

Notice of Meeting:

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

Date: Thursday 21 February 2019
Time: 9.30am
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Finance Committee OPEN AGENDA

Membership

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

Quorum: A majority of members (including vacancies)

Meeting Frequency: Six weekly

Becca Brooke
Governance Team Leader

15 February 2019

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Purpose:

The Finance Committee is responsible for:

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

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

Terms of Reference:

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

The Committee is delegated the following powers to act:

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

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

The Committee is delegated the following recommendatory powers:

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

Oversight of Policies:

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

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1 Apologies

2 Confirmation of Agenda

The Committee to confirm the agenda.

3 Declaration of Interest

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

4 Public Forum

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

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

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

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

Finance Committee

OPEN MINUTES

Minutes of a meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Tuesday 4 December 2018 at 9.34am.

PRESENT

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

In Attendance	David Bryant – General Manager Corporate
	Lance Vervoort – General Manager Community
	Sean Murray – General Manager Venues, Tourism and Major Events
	Jen Baird – General Manager City Growth
	Eeva-Liisa Wright – General Manager Infrastructure Operations
	Chris Allen – General Manager Development
	Sean Hickey – General Manager Strategy and Communications
	Tracey Musty - Financial Controller
	Julie Clausen – Programme Manager Strategy
	Katy Nudd – Business Planning Analyst
	Jeff Neems – Communications Advisor
	Natalie Young – PMO Manager
	Paul Mens – Director Business Transformation
	Chad Hooker – Director of Operations
	Stephen Halliwell – Accounting Manager
	Paul Bowman – Team Leader Economic Growth and Planning
	Helen Paki – Business and Planning Manager

Zeke Fiske – Team Leader Urban Landscapes
Bridget Morgan – Water Asset Manager
Maria Barrie – Parks and Recreation Manager
Maire Porter – City Waters Manager
Stafford Hodgson – Senior Strategic Policy Analyst
Greg Carstens – Manager Economic Growth
Fraser McNutt – Planning Guidance Unit Manager
Tania Herman – Infrastructure Operations Unit Manager
Hayden De Villiers – Treasury Accountant
Jason Harrison – Special Projects Manager
Andrew Parsons – Strategic Development Manager

Stuart Henderson – PwC Representative

Governance Advisors Becca Brooke – Governance Team Leader
 Rebecca Watson – Committee Advisor

1. Apologies

Resolved: (Cr Mallett/Cr Bunting)

That the apologies for early departure from Crs Taylor, Bunting, and Macpherson are accepted.

2. Confirmation of Agenda

Resolved: (Cr Mallett/Cr Casson)

That the agenda is confirmed noting:

- order of items will be flexible to align with items in the Public Excluded section of the agenda and to accommodate external presenters; and
- the Financial Reports will be taken in order of Items 8, 7, 6.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

No members of the public wished to speak.

5. Confirmation of Finance Committee Meeting Minutes - Open - 16 October 2018

Resolved: (Cr Mallett/Cr Hamilton)

That the Committee confirm the Open Minutes of the Finance Committee Meeting held on 16 October 2018 as a true and correct record.

Deputy Mayor Gallagher joined the meeting 9.40am at the conclusion of the above item. He was not present when the matter was voted on.

10. Non-Financial Organisational Performance Reporting Quarter One 2018-28 10-Year Plan

The Programme Manager Strategy spoke to the report, highlighting that the purpose of the report was to show the result of the non-financial indicators set in the 2018-28 10-Year Plan, and that this was the first such report to be presented to the Committee.

Staff responded to questions from Committee Members regarding:

- link between the 10-Year Plan and non-financial indicators,
- accuracy of the Gross Domestic Product estimate,
- rubbish and recycling campaigns,
- methodology used in quality of life survey,
- criteria of measurements used, and
- definition of "customers" and "residents".

Action: Staff undertook to provide timeframes around the Democracy measure so that the outcome could be put into context.

Resolved: (Cr Mallett/Cr Bunting)

That the Finance Committee receives the report.

9. Funding Options - Growth Infrastructure Funding Gap

The Economic Growth and Analytics Unit Manager took the report as read. He responded to questions from Committee Members regarding:

- timing of consultation with developers,
- interest payments on HIF loan,
- impact of development contributions on affordability of housing,
- targeted rates, and
- development contributions costs payable on building consents.

Action: Staff undertook to provide opportunities for Elected Members and Maangai Maaori to meet with staff to discuss possible options to address the growth infrastructure funding gap prior to the 26 February 2019 Council Meeting.

Resolved: (Cr Mallett/Cr Bunting)

That the Finance Committee:

- a) receives the report;
- b) requests staff to continue investigating options to mitigate the funding shortfall on growth infrastructure; and
- c) notes that staff will bring their recommendations to the Council meeting on 21 February 2019 for consideration.

Cr Taylor left the meeting (10.46am) during the discussion of the above item. He was not present when the matter was voted on.

Cr Macpherson left the meeting (10.47am) during the discussion of the above item. He was not present when the matter was voted on.

11. Investment and Liability Management Policy (*Recommendation to Council*)

The Finance Manager introduced Stuart Henderson, representative from PwC, and noted grammatical changes to be made to the final version of the policy. They responded to questions from Committee Members regarding:

- unsecured lending,
- Council Controlled Organisations (CCOs),
- LGFA funding, and
- definition of credit worthy counterparties

Resolved: (Cr Mallett/Cr Casson)

That the Finance Committee:

- a) receives the report;
- b) approves the revised Investment and Liability Management Policy as set out in attachment two of this report; and
- c) confirms the next review date for the policy of 30 June 2021.

The meeting adjourned 11.20am – 11.34am at the conclusion of the above item.

