrants it will attempt to resolve any dispute or difference amicably and in good faith, through dialogue in the first instance, or another form of dispute resolution.

The term of this agreement is from 30 June 2015 to 29 June 2018

The Department of Internal Affairs will pay the grant as set out in the payments schedule in this agreement.

1. We confirm that the grant is still required and that the grant will be used for the agreed purpose.
2. We confirm the grant will not be spent on any items listed in the general Lottery Grants Board exclusions *
3. We agree to keep financial records that demonstrate how the grant was spent for seven years after the end of the agreement term.
4. We agree to participate in a timely manner in any monitoring activities the Department of Internal Affairs, acting on behalf of New Zealand Lottery Grants Board, may undertake related to this grant, its purpose and its outcomes.
5. We agree to provide reports by the dates specified in the report schedule to this agreement, including reporting on how the grant was spent in relation to the budget presented in our request.
6. We understand that the Department of Internal Affairs, acting on behalf of the New Zealand Lottery Grants Board, is subject to the Official Information Act and may be required to release information unless there is good reason to withhold the information.
7. We understand that we may request a variation to the purpose, term or conditions of this agreement, and the Department of Internal Affairs, acting on behalf of the New Zealand Lottery Grants Board, may approve a variation agreement.
8. If the grant is not used for the agreed purpose, the Department of Internal Affairs will recover the grant in part or in full on behalf of the New Zealand Lottery Grants Board and may advise other government agencies and funders of this issue.

9. We understand and agree that the Department of Internal Affairs may, acting on behalf of the New Zealand Lottery Grants Board, terminate this agreement immediately if we:

- a. fail to fulfil any obligations set out in this agreement or its schedules, and fail to respond to, address or remedy any issues identified by the Department of Internal Affairs within 30 days of electronic notice being sent, or
- b. provide or have provided misleading or inaccurate information for this agreement or the request, or
- c. become insolvent, bankrupt or subject to any form of insolvency action or administration.

10. We understand and agree that if this agreement expires or is terminated, **Hamilton City Council** must continue to fulfil its obligations and comply with any reporting or audit requirements.

11. We agree that the Department of Internal Affairs, acting on behalf of the New Zealand Lottery Grants Board, has our approval to publish that the grant has been made to **Hamilton City Council** for this purpose.

12. We agree that Lotto New Zealand may publish our organisation's name, the grant and grant purpose on the Lotto New Zealand website.

Reporting and Payments

- We agree to provide the following reports:

REPORTING SCHEDULE	
Report Date	Report Type
6/7/2015	Pre-Payment Report
7/7/2016	Ara poutama/Milestone 1 Report
7/7/2017	Additional Conditions Report
6/10/2017	Otinga Kōrero Results Report
5/10/2018	Otinga Kōrero Final Results Report

Pre-Payment Conditions Report

- We agree to provide confirmation of the project start date, estimated project completion date, and that the project scope is as submitted in the grant request. This report is due on or before the date listed in the reporting schedule above.

Ara Poutama Milestone Report

- We agree to provide confirmation that the project is being progressed. This report is due on or before the date listed in the reporting schedule above.

Additional Conditions

- We agree to complete the following: provide confirmation that the project is being progressed.

- We understand that should we fail to complete any additional conditions, clause 7 of this agreement will apply.
- The Department of Internal Affairs will pay the grant as set out in the following payment table, within 15 working days of satisfactory completion of this agreement or any reporting requirements listed above.

PAYMENTS SCHEDULE

Scheduled Date	Payment
6/7/2015	\$1,250,000.00
7/7/2016	\$1,000,000.00
7/7/2017	\$250,000.00

- Payment of any grant instalments will not be made until any associated reporting requirements are met in full, unless a variation to this requirement is negotiated and specified in an online variation to this agreement by both parties.

OTINGA KÖRERO/RESULTS REPORT SAMPLE

At the end of the term of this agreement, you will need to complete a results report that includes the following questions and requirements.

What happened?

Who participated or benefited?

What was achieved?

What other community benefits or outcomes were achieved?

Is there anything else you would like to tell us?

Please upload an income and expenditure statement which reports what happened against the budget presented with your request. The Lottery Grants Board grant and any other grants or income should be clearly stated in the summary, along with all the expenses incurred.

How did you use the grant?

Did you use the entire grant?

How much is your refund?

Is there anything else we need to know about the financial statement in relation to the budget?

AGREEMENT ACCEPTANCE

I do not accept - selected signatory 1

If you wish to discuss the **additional** conditions associated with this grant offer select, please contact DIA at catherine.kelly@dia.govt.nz. Note the grant amount is **not** subject to negotiation.

I do not accept - secondary signatory

If you wish to discuss the **additional** conditions associated with this grant offer select, please contact DIA at catherine.kelly@dia.govt.nz. Note the grant amount is **not** subject to negotiation.

EXCLUSIONS

* The Lottery Grants Board Exclusions are:

- overseas aid and disaster relief
- alcohol and drug treatment, education and support services
- medical expenses, operations and treatment
- the purchase of major items of health equipment
- capital investment or trust funds
- retrospective funding for projects or items completed or acquired before the application closing date
- debt repayment, refinancing of existing loans, deposits, or underwriting projects
- projects seeking to promote commercial, political or religious objectives, including political advocacy projects, employment and/or business initiatives, and commercial enterprises
- fund-raisers and projects which seek to raise funds in or for a specific sector, or which provide training for fund-raisers
- projects which seek to redistribute, at their own discretion, funds to recipients.

Committee: Finance Committee

Date: 23 July 2015

Report Name: Community Assistance
Funding 2014/15 - Single-Year
Grant Allocations

Author: Deanne McManus-Emery

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Community Assistance Policy</i>
Financial status	<i>There is budget allocated Amount \$505,000</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- The purpose of this report is to advise the committee of the approved funding outcomes for the 2014/15 single-year grant allocations made by the External Allocation Committees.

3. Executive Summary

- The Community Assistance Funding administered by Council provides grants to support community organisations to deliver a diverse range of services, projects and events that contribute to the wellbeing of our communities.
- All applications for funding are managed through the SmartyGrants online funding application system that council uses.
- The External Funding Allocation committees, comprising of two Elected Members and community representation have delegated authority to allocate the funding on behalf of Council.
- Creative Waikato have administered the Arts and Culture and Performing Arts Contestable Funds on behalf of Council, however from 2015/16 Creative Waikato will no longer administer these two grants.
- The financial year 2014/15 is the final year that the following single-year grants, Small Grant (Community), Arts and Culture Grant and Performing Arts Contestable Fund, have been allocated. The new Community Assistance Policy that was adopted by Council on 8 April 2015 will be implemented from 1 July 2015.
- The Small Grant (Community) allocated \$362,000 to 105 applicants.
- The Arts and Culture Grant allocated \$43,000 to 19 applicants.
- The Performing Arts Contestable Fund allocated \$100,000 to 13 applicants.

Recommendations from Management

- a) That the report be received;
- b) That the list of successful recipients be published; and
- c) That the External Allocation Committees be acknowledged for their contribution.

12. Attachments

13. Attachment 1 - Small Grant (Community) 2014/15 Successful Applicants - June 2015
14. Attachment 2 - Arts and Culture Grant 2014/15 Successful Applicants - June 2015
15. Attachment 3 - Performing Arts Contestable Fund 2014/15 Successful Applicants - June 2015

16. Key Issues

17. Background

18. The review of the Community Assistance Funding Programme was undertaken by a working group during 2014. The principles of both Single-year and Multi-year community grants were discussed with the recommendation to consolidate the existing three funding grants– Small Grants (Community), Arts and Culture Grant and Performing Arts Contestable Fund, into a single grant and renamed Single-Year Community Grant. New guidelines and criteria were developed to support the implementation of the Single-year and Multi-year grants.
19. The Community Assistance Policy was adopted by Council at the 8 April 2015 Strategy and Policy Committee.
20. All applications for funding are managed through the SmartyGrants online funding application system.
21. The funding application rounds for the following grants were advertised for a one month period:
 - Small Grant (Community) - (application dates 1 – 31 March 2015)
 - The Arts and Culture Grant - (application dates were 30 September- 31 October 2014)
 - Performing Arts Contestable Grant - (application dates 1 September - 8 October 2014)
22. There are three separate external allocation committees that support the funding approvals of the following grants; Small Grant (Community), Arts and Culture Grant and Performing Arts Contestable Fund.
23. The membership of the External Allocation Committees comprised of key community stakeholders and four elected members, Cnr O’Leary, Cnr Pascoe, that support the Arts and Culture and Performing Arts Contestable grants, and Cnr Yeung and Cnr Gallagher, that support the Small Grant (Community) and Multi-Year Community Grants.
24. The External Allocation Committees met on the following dates to discuss the following grants:
 - Small Grant (Community) - 28 April 2015.
 - Arts and Culture - 11 December 2014
 - Performing Arts Contestable - 13 November 2014
25. The External Allocation Committee members assessed each application against the funding criteria, prior to the External Allocation Committee meeting.
26. Community Development and Leisure staff reviewed the applications prior to the External Allocation Committee meeting, and provided relevant feedback as appropriate.

- 27. All applicants were notified of the funding decisions.
- 28. All successful, applicants received a signed letter of offer, which outlines the conditions of funding.
- 29. All acquittals are required to be received by February 2016.
- 30. Small Grant (Community)
- 31. The Small Grant (Community) was implemented in 2013/14 after consolidating the Out of School Care Programme and the Maaori and Pacific Project Fund.
- 32. The primary purpose of the Small Grant (Community) is to support small community-led projects and events that contribute to a vibrant city and celebrates the diversity of people and culture that live within Hamilton.
- 33. A total of 144 applications were received with a total funding requested amount of \$590,782, with a total of 105 projects approved.
- 34. Arts and Culture Grant
- 35. The primary purpose of the Arts and Culture Grant is to support and enable the Hamilton Arts Community to deliver Arts activities with the Hamilton City boundaries, to deliver upon the Hamilton Arts Agenda priorities.
- 36. A total of 37 applications were received with a total funding requested amount of \$170,516, with a total of 19 projects approved.
- 37. Performing Arts Contestable Fund
- 38. The purpose of the Performing Arts Contestable Fund is to support the development of sustainable performing arts programmes and to increase audience participation in Hamilton.
- 39. A total of 14 applications were received with a total funding requested amount of \$153,260, with a total of 13 projects approved.
- 40. Community Assistance Funding Programme 2015/16
- 41. The revised Community Assistance Policy was adopted by Council at the 8 April 2015 Strategy and Policy Committee to be implemented in the 2015/16 financial year.
- 42. Community Assistance Funding provided by Council will now consist of two distinct grant programmes, a Single-year Community grant administered annually and a Multi-year community grant that is aligned with the Long Term Plan and administered every 3-years.

- 43. **Risk**

- 44. Nil Risk

Signatory

Authoriser	Lance Vervoort, General Manager Community
------------	---

Small Grant (Community) (2014/15)

The Hamilton City Council "Small Grant (Community)" of \$362,000 was allocated via an External Allocation Committee in 2014/15. A total of 144 applications were received in this funding round, requesting \$590,782 of which 105 were successful, allocating a total of \$362,000.

	Successful Applicants	Project Title	Total Allocated
1	Amputee Society Of Waikato, Bay Of Plenty & Districts Inc	Amputee Member and community Communication	\$5,000.00
2	Arts For Health Community Trust	Wages for Office Administrator	\$5,000.00
3	Birthright (Waikato) Te Whanautanga Tika Charitable Trust	Single parent groups	\$5,000.00
4	Endometriosis Waikato T/A Insight Endometriosis	Supporting our volunteer programme	\$5,000.00
5	Glenview Community Centre	Audit, volunteers, educational space & holiday programme support	\$5,000.00
6	Hamilton Budgeting Advisory Trust	Booklet -	\$5,000.00
7	Hamilton Christian Nightshelter Trust	Health & safety costs plus volunteer expenses	\$5,000.00
8	Hamilton Combined Christian Foodbank	On going operating costs - foodbank	\$5,000.00
9	Hamilton East Community Trust	Heritage trail updates and restoration of graham island.	\$5,000.00
10	Head Injury Society (Waikato) Inc	Field officer's wages	\$5,000.00
11	Link House	Client services coordination	\$5,000.00
12	M S Waikato Trust	Assistance with salary for the administration manager	\$5,000.00
13	Mckenzie Centre Trust	Support to Children and Families Project - Administration (Admin) Support role	\$5,000.00
14	Parent To Parent Waikato	We request support for operating costs – phone and rent.	\$5,000.00
15	Pasifika By Nature Trust	Pasifika by Nature Secondary Schools Cultural Festival 2016	\$5,000.00
16	Royal New Zealand Plunket Society - Waikato Area Inc	Parenting education in the Hamilton region	\$5,000.00
17	Smart Waikato Trust	Fan activate pilot: gen y, gen z and mentoring in the workplace	\$5,000.00
18	Society Of Saint Vincent De Paul - Hamilton Area	St Vincent de Paul - Good Neighbour Projects, School Lunches & Night Van	\$5,000.00
19	St Mark's Anglican Church, Nawton	Tuesday after-school club and Friday evenings youth group in Nawton-Crawshaw	\$5,000.00
20	Te Kohanga Reo O Nga Kuaka Incorporated	Hotaka Manaaki	\$5,000.00
21	Te Whare O Te Ata Fairfield/Chartwell Community Centre Trust Inc	Community and Youth Development Project	\$5,000.00
22	The Crosslight Trust	Creative activities for elderly (c.a.f.e.) programme	\$5,000.00
23	The Taiohi Toa Trust	Big brothers big sisters of Hamilton	\$5,000.00
24	Trimaori Charitable Trust	Taemaori Colour Run	\$5,000.00
25	Waikato Digital Youth Network (Waidyn)	To provide staff resourcing who support the youth of Enderley Creative Studio (ECS)	\$5,000.00
26	Waikato Environment Centre	Community sustainability education - sustainable living programme	\$5,000.00
27	Waikato Family Centre Trust	Crying baby - crying mother	\$5,000.00
28	Waikato Japanese Community Trust	Operation costs	\$5,000.00
29	Waikato Muslim Association	Wowma youth and adult women project	\$5,000.00

30	Waikato Queer Youth	Waquy - youth centre and administration	\$5,000.00
31	Waikato Youth Empowerment Trust Operating As FYD Waikato	Programme costs - Direct and Indirect	\$5,000.00
32	Western Community Association	Salary - services co-ordinator, programme and admin expenses	\$5,000.00
33	Pukete Neighbourhood House	Community newsletter publication	\$4,874.00
34	Starjam Charitable Trust	Talent Expansion Programme	\$4,770.00
35	Autism New Zealand Inc	Lego club coordinator salary & rental costs	\$4,533.00
36	Asthma & Respiratory Services Waikato	Support group costs	\$4,530.00
37	Hamilton Kerala Samajam Incorporated	Community Awareness & Development	\$4,100.00
38	Alzheimers Waikato Charitable Trust	Office rent	\$4,000.00
39	Hearing Association Hamilton And Districts Branch	Operating and Administration Costs	\$4,000.00
40	New Zealand Parkour Association Inc.	Parkour in schools	\$4,000.00
41	Rostrevor House Incorporated	Contribution to the whanau worker's salary costs	\$4,000.00
42	Streetworks Charitable Trust	Wages and salaries	\$4,000.00
43	Young Workers' Resource Centre Incorporated	Young workers resource centre	\$4,000.00
44	Catholic Family Support Services	Operating costs for catholic family support services	\$3,500.00
45	Diabetes New Zealand Incorporated Waikato Branch	Part time field officer's wages	\$3,500.00
46	Diversity Counselling New Zealand	To provide a multi-ethnic/cultural/linguistic professional counselling services	\$3,500.00
47	English Language Partners Waikato	Volunteer home tutor training	\$3,500.00
48	Graceway Church Operating As Promoting Mental Wellness	Rally programme and support services	\$3,500.00
49	Grandview Community Garden Trust	Community garden outreach for refugees and new migrants	\$3,500.00
50	Hamilton Group Riding For The Disabled	Hamilton Group Riding for the Disabled Programme	\$3,500.00
51	Hamilton Inline Hockey Club Inc	Salary for hockey development manager	\$3,500.00
52	Pacific Rose Festival Trust	Pacific rose bowl festival	\$3,500.00
53	Rauawaawa Kaumatua Charitable Trust	Kaumatua warm and healthy project	\$3,500.00
54	Shama Hamilton Ethnic Women's Centre Trust	Social service and strength-based programmes	\$3,500.00
55	The Hamilton Chinese Learning Centre Charitable Trust	Running the centre	\$3,500.00
56	Waikato Community Broadcasting Charitable Trust	Volunteer development, Pasifika radio and community sound gear	\$3,500.00
57	Positive Change Programmes Charitable Trust	Anger management and conflict resolution programmes	\$3,380.00
58	Heart Kids Waikato	Family support wages - 2 months	\$3,312.00
59	Waikato Senior Indian Citizens Association Incorporated	Community wellbeing - health & fitness for seniors group	\$3,200.00
60	Desert Spring Ministries Trust	On-going operating costs	\$3,000.00
61	Hamilton Homeless Trust	Aroha mai, aroha atu (the giving and receiving of aroha): operational costs	\$3,000.00
62	Mates Trust Nz	Mates men's network	\$3,000.00
63	Muscular Dystrophy Northern	Fieldworker service Waikato	\$3,000.00
64	Pregnancy Counselling Services	Pregnancy help	\$3,000.00
65	Prison Care Ministries	Mileage costs	\$3,000.00
66	The Refugee Orientation Centre Trust (Roc)	Operating costs and volunteer expenses	\$3,000.00

67	Volunteering Waikato	Advertising	\$3,000.00
68	Waikato Refugee Resettlement Society (Inc)	Services to refugees.	\$3,000.00
69	Riverlea Theatre & Arts Centre Inc.	Promotional board	\$2,960.00
70	Te Rongopai Community Trust	Community games and activities	\$2,880.00
71	Prisoners Aid & Rehabilitation Society Of The Waikato District Inc	Wage contribution for court support worker	\$2,720.00
72	Waikato Hispano Latino Cultural Group Inc.	Spanish playgroup Manitas & Spanish classes	\$2,700.00
73	Hamilton Methodist Social Services Trust	Arts & crafts programme	\$2,500.00
74	Life Education Trust, Hamilton	Life education trust, hamilton	\$2,500.00
75	Lifeline Aotearoa - Waikato Branch	Training of volunteers for telephone counselling	\$2,500.00
76	Link City Trust	Awaken youth leaders	\$2,500.00
77	Perry Outdoor Education Trust	Poet programme - Melville high school	\$2,500.00
78	Prison Fellowship New Zealand	Angel tree	\$2,500.00
79	Rainbow Chinese Community Centre Charitable Trust	Operating and administration cost, salaries and volunteer expenses	\$2,500.00
80	The Care Community Trust	Raglan time-out weekends	\$2,500.00
81	True Colours Children's Health Trust	Salary for executive communications assistant	\$2,500.00
82	Waikato Badminton Association Inc.	Junior development	\$2,500.00
83	Gateway 950 Community Trust	Gateway community meal kids club equipment refurbishment project	\$2,065.00
84	Arthritis New Zealand	Gout education programme	\$2,000.00
85	Families Autism Support Trust	2015 programme	\$2,000.00
86	Nawton Community Children & Families Charitable Trust Inc.	Impact holiday programme	\$2,000.00
87	Tamil Society Waikato Inc	Kalai vilzha - Tamil language and cultural festival	\$2,000.00
88	The Refugee Orientation Centre Trust	Jambo-New Zealand kids ethnic soccer festival	\$2,000.00
89	Waikato Area Girls' Brigade	Leadership training	\$2,000.00
90	Waikato Ethnic Family Services Trust	Operating cost	\$2,000.00
91	Young Women's Christian Association Of Hamilton Incorporated	YWCA Leadership/Te Whare Wahine	\$2,000.00
92	Hamilton Tulip Festival Trust	Hamilton tulip festival	\$1,920.00
93	The Dyslexia Association Of Waikato	Extending Information and Building Resources	\$1,900.00
94	Waikato Filipino Association	Philippine cultural programme	\$1,800.00
95	Epilepsy Waikato Charitable Trust	Seizure Diaries and Pull up Banner	\$1,675.00
96	Scouts Nz - Hillcrest Group	Operating costs	\$1,668.00
97	Royal New Zealand Plunket Society - Hamilton Branch Inc	Community services coordinator	\$1,500.00
98	Ryder-Cheshire Foundation (Waikato) Charitable Trust	Abseil outing for residents and volunteers of Ryder-Cheshire foundation homes.	\$1,500.00
99	Sri Lanka Friendship Society Waikato Inc	Independence & new year celebration 2015	\$1,500.00
100	Stroke Foundation Hamilton	Telephone and internet costs	\$1,500.00
101	Riverlea Environment Society Inc	Pest control	\$1,271.00
102	Kidz Korner Toy Library	Outdoor play	\$892.00
103	Hamilton Toy Box Toy Library	Rent and promotional costs	\$550.00
104	Aspergers Connections Waikato	Social skills training course	\$500.00
105	Friends At Court Society (Waikato) Inc	Friends at court	\$300.00
			\$362,000.00

Organisational Primary Purpose	# of Applicants	Amount Requested	# of Successful Applicants	Amount Allocated
Community	72	\$305,632.00	52	\$191,603.00
Education and Training	15	\$49,495.91	8	\$23,948.00
Environment	2	\$6,271.70	2	\$6,271.00
Health	14	\$65,850.00	13	\$47,030.00
Sport	8	\$35,634.00	2	\$6,000.00
Arts	3	\$12,500.00	1	\$5,000.00
Social Services	30	\$115,398.90	27	\$82,148.00

Arts and Culture Grant (2014/15)

The Hamilton City Council "Arts and Culture Grant" of \$43,000 was administered by Creative Waikato in 2014/15. A total of 37 applications were received in this funding round, requesting \$170,516 of which 19 were successful, allocating a total of \$43,000.

	Successful Applicants	Project Name	Total Allocated
1	William Farrimond	Meteor Youth Theatre Programme	\$4,420.00
2	The Society for Art Fusion Incorporated	Wednesday Workshops	\$4,000.00
3	Riff Raff Public Art Trust	Embassy Park Redevelopment	\$3,290.00
4	The One Victoria Trust Board Inc	Meteor Mural Project	\$3,290.00
5	Lynda Wilson	Hamilton Zinefest	\$3,000.00
6	Joe Citizen	presence	\$3,000.00
7	Hamilton Fringe Trust (HFT)	Hamilton Fringe Festival 2015	\$3,000.00
8	Dean Ballinger	Hamiltron: City of the Future - An Anthology of Hamilton Comics	\$3,000.00
9	Bullet Heart Club	DAFFODILS	\$2,500.00
10	William Stoneham	Trumpet recital series 2015 (5 concerts)	\$2,000.00
11	Hoboken Symphony Orchestra	The Rat Pack is Back!	\$2,000.00
12	Freelunch Ltd	Alice in Wonderland	\$1,500.00
13	Hamilton Performing Arts Trust	Shirley Valentine	\$1,400.00
14	United Youth Orchestra Trust	2015 Winter Concert and Spring Joint Concert at APA Hamilton	\$1,300.00
15	Paul Bradley	Storm Warning	\$1,300.00
16	Susanne McNair	The Land Of The Midnight Sun	\$1,200.00
17	Hamilton Methodist Social Services Trust	African Drumming Classes	\$1,100.00
18	Erica Duthie	Not Your Garden Variety Mandala	\$1,000.00
19	Urban BellyDance Community	Multicultural Dance Classes for Children	\$700.00
			\$43,000.00

Performing Arts Contestable Fund (2014/15)

The Hamilton City Council "Performing Arts Contestable Fund" of \$100,000 was administered by Creative Waikato in 2014/15. A total of 14 applications were received in this funding round, requesting \$153,260 of which 13 were successful, allocating a total of \$100,000.

	Successful Applicants	Project Title	Allocation Amount
1	One Victoria Trust	Salary of Theatre Managers	\$20,000.00
2	Opus Orchestra Trust	Concert Season 2015	\$17,000.00
3	Creative Waikato	Providing a creative hub to the performing arts community	\$15,000.00
4	Hamilton Operate Society Inc.	Mamma Mia	\$10,000.00
5	Hamilton Fringe Trust	Hamilton Fringe Festival 2015	\$9,800.00
6	Waikato Orchestral Society Inc.	TWSO Education Concerts for Primary / Intermediate Schools	\$8,000.00
7	Cantando Choir Inc.	ANZAC Reflections	\$4,500.00
8	Indian Ink Theatre Company	Working Title: Circus at the End of the Earth	\$4,000.00
9	TOTI Trust	Moore-Jones docu-drama/play schools season - 'Me & Murphy' (working title)	\$3,200.00
10	Hamilton Performing Arts Trust	Theatre for Children	\$3,000.00
11	NZ Barok Incorporated	NZ Barok orchestra concerts 2015 Hamilton	\$3,000.00
12	Alf's Imperial Fifth Waikato Dragoons Inc.	Clubs & Creativity Showcase: Public Performance Space	\$1,500.00
13	Hamilton Chinese Golden Age Society	Hamilton Chinese Golden Age Society Performing Team	\$1,000.00
			\$100,000.00

Committee: Finance Committee

Date: 23 July 2015

Report Name: Community Assistance
Funding 2015/16 - Multi-Year
Community Grant Allocation

Author: Deanne McManus-Emery

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Community Assistance Policy</i>
Financial status	<i>There is budget allocated Amount \$1,160,000</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- The purpose of this report is to advise Council of the Multi-Year Community grant allocation outcome for the 3-year term beginning 1 July 2015.

3. Executive Summary

- Hamilton City Council's Multi-Year Community Grant supports the operational management of community organisations, to deliver services, programmes and activities that benefit the social, cultural, arts and environmental wellbeing of communities in Hamilton.
- The Multi-Year Community Grant has a maximum allocation amount of \$900,000 per annum.
- The External Allocation Committee, comprising of two Elected Members and community representation have delegated authority to allocate the funding on behalf of Council.
- The Multi-Year Community Grant approved a total of \$868,000 (per annum for 3 years) to 27 applicants.

Recommendation from Management

- That the report be received;
- That the list of successful applicants is published;
- That the External Allocation Committee be acknowledged for their contribution; and
- That the unallocated amount of \$32,000 be moved to the Single-Year Community Grant for the funding years 2015/16, 2016/17 and 2017/18, increasing the Single-Year Community Grant availability to a total of \$292,000 per annum.

8. **Attachments**

9. Attachment 1 - Multi-Year Community Grant 2015/18 Successful Applicants - June 2015
10. Attachment 2 - 2012/15 Service Level Agreement Holders 2015/18 Multi-Year Community Grant Allocation - June 2015

11. **Key Issues**

12. Background

13. The Community Assistance Policy was adopted by Council at the 8 April 2015 Strategy and Policy Committee, upon the completion of the review of the Community Assistance Funding Programme and Policy by the Working Group during 2014.
14. All applications for funding are managed through the SmartyGrants online funding application system.
15. The funding application round was advertised for a one month period, opening from Monday 20 April 2015, with a closing date of 4pm Monday 18 May 2015. All previous holders of Service Level Agreements were made aware of the process and application dates.
16. Forty six (46) applications were received with a total funding request amount of \$2,760,274 per year.
17. The External Allocation Committee consisted of six voting members, that included two elected members Cnr Yeung and Cnr Gallagher, and representation from key community funding organisations.
18. The External Allocation Committee members assessed each application against the funding criteria, prior to the External Allocation Committee meeting.
19. Community Development and Leisure staff reviewed the applications prior to the External Allocation Committee meeting, and provided relevant feedback as appropriate.
20. The External Allocation Committee convened on 12 June 2015 to collectively assess, discuss and determine the successful applicants.
21. The Allocation Committee approved 27 applications, with a total funding approved amount of \$868,000 per year for the next 3-years. The External Allocation Committee recognised this as a fair representation of Council investment to Hamilton communities.
22. The following sectors have received funding support:
 - Community
 - Arts
 - Health
 - Environmental
 - Education
23. It is recommended the unallocated amount of \$32,000 be allocated through the Single-Year Community Grant funding rounds for the financial year 2015/16, 2016/17, 2017/18 as per the Community Assistance Policy.
24. The Community Assistance Policy provides guidance that any unallocated amount from the Multi-Year Grant can be allocated to the Single Year Grant:
 - *The funding split between multi-year grants and single-year grants for the 3-year term beginning 2015/16 is:*
 - a) *The Multi-year grant will be allocated up to a maximum of \$900,000 per year for each year of the 3-year term.*

b) The total funds remaining after allocating the Multi-year grant will be allocated through the Single-year grant. The minimum amount available for the Single-year grant will be \$260,000 per year.

- 25. The External Allocation Committee recommended the reallocation, after taking into consideration both the high number of applicants that aligned with the Single-Year Community Grant and the predicted increase in applications from both the Ethnic Community and Arts Sector.
- 26. All applicants have been notified.
- 27. Staff are in the process of negotiating funding contracts with the successful applicants. It is anticipated that this process will be completed by end of July 2015.
- 28. **Risk**
- 29. Staff have ensured that all previous recipients of Council funding were kept informed of the process to review of the Community Assistance Funding Programme and Policy, to mitigate any potential risk, however there is still an element of risk that some groups will not be happy with the outcome of the funding decisions.

Signatory

Authoriser	Lance Vervoort, General Manager Community
------------	---

Multi-Year Community Grant (2015-18)

The Hamilton City Council "Multi-Year Community Grant" of \$900,000 per annum was allocated via an External Allocation Committee in 2014/15. A total of 46 applications were received in this funding round, requesting \$2,760,274 per year, of which 27 were successful, allocating a total of \$868,000 a year.

Successful Applicants	Total Allocated
1 Western Community Association	\$91,000.00
2 Creative Waikato Trust	\$90,000.00
3 Hamilton Multicultural Services Trust	\$65,000.00
4 Zeal Education Trust	\$60,000.00
5 Rauawaawa Kaumatua Charitable Trust	\$50,000.00
6 Te Whare o te Ata Fairfield/Chartwell Community Centre Trust	\$50,000.00
7 The One Victoria Trust Board	\$50,000.00
8 Hamilton South Community Centre Association Incorporated	\$45,000.00
9 Glenview Community Centre	\$45,000.00
10 South East Kirikiriroa Community Association	\$40,000.00
11 Te Rongopai Community Trust	\$30,000.00
12 Citizens Advice Bureau Hamilton Inc	\$25,000.00
13 Pukete Neighbourhood House	\$20,000.00
14 The Community Waikato Trust	\$20,000.00
15 Refuge Orientation Centre	\$20,000.00
16 Opus Orchestra Trust (and Orchestras Central)	\$20,000.00
17 Hamilton Christian Nightshelter Trust	\$20,000.00
18 Shama (Hamilton Ethnic Women's Centre)	\$20,000.00
19 Waikato Women's Refuge Te Whakaruruhau	\$20,000.00
20 Hamilton Operatic Society Inc.	\$15,000.00
21 Waikato Environment Centre	\$13,000.00
22 Waikato Community Broadcasting Charitable Trust t/a Free FM	\$12,000.00
23 Young Women's Christian Association of Hamilton Incorporated	\$10,000.00
24 Waikato Institute for Leisure & Sport Studies	\$10,000.00
25 Waikato Society of Arts Inc.	\$10,000.00
26 K'aute Pasifika Trust	\$10,000.00
27 Hamilton Civic Choir Inc	\$7,000.00
	\$868,000.00

Organisation Primary Purpose	# of Applicants	Amount Requested	# of Successful Applicants	Amount Allocated
Community	29	\$1,742,918.84	17	\$583,000.00
Education / Training	2	\$75,000.00	1	\$10,000.00
Environmental	1	\$13,200.00	1	\$13,000.00
Health	6	\$470,000.00	1	\$10,000.00
Sports	1	\$62,000.00	0	\$0.00
The Arts	7	\$397,156.00	7	\$252,000.00

Previous Service Level Agreement Holders (2012-15)

12 community organisations have had service level agreements with Council over the previous 3-year term. These funding agreements totalled \$615,614.60. As a result of the allocation decisions made around the Multi-Year Community Grant \$581,000 has been allocated to 11 of those organisations.

Age Concern failed to submit an application on time so was unable to be considered for funding by the allocation committee.

Previous Service Level Agreement Holders	2012-15	2015-18
Age Concern	\$45,000.00	\$0.00
Citizens Advice Bureau	\$36,000.00	\$25,000.00
Creative Waikato	\$85,500.00	\$90,000.00
Glenview Community Centre	\$41,885.00	\$45,000.00
Hamilton Multicultural Services Trust	\$41,885.00	\$65,000.00
Pukete Neighbourhood House	\$41,885.00	\$20,000.00
Rauawaawa Kaumatua Charitable Trust	\$41,885.00	\$50,000.00
Te Whare Kokonga Community House	\$55,185.00	\$45,000.00
Te Whare O Te Ata Community House	\$54,250.60	\$50,000.00
Waimarie Hamilton East Community House	\$53,440.00	\$40,000.00
Western Community Centre	\$88,699.00	\$91,000.00
Zeal Education Trust	\$30,000.00	\$60,000.00
	\$615,614.60	\$581,000.00

Committee: Finance Committee

Date: 23 July 2015

Report Name: Hamilton Gardens Nursery
Review

Author: Lance Vervoort

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Financial Strategy</i>
Financial status	<i>The nursery budgets form a small operating surplus (before indirect charges) across all years of the 2015-25 10-Year Plan</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- The purpose of the report is to provide Council with information on the findings of the Hamilton City Council Nursery review and to seek a decision on the recommendation to implement Option 4 as outlined in this report.