6. Resolution to Exclude the Public

Resolved: (Cr Mallett/Cr Casson)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Finance Committee Meeting Minutes - Public Excluded - 16 October 2018) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Report on overdue debtors as at 31 October 2018 & Debt write-offs 2018/19)	
C3. Seddon Park Sports Lighting Renewal - Confidential Supplementary Information		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to protect the privacy of natural persons to maintain the effective conduct of public affairs through protecting persons from improper pressure or harassment	Section 7 (2) (a) Section 7 (2) (f) (ii)
Item C3.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)

The meeting went into a public excluded session at 11.35am.

The meeting moved back into an open session at 1.10pm.

Cr Bunting left the meeting at 12.28pm during the public excluded session of the meeting.

7. Capital Portfolio Monitoring Report

The General Manager Development spoke to the report, highlighting the progress made on the capital works programme, and deferrals to be raised. Staff responded to questions from Committee Members regarding:

- NZTA funding and subsidies,
- land acquisition for road corridors,
- school transport link,
- long term savings,
- deferrals and outstanding work in progress,
- dates used in reports,
- capitalisation,
- Te Awa Cycleway, and
- renewal of Seddon Park lighting.

Resolved: (Mayor King/Cr Casson)

That the Finance Committee:

- a) receives the report;
- b) notes that decisions will be made on the following 2 projects as part of the Financial Strategy Report to this Committee meeting:
 - i. Te Awa Cycleway Remediation
 - ii. Seddon Park Sports Lighting.

Cr Macpherson Dissenting.

Crs Macpherson and Taylor re-joined the meeting (1.15pm) during the discussion of the above item. They were present when the matter was voted on.

Finance Committee 4 DECEMBER 2018 - OPEN

Cr Bunting re-joined the meeting (1.23pm) during the discussion of the above item. He was present when the matter was voted on.

The meeting adjourned from 3.45pm – 3.58pm.

Cr Macpherson retired from the meeting during the above adjournment.

8. Annual Monitoring Report to October 2018

The Financial Controller introduced the report and highlighted that in the four months ending October 2018 there had been favourable variances against budget. Staff responded to questions from Committee Members regarding budget forecasting and rates income.

Action: *Staff undertook to provide a breakdown of the interest income line in Venue, Tourism and Major Events.*

Resolved: (Mayor King/Cr Hamilton)

That the Finance Committee receives the report.

Maangai Takiari-Brame left the meeting (4.15pm) during the discussion of the above item. She was not present when the matter was voted on.

6. Financial Strategy Monitoring Report (*Recommendation to Council*)

The Accounting Manager introduced the report and highlighted some structural and layout changes made to the report to make it more readable.

Staff responded to questions from Committee Members regarding:

- footpath revenue,
- options for increase in revenue, and
- funding for Te Awa Cycleway.

Resolved: (Mayor King/Cr Mallett)

That the Finance Committee receives the report

Resolved: (Mayor King/Cr Hamilton)

That the Finance Committee:

- a) approves Option 1, as set out in the December 2018 Capital Portfolio Monitoring Report, to replace the Seddon Park lights with new LED lights, light frames, towers and foundations at an estimated cost of \$4.73M to be managed within the existing 3-year organisational renewal programme funding; and
- b) delegates the Chief Executive approval to negotiate and execute the contract(s) required to enable the replacement of the Seddon Park lights, headframes, towers and foundations to a maximum value of \$4.73M.

Cr Henry Dissenting.

Resolved (Mayor King/Cr Mallett)

That the Finance Committee recommends the Council:

- a) approves the additional Te Awa Cycleway Remediation Project at a total cost of \$1.75M, subject to recovering NZ Transport Agency subsidy of at least 51%;
- b) approves the rephrasing and deferral of \$26.2M capital projects from 2018/19 to 2019/20 as listed in the December 2018 Capital portfolio Monitoring Report (Item 8 of this agenda);and
- c) approves the revised forecast Financial Strategy graphs for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 31 to 35 of this report with an amendment for reprioritising renewals necessary for the Seddon Park lights, headframes, towers and foundations (as described in paragraph 121 of the December 2018 Capital Portfolio Monitoring Report).

An extension of time was moved at 4.54pm during the discussion of the above item.

Resolved: (Cr Mallett/Mayor King)

That the meeting continue past 6 hours as per Standing Order 3.2.7.

Crs O'Leary, Henry, Tooman and Southgate Dissenting.

The meeting was declared closed at 5.00pm.

Council Report

Committee: Finance Committee

Date: 21 February 2019

Author: Rebecca Watson

Authoriser: Becca Brooke

Position: Committee Advisor

Position: Governance Team Leader

Report Name: Chair's Report - 21 February 2019

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

That the Finance Committee receives the report.

Attachments

Attachment 1 - Chair's Report - 21 February 2019 .



Chair's Report

Cost Benefit Analysis (CBA)

CBA is an analytical tool that provides clarity, certainty, objectivity & validation for Elected Members when making spending decisions.

CBA is the process of weighing the costs of a proposal against the benefits of that proposal. If the costs outweigh the benefits the proposal probably shouldn't proceed. If the benefits outweigh the costs, that's good reason the proposal should probably proceed.

However, CBA is about more than just approving or declining proposals. CBA informs the ranking of competing proposals. Several proposals may deliver positive CBA results. CBA provides an objective process by which competing proposals can be ranked.

CBA requires an objective investigation, identification & quantification of the costs & benefits, both financial & non-financial of a proposal.

CBA can provide a great deal of the objective information Council needs when making decisions as to (1) whether or not a proposal should proceed & (2) which proposals, amongst many, should proceed.

I'm advised that some degree of CBA supports staff reports & recommendations, however, rarely does this analysis, including the factors/issues considered & the weighting of those factors/issues, come before Elected Members.

Elected Members will know that Council is a monopoly provider in most of the activities/services in which it is engaged. That means Citizens & Ratepayers have no option but to use, & pay for, Council's services irrespective of Council's cost, timeliness, variety, quality etc. In most situations its "Council's way or the Highway". In that respect our Ratepayers, Citizens & Businesses are more "Captives" than "Customers."

CBA can provide valuable context to Elected Members when assessing whether our Citizens & Ratepayers are getting Value for Their Money.

I have discussed this matter with the Mayor & the CE & I have asked for an elected member briefing to be scheduled in the near future so elected members can understand the level of CBA that is currently being performed in Council & determine whether further improvements are required to enhance spending decisions.

Recommendation

That the Finance Committee receives the report.

Garry Mallett
Finance Committee – Chair
(021) 741 021
Garry.Mallett@hcc.govt.nz

Council Report

Item 7

Committee: Finance Committee **Date:** 21 February 2019
Author: Becca Brooke **Authoriser:** Lee-Ann Jordan
Position: Governance Team Leader **Position:** Governance Manager
Report Name: Finance Committee Draft Schedule of reports 2019

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee regarding the draft 2019 Schedule of Reports.

Staff Recommendation

2. That the Finance Committee:
 - a) receives the draft 2019 Schedule of Reports; and
 - b) notes that the Schedule of Reports is intended to be a living document that will be updated as necessary and will be made available to Elected Members on Onedrive.

Background

3. The Chief Executive undertook to provide Elected Members with schedules for the tasks and responsibilities to be undertaken each calendar year by the Council and the whole of Council Committees (Growth and Infrastructure, Community Services and Environment, and Finance).
4. The purpose of the schedules is to provide Elected Members with oversight of the planned and upcoming activities for which they are responsible as members of those committees. The schedules set out the key reports and pieces of work assigned to each committee as well as the intended meeting dates where these will be presented.
5. The schedules have been developed by the Principal Advisors and Chairs of each committee in conjunction with key staff, the Strategy Unit, and the Governance Unit. Content covers:
 - Standing agenda items and regular reports;
 - The development, review, and status reporting of strategic plans and policies;
 - Anticipated submissions and legislative reports;
 - Items relating to the Annual Plan and 10 Year Plan;
 - Reporting of joint organisations, stakeholder groups, and established taskforces; and
 - Business as usual matters identified by staff as requiring governance decisions or oversight.

Item 7

6. In order for Elected Members to have a current view of committee activities throughout the year, the schedules will need to be updated when new items arise or when timing or circumstances change. Elected Members will have access to the updated schedules on Onedrive.
7. The Governance Unit and the Principal Advisors' Executive Assistants will take responsibility for maintaining up-to-date documents.
8. 2019 Report Schedules for the Committees of the whole will be presented at each of their first meetings of 2019.

Attachments

Attachment 1 - Draft Finance Committee Schedule of Reports 2019.

Finance Committee 2019 Schedule of Reports						
Standard Reports	21-Feb-19	9-Apr-19	21-May-19	1-Aug-19	10-Oct-19	TBC
Capital Portfolio Monitoring Report						
Annual Monitoring Report						
Financial Strategy Monitoring Report	31-Dec-18	28-Feb-19	31-Mar-19	30-Jun-19	31-Aug-19	31-Oct-19
Overdue Debtors/Bad Debt Writeoffs (PX)						
H3 Quarterly Update	Q2 18/19		Q3 18/19	Q4 18/19		Q1 19/20
Weathertight Buildings Update - Financial Summary						
Annual Plan/LTP Reports	21-Feb-19	9-Apr-19	21-May-19	1-Aug-19	10-Oct-19	TBC
CE Savings Report	Q2 Oct - Dec		Q3 Jan - Mar	Q4 Apr - Jun		Q1 Jul - Sep
LTP Performance Measures						
Stakeholder Liaison Reports	21-Feb-19	9-Apr-19	21-May-19	1-Aug-19	10-Oct-19	TBC
CCO Statements of Intent and Half Yearly Reports:						
Waikato Local Authority Shared Services		SOI & Dec18			Jun-19	
New Zealand Local Government Funding Agency		SOI & Dec18			Jun-19	
Civic Financial Services Ltd (YE 31 December)		SOI & Jun 18			Dec-18	
Waikato Innovation Growth Ltd (WIGL) and NZ Food Innovation (Waikato) Ltd (NZFIWL)		SOI & Dec18			Jun-19	
Waikato Regional Airport Ltd		SOI & Dec18			Jun-19	
Accessible Properties New Zealand Limited – Management Accounts and Activity Report		Q1/Q2			Q3/Q4	
Accessible Properties New Zealand Limited – Audited Financial Statements (Full Year)						
Business As Usual (BAU) Reports	21-Feb-19	9-Apr-19	21-May-19	1-Aug-19	10-Oct-19	TBC
WLASS Update						
Cleaning Contract Award						
Rototuna Family Golf Centre - new lease						
Policy and Bylaw	21-Feb-19	9-Apr-19	21-May-19	1-Aug-19	10-Oct-19	TBC
Appointment and Remuneration of Board Members of Cos, CCOs and CCTOs Policy 2014						
Freeholding of Council Endowment Land Policy 2016						
Funding Needs Analysis Policy 2015						
Municipal and Domain Endowment Funds Policy 2016						
Rates Remissions and Postponements Policy 2018						
Rating Policy 2018						
Revenue and Financing Policy 2018						
Investment and Liability Management Policy						

Council Report

Committee: Finance Committee

Date: 21 February 2019

Author: Katy Nudd

Authoriser: Sean Hickey

Position: Business Planning Analyst

Position: General Manager Strategy and Communications

Report Name: Non-Financial Organisational Performance Reporting Quarter two 2018-28 10-Year Plan

Report Status	<i>Open</i>
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Purpose