3. Executive Summary

- The Nursery provides low cost, high quality plants to Council business units and provides flexibility of service. It achieves savings of an estimated \$200k per annum, the additional amount Council would need to fund if units were to purchase plants directly from the market.
- A decision was made to review the Nursery to assess the impact of declining internal plant orders as a result of smaller budgets and to address the need for process improvements. Council also requested an assessment of future opportunities for the Nursery, as part of the 10-Year Plan discussions.
- Geoff Canham Consulting was engaged to carry out the review, while Aaron Bethune, a director at PWC, provided financial analysis of the options explored.
- The review explored five options for the Nursery as follows:
 - Option 1 - Closure and utilisation of contract grower
 - Option 2 - Storage and dispatch of buy-in plants only
 - Option 3 - Status Quo
 - Option 4 - Enhance the existing model
 - Option 5 - Expansion of current operation servicing other councils and contracts
- A key finding of the report is the Nursery provides significant savings to Council of over \$200k per annum that would not be realised in a contract or dispatch model (options 1 and 2).
- Option 4, the enhanced status quo model, is the recommended option because it represents low overall financial risk, sound financial benefits, and best non-financial benefits. This means security of a quality plant supply for Council, at continuing better-than-market prices, so Council is able to maintain its current levels of service within budget.

10. The report further recommends that Option 5 is reassessed in the future, dependent on Council's fiscal situation and the successful implementation of Option 4.

Recommendation from Management

- a) That the report be received;
- b) That staff implement Option 4 – enhance the existing model through improved operational systems and processes, irrigation and greenhouse infrastructure; and
- c) That a business plan (including a plan for external funding) is developed and staff make a recommendation to the 2015/16 Annual Plan on any required adjustments to revenue, expenditure and capital budgets.

11. Attachments

12. Attachment 1 - Nursery Review Report - Geoff Canham Consulting - July 2015 FINAL

13. Key Issues

14. Background

15. Hamilton City Council has operated the Municipal Nursery located at Hamilton Gardens since the 1950s. The purpose of the Nursery is to ensure Council has a secure, consistent supply of high quality plants and trees at the lowest possible cost, below market price.

16. Current Situation

17. The Nursery supplies internal Council units – Parks and Open Spaces, City Parks, City Development, Hamilton Gardens and the Infrastructure Alliance. The majority of orders are fulfilled with in-house grown plants and the Nursery is able to buy in plants in situations where unique species are required.
18. The Nursery is operated under the Hamilton Gardens Unit management with 6 full-time and 2 part-time staff. The Nursery Manager role is currently vacant and is being managed through an internal staff secondment.
19. The Nursery buildings comprise an amenities building, potting and implement sheds, irrigation pump shed and six glasshouses. The Nursery buildings are of “average to good” condition. The glasshouses however are 40-plus years old, are nearing “poor” condition and are not energy-efficient compared with modern greenhouse technologies.
20. The table below shows the Nursery's net operating position over recent years, validated by PWC. Their analysis of the financial records for 2012/13 to the 2014/15 financial year identified a number of processing errors. Council's records had shown a net operating deficit for the Nursery in 2013/14, with a corresponding favourable variance in Parks and Open Spaces, due to invoicing and journal entries not occurring prior to June 2014. PWC's analysis revealed an actual net surplus for the Nursery of \$42K in 2013/14 as reflected in the table below.
21. In March 2015 the Nursery's budgets were also tracking an apparent projected net operating deficit of \$200K for 2014/15. This has been addressed by the acting Nursery Manager through improvements in ordering processes, addressing some operational inefficiencies and selling surplus stock. The final 2014/15 year end result is a net surplus of \$12K.

Actual versus Budget: Revenue, Expenditure and Net Operating Impact for 2012-2015

Figures represent \$000s

Year	Income		Expenditure		Surplus/ (Deficit) before indirect charges*		Variance
	Actual	Budget	Actual	Budget	Actual	Budget	
2012/2013	793.0	879.0	809.2	938.5	(16.2)	(59.5)	43.3
2013/2014	807.1	907.1	764.6	867.1	42.5	40.0	2.5
2014/2015	929.7	958.6	917.7	930.5	12.0	28.1	(16.1)

*Note: Budgeted Indirect costs for Nursery comprise depreciation of \$6000k in 2014/15.

23. While highlighting strengths such as a reputation for quality plants, skilled technical staff and location, the review also identified areas for improvement such as the need for a robust demand-driven production programme, more efficient systems and processes, and upgrades of infrastructure and irrigation to decrease manual handling/inefficient use of staff time.
24. There is strong demand for and potentially under-supply of eco-sourced native plants in the marketplace. The Nursery is well placed to leverage its competitive advantage in eco-sourcing.
25. Strategic alignment
26. Consistent with Council’s financial strategy, the overarching strategic goal of the Nursery is to maximise operational efficiency, in order to produce high quality plants, at the right time, at the lowest possible price, assisting Council to meet its goal of being an urban garden.
27. Options
28. Costs, benefits and risks have been considered to assess the overall viability of the following five options, with particular emphasis on alignment with Council’s Financial Strategy.
29. The financial modeling undertaken by PWC exclude indirect costs which average around \$35K per annum over the 10-Year Plan. These indirect costs would be reduced if the Nursery assets were to be disposed of in a contract model (Option 1), noting that there would also be a loss of asset value on disposal.

Option	Operations	Financial Impact	Implementation Cost	Benefit/Risk
Option 1 - Closure and utilisation of contract grower	<ul style="list-style-type: none"> • Nursery operation is wound down • Appoint contract grower • Staffing - 2 FTE purchasing and contract staff 	<ul style="list-style-type: none"> • Net operating deficit of around \$238K pa (staff related and support unit costs) - \$2.38m deficit over 10 years • Other units over-run \$250K pa in increased plant purchase costs • Overall impact - \$500K net deficit pa 	<ul style="list-style-type: none"> • Estimated demolition cost of \$200k - some offset from budgeted renewals savings • Cost to renew site • Loss of asset value on disposal • Redundancy costs 	<ul style="list-style-type: none"> • Most expensive option (high rates revenue impact) • High cost of implementation • Highest loss of revenue /increasing market costs
Option 2 - Storage and dispatch of buy-in plants only	<ul style="list-style-type: none"> • Retain current infrastructure and 3.7 FTE production and contract staff • Source and purchase plants on the open market 	<ul style="list-style-type: none"> • Net operating deficit of \$1.38m over 10 years (staff related and support unit costs) • Other units over-run \$250K pa in increased purchase costs • Overall impact of \$390K net deficit pa 	<ul style="list-style-type: none"> • Replace glasshouses with greenhouse in 2019/2020 - \$215k (partially funded by renewals) • Redundancy costs 	<ul style="list-style-type: none"> • Significant loss of revenue • Risk of increasing market costs
Option 3 - Status Quo	<ul style="list-style-type: none"> • No change to current operation – continue with existing 	<ul style="list-style-type: none"> • Net operating deficit up to 2020/21 and total net operating deficit of \$176K over 10 years 	<ul style="list-style-type: none"> • Replace glasshouses with greenhouse in 2023/24 - \$215k (partially funded by 	<ul style="list-style-type: none"> • Ongoing operational inefficiencies • Potential revenue

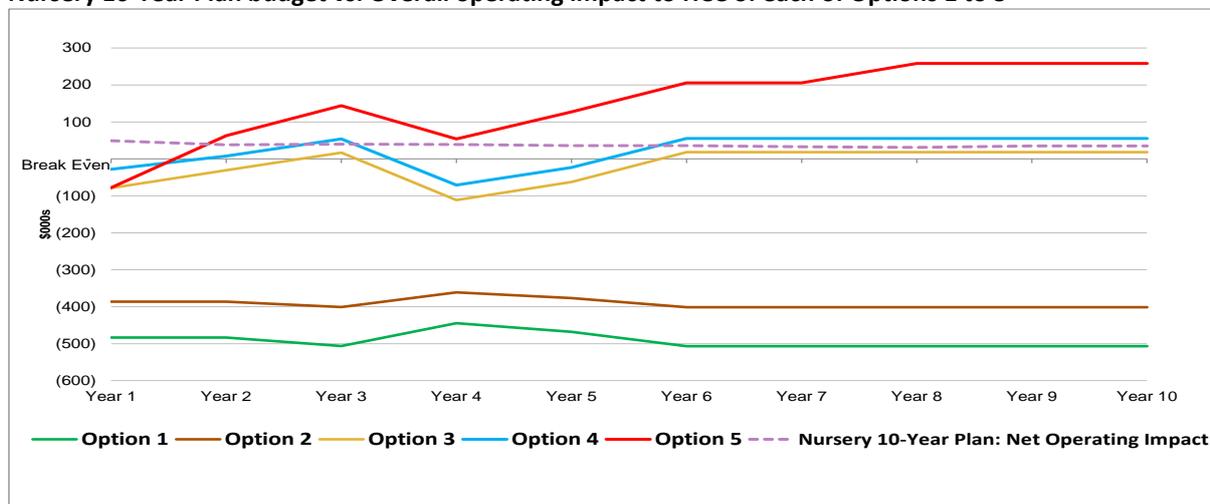
	resources, systems and processes	<ul style="list-style-type: none"> No financial operating impact on the other units 	renewals)	<ul style="list-style-type: none"> opportunities not leveraged Not achieving revenue targets
Option 4 - Enhance the existing model	<ul style="list-style-type: none"> Implement a demand-driven production plan Replacement of glasshouses and improved irrigation Improve systems 	<ul style="list-style-type: none"> Nursery net operating surplus of \$737K over 10 years Unfavorable \$521K impact on other unit budgets over 10 years* Overall Council operating surplus of \$216K over 10 years 	<ul style="list-style-type: none"> Replace glasshouses with greenhouse in 2017/18 - \$215k (partially funded through renewal reprioritisation - \$170k available) 	<ul style="list-style-type: none"> Lowest risk model Implement efficiencies and robust business planning Budgets generally achievable
Option 5 - Expansion of current operation servicing other councils and contracts	<ul style="list-style-type: none"> Option 4 with the addition of sourcing external contracts Reconfiguration of building infrastructure Improved irrigation 	<ul style="list-style-type: none"> Nursery's 10-Year Plan budgets are easily achieved from 2016/17 onwards, driven by additional external contract revenue 	<ul style="list-style-type: none"> Replacement of glasshouses with one greenhouse in 2015/16 - \$215k Enhance infrastructure and irrigation - \$225K Total Capex \$440k (partially funded through renewals) 	<ul style="list-style-type: none"> Most financially sustainable option Comparatively high initial capital investment. Market demand and supply requires further investigation

*This models assumes a slight increase to plant prices creating a small unfavourable expenditure budget variance of approximately \$50K per annum (on average), across the rest of Council.

30. Financial and Resourcing Implications

31. The figure below shows the net operating impact of each of the five options represented against the Nursery's budgeted 10-Year Plan net operating position. Option 5 is the most profitable model, but needs further investigation to scope for feasibility. Option 1 and 2 are unsustainable over the long term with increased budget impacts and potential loss of control over plant quality and service flexibility. Option 4 is the lowest risk option and is closest to meeting 10-Year Plan budgets.

Comparison of Net operating impact (revenue less expenditure): Nursery 10-Year Plan budget vs. Overall operating impact to HCC of each of Options 1 to 5



32. The reduction in operating surplus in years 4 and 5 (for options 3, 4 and 5) shown in the graph above is due to no confirmed external funding for planting projects in those years. External funding revenue varies from year to year and is not a highly reliable source of income, although Council and its partners have a good history of attracting non-rates funding for planting projects.
33. A baseline of plants is required each year to generate revenue for the Nursery. Sound forward planning can assist with attracting external funding towards planting projects that provide benefit to the city, including natural areas such as Waiwhakareke.
34. Nursery revenue and expenditure budgets in the 2015-25 10-Year Plan show an upward trend over the ten years, with a favourable net operating impact (a surplus) each year. The annual revenue increase is partly due to inflation being applied across all Council budgets.

Nursery 10-Year Plan Budget: Revenue, Expenditure, and Net Operating Impact (Surplus/Deficit) Compared to Options 4 Current Projection

Figures represent \$000s

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
Total Revenue	887.5	896.9	919.7	941.3	962.8	989.2	1014.7	1043.4	1080.5	1116.2	9852.2
Total Expenditure (direct)	838.5	858.9	879.7	902.3	926.8	953.2	981.7	1012.4	1045.5	1081.2	9480.2
Surplus/(Deficit) Before indirect charges	49.0	48.0	40.0	39.0	36.0	36.0	33.0	31.0	35.0	35.0	382.0
Option 4 projected Surplus*	15.9	57.8	110.9	(31.7)	22.7	112.2	112.2	112.2	112.2	112.2	736.6

**Based on PWC modelled assumptions – needs to be confirmed through comprehensive business planning particularly for later years*

35. Based on projected total confirmed internal revenue, the Nursery's 10-Year Plan budgeted revenue targets will need to be achieved through securing additional external funding for one-off or medium-term projects (such as Waiwhakareke) and/or increasing stock sales internally and/or externally. While revenue and costs increase from year to year, an overall surplus result is achievable under Option 4.
36. For Option 4 to be effectively implemented, the review recommends replacing the existing inefficient glasshouses with one single-span greenhouse by 2017/18 to enable increased production capacity. The cost is estimated to be \$215k and could largely be met through reprioritisation of property renewals with an available budget of \$170k. An additional \$45k would need to be allowed for in 2017/18 in the 10-Year Plan.

37. Risk

38. As outlined in this report, Option 4 is considered to carry the lowest risk to Council.

Signatory

Authoriser	Lance Vervoort, General Manager Community
------------	---



Hamilton City Council Nursery Review

Contents

Executive Summary	3
Option 1 Closure and utilisation of contract grower	3
Option 2 Utilise Nursery as a centre for the storage and dispatch of plants bought in	3
Option 3 Status Quo	3
Option 4 Enhance the existing model	3
Option 5 Expansion of current operation that services other councils	3
1.0 Background and Scope of Review	4
Nursery Context	4
Reasons for the Review	4
Scope of the Review	4
Review Methodology	5
2.0 Current Situation	5
Products and Services	5
Financial Resources	5
Site and Buildings	8
Staffing	9
Materials and other resources	9
Nursery Plant and Equipment	9
Systems and Processes	9
Summary of SWOT Analysis (Internal Strengths and Weaknesses, External Opportunities and Threats)	9
3.0 Options	10
Financial Assumptions	10
4.0 Comparison of Options	26
5.0 Conclusion	28
6.0 Recommendations	28
7.0 Appendices	29
Appendix 1 – Financial comparison of the five options	29
Appendix 2 – Nursery charge-out rates (cost to ‘customer’) compared with market rates	30
Appendix 3 – Building Asset Condition Assessment	31
Appendix 4 – SWOT Analysis	32
Appendix 5 – Revenue Opportunities / Market Potential	33
Appendix 6 – Recommendations for Nursery Management	34
Appendix 7 – Bibliography	36

Executive Summary

The purpose of an on-site Nursery is to save Council money in the city's goal of preserving and enhancing the city's natural green environment. Its overarching strategic goal is to maximise operational efficiency, in order to produce high quality plants, at the right time, at the lowest possible price to Council.

A decision was made to review the Nursery due to declining internal plant orders reflecting smaller budgets, an identified need for improved systems and processes and a Council request to assess future opportunities for the Nursery, as part of the 10-Year Plan discussions. Geoff Canham Consulting was engaged to carry out the review, while PWC provided financial analysis of the options explored.

Costs, benefits and risks have been considered to assess the overall viability of the following five options, with particular emphasis on alignment with Council's Financial Strategy.

Option 1 Closure and utilisation of contract grower

Close the Nursery and demolish the site. Use Council's procurement processes to appoint a contract grower.

Option 2 Utilise Nursery as a centre for the storage and dispatch of plants bought in

Retain the current infrastructure and some staff, source and purchase plants on the open market.

Option 3 Status Quo

No change to the current operation.

Option 4 Enhance the existing model

Implement a demand-driven production plan and eliminate inefficiencies of the current operational model.

Option 5 Expansion of current operation that services other councils

Option 4, with the addition of sourcing external contracts and upfront capital investment.

Option 4, the enhanced status quo model, is the recommended option because it best enables the Hamilton Plan goal of being "an urban garden" within the requirements of Council's Financial Strategy. It represents **low overall financial risk** and **sound financial benefits**, and **best non-financial benefits**. This means security of a quality plant supply for Council, at continuing better-than-market prices, so Council is able to **maintain its current levels of service within budget**.

Option 4 also has the advantage of improved financial sustainability for the Nursery. It is a prerequisite to minimise the risk associated with any potential future expansion of the Nursery operation, represented by Option 5.

It is therefore recommended:

- Option 4 is implemented across a 3-5 year timeframe, and
- Option 5 is reassessed in future, based on Council's fiscal situation and the successful implementation of Option 4.

1.0 Background and Scope of Review

Nursery Context

Hamilton City Council has operated the Municipal Nursery located at Hamilton Gardens since the 1950s.

The purpose of the Nursery is to:

- ensure Council has a secure, consistent supply of high quality plants and trees that are available when Council needs them for planting along the banks of the Waikato River, in its parks, reserves, CBD and roadside gardens and at Hamilton Gardens;
- produce plants at the lowest possible cost, below market price. This not only saves Council money but maximises the amount of plants that can be supplied for the budgets available;
- provide native species grown from locally eco-sourced seed, to ensure the botanical integrity of Hamilton's natural areas is conserved; and
- maintain the Victorian Display House and propagate new and replacement stock to Hamilton Gardens, ensuring the integrity of the Gardens is maintained.

Reasons for the Review

It is timely to review the operation of the Nursery due to the following factors:

- There has been a decline in internal plant orders in recent years due to budget rationalisation and some key city infrastructure/planting projects coming to an end;
- An apparent operating deficit for the Nursery in 2013/14 and, as at the end of March 2015, appearing to be tracking towards another deficit in 2014/15;
- Fluctuations in funding from external funding sources and project partners, for example Tui 2000 and Waikato Regional Council Project Watershed funding;
- Current vacancies in the Nursery staff structure including the Nursery Manager role;
- In the early part of the 10-Year Plan discussions Councillors requested staff to assess future opportunities the Nursery could provide.

Scope of the Review

The review was carried out according to the scope outlined below:

- To evaluate the current Nursery operation, its strengths and weaknesses, analyse its cost structure and revenue, staff structure and asset condition.
- To establish the viability threshold for a more efficient and operationally-flexible version of current model and identify any opportunities to improve its benefit to the Council.
- To evaluate external markets within the public sector such as the River Authority and Waikato Regional Council and gather further information on possible orders from other organisations.
- To complete an evaluation of the costs, benefits, risks, opportunities of options for the future of the Nursery: closure and utilisation of a contract grower, merely utilising the Nursery as a centre for the storage and dispatch of plants, continuing with the status quo, or the development of a larger scale operation that services other councils.
- To make recommendations based on sound financial management and prudence.

Review Methodology

The review process involved:

- Interviews with staff from the Nursery and Parks and Open Spaces;
- Site review of procedures and infrastructure, nursery stock, business systems and production programmes, and operational accounts;
- Comparison with similar operations with a similar purpose;
- Benchmarking Nursery plant selling prices against the marketplace;
- An assessment of market opportunities for the grades and species currently supplied by the Nursery;
- PWC provided financial analysis of the Nursery's revenue and expenditure from 2012/13 to the current financial year (refer Appendix 1).

2.0 Current Situation

Products and Services

The current production schedule at the Nursery is extensive. The Nursery grows bedding plants, trees for parks and streets, eco-sourced re-vegetation species, new and replacement plants and rare perennials for Hamilton Gardens. When the Nursery is unable to fulfil an order, it sources the required standard and number of plants from external suppliers, incurring freight costs in addition to market-priced product. The Nursery also grows plants for and maintains the displays in the Victorian Display House.

Most of the Nursery's supply goes to fulfil orders from other Council units – Parks and Open Spaces, City Parks, City Development and the Infrastructure Alliance. Most of these internal orders are to fulfil Council levels of service, while other internally-generated orders fulfil project-specific plantings funded by external agencies or funding sources.

About 80% of all orders are fulfilled with in-house grown plants. All plants produced by the Nursery are sold below market rates (refer Appendix 2).

Financial Resources

Financial Performance over recent years

Figure 1 below shows the Nursery's net operating position over recent years, validated by PWC. Their analysis of the financial records for 2012 to the 2014/15 financial year identified a number of processing and accrual errors. Council's records had shown a net operating **deficit** for the Nursery in 2013/14, with a corresponding favourable variance in Parks and Open Spaces, due to invoicing and journal entries not occurring at the correct time (i.e. not until after 30 June 2014).

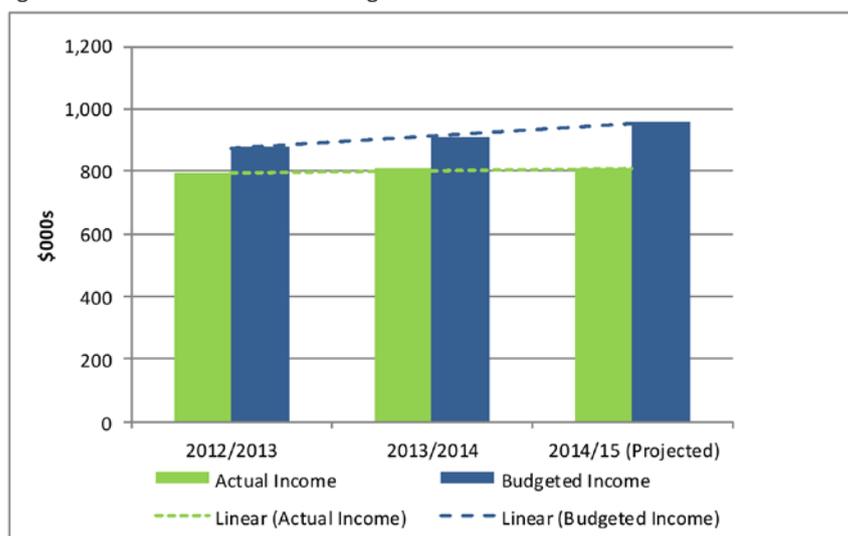
In March 2015 the Nursery's budgets were also tracking an apparent projected net operating deficit of \$200K for 2014/15, which is being addressed through improved ordering processes and success in selling surplus stock to the Infrastructure Alliance. PWC's analysis revealed an actual net **surplus** of \$42K in 2013/14 and a projected net surplus of close to \$48K in 2014/15.

Figure 1 – Actual versus Budget: Revenue, Expenditure and Net Operating Impact for 2012-2015

Actual versus Budget: Revenue, Expenditure and Net Operating Impact for 2012-2015							
Figures represent \$000s							
	Income		Expenditure		Surplus/ (Deficit) before indirect charges		Variance
Year	Actual	Budget	Actual	Budget	Actual	Budget	
2012/2013	793.0	879.0	809.2	938.5	(16.2)	(59.5)	43.3
2013/2014	807.1	907.1	764.6	867.1	42.5	40.0	2.5
2014/2015	929.7	958.6	917.7	930.5	12.0	28.1	(16.1)

While actual expenditure has been favourable against budget over the past 3 years, Figure 2 shows revenue targets have not been achieved with actual income remaining relatively static while budgets have been trending upwards.

Figure 2 – Revenue: Actual versus Budget 2012-2015



10-Year Plan Operating Budgets

Revenue and expenditure budgets in the 10-Year Plan (Figure 3), show revenue and expenditure continuing to trend upwards over the ten year period, with a favourable net operating impact (a surplus) each year.

Figure 3 –Nursery 10-Year Plan Budget: Revenue, Expenditure and Net Operating Impact (Surplus/ (Deficit))

Figures represent \$000s

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Revenue	887.5	896.9	919.7	941.3	962.8	989.2	1,014.7	1,043.4	1,080.5	1,116.2
Total Expenditure (direct)	838.5	858.9	879.7	902.3	926.8	953.2	981.7	1,012.4	1,045.5	1,081.2
Surplus / (Deficit) before indirect charges	49.0	38.0	40.0	39.0	36.0	36.0	33.0	31.0	35.0	35.0

HAMILTON CITY COUNCIL NURSERY REVIEW

Known revenue for the first five years of the 10-Year Plan, from both internal (rates) and external funding, is shown in Figure 4. With the exception of "Natural Areas – Externally Funded", the projected revenue figures used are based on actual expenditure in 2014/15 and 10-Year Plan budgets.

Figure 4 –10-Year Plan Budget: Known Revenue versus 10-Year Plan Revenue Budget (Years 1-5)

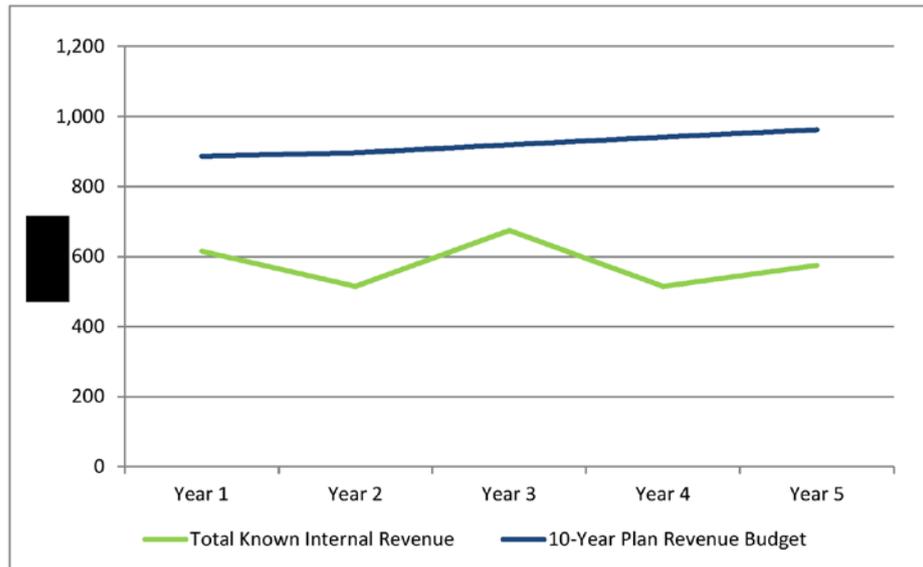
Figures represent \$000s

Known Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Natural Areas - Rates funded	147.1	147.1	147.1	147.1	147.1
Natural Areas - Externally funded	153.0	53.0	213.0	53.0	113.0
Park Landscapes	175.0	175.0	175.0	175.0	175.0
Hamilton Gardens	80.0	80.0	80.0	80.0	80.0
Sports Parks	15.0	15.0	15.0	15.0	15.0
Infrastructure Alliance	30.0	30.0	30.0	30.0	30.0
Other Internal	15.0	15.0	15.0	15.0	15.0
Total Known Internal Revenue	615.1	515.1	675.1	515.1	575.1
Revenue Budget	887.5	896.9	919.7	941.3	962.8
Net Operating Variance Favourable/(Unfavourable)	(272.4)	(381.8)	(244.7)	(426.3)	(387.7)

It should be noted actual external funding revenue ("Natural Areas – Externally Funded") has ranged between \$103K to \$177K from 2012-2015, whereas over the next five years known external funding will be even more variable, ranging from \$50K to \$213K. External funding of \$100K for planting development of Waiwhakareke is confirmed for year 1 only, and Project Watershed funding for the restoration of Mangaiti Gully (in years 3 and 5 of \$160K and \$60K respectively) represent the 'high' external revenue years across years 1 to 5 (see Figures 4 and 5).

Based on projected total known internal revenue, the Nursery's 10-Year Plan budgeted revenue targets will need to be achieved through securing additional external funding for one-off projects or medium-term projects (such as Waiwhakareke) and/or increasing stock sales internally and/or externally.

Figure 5 –10-Year Plan Budget: Known Revenue versus 10-Year Plan Revenue Budget (Years 1-5)



10-Year Plan Capital Budgets

There is capital budgeted in the 10-Year Plan for the renewal of the Nursery and Hamilton Gardens buildings – a total of just over a million is available over ten years (see figure 6). The condition of the Nursery building infrastructure is discussed immediately below. There is no capital funding in the 10-Year Plan for other Nursery asset renewals or new assets/improvements.

Figure 6 –10-Year Plan Budget: Capital Expenditure for Nursery/Hamilton Gardens Building Renewals

Figures represent \$000s

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Total Building Renewals Capex	(164.6)	(129.5)	(45.7)	(28.7)	(123.5)	(71.5)	(234.4)	(30.4)	(41.4)	(146.1)	(1,015.7)

Site and Buildings

The Nursery is located on the Hamilton Gardens site, just off the Gate 1 entrance on Cobham Drive. The site is classified as Recreation Reserve under the Reserves Act 1977.

The Nursery buildings comprise an amenities building (an office and staff facilities), potting shed, implement shed, irrigation pump shed and six glasshouses. The Nursery buildings are of “average to good” condition with about 50-60% remaining indicative life (refer Appendix 3). The glasshouses however are 40-plus years old, are nearing “poor” condition and are not energy-efficient compared with modern greenhouse technologies. In Year 2 of the 10-Year Plan (2016/17), \$56K is available to do some maintenance renewal work on the glasshouses, with a total of \$81K allocated to the glasshouses over the ten year period. HCC’s Property Unit has advised it is possible to re-prioritise budget from other building maintenance projects at the Nursery and Hamilton Gardens.

In accordance with the Earthquake-Prone, Dangerous and Insanitary Buildings Policy (2006), all of Council’s Buildings were grouped into three categories, according to their Earthquake Risk, before 1 March 2007. All Nursery buildings were assessed as “Category 3”, meaning no further action is required at this point in time.

Staffing

The Nursery is operated under the Hamilton Gardens Unit management framework. It has a structure that has 6 full-time and 2 part-time staff, equating to 7 FTE. The Nursery Manager role is currently vacant and is being managed through an internal staff secondment pending the outcome of this review.

Materials and other resources

Consumable materials for the propagation of plants, and some plants, are procured from reputable external suppliers.

Water, for irrigation in the Nursery, is taken from the Waikato River in accordance with the requirements of the Waikato Regional Council resource consent. Potable water is also available and used as contingency.

Nursery Plant and Equipment

The irrigation system is only partially and basically automated, and provides incomplete coverage, resulting in the need for a 7-days-per-week hand-watering roster. Filtration issues with the river water intake results in ongoing maintenance costs and staff intervention.

Systems and Processes

Plants are supplied against orders placed via the electronic inventory management system, HortBase. The Nursery is not running the current version of this specialist software, and is not using its production planning functionality.

Internal units are charged through Council's journal entry process, actioned by Finance.

The Nursery places orders for materials and externally-sourced plants via Council's purchasing systems.

Summary of SWOT Analysis (Internal Strengths and Weaknesses, External Opportunities and Threats)

The Nursery's main strengths include:

- strong internal **reputation** for supplying very good quality plants for considerably less than the market rate.
- **staff** who have good levels of engagement and a high level of technical competency, especially in eco-sourcing.
- flexibility around its **products and services** – with capacity to increase production, and its ability to accommodate a delay in the delivery of orders if required by internal customers.
- **location** – with proximity to key existing and potential customers.
- **resources** – a new potting machine has increased potting efficiency by reducing the manual labour input. The Nursery has an available stockpile of consumables that could be used for increased production. It also has access to dual water supply (river and potable supplies) for irrigation.

The Nursery's key weaknesses are:

- **systems and processes** – the Nursery does not have comprehensive production programme, driven by customer demand, and there is no full electronic inventory. This lack of planning has led to inefficiencies, e.g. costs incurred to grow plants that aren't wanted, and having to buy in market-priced plant stock. There are very few documented processes and there is a reliance on institutional knowledge.
- key **infrastructure** is not fit for purpose, resulting in waste/inefficient use of other resources – the Nursery glasshouses are out-dated and inefficient in terms of energy use, and poor layout results in increased manual handling and time spent moving between work areas. The irrigation system does not provide full coverage and has frequent blockages, translating to daily hand-watering and the manual clearing of blockages.

- **financial uncertainty** – with a lack of transparency/evidence around the cost of production and therefore uncertainty about whether current pricing is covering direct costs. With regard to revenue, its main customer base of HCC internal clients are subject to budget cuts in planting investment areas. The Nursery does not have secure longer-term forward orders from external sources.
- **constrained footprint** – while there is potential to increase production, the fixed size of the site places a logistical constraint on maximum production.
- **leadership** needs revitalising – there has been an extended period of inefficient operation, with a number of legacy behaviours and practices.

External opportunities for the Nursery are in **relationships** – improving the management of existing **internal** relationships, and the potential to develop **external** relationships to increase revenue. In terms of **market trends**, there is strong demand for and potentially under-supply of eco-sourced native plants. The Nursery is well placed to leverage its competitive advantage in eco-sourcing.

The only external threat is environmental. In drought conditions, the river water intake is restricted, causing reliance on potable water, therefore increasing the cost of irrigation.

A full SWOT analysis is provided in Appendix 4.

3.0 Options

An evaluation of costs, benefits, risks and opportunities have been investigated for the following options:

- Option 1 – Closure and utilisation of contract grower
- Option 2 – Utilise the Nursery as a centre for the storage and dispatch of plants bought in
- Option 3 – Continue the existing model (status quo)
- Option 4 – Enhance the existing model
- Option 5 – Expansion of current operation that services other councils.

Financial Assumptions

The financial implications of each scenario have been generated from financial modelling undertaken by PWC. The financial impacts of each scenario are compared with the 10-Year Plan:

- Surplus/(Deficit) before indirect charges – the net operating impact to the Nursery, that is revenue less expenditure (a)
- Impact on other parts of HCC – the financial impact caused by a difference in plant pricing (b)
- Overall impact on HCC – the overall operating impact on the budgets of the Nursery and other units of Council (c), that is (a) plus (b).

The assumptions that underpin each scenario model are outlined against each scenario description. The following assumptions apply to **all** scenario models:

Operating Costs

- Zero inflation has been applied to operating costs, including staffing costs, for each of the scenario models.
- Zero inflation has been applied to plant prices.

HAMILTON CITY COUNCIL NURSERY REVIEW

- Indirect operating costs, such as depreciation, are not included in expenditure figures.

Revenue & Production

- In terms of plant volumes/production capacity, it is assumed the Nursery is not currently operating at maximum capacity.
- Revenue assumptions for all scenarios are based on 'known' internal plant orders and therefore 'known' internal revenue figures for years 1 to 5 (refer Figure 4). It is assumed Internal budgets set in the 10-Year Plan are not reduced, and known external funding for specific environmental initiatives is not reduced or withdrawn.
- Historically actual revenue has exceeded known revenue due to one-off projects and/or the sale of surplus stock.