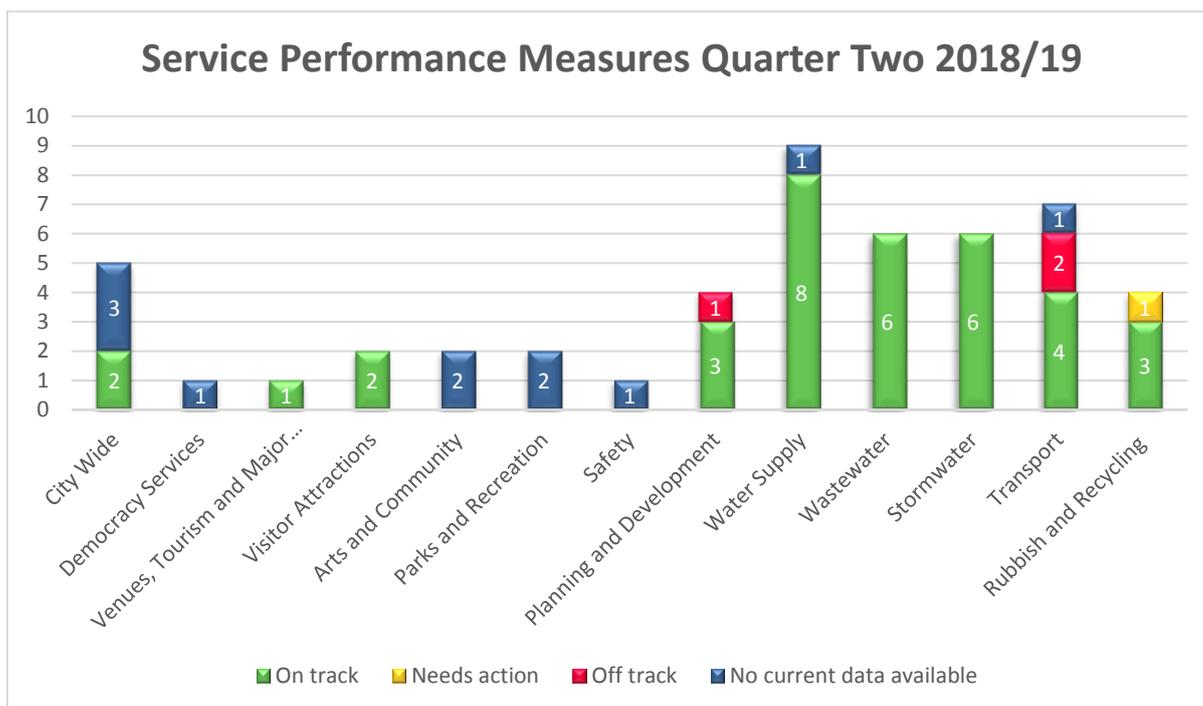
1. To inform the Finance Committee of the Quarter 2 (October-December 2018) Non-Financial Organisational Performance results from Year 1 of the 2018-28 10-Year Plan.

Staff Recommendation

That the Finance Committee receives the report.

Executive Summary

2. This report is to update Council on the results from quarter two for the Service Performance Measures.
3. The structure of the report has been set to provide an overview of each activity, the community focused non-financial indicators and key highlights for each activity.
4. There are 50 outcome performance indicators. The progress as at the end of quarter two (October – December 2018) is:
 - 35 (70%) on track to achieve the annual target (Green);
 - 1 (2%) need corrective action to get back on track (Orange);
 - 3 (6%) are off track (Red); and
 - 11 (22%) have no current data available as they are annual or bi-annual measures (Blue).
5. A summary of the progress of each 10-Year Plan Activity is shown in the below graph.



- At this point the forecasted year end position includes one off track measure (Wastewater abatement notice).

Background

- The 10-Year Plan 2018-28 was adopted in June 2018. It sets out the outcomes we aim to deliver for our community, though the activities we undertake. Within each activity outlined in the 10-Year Plan, we have nominated key non-financial performance indicators as progress markers towards the achievement of the outcomes. In the 10-Year Plan 2018-28, the non-financial performance indicators selected focus on measures that indicate delivery of outcomes to the community.
- We are required to report back to the community every year in the Annual Report on the non-financial performance indicators. Council receives an interim report every quarter at the Finance Committee on the progress of the non-financial indicators.
- Key highlights for each activity are now being captured in the organisational performance indicators system and reported to Council alongside the non-financial performance indicators.
- Staff consider the matter has a low significance as it is an information update report.

Cultural Considerations

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

Significance and Engagement Policy

Significance

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

Engagement

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

Attachments

Attachment 1 - 10-Year Plan 2018-28 Non-financial Organisational Performance Reporting Quarter Two .

DELIVERING ON OUR COMMUNITY OUTCOMES

Our community outcomes are:

A great river city: Our city embraces its natural environment and has green spaces, features and community facilities that make it a great place to live, work, play and visit.

A city that embraces growth: Our city has infrastructure that meets our current demands, supports growth and helps build a strong economy.

A council that is best in business: Our council is customer focused, financially sustainable and has the best people delivering the best outcomes for the city.