Council's Financial Strategy and 10-Year Plan

- Financial Strategy – **looking after what we've got before developing new assets.** Council's agreed long term approach to financial management as contained in the 10-Year Plan (Debt to revenue ratio of no more than 200 per cent and rates increases as forecast in the 10-Year Plan), ensures rates and debt levels are sustainable over the long term. Council's budgeting process prioritises expenditure on existing assets rather than creating new ones.
- Budgets and Levels of Service – The Draft 10-Year Plan budgets assume levels of service are unchanged. Any increases in per-unit plant costs will result in unfavourable budget variances.

Option 1 Closure and utilisation of contract grower
Operating Model

- The current Nursery operation is wound down, involving the demolition of all infrastructure and staff redundancies.
- The Council's procurement processes are used to appoint a contract grower.
- All Council units, including Hamilton Gardens, forward-plan and order their requirements and obtain all their plants from a contract grower at higher prices than the Nursery currently charges.
- Two FTE Purchasing /Logistics roles to manage the procurement, contract and logistics.
- Hamilton Gardens needs to resource the care of the Victorian Display House (currently serviced by 1 FTE), including the provision/sourcing of the plants.

Financial Model Assumptions

- All plants are externally sourced, through a contract grower.
- Demolition of buildings/decommissioning of site at an estimated cost of \$200K - unbudgeted.
- One-off staff redundancies cost (approx. \$60K).
- Cost impact of 2 FTE Purchasing /Logistics roles.
- The cost of maintaining the Victorian Display House is transferred to Hamilton Gardens (\$70K for the plants and servicing), resulting in a zero cost impact to HCC.
- Existing buildings have no surrender value.
- Proceeds from the sale of equipment and stock are not included.

Financial Implications

- The most expensive option with regard to rate revenue impact, with high implementation costs (demolition, demolition consents, decommissioning services/utilities, redundancy costs), greatest loss of revenue, and less value-for-money for plant purchases.
- Council is exposed to increasing market costs in the long-term, resulting in the on-going need to increase internal plant budgets to maintain existing levels of service.
- Increased per unit plant costs, including freight and additional storage costs, if needed. This will result in other units over-spending their planting budgets in order to maintain the same levels of service. For externally-sourced 'project' budgets, fewer plants (of the same specification) will be able to be purchased within available budgets than previously.

Figure 7 shows:

- The operation to source plants runs at a net operating deficit of \$238K per annum, amounting to approximately \$2.4 million deficit over 10 years.
- Other units' plant budgets run over-budget, with a combined over-run of \$250K per annum, on average.
- An overall financial impact to Council of, on average, \$500K net deficit per annum, taking into account the increased cost of plants.

Figure 7 – Option 1 versus Nursery 10-Year Plan Budgets:
Net Operating Impact (revenue less expenditure), Impact on other units, and Overall Operating Impact on HCC

\$ in 000's	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Cumulative
Surplus / (Deficit) before indirect charges											
Closure and utilisation of a contract grower	(237.8)	(237.8)	(237.8)	(237.8)	(237.8)	(237.8)	(237.8)	(237.8)	(237.8)	(237.8)	(2,378.0)
10-Year Plan	49.0	38.0	40.0	39.0	36.0	36.0	33.0	31.0	35.0	35.0	372.0
Impact on other parts of HCC											
Closure and utilisation of a contract grower	(245.4)	(245.4)	(268.3)	(206.6)	(230.1)	(268.9)	(268.9)	(268.9)	(268.9)	(268.9)	(2,540.4)
10-Year Plan	-	-	-	-	-	-	-	-	-	-	-
Overall impact on HCC											
Closure and utilisation of a contract grower	(483.2)	(483.2)	(506.1)	(444.4)	(467.9)	(506.7)	(506.7)	(506.7)	(506.7)	(506.7)	(4,918.4)

Figure 8 shows Option 1 compares extremely unfavourably with the Nursery's 10-Year Plan budgets.

Figure 8 – Comparison of Net Operating Impact:
Nursery 10-Year Plan budget vs. Overall operating impact to HCC of Option 1

HAMILTON CITY COUNCIL NURSERY REVIEW

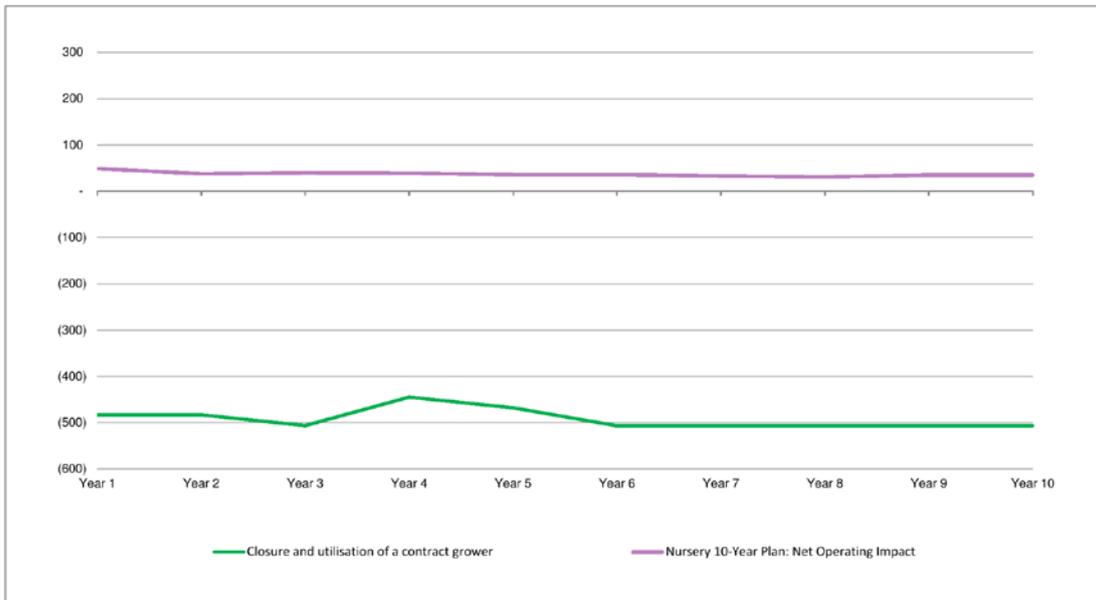
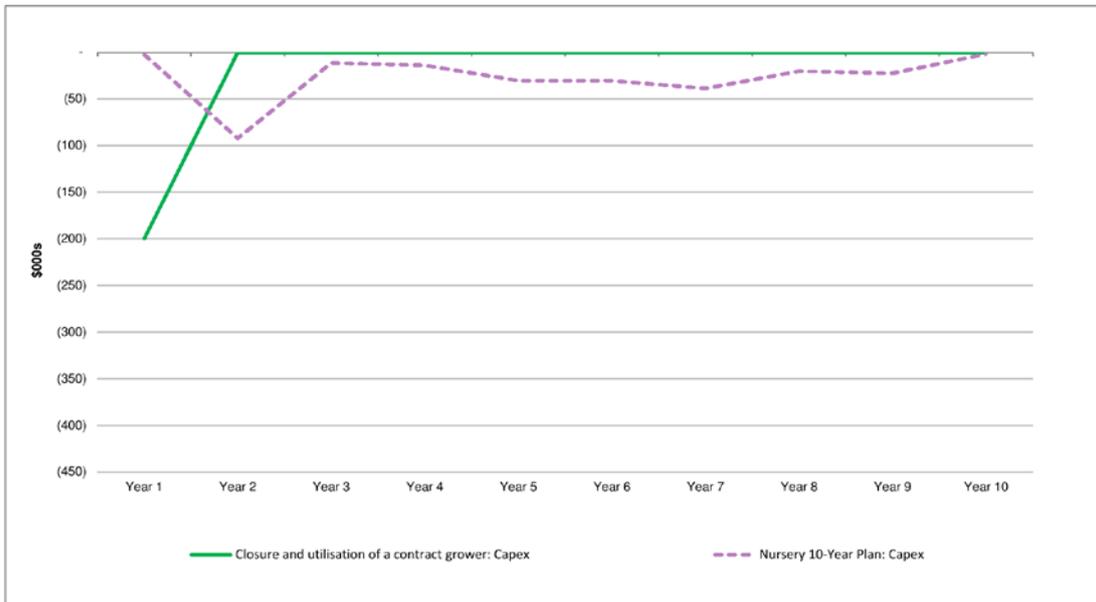


Figure 9 shows Option 1 has a high level of capital expenditure in year 1, for demolition costs, with no capital expenditure in years 2-10.

Figure 9 – Comparison of Capex Impact: Nursery 10-Year Plan budget vs. Option 1



Advantages

- Potential to re-purpose the Nursery site to create a revenue stream for Hamilton Gardens/Council, within the constraints of the Reserves Act.
- Potential to re-purpose the Nursery site for Hamilton Gardens' use and improve the road-appeal frontage of Hamilton Gardens by design.

Disadvantages

- Staff redundancy.
- Unbudgeted site decommissioning costs.
- Plant quality and specification: There is a loss of control over plants procured compared to an in-house operation.
- Experience suggests the planting palette for Council would be determined by the market as opposed to what was desired, that is, any hard to grow, 'different' species, or special displays would be expensive.
- Possible cessation of eco-sourcing.
- Greater accuracy is needed in the articulation of specifications (species and delivery timing), with potentially less flexibility or penalties if changes are made to the original order.
- Contract performance: With there being no standards in New Zealand for plant grade, the resulting plants would have to be contractually enforceable. Case studies tend to show no fair and reasonable recourse for contract non-performance for issues such as failed crops, under grade plants, insufficient numbers or general failure.
- Potential of discontinuation of the Victorian Display House if Hamilton Gardens isn't able to fund it and possible public dissatisfaction with loss of this service.
- Council would have to reinvest significant capital to return to an in-house option if the site is demolished.

Overall Viability

- This is a high risk-high cost scenario. A full market investigation of potential suppliers is outside the scope of this report; this would need to be done to evaluate the marketplace reality of this option.

Option 2 Utilise Nursery as a centre for the storage and dispatch of plants bought in

Operating Model

- Retain the current infrastructure and some staff, source and purchase plants on the open market.
- Hamilton Gardens resources the care of the Victorian Display House (currently serviced by 1 FTE), including the provision/sourcing of the plants.

Financial Model Assumptions

- Replacement of glasshouses in year 5 (2020/21) with a single-span greenhouse at an estimated \$215K – unbudgeted.
- No demolition costs, and less redundancy costs than Option 1.
- All plants are sourced externally at market prices.

Financial Implications

HAMILTON CITY COUNCIL NURSERY REVIEW

- Incur operational costs at or only slightly less than existing levels – staffing, materials, energy, building maintenance and depreciation costs.

Figure 10 shows:

- Nursery runs at a net operating deficit every year, amounting to almost \$1.38 million deficit over 10 years.
- As with Option 1, other units' plant budgets run over-budget, with a combined over-run of \$250K per annum, on average.
- An overall financial impact to Council of, on average, \$390K net deficit per annum taking into account the increased cost of plants.

Figure 10 – Option 2 versus Nursery 10-Year Plan Budgets:
Net Operating Impact (revenue less expenditure), Impact on other units, and Overall Operating Impact on HCC

\$ in 000's	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Cumulative
Surplus / (Deficit) before indirect charges											
Utilise the nursery as a centre for the storage and dispatch of plants bought in 10-Year Plan	(140.9)	(140.9)	(132.6)	(154.8)	(146.3)	(132.4)	(132.4)	(132.4)	(132.4)	(132.4)	(1,377.5)
	49.0	38.0	40.0	39.0	36.0	36.0	33.0	31.0	35.0	35.0	372.0
Impact on other parts of HCC											
Utilise the nursery as a centre for the storage and dispatch of plants bought in 10-Year Plan	(245.4)	(245.4)	(268.3)	(206.6)	(230.1)	(268.9)	(268.9)	(268.9)	(268.9)	(268.9)	(2,540.4)
	-	-	-	-	-	-	-	-	-	-	-
Overall impact on HCC											
Utilise the nursery as a centre for the storage and dispatch of plants bought in	(386.2)	(386.2)	(401.0)	(361.3)	(376.5)	(401.3)	(401.3)	(401.3)	(401.3)	(401.3)	(3,917.9)

Figure 11 shows Option 2 compares very unfavourably with the Nursery's 10-Year Plan budgets.

Figure 11 – Comparison of Net operating impact (revenue less expenditure):
Nursery 10-Year Plan budget vs. Overall operating impact to HCC of Option 2

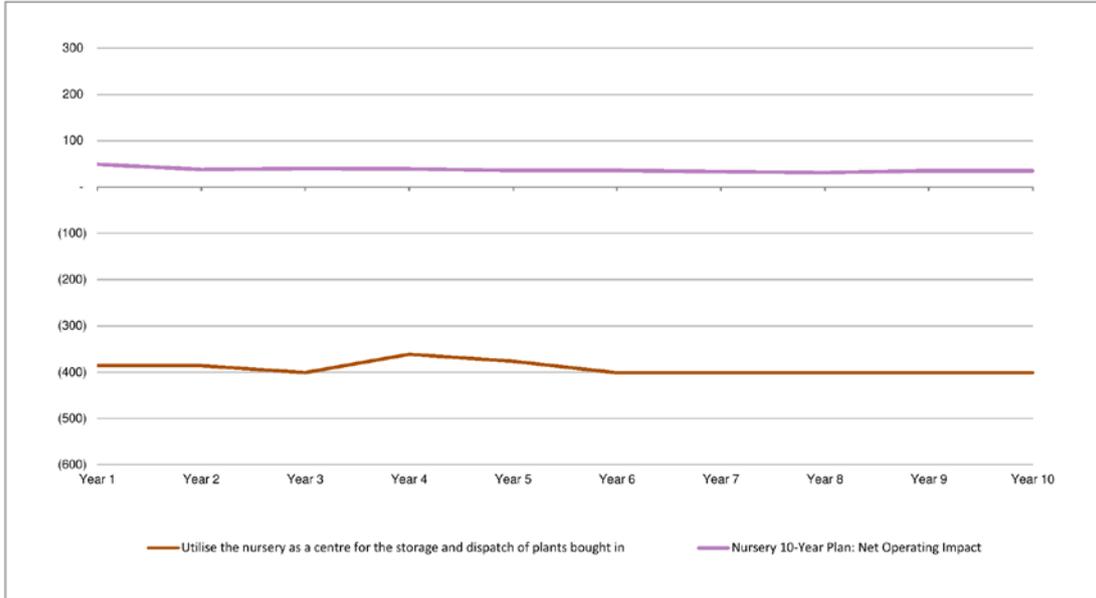
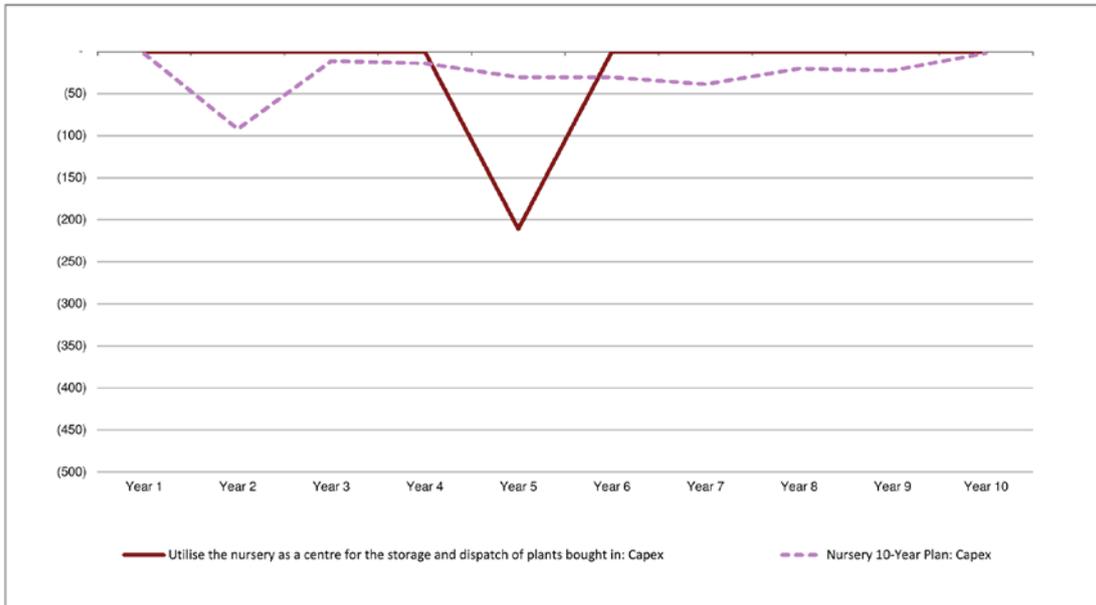


Figure 12 shows Option 2 has capital expenditure in year 5 for the replacement of glasshouses with a greenhouse, with no capital expenditure in other years.

Figure 12 – Comparison of Capex Impact: Nursery 10-Year Plan budget vs. Option 2



Advantages

- Council could relatively easily return to an in-house Nursery in the long term, if it chose to.
- Potential to save on 'market' unit cost by purchasing smaller-sized stock and growing them on to be able to supply at the reduced Nursery rates.
- Potential to contract the operation out, using the existing site; however it is not a commercially-attractive proposition, and a contract operator would likely expect Council to invest in the infrastructure.
- The ability to use the existing infrastructure for storage and plant care if additional storage is required.