In the 10-Year Plan we said we would measure our progress towards these outcomes by the following indicators:

Measure	Target	Actual Performance	
We want to know what Hamiltonians think of our city.	Maintain or increase on the 81% of residents who think Hamilton is a great place to live.	The next Quality of Life survey will be in 2020. 	
	Maintain or increase on the 60% of residents who are proud of how Hamilton looks and feels.	The next Quality of Life survey will be in 2020. 	
Measure	Target	Actual Performance	Forecast Year End Position
The Gross Domestic Product (GDP) of Hamilton.	The annual average percentage change in the GDP growth for Hamilton, is greater than 2.8%.	An estimate by Infometrics has Hamilton economic growth at 3.4% over the 12 months to September 2018. 	We expect Hamilton to be in line with national forecasted GDP growth of 3%. 
	This quarter the estimate provided by Informetries has Hamilton City's GDP 12-month growth forecast as being above the NZ provisional estimate of 2.9% growth, and higher than the June 2018 quarter estimate of 2.0% growth. This signals a pick up in the local economy.		
Measure	Target	Actual Performance	Forecast Year End Position
Our debt to revenue ratio and rates increases do not exceed the limits in the Financial Strategy.	The Financial Strategy net debt to revenue ratio limit is 230%. To achieve this the 2018/19 forecast net debt to revenue ratio is 165%.	For the 12 months ended 31 December 2018, our net debt to revenue ratio was 132%. 	We expect to remain within the Financial Strategy limit. 
	Year to date, Council has a higher than budgeted revenue and lower debt. The capital programme expected to pick up over the remaining financial year, which will increase the uptake of debt. Since the last quarter, the ratio has moved from 139% to 132%, and remains on-track.		
Measure	Target	Actual Performance	
How positively our customers rate us at our reception, call centre and facilities (excluding Claudelands and stadia).	This is a new measure and 2018/19 will be used to set a baseline.	Customer Point of Service Surveying is underway with the first surveying taking place in December. Provisional results will be available in the quarter three report. 	

DEMOCRACY SERVICES

The Democracy Services activity is about how we provide Hamiltonians with excellent governance and sound leadership for the city.

In the 10-Year Plan we said we would measure how we deliver this activity by:

Measure	Target	Actual Performance
How many residents believe we make decisions that are in the best interests of the city.	Maintain or increase on the 47% of residents who think we make decisions that are in the best interests of the city.	The next Quality of Life survey will be in 2020. 

We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following highlights.

Highlights
<p>On 1 November 2018 Council unanimously adopted the status quo option as its final proposal for representation arrangements for the 2019 elections. The status quo is 12 councillors elected under the ward system and the mayor elected 'at large'; the current East and West wards with 6 councillors elected from each; and no community boards. One appeal was received and is with the Local Government Commission for determination by April 2019.</p> <p>Together with 8 other councils, Hamilton City Council committed to be a participant in the trial of online voting for the 2019 local government election. The business case identified the cost of the trial would be borne by a relatively small number of local authorities. At this point the participating Councils opted not to proceed with the trial. The development of the business case resulted in an improved understanding of the systems that can provide the necessary functionality, and how the ensuring security risks could be mitigated. Hamilton City Council will support the progression of online voting by supporting a 2022 trial involving central government and the local government sector nationally.</p>

VENUES, TOURISM AND MAJOR EVENTS

The Venues, Tourism and Major Events activity is about showcasing and leveraging Hamilton's event venues, visitor attractions and services. It includes Claudelands, FMG Stadium Waikato, Seddon Park, i-SITE Visitor Information Centre and tourism and event funding.

In the 10-Year Plan we said we would measure how we deliver this activity by:

Measure	Target	Actual Performance	Forecast Year End Position
The use of the stadia (FMG Stadium Waikato and Seddon Park) and Claudelands .	Over 438,000 people will attend events at the stadia and Claudelands.	Between October - December 2018, 123,535 people attended events. Year to date, 234,984 people have attended events. 	We expect to exceed the target with a forecast of 533,000 attendees. 
	<p>H3 Venues hosted a wide variety of events in quarter two. Although there were more events, hire days and attendance at H3 Venues was lower when compared to the previous year. This is due to the Rugby League World Cup taking place in 2017/18 Financial Year.</p> <p>The new forecast of 533,000 attendees is based on the H3 Venue bookings in the system which indicates estimated attendance of 495,000 (based on YTD actuals, forecast attendees entered and a cancellation probability factored in) and the additional attendees (38,000) forecasted on expected future bookings which have been modelled off historical data. The forecast will continue to be adjusted throughout the year.</p> <p>The use of stadia remains on track and this quarter is higher than last quarters result of 111,449 people attending events.</p>		

We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following highlights.

Highlights
<p>We to continue to deliver events that support local business opportunities, stimulate our economy and promote our city. H3 attracted and delivered 310 events in total, spread across various event types - business events, exhibitions, performance and sports.</p> <p>In 2018/19, 11 events were approved to receive funding from the Event Sponsorship Fund totalling \$312,000.</p> <p>In quarter two, the following sponsored events took place in Hamilton:</p> <ul style="list-style-type: none"> • NZ Open Dance Championships • Waikato 100 • Round The Bridges.

VISITOR ATTRACTIONS

The Visitor Attractions activity is about providing our community and visitors with memorable experiences. The activity includes the Hamilton Gardens, Waikato Museum and Hamilton Zoo.

In the 10-Year Plan we said we would measure how we deliver this activity by:

Measure	Target	Actual Performance	Forecast Year End Position
Residents and non-residents interest in the range of programmes and experiences we offer.	Maintain or increase visitation to the Hamilton Enclosed Gardens. This is a new measure and 2018/19 will be used to set a baseline.	Between October - December 2018, 136,857 people visited the Enclosed Garden. Year to date, 222,103 people have visited the enclosed gardens. 	If the hot dry weather continues then we would expect a higher visitation number in the next quarter. 
	<p>Visitor numbers are dependent on weather and this changes month by month, year to year. Visitation to the enclosed gardens is down slightly on this period last year by 3.2%. We anticipate this is due mainly to the extremely wet in October and November, in comparison December visitation increased by 6.89% on this period last year due to the more favourable weather.</p> <p>Hamilton Garden's remain on track to achieve good visitation levels and this quarter is higher than last quarters result of 85,246 visits.</p>		
	At least 250,00 visitations to the Waikato Museum and Hamilton Zoo.	Between October - December 2018, the combined visitation for Hamilton Zoo and Museum is 68,608. This breaks down to; Waikato Museum 28,484. Hamilton Zoo 40,124. Year to date a there has been combined visitation of 135,456 people. This breaks down to; Waikato Museum 62,460. Hamilton Zoo 72,996. 	The target for the year is expected to be exceeded. 
<p>Overall visitation was 12.5% above the quarterly target.</p> <p>The Hamilton Zoo's BUSIT Treasure Hunt held during the October school holidays was successful with 1,635 visitors through the door, and other successful programmes / competitions (e.g. Kids Summer Passport challenge and the Zoo's annual summer photo competition) increased visitor numbers.</p>			

Waikato Museum saw increased visitor numbers this quarter due to the October school holidays, the Topp Twins exhibition opening in November, and the National Geographic exhibition opening in December.

Hamilton Zoo and Waikato Museum remain on track to achieve good visitation levels with this quarter's attendance higher than last quarters result of 66,848 visits.

We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following highlights.

Highlights

In November the Mansfield Garden opened at the Hamilton Gardens, with approximately 100 people attending the official opening.

Hamilton Gardens maintained its strong social media presence with 14,000 Facebook followers.

Hamilton Gardens carried out 45 guided tours with 667 participants between October-December. 145 events were held at Hamilton Gardens, with the majority of these being community based.

Visitation to the Waikato Museum is up 7% year to date. Key attractions included:

- 50 public programmes with 3,202 attendees.
- Jules and Lynda Topp attended the opening of Topp Twins: An Exhibition for New Zealand in November.
- The 50 Greatest Photographs of National Geographic exhibition has been very popular.
- Christmas Craft activities held in December, which over 800 people attended the.

Visitation to Hamilton Zoo is up 8% year to date.

Hamilton Zoo's female adult southern white rhinoceros Jamila was successfully transferred at Auckland Zoo. The relocation is part of an Australasian zoos' regional breeding programme for the species. The move was a successful social media event featuring on Hamilton and Auckland Zoo's Facebook pages, Instagram and Auckland Zoo's You Tube channel with over 1,600 views. The New Zealand Herald, Stuff and Waikato Times also ran stories regarding the transfer of Jamila.

Hamilton Zoo is continuing to contribute to wild populations through its breed-for-release programmes. Six blue ducks and seven brown teals were transferred to the Department of Conservation Harden facility, where they will learn to live like wild ducks before being released to monitored sites in the wild.

ARTS AND COMMUNITY

The Arts and Community activity is about providing community facilities and development assistance. The activity includes Community Development, Libraries, Arts promotion and Theatre.

In the 10-Year Plan we said we would measure how we deliver this activity by:

Measure	Target	Actual Performance
How satisfied our customers are with our libraries.	The percentage of customers satisfied with libraries. This is a new measure and 2018/19 will be used to set a baseline.	Customer Point of Service Surveying is underway with the first surveying taking place in December. Provisional results will be available in the quarter three report. 
Measure	Target	Actual Performance
The number of residents who feel a sense of community with others in their neighbourhood.	Maintain or increase on the 56% of residents who feel a sense of community with others in their neighbourhood.	The next Quality of Life survey will be in 2020. 

We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following highlights.

Highlights
<p>Compared to the October-December period last year, visitation to the Libraries has increased by 4.4% and the number of physical and e-issues has increased by 4%. The number of events held also increased by 16% to 383 events, which resulted in 9,239 attendees, an increase of 37% increase.</p> <p>10,421 new items have been added to the collection and 1,449 new eBooks.</p> <p>The Libraries staff worked with Hamilton central businesses and the community to host the annual Star Wars Read Day on 6 October at the Central Library where 700 people celebrated Star Wars and reading.</p> <p>Collaboration across the organisation and with the community enabled the inaugural Kids Arty Party to take place in Garden Place on Saturday 8 December which included free art activities, kids toy trade, face painting, storytelling and games more than 1,000 attendees. Hamilton Lake also welcomed 3,000 attendees to the Family Friendly New Year's Eve event on 31 December.</p> <p>The Matariki sculpture, renamed Toia Mai, was successful unveiled at Ferrybank on 22 November 2018.</p>

PARKS AND RECREATION

The Parks and Recreation activity is about ensuring access to a wide range of recreational and leisure activities and attractive outdoor spaces for all Hamiltonians to enjoy. The activity includes community parks, natural spaces, streetscapes, sports parks, cemeteries and crematorium, pools and indoor recreation.

In the 10-Year Plan we said we would measure how we deliver this activity by:

Measure	Target	Actual Performance
How accessible parks and open spaces are across the city.	76% of households that have access to a neighbourhood park or open space within 500 metres walking distance.	The data is not yet available for this measure. The percentage of households within 500 metres walking distance of a park or open space will be measured via GIS mapping which will be available in February 2019. 
Measure	Target	Actual Performance
How satisfied customers are with pools and community facilities	The percentage of customers satisfied with pools and community facilities. This is a new measure and 2018/19 will be used to set a baseline.	Customer Point of Service Surveying is underway with the first surveying taking place in December. Provisional results will be available in the quarter three report. 

We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following highlights.

Highlights
<p>The summer sports season started strong with a number of summer codes practicing and competing throughout our network of sports parks across the city. For the month of December alone, there were 103 individual bookings from different summer sports clubs, including codes such as Cricket, Athletics and Softball across 12 of our sports parks network.</p> <p>After a nine-month refurbishment, Waterworld was re-opened to the public on Saturday 3 November. Approximately 1,500 people attended the opening day with positive feedback received on the facility improvements.</p> <p>The Partner Pools contract was renewed for another three years giving public access over summer to Uni Pools, Hamilton Boys High School, Fairfield College, Te Rapa Primary and Hillcrest Normal School.</p>

SAFETY

The Safety activity is about ensuring Hamilton is a place where people feel safe and are protected from risks to their health and wellbeing. The activity includes public safety, animal education and control, environmental health, alcohol licensing and civil defence.