Disadvantages

- Potentially more handling if the plants are not going directly to planting sites from the supplier.
- Any stock bought to grow on will still need observation, water, feed and care for pests and diseases, adding to costs.
- Potential for scope creep over time with a return to the current status quo operation.

Overall Viability

- This is a high risk-high cost scenario and is the second-most expensive option. It carries all the disadvantages of Option 1 without the savings-benefits of the current Nursery operation, and most of the existing operational costs as it is still effectively run as a nursery with the same infrastructure requiring attention and investment.

Option 3 Status Quo

Operating Model

- No change to the current operation. Carry on with the current resources, systems and processes.

Financial Model Assumptions

- Replacement of glasshouses in 2019/2020 (year 5) with a single-span greenhouse at an estimated \$215K – unbudgeted.
- There is an 18% increase across years 1-10 in the supply of grown trees and shrubs for internal orders. The maximum production volume of this model is 87,409 trees and shrubs, and is achieved from years 6-10.

Financial Implications

- Slightly more affordable than Options 1 and 2.
- All operational costs and revenue are at existing levels.
- Funding of the glasshouses replacement would need to be addressed through a re-prioritised Nursery/Hamilton Gardens building renewals programme and/or 10-Year Plan review process.

Figure 13 shows the Nursery runs at a net operating deficit until year 6, and a total net operating deficit of \$176K over the ten years. There is no financial operating impact on the rest of the organisation.

Figure 13 – Option 3 versus Nursery 10-Year Plan Budgets:

Net Operating Impact (revenue less expenditure), Impact on other units, and Overall Operating Impact on HCC

HAMILTON CITY COUNCIL NURSERY REVIEW

\$ in 000's	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Cumulative
Surplus / (Deficit) before indirect charges											
Status Quo	(79.0)	(30.8)	17.0	(111.3)	(62.4)	18.2	18.2	18.2	18.2	18.2	(176)
10-Year Plan	49.0	38.0	40.0	39.0	36.0	36.0	33.0	31.0	35.0	35.0	372.0
Impact on other parts of HCC											
Status Quo	-	-	-	-	-	-	-	-	-	-	-
10-Year Plan	-	-	-	-	-	-	-	-	-	-	-
Overall impact on HCC											
Status Quo	(79.0)	(30.8)	17.0	(111.3)	(62.4)	18.2	18.2	18.2	18.2	18.2	(175.8)

Figure 14 shows the Nursery's 10-Year Plan budgets are not achieved across the ten year period.

Figure 14 – Comparison of Net operating impact (revenue less expenditure):
Nursery 10-Year Plan budget vs. Overall operating impact to HCC of Option 3

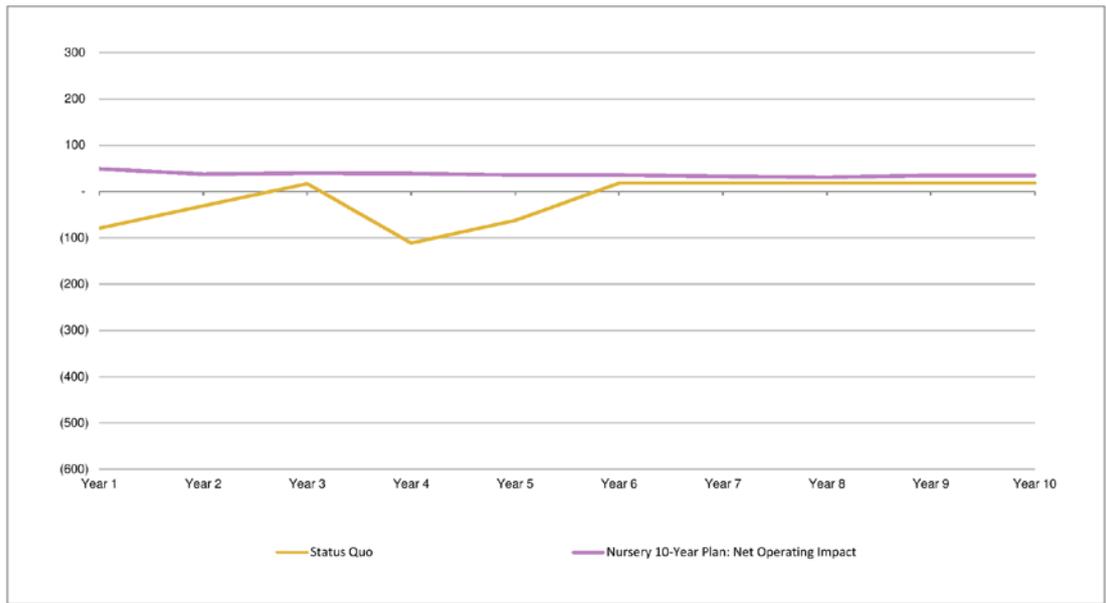
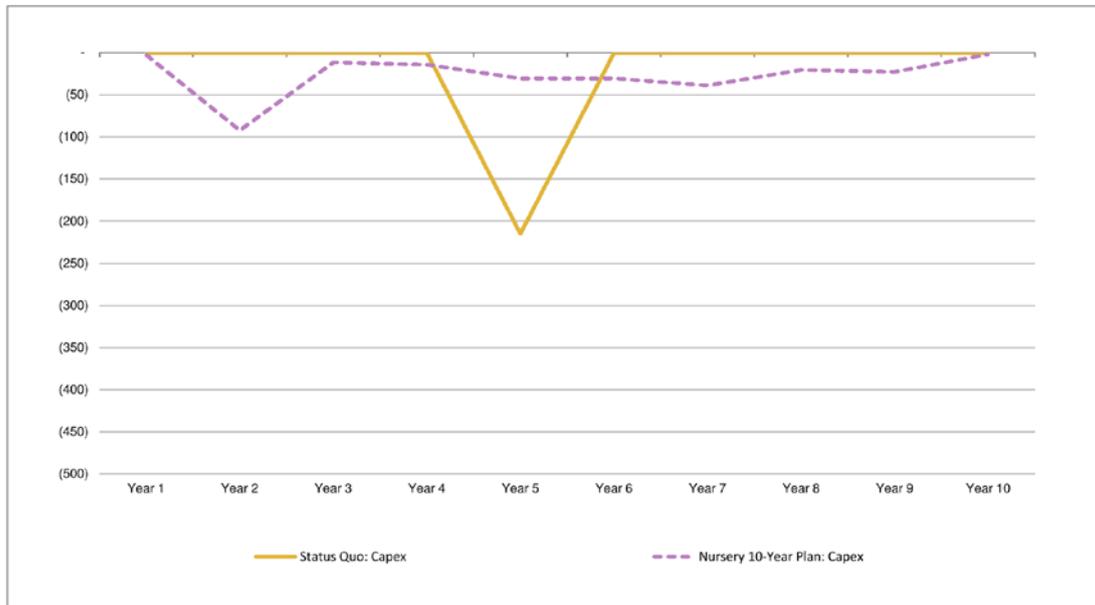


Figure 15 shows Option 3 has the same level and timing of capital expenditure as Option 2, with the glasshouses replacement in year 5 and no capital expenditure in other years.

Figure 15 – Comparison of Capex Impact: Nursery 10-Year Plan budget vs. Option 3

HAMILTON CITY COUNCIL NURSERY REVIEW



Advantages

- Certainty with the continuation of known crops, eco-sourcing.
- Institutional knowledge is retained.

Disadvantages

- Current operational practices and resource inefficiencies continue.
- Continued lack of transparency around cost of production.
- Potential revenue-generating opportunities are not explored or leveraged.
- Likely to come under further scrutiny due to poor financial sustainability/under-achievement of future revenue targets.

Overall Viability

- The status quo model is a moderate risk option by not being agile enough to ensure long term viability.

Option 4 Enhance the existing model

Operating Model

- Implement a demand-driven production plan and appropriate resource planning (staffing levels).
- Partial modernisation of infrastructure –replacement of glasshouses with a greenhouse and improved irrigation.
- Eliminate systemic inefficiencies (such as double-handling, poor layout, reduce the production steps for each major crop process) and implement industry best practice across the Nursery.
- Improve ordering systems and build strong relationships with internal customers to secure firm, specific forward-orders.
- No new external customers/contracts are actively sought.

- Analyse and document input costs to enable business decisions about production versus buying-in particular plant species, and pricing.

Financial Model Assumptions

- Enhanced order forecasting with multi-year agreements with internal customers for street trees and other stock.
- Increase in the sales price of in-house/grown plants and trays by 50 cents, applied to both internal and external customers.
- The majority of internal orders of trees and shrubs are fulfilled by the Nursery, with a reduction in the number bought in reduced to 12,435 plants (to fulfil Hamilton Gardens’ specific needs).
- The maximum production volume of this model is 102,000-103,000 trees and shrubs, and is achieved from years 6-10. Maximum total potential production is just over 114,000 plants per annum. The following investment in the Nursery infrastructure and staffing is required to achieve the maximum production levels.
- Replacement of glasshouses in year 3 (2017/18) with a single-span greenhouse at \$215K – unbudgeted.
- Enhanced irrigation and additional weed matting areas for expanded production in year 1 (2015/16), at an estimated capital cost of \$25K – unbudgeted.
- One permanent FTE is removed, to fund increased casual labour. Cost neutral.

Financial Implications

- A gradual decrease in per-unit production costs/increased productivity by understanding and eliminating the production of plants when there is no demand.
- There is a financial impact on other HCC budgets due to an increase in the Nursery’s plant sales price. However, this should be mitigated through 10-Year Plan budget inflation adjustments.
- HCC’s Property Unit has advised it is possible to re-prioritise \$170K from other building maintenance projects at the Nursery and Hamilton Gardens over the planned 3-year renewals programme (derived from the 10-Year Plan) to partially fund the glasshouses replacement. The \$45K funding shortfall would need to be addressed through the Annual Plan process.

Figure 16 shows:

- A net operating surplus of over \$700K for the Nursery over the ten years, but an unfavourable \$521K impact on other Council budgets. The result is an overall Council operating surplus of \$216K over the 10 years.
- Slightly increased plant prices create a small unfavourable expenditure budget variance of approximately \$50K per annum (on average), across the rest of Council (refer second bullet point in “Financial Implications” above).

Figure 16 – Option 4 versus Nursery 10-Year Plan Budgets:

Net Operating Impact (revenue less expenditure), Impact on other units, and Overall Operating Impact on HCC

\$ in 000's	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Cumulative
Surplus / (Deficit) before indirect charges											
Enhance the existing model	15.9	57.8	110.9	(31.7)	22.7	112.2	112.2	112.2	112.2	112.2	736.7
10-Year Plan	49.0	38.0	40.0	39.0	36.0	36.0	33.0	31.0	35.0	35.0	372.0
Impact on other parts of HCC											
Enhance the existing model	(44.0)	(50.2)	(56.9)	(39.0)	(45.8)	(57.0)	(57.0)	(57.0)	(57.0)	(57.0)	(521.1)
10-Year Plan	-	-	-	-	-	-	-	-	-	-	-
Overall impact on HCC											
Enhance the existing model	(28.1)	7.6	54.0	(70.7)	(23.2)	55.2	55.2	55.2	55.2	55.2	215.6
10-Year Plan	49.0	38.0	40.0	39.0	36.0	36.0	33.0	31.0	35.0	35.0	372.0

HAMILTON CITY COUNCIL NURSERY REVIEW

Figure 17 shows the Nursery’s 10-Year Plan budgets are generally achieved across the 10 years, but not consistently because cost efficiencies can only be taken so far and the revenue gap can only be partially closed through increasing revenue from internal sources.

Figure 17 – Comparison of Net operating impact (revenue less expenditure):
Nursery 10-Year Plan budget vs. Overall operating impact to HCC of Option 4

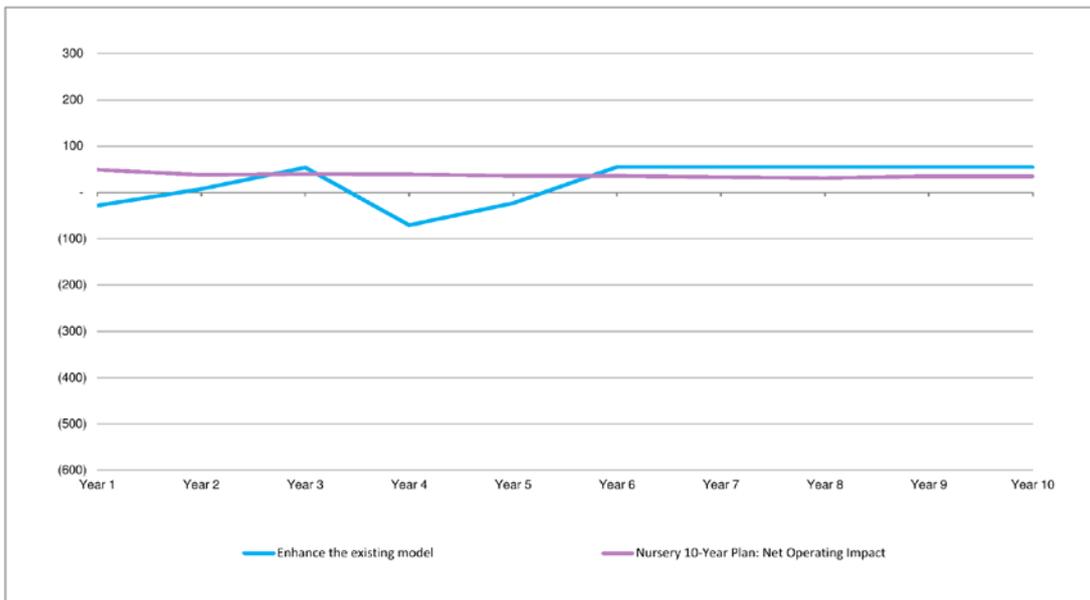
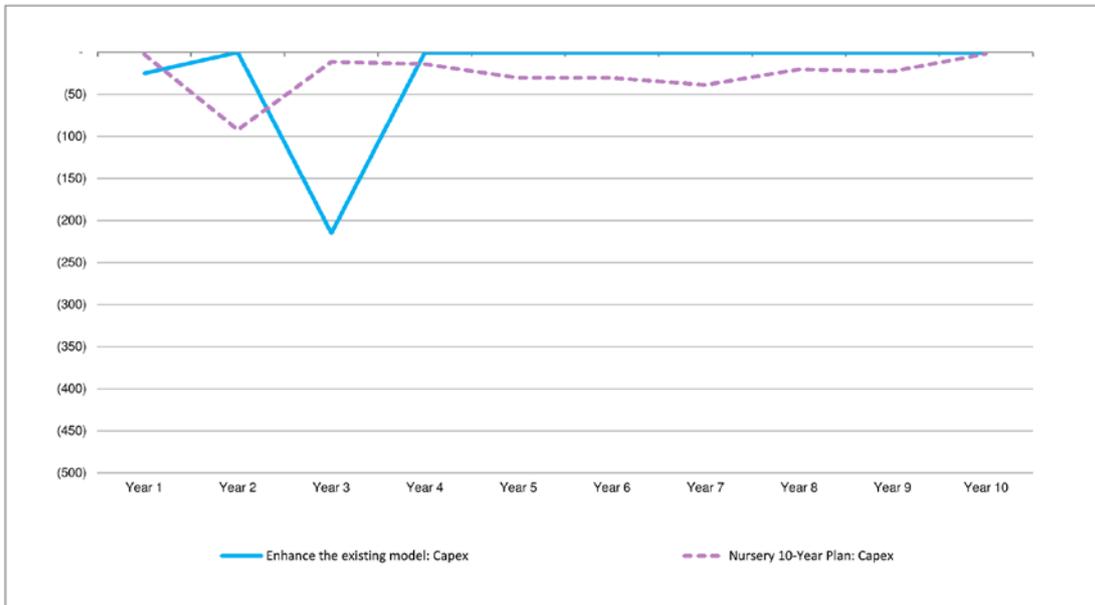


Figure 18 shows Option 4 has capital expenditure on enhanced irrigation and additional weed matting areas for expanded production in year 1 (2015/16), and the glasshouses replacement in year 3.

Figure 18 – Comparison of Capex Impact: Nursery 10-Year Plan budget vs. Option 4



Advantages

- Security of plant supply for Council, still at better-than-market prices.
- By producing the ‘right’ plants for internal customers, there is a reduced need to source plants externally, resulting in an increased volume of plants for available budget.
- Opportunity to build internal relationships and secure future orders.
- Improved cost-analysis to enable evidence-based decision making.
- Low risk with incremental improvements.
- Additional future capital investment can be justified, planned and budgeted.
- The Nursery would be acknowledged by Council as fulfilling its purpose and building a sustainable business model.
- This option is a precursor to any potential future expansion of the Nursery operation, that is, Option 5.

Disadvantages

- Unbudgeted capital costs (enhanced irrigation system and replacement of glasshouses) would need to be addressed through the Annual Plan process.