In the 10-Year Plan we said we would measure how we deliver this activity by:

Measure	Target	Actual Performance
The central city users perception of feeling safe in the central city during the day.	At least 80% of central city users surveyed feel very safe or reasonably safe in the central city during daytime.	The central city survey is an annual survey and the next schedule survey is due in April 2019. 

We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following highlights.

Highlights
<p>In the three months from October to December 2018:</p> <ul style="list-style-type: none">• 98% (40/41) of dog control requests were responded to in under 60 minutes• 99% (648/649) of graffiti removal requests were acted on within 2 working days• 96% (1867/1944) of noise complaints were responded to in less than 30 minutes <p>Council participated in the national 'Shakeout', earthquake awareness exercise. We also participated in the Waikato Police National Command exercise by deploying our welfare group.</p>

PLANNING AND DEVELOPMENT

The Planning and Development activity is about city planning that supports the growth of the city while ensuring Hamilton's unique environment is protected. The activity includes city planning, planning guidance and building control.

In the 10-Year Plan we said we would measure how we deliver this activity by:

Measure	Target	Actual Performance	Forecast Year End Position
How many years supply of residential and business land zoned and ready with infrastructure to be used.	There will be at least three years capacity of residential zoned land supplied with development infrastructure in the city.	There is currently 3.5 years of capacity of residential land zoned and supplied with development infrastructure in the city. 	It is expected that the supply of residential land can be maintained. 
	There will be at least three years capacity of business zoned land supplied with development infrastructure in the city.	There is currently 2.8 years of capacity of business land zoned and supplied with development infrastructure in the city. 	It is expected that the supply of business land can be achieved. This is a 6-monthly measure and will be reported again in quarter four. 
	<p>Council is working to ensure there is a plentiful supply of land, serviced by infrastructure, for residential development so that land availability is not limited by delays in coming to the market. A plentiful supply of land promotes competition in the market and can help play a part in keeping house price growth down. This is a slight decrease from the 3.8 years of land capacity reported last quarter.</p> <p>Measuring capacity of business zoned land supplied with development infrastructure in the city is a new measure, and by measuring this we have identified the capacity is below our desired level.</p> <p>There is a plentiful supply of capacity for retail and commercial business. We have identified the gap is in the supply of industrial land, and staff are working on a change to the District Plan (and determining the infrastructure servicing requirements) to enable further land for industrial development in the Te Rapa North area of the city. The supply of commercial and industrial land will also be part of the greater Hamilton Metro Spatial Plan work being completed in 2019 as part of the Hamilton – Auckland Corridor Plan.</p>		
Measure	Target	Actual Performance	Forecast Year End Position
If consents are processed in a timely fashion.	On average it will take 18 days to process a building consent.	The average processing days for October – December is 17.15 days. 547 building consents were processed. 	It is expected the processing days average can be maintained at 18 or below. 
	The average number of processing days remains on track with building consents over the past six months taking approximately 17 workings days.		

	On average it will take 18 days to process a non-notified land use and subdivision resource consents.	The average processing days for October – December is 14.80 days. 178 consents were processed. 	It is expected the processing days average can be maintained at 18 or below. 
	Since the last quarter the average number of processes days has decreased from 17.6 days to 14.8 days.		

We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following highlights.

Highlights
<p>For the 2018 calendar year, resource consents as a whole reached a high at 864 consents.</p> <p>1440 new homes were approved within 837 building consents. This 2018 (calendar year) figure is an increase of 28% on the 1124 homes consented in 2017 and is the highest number of new home consents approved since digital records began in the 1990s.</p> <p>The difference between the number of consents and the number of new homes, is that more than half of all consents were for building multiple homes like duplexes, townhouses or apartments on one section.</p>

WATER SUPPLY

The Water Supply is about providing Hamilton residents and businesses with a reliable, high-quality and safe treated water supply. The activity includes water treatment and storage and water distribution.

In the 10-Year Plan we said we would measure how we deliver this activity by:

Measure	Target	Actual Performance	Forecast Year End Position
If the water we supply meets the New Zealand Drinking Water Standards.	Compliance with the drinking water standards for (a) bacteria.	Internal assessment of data indicates that quarterly compliance with the DWSNZ bacterial criteria was achieved (Oct-Dec 2018). 	Based on an internal assessment annual compliance is expected to be achieved. 
	Water quality complies with the drinking water standards for (b) protozoa.	Internal assessment of Waiora Treatment Plant data indicates that quarterly compliance with DWSNZ was achieved for all protozoa criteria (Oct-Dec 2018). 	Based on an internal assessment annual compliance is expected to be achieved. 
	Based on an internal assessment annual compliance is expected to be achieved. Compliance is formally assessed annually by a Ministry of Health designated Drinking Water Assessor. The most recent formal assessment of Hamilton's water supply against the DWSNZ was completed in August 2018 for the 2017/18 year and Hamilton City Council was assessed as being fully compliant. The next formal assessment for Hamilton's water supply is scheduled to be completed by September 2019.		
Measure	Target	Actual Performance	
How much water is lost from the system between the water treatment plant and the household or customer.	No more than 16% of real water loss from the water network infrastructure in the city.	This is an annual measure that will be calculated in June 2019. <i>The Water New Zealand Loss Guidelines are used to calculate how much water is lost from the water network.</i> 	
Measure	Target	Actual Performance	Forecast Year End Position
How successful our water conservation campaigns are.	On average Hamilton residents use no more than 400 litres of drinking water per day.	Average consumptions is 342 litres per resident per day. Year to date the average consumption is 329 litres per resident per day. 	It is expected the annual average water consumption per resident per day will be below 400 litres. 
		Consumption during the quarter is slightly lower than the same period last year which saw a warmer than expected start to summer. Water alert level 1 (as part of the Smart Water program) was initiated in early December as a result of increasing consumption. Predictions are for a dry and warm summer period which will require the public to be vigilant with water use.	