Overall Viability

- This option represents a low-risk and sound benefit option, with a gradual increase in revenue and cost-control, however 10-Year Plan revenue targets are still not met across the ten year period from known revenue. There are potential intervention strategies for achieving revenue targets that could be put in place by year 3.

Option 5 Expansion of current operation that services other councils

Operating Model

- Option 4 “enhanced existing model” with the addition of sourcing external contracts and modernisation and reconfiguration of glasshouse, irrigation, buildings and other infrastructure to enable the increase in production levels.

Financial Model Assumptions

- Increase in revenue from external sources – by volume and per-unit margin – from year 2. The external supply of grown trees and shrubs increases from 2,728 plants in year 1 (i.e. current production levels) to 75,000 plants in years 8 to 10. While the increase in production between years 1 and 2 is substantial (an 1100% increase), the average production increase over the remaining years is a more moderate 12% per annum.
- As with Option 4, almost all internal and external orders of trees and shrubs are fulfilled by the Nursery, with the number bought in reduced to 12,435 plants (to fulfil Hamilton Gardens’ specific needs).
- The maximum production volume of this model is about 160,000 trees and shrubs, and is achieved from years 6-10. Maximum total potential production is just over 186,000 plants per annum. The following investment in the physical re-configuration of the Nursery site is required to achieve the maximum production levels.
- Replacement of existing glasshouses with one multi-span greenhouse, with additional shade span, in 2015/16 (est. \$215K) – unbudgeted.
- Further irrigation enhancements, and a degree of automation (est. \$25K) – unbudgeted.
- Demolish the admin and staff amenities block, and the 6 bay garage, renovate the production building, e.g. upstairs remodelling for staff quarters and admin, and additional mezzanine area (est. \$180K) – unbudgeted.
- Demolish existing shade structure, reconfigure roading and container areas, weed matting (est. \$20K) – unbudgeted.
- The same assumptions as Option 4 (i.e. Increase the sales price of in-house/grown plants and trays by 50 cents; one permanent FTE removed, to fund increased casual labour; Enhanced order forecasting; and Multi-year agreements with internal customers for street trees and other stock).

Financial Implications

- An immediate \$440K capital investment required in year 1 (2015/16) – unbudgeted.
- Revenue targets in the 10-Year Plan are more easily achievable, through increased revenue from external sources.

Figure 19 shows:

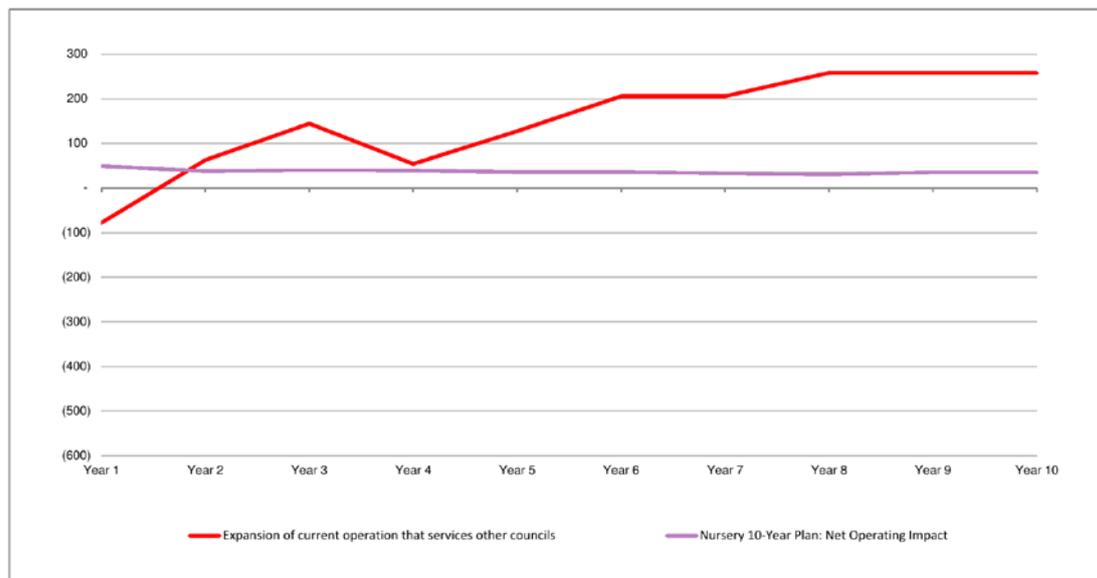
- A net operating surplus for the Nursery of over \$2.27 million over the ten years, and an overall favourable net operating impact to Council of \$1.5 million over the ten years.
- Slightly increased plant prices create an insignificant unfavourable expenditure budget variance of (on average) \$8K per annum across the rest of Council – likely to be eliminated through inflation applied to 10-Year Plan budgets.

Figure 19 – Option 5 versus Nursery 10-Year Plan Budgets:
 Net Operating Impact (revenue less expenditure), Impact on other units, and Overall Operating Impact on HCC

\$ in 000's	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Cumulative
Surplus / (Deficit) before indirect charges											
Expansion of current operation that services other councils	(33.8)	128.0	221.0	118.2	201.8	291.3	291.3	351.3	351.3	351.3	2,271.5
10-Year Plan	49.0	38.0	40.0	39.0	36.0	36.0	33.0	31.0	35.0	35.0	372.0
Impact on other parts of HCC											
Expansion of current operation that services other councils	(44.0)	(65.2)	(76.9)	(64.0)	(74.5)	(85.7)	(85.7)	(93.2)	(93.2)	(93.2)	(775.4)
10-Year Plan	-	-	-	-	-	-	-	-	-	-	-
Overall impact on HCC											
Expansion of current operation that services other councils	(77.8)	62.7	144.2	54.2	127.3	205.7	205.7	258.1	258.1	258.1	1,496.2
10-Year Plan	49.0	38.0	40.0	39.0	36.0	36.0	33.0	31.0	35.0	35.0	372.0

Figure 20 shows the Nursery's 10-Year Plan budgets are easily achieved from year 2 onwards, driven by the achievement of revenue targets from external contract revenue.

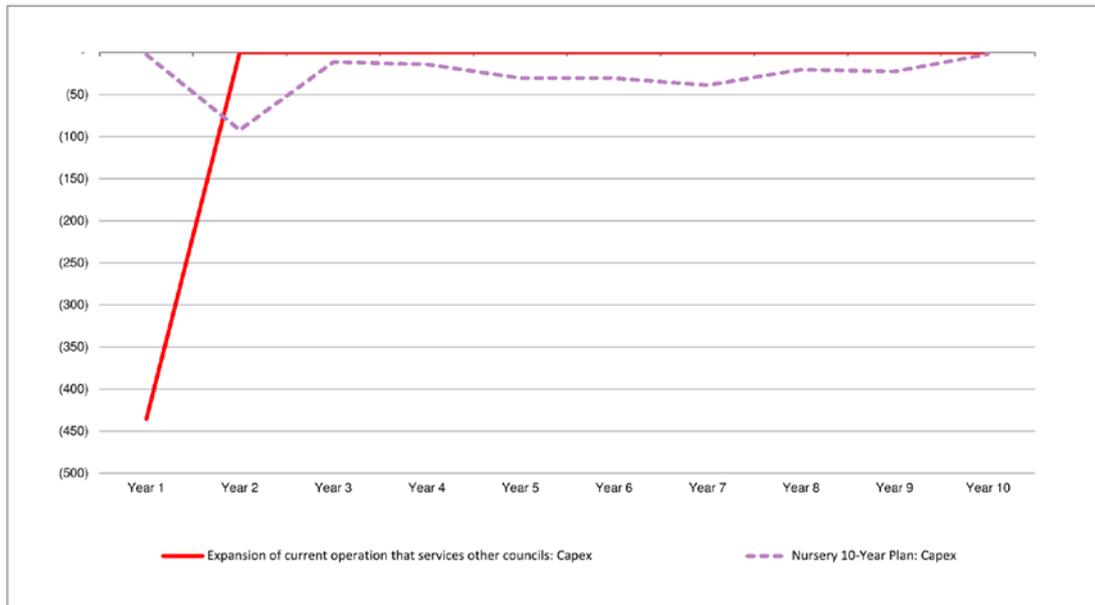
Figure 20 – Comparison of Net operating impact (revenue less expenditure):
 Nursery 10-Year Plan budget vs. Overall operating impact to HCC of Option 5



HAMILTON CITY COUNCIL NURSERY REVIEW

Figure 21 shows Option 5 has an immediate \$440K capital investment in year 1 (2015/16) for physical changes to the Nursery site to enable increased production.

Figure 21 – Comparison of Capex Impact: Nursery 10-Year Plan budget vs. Option 5



Advantages

- Enhanced production planning, and increased certainty in income with multi-year contracts if secured.
- Results in affordable plants for HCC internal customers and a profit for Council.

Disadvantages

- The risk of not securing external contracts, after significant capital investment.
- Space not available to extend the Nursery to support the level of production required for roading market demands.
- Internal customers might experience a decline in product quality if the production system is not adequately resourced.
- Current private sector suppliers of plants may claim the Nursery is engaging in anti-competitive behaviour if it tenders for plant supply contracts at lower-than-market prices. More local nurseries could go out of business.
- An existing or new supplier could start to compete with Council.

Overall Viability

- Potentially the most long-term financially sustainable option.
- The market demand and supply of eco-sourced plants require further investigation.
- Option 4 would need 3-5 years to be successfully implemented before Option 5 could be realistically assessed as being viable.

4.0 Comparison of Options

In evaluating the five potential options for the Nursery operation, the following financial and non-financial impacts have been considered.

Financial Impact

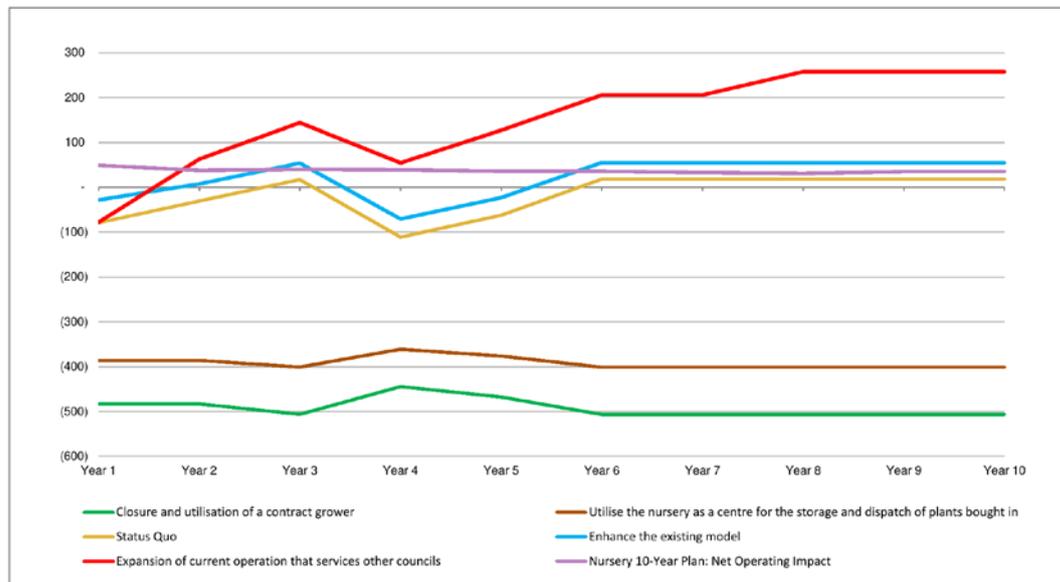
- The need for **additional** capital investment to implement the option.
- Medium to long-term financial sustainability of the option.
- Value for money – number of quality plants able to be purchased within a budget.
- Risk of price increases over time. Per unit price increases would erode the buying-power of budgets and negatively impacting on Council’s levels of service.

Non-financial Impact

- Control over plant quality – less control increases risk. There may be a trade-off between price holding and the quality of plants.
- Flexibility with the timing of delivery and other changes to orders (quantity, type, specification). Increased flexibility has a positive correlation with cost/pricing.
- Control over supply – continuity in getting the specified plants, particularly rare/exotic/difficult-to-source species.

Figure 33 shows the net operating impact of each of the five options represented against the Nursery’s budgeted 10-Year Plan net operating position. It demonstrates Option 5 is the most financially sustainable model, with Option 1 and 2 and 3 proving unsustainable across the ten-year timeframe. Option 4 is a more moderately sustainable model and is the option that is closest to meeting the 10-Year Plan budgets, and is more aligned to Council’s Financial Strategy than Option 5. The underlying figures, prepared by PWC, are in Appendix 1.

Figure 22 – Comparison of Net operating impact (revenue less expenditure):
Nursery 10-Year Plan budget vs. Overall operating impact to HCC of each of Options 1 to 5



HAMILTON CITY COUNCIL NURSERY REVIEW

Figure 23 shows the timing and amount of capital investment required to enable each of the five options. Options 5 and 1 are the most capital-intensive options. All five options involve unbudgeted expenditure that would require an LTP or Annual Plan amendment to be implemented.

Figure 23 – Capital Expenditure: Options 1 to 5 compared with 10-Year Plan Budget

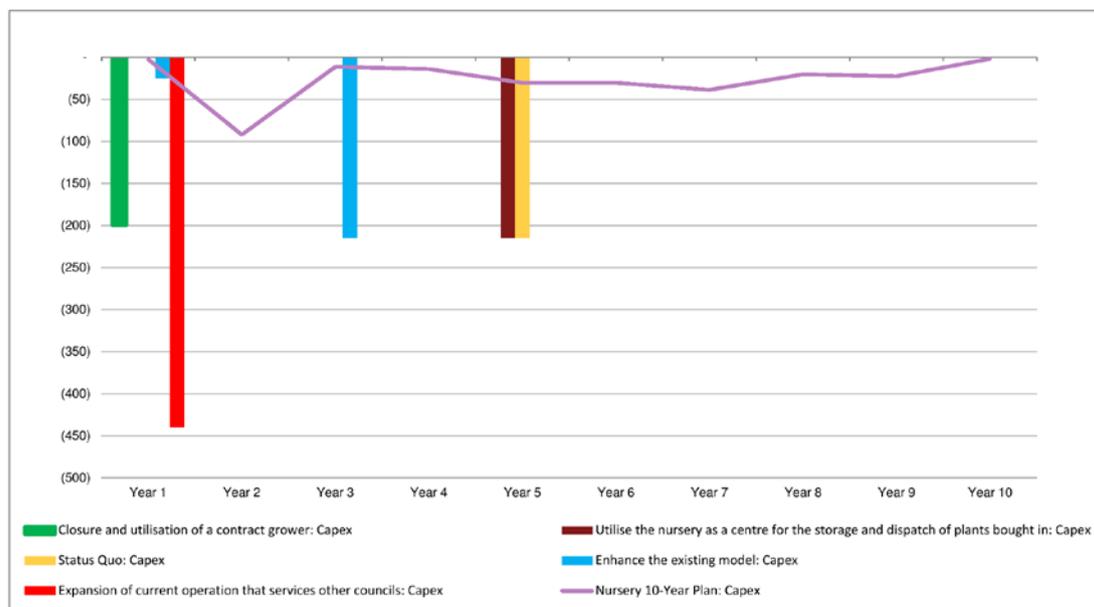


Figure 17 rates each option as high (H), medium (M), or low (L) against each cost/benefit factor relevant to the supply of plants. The over-arching consideration is that the preferred option needs to align with Council's Financial Strategy for the Draft 2015-25 10-Year Plan.

Figure 17 – Comparison of the five options: Financial Impact and Non-financial Impact

	Cost / Financial impact				Benefit / Non-financial impact		
	Additional capital investment	Sustainable business model	Value for money	Risk of price increases over time	Control over Quality	Flexibility (timing & order changes)	Control over supply (continuity & specification)
Option 1 - Closure	M	L	L	M-H	L-M	L	L
Option 2 - Storage & Dispatch	M	L	L	H	L-M	M	L-M
Option 3 - Status Quo	No impact	L-M	M	M	M-H	H	M
Option 4 - Enhanced Status Quo	L	M	H	L	H	M-H	H
Option 5 - Expansion	M	M-H	M-H	L	H	M-H	H

5.0 Conclusion

The costs, benefits/advantages and risks/disadvantages have been considered to assess the overall viability of five options for the Council's Nursery operation.

Options 1 and 2 represent relatively high risk and low benefit compared with the current situation, and do not align with Council's Financial Strategy.

Option 5 represents moderate financial risk and new capital investment with an improved level of benefits compared with the current situation, but does not align with Council's Financial Strategy due to an initial high capital cost. Moving from the existing inefficient model to a more ambitious model requiring immediate capital investment and carrying the initial risk associated with as-yet unsecured contracts, requires further investigation of potential external revenue opportunities.

Continuing 'business as usual' under Option 3 represents 'doing nothing', that is, not taking responsibility for addressing known operational inefficiencies and issues and continuing down a financially non-sustainable path. It is highly likely the Nursery would come under close political scrutiny for not achieving revenue budgets.

Option 4, the enhanced status quo model, is the recommended option because it:

- represents low overall financial risk and good financial benefits
 - virtually no risk of price increase and therefore a low risk of the erosion of budgets and impacts on levels of service
 - good to excellent value-for-money with the elimination of waste/cost control/increasing productivity within current resources
 - no additional/capital investment or change in the timing of the renewal budgets in the Draft 10-Year Plan, and
 - a robust financial model for the future
- is the **most flexible** and able to **best deliver** the required **non-priced benefits** of quality, flexibility, continuity/specification
- **best meets the need for Council to preserve and enhance the city's natural green environment by delivering the best 'value-for-money' or least financial impact on the ratepayer**
- could serve as a step-change model to moving towards the potential future expansion of the Nursery, represented by Option 5.

6.0 Recommendations

Recommendation 1:

Implement Option 4 across a 3-5 year timeframe, based on the management recommendations outlined in Appendix 6.

Recommendation 2:

Re-evaluate Option 5 in future, once Council's fiscal situation has consolidated and the implementation of Option 4 has been fully and successfully implemented.

7.0 Appendices

Appendix 1 – Financial comparison of the five options

Comparison of the different Nursery options

\$ in 000's	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Cumulative
Surplus / (Deficit) before indirect charges											
1 Closure and utilisation of a contract grower	(237.8)	(237.8)	(237.8)	(237.8)	(237.8)	(237.8)	(237.8)	(237.8)	(237.8)	(237.8)	(2,378.0)
2 Utilise the nursery as a centre for the storage and dispatch of plants bought in	(140.9)	(140.9)	(132.6)	(154.8)	(146.3)	(132.4)	(132.4)	(132.4)	(132.4)	(132.4)	(1,377.5)
3 Status Quo	(79.0)	(30.8)	17.0	(111.3)	(62.4)	18.2	18.2	18.2	18.2	18.2	(175.8)
4 Enhance the existing model	15.9	57.8	110.9	(31.7)	22.7	112.2	112.2	112.2	112.2	112.2	736.7
5 Expansion of current operation that services other councils	(33.8)	128.0	221.0	118.2	201.8	291.3	291.3	351.3	351.3	351.3	2,271.5
Impact on other parts of HCC											
1 Closure and utilisation of a contract grower	(245.4)	(245.4)	(268.3)	(206.6)	(230.1)	(268.9)	(268.9)	(268.9)	(268.9)	(268.9)	(2,540.4)
2 Utilise the nursery as a centre for the storage and dispatch of plants bought in	(245.4)	(245.4)	(268.3)	(206.6)	(230.1)	(268.9)	(268.9)	(268.9)	(268.9)	(268.9)	(2,540.4)
3 Status Quo	-	-	-	-	-	-	-	-	-	-	-
4 Enhance the existing model	(44.0)	(50.2)	(56.9)	(39.0)	(45.8)	(57.0)	(57.0)	(57.0)	(57.0)	(57.0)	(521.1)
5 Expansion of current operation that services other councils	(44.0)	(65.2)	(76.9)	(64.0)	(74.5)	(85.7)	(85.7)	(93.2)	(93.2)	(93.2)	(775.4)
Overall operating impact on HCC											
1 Closure and utilisation of a contract grower	(483.2)	(483.2)	(506.1)	(444.4)	(467.9)	(506.7)	(506.7)	(506.7)	(506.7)	(506.7)	(4,918.4)
2 Utilise the nursery as a centre for the storage and dispatch of plants bought in	(386.2)	(386.2)	(401.0)	(361.3)	(376.5)	(401.3)	(401.3)	(401.3)	(401.3)	(401.3)	(3,917.9)
3 Status Quo	(79.0)	(30.8)	17.0	(111.3)	(62.4)	18.2	18.2	18.2	18.2	18.2	(175.8)
4 Enhance the existing model	(28.1)	7.6	54.0	(70.7)	(23.2)	55.2	55.2	55.2	55.2	55.2	215.6
5 Expansion of current operation that services other councils	(77.8)	62.7	144.2	54.2	127.3	205.7	205.7	258.1	258.1	258.1	1,496.2
Capex											
1 Closure and utilisation of a contract grower: Capex	(200.0)	-	-	-	-	-	-	-	-	-	(200.0)
2 Utilise the nursery as a centre for the storage and dispatch of plants bought in: Capex	-	-	-	-	(215.0)	-	-	-	-	-	(215.0)
3 Status Quo: Capex	-	-	-	-	(215.0)	-	-	-	-	-	(215.0)
4 Enhance the existing model: Capex	(25.0)	-	(215.0)	-	-	-	-	-	-	-	(240.0)
5 Expansion of current operation that services other councils: Capex	(440.0)	-	-	-	-	-	-	-	-	-	(440.0)

Appendix 2 – Nursery charge-out rates (cost to ‘customer’) compared with market rates

Client	Crop-Annuals	Competitor-similar crop and grade
Hamilton Gardens pay	\$12.50 (sow and grow)	\$21-23 dollars for a similar tray/ crop grade:
Parks and Open Spaces pay	\$14.50 (sow and grow)	\$21-23 dollars for a similar tray/ crop grade:
	Geraniums and begonias (Bought in as plugs)	
Hamilton Gardens pay	\$18.50	\$25-30 dollars for a similar tray/ crop grade:
Parks and Open Spaces pay	\$18.50	\$25-30 dollars for a similar tray/ crop grade:
	Potted colour	
Hamilton Gardens and Parks and Open Spaces ¹ pay	\$1.10 per pot charge (Including Cha-Bar garden)	\$2.50-\$2.85 depending on species

¹ Parks and Open Spaces took only 600 pots this year ("This number could increase", Pers Comm. Gina Hailwood, Hamilton City Council)

Appendix 3 – Building Asset Condition Assessment

Asset conditions are determined in accordance with the New Zealand Parks & Recreation National Asset Condition Grading Standards Manual (PRAMS), 2005.

PRAMS Grade	Condition	Definition	Level of Maintenance Required	Indicative Remaining Life (IRL)
1	Excellent	Sound physical condition.	No maintenance required.	95-100%
2	Good	Acceptable physical condition; minimal short term failure risk but potential for deterioration. Minor defects only.	Minor maintenance required.	75%
3	Average	Significant deterioration evident; failure unlikely in near future but further deterioration likely. Work required but asset is still serviceable.	Significant maintenance required but asset is still serviceable.	50%
4	Poor	Failure likely in short term.	Substantial work required in short term, asset barely serviceable.	25%
5	Very Poor	Asset has failed or failure imminent/poses safety risk.	Major maintenance or replacement required urgently.	0%

Nursery Building Asset Condition Assessment:

Building Name	Condition Grade Index	Year Built	Replacement Value	Depreciated Replacement Value
Nursery - Amenities Building	2.43	1965	\$112,797	\$42,299
Nursery - Potting Shed	2.43	1990	\$101,346	\$60,808
Nursery - Implement Shed	3.01	1964	\$48,670	\$18,251
Nursery - Irrigation Pump Shed	3.00	1995	\$2,505	\$1,754
Nursery - Glasshouse No 1	2.75	1970	\$31,030	\$6,206
Nursery - Glasshouse No 2	3.23	1970	\$25,000	\$5,000
Nursery - Glasshouse No 3	3.6	1970	\$35,290	\$7,058
Nursery - Glasshouse No 4	3.81	1970	\$32,890	\$6,578
Nursery - Glasshouse No 5	3.64	1970	\$29,560	\$5,912
Nursery - Glasshouse No 6	3.12	1970	\$25,580	\$5,116
Nursery - Soil Shed	3.00	1987	\$108,700	\$54,350

Appendix 4 – SWOT Analysis

Strengths	Weaknesses
<p>Reputation – The Nursery has an internal reputation for supplying very good quality plants at a very good price.</p> <p>Staff/Culture –</p> <ul style="list-style-type: none"> • There is a high level of technical competency, especially with eco-sourcing. • There is low staff turnover and good levels of engagement. <p>Buildings – The planned renewal of the glasshouses will reduce waste/input costs and increase production.</p> <p>Location –</p> <ul style="list-style-type: none"> • There are no neighbour sensitivity issues with the Nursery’s location. • The Victorian Display House is located close to the Nursery operations, enabling efficient and safe servicing by the assigned 1 FTE, from two allocated on-site glasshouses. • The Nursery is located central to existing and potential customers. <p>Product/Service –</p> <ul style="list-style-type: none"> • The Nursery is able to supply plants to fulfil Council’s needs for considerably less than the market rate. • There is currently capacity to increase production. There appears to be a ‘buffer’ between the present orders and the ‘stretch’ capacity for producing revegetation plants. • The Nursery is able to accommodate a delay in the delivery of orders if required by internal customers. <p>Relationships – The Nursery has strong existing relationships with reputable suppliers of materials and plants it doesn’t grow or cannot supply at short notice.</p> <p>Equipment & materials –</p> <ul style="list-style-type: none"> • The new potting machine has increased potting efficiency by reducing the manual labour input. • There is a stockpile of consumables. <p>Resources – Dual water supply (river and potable supplies) enables irrigation, when the pump or filtration system is out of service and in drought conditions when the daily river intake is restricted.</p>	<p>Reputation – The Nursery has not externally communicated its capability to produce and supply high-quality plants, particularly eco-sourced plants.</p> <p>Staff/Culture –</p> <ul style="list-style-type: none"> • Previous Nursery Managers may not have had the requisite skills to effectively run the Nursery operation, namely leadership, relationship management, business planning and business acumen. • There has been an extended period of inefficient operation, with a number of legacy behaviours and practices. • Staff resourcing does not increase at times of peak workload, meaning the peak lasts longer and plant maintenance falls behind. <p>Buildings – The glasshouses are inefficient, being hard to cool in summer and hard to warm in winter, and require long walks for only low quantities of stock at a time.</p> <p>Location – There is no potential to expand the site footprint into Hamilton Gardens.</p> <p>Product – Plants purchased externally are charged to Council units at the market cost, plus freight charges, plus a nominal margin for ordering and handling. About 20% of ordered plants are sourced externally by the Nursery.</p> <p>Systems and processes –</p> <ul style="list-style-type: none"> • The Nursery does not have comprehensive production programme, driven by customer demand, and there is no full electronic inventory. • Lack of planning has led to inefficiencies, e.g. costs incurred to grow plants that aren’t wanted, and having to buy in market-priced plant stock. No evidence around minimum or maximum production levels. • There are very few documented processes, with a reliance on institutional knowledge. • There is no agreed specification for ordered plants. <p>Financial resources –</p> <ul style="list-style-type: none"> • Lack of transparency/evidence of the cost of production. Uncertainty whether pricing is covering direct costs. • Revenue – No longer term growing contracts are in place with internal clients. Main customer base of HCC internal clients are subject to budget cuts in planting investment areas. <p>Equipment & materials –</p> <ul style="list-style-type: none"> • The Nursery has a predominantly time-consuming manual irrigation system onto pure ‘soak away’ surfaces. • Filter blockage is frequently caused from river water, needing staff intervention to clear.
Opportunities	Threats
<p>Relationships –</p> <ul style="list-style-type: none"> • Internal customer relationships need to be proactively managed. • Positive initial contact has been made with potential external clients. <p>Market trends –</p> <ul style="list-style-type: none"> • The Nursery seems to have a competitive advantage in the external marketplace in the production of eco-sourced native plants. • There is strong demand from the public and private sectors for native revegetation stock due to infrastructure programmes and environmental projects, such as NZTA Southern Link, Waikato peat lake projects (refer Appendix 5). • There may be an under-supply of eco-sourced native revegetation stock in the market place to meet future demand. • Council and its partnership organisations continue to apply for funding from existing or new funding sources, for community-led planting programmes. 	<p>Environment – In drought conditions, the river water intake resource consent requires the intake to be significantly reduced. Full drought conditions would require the pump station to become inactive which would cause extensive vegetative loss and impact Nursery operations.</p>

Appendix 5 – Revenue Opportunities / Market Potential

Roading projects' requirements for plants – potentially requires plants for 2019 to 2024, up to \$500k in total (across those years)

The Waikato area has a number of large planting initiatives underway and needing native re-vegetation stock, for example:

- Waikato Regional Council requires 70-100,000 plants per annum with strict eco-sourcing requirements and procedures.
- Waikato River Authority
- Waikato Regional Council riparian programmes
- Waikato River Trails Trust
- Various Waikato peat lake projects by district councils and voluntary organisations, private conservation projects in the agricultural sector and NZ conservation volunteers initiatives.

Other councils in the Waikato region – requires investigation.

Appendix 6 – Recommendations for Nursery Management

Issue / Opportunity	Recommendations (Priority: Short-term = S; Medium-term = M; Long-term = L)
The Nursery is not running the current version of HortBase and not all currently-available functionality is being used by staff.	<ul style="list-style-type: none"> Investigate if HortBase is the best way to manage stock and production (S). If so, train staff on existing functionality, especially inventory and stock management and production planning (S). Upgrade to the latest version (S-M). Budget impact.
The Nursery Manager role is vacant.	<ul style="list-style-type: none"> Appoint a new Nursery Manager with strong leadership, relationship management and business acumen (S).
There has been an extended period of inefficient operation, with a number of legacy behaviours and practices to change.	<ul style="list-style-type: none"> Identify areas of wasted resource or inefficient processes, for example, double-handling, poor layout, reduce the production steps for each major crop process, etc. (S). Implement industry best practice across the Nursery (S). Implement a continuous improvement/‘Lean Thinking’ culture (S-M). Investigate automation options to increase production efficiency and volume, e.g. a precision seeder for general annuals of a large seed type such as Marigolds, hand-held devices for stocktakes (M).
<p>Currently there are only short-term order commitments (less than a year in advance)</p> <p>There is no agreed specification for ordered plants sometimes resulting in broken commitments (from a customer or Nursery/supplier perspective).</p> <p>Not growing plants to demand results in inefficient use of staff time and materials and product being sold well below cost-recovery.</p>	<ul style="list-style-type: none"> Build strong relationships with internal customers and secure firm, specific forward-orders (1-3 years in advance) so the Nursery is unable to supply plants to the required specification and/or timeframe, and not have to purchase in externally-sourced plants (market-priced plants, plus freight cost, plus Nursery margin). (S) Implement a robust ordering system where customer requirements are specified (S). Implement Service Level Agreements between the Nursery and its internal customers (S). Implement a robust and documented production planning system, based on known demand/orders (S).
The Nursery is not meeting its revenue targets.	<ul style="list-style-type: none"> Nursery Manager tracks monthly financials closely (S). Nursery and Finance staff implement processes to ensure all revenue is recorded in a timely basis (S). Increase revenue by building strong relationships with external customers and securing firm, specific forward-orders (M-L). Investigate current and future market demand and supply of eco-sourced native revegetation stock (S-M).

HAMILTON CITY COUNCIL NURSERY REVIEW

Issue / Opportunity	Recommendations (Priority: Short-term = S; Medium-term = M; Long-term = L)
Staff resourcing does not increase at times of peak workload, meaning the 'peak' lasts longer and plant maintenance falls behind.	<ul style="list-style-type: none"> Implement appropriate resource planning (staffing levels) based on a known, demand-driven production programme (S).
Old glasshouse technology and poor watering infrastructure result in resource inefficiencies/waste (staff time/water/heating).	<ul style="list-style-type: none"> Plan for the complete replacement with new greenhouse technology and consider best site configuration to meet current and potentially increased future production volumes, in time for the 10-Year Plan review (S-M). Plan for the upgrade of the irrigation system and automation technology, in time for the 2018-2028 10-Year Plan (S-M). Investigate improved filtering system for river intake in liaison with Hamilton Gardens (S-M)
There are very few documented processes, with a reliance on institutional knowledge.	<ul style="list-style-type: none"> Create standard operating procedures and desk files for key processes (S).
<p>There is no transparency around:</p> <ul style="list-style-type: none"> the cost of production of various species minimum and maximum production capability 	<ul style="list-style-type: none"> Analyse and document input costs to enable business decisions about production versus buying-in particular plant species (S). Review pricing to ensure production costs are covered (S). Consider charge-out rates for holding stock over (S). Evaluate the viability (cost & revenue) of potted colour gift sales stock for Hamilton Gardens' shop (S). Analyse and document current and potential maximum production capability (S-M). Use the above information to inform tenders (volume and pricing) to external councils (M-L).
Amend budgets at the 2016/17 Annual Plan to reflect Option 4, both for the Nursery (opex and capex) and other units (opex).	<ul style="list-style-type: none"> Update 2015/16 risk and opportunities schedule to reflect Option 4 (S). Property adjust the Nursery and Hamilton Gardens' Building Renewals work programme, based on reprioritisation of capex budget (S). Update Annual Plan 2016/17 to reflect Option 4 (S-M). Ensure both updates reflect the impact on internal customers and the Nursery (S-M).

Appendix 7 – Bibliography

PWC, *Hamilton City Council Review of Staffing at Hamilton Gardens*, June 2012

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 - 21 May 2015) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Finance Committee Action List - Public Excluded - 23 July 2015) Official Information and Meetings Act 1987	
C3. Report on overdue debtors as at 30 June 2015 & Bad Debts Writeoffs 2014/15		
C4. Development Contributions Report		
C5. Community Assistance Funding - Declined Applications		

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 prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C3.	to protect the privacy of natural persons	Section 7 (2) (a)
Item C4.	to protect the privacy of natural persons	Section 7 (2) (a)
Item C5.	to protect the privacy of natural persons	Section 7 (2) (a)