As expected, average water consumption has increased above the quarter one result of 316 litres per resident, per day but remains on track.

Measure	Target	Actual Performance	Forecast Year End Position
Customers and community satisfaction with the quality of the water.	No more than 5 complaints per 1,000 connections.	The October – December 2018 result is 0.85‰. The a year to date result is 1.44‰ 	It is expected the annual target of less than 5 complaints per 1,000 will be achieved. 
<p>The complaints can relate to drinking water clarity, taste, odour, pressure, continuity of supply and about our response to any of these issues.</p> <p>A total of 50 complaints were received. 31 related to continuity of supply, 10 were related to low water pressure, 6 related to the colour of water and 3 were related to taste and odour. All complaints regarding continuity of supply were caused by valves in the system being closed during authorised or non-authorised shutdowns.</p> <p>The number of complaints per 1,000 connections for the second quarter is above the quarter one result of 0.59‰ but remains on track.</p>			
Measure	Target	Actual Performance	Forecast Year End Position
How quickly we respond to urgent and non-urgent issues and resolve the problem.	The median attendance time for urgent call-outs, is no more than 60 minutes, from the time that we received notification to the time that our service personnel reach the site.	The October – December 2018 result is 39 minutes. The year to date median attendance time is 37 minutes. 	It is expected the median attendance time will be maintained below 60 minutes. 
	The median resolution time of urgent call-outs, is no more than 5 hours, from the time that we received notification to the time that our service personnel confirm the fault or interruption has been resolved.	The October – December 2018 result is 2.1 hours. The year to date median resolution time is 2.1 hours. 	It is expected the median resolution time will be maintained below 5 hours. 
	The median attendance time, in working days, for non-urgent call-outs, is no more than 5 business days from the time that we received notification to the time that our service personnel reach the site.	The October – December 2018 result is 3 days. The year to date median attendance time is 3 days. 	It is expected the median attendance time will be maintained below 5 working days.

			
	The median resolution time, in working days, of non-urgent call-outs, is no more than 10 business days, from the time we received notification to the time that our service personnel confirm the fault or interruption has been resolved.	The October – December 2018 result is 3 days. The year to date median resolution time is 3 days.	It is expected the median resolution time will be maintained below 10 business days.
			

We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following

Highlights

Replacement of the roof and other maintenance work at the Ruakiwi Reservoir was successfully completed in December and following water safety quality checks, the Reservoir is now back in use. The new roof is expected to last 50+ years and is part of the City Waters on-going programme of asset renewal.

The shift of City Delivery's focus to operational maintenance has resulted in improved customer response times.

WASTEWATER

The Wastewater activity is about providing our city with reliable and sustainable wastewater services to protect both the health of our people and our waterways. The activity includes wastewater collection and wastewater treatment and disposal.

In the 10-Year Plan we said we would measure how we deliver this activity by:

Measure	Target	Actual Performance	Forecast Year End Position
How well the network operates.	No more than 5 overflows per 1,000 connections in dry weather.	The October – December 2018 result is 0.43‰. With a year to date result of 0.99‰ 	It is expected the annual target will be achieved. 
	<p>There was a total of 25 dry weather overflow events. The majority of these were the result of blockages in the network. A targeted educational exercise has been carried out in the affected areas to improve awareness on what should be flushed into the wastewater network. On-going education and maintenance initiatives are planned to continue.</p> <p>The number of overflows per 1,000 connections in this quarter is lower than the quarter one result of 0.57‰.</p>		
Measure	Target	Actual Performance	Forecast Year End Position
If we are operating within our resource consent conditions.	No more than one abatement notice, issued for spillage from the wastewater system.	Council has complied with all resource consents and therefore no abatement notices have been issued. 	It is expected compliance will continue to be achieved. 
	Zero infringement notices, enforcement orders and convictions issued for spillage from the wastewater system.	Council has complied with all resource consents and therefore no infringement notices have been issued. 	In August 2018 (quarter one of the 2018-28 10-Year Plan), Waikato Regional Council filed a charging document against Hamilton City Council under Section 15(1)(a) of the Resource Management Act (RMA) for a discharge of wastewater from the Bridge Street wastewater pumping station into the Waikato river that occurred in February 2018.

			The matter is still before the court and we expect an outcome before June 2019. 
Measure	Target	Actual Performance	Forecast Year End Position
Customer and community satisfaction with the quality of the wastewater system.	No more than 25 complaints per 1,000 connections about wastewater odour, system faults or blockages and complaints about our response to issues with its wastewater system.	The October – December 2018 result is 4.2% With a year to date result of 8.7% 	It is expected the annual target will be achieved. 
<p>There was a total of 245 complaints received relating to wastewater system faults. 127 were related to sewer overflows or blockages, 10 were related to odour issues, 1 in relation to a wastewater discharge and 107 were general complaints. The majority of the reported overflows were due to blockages within the sewer network rather than system incapacity and the most common cause of blockages and overflows were tree roots and fat accumulation.</p> <p>General complaints relate to issues that are not defined within the reporting system and Department of Internal Affairs (DIA) reporting measure definitions. The most common 'general complaint' types are road damage near a wastewater manhole and safety concerns around public assets in private property. Improvement are underway to align reporting codes to assist with defining complaints.</p> <p>The number of complaints per 1,000 connections in this quarter is lower than the quarter one result of 4.49%.</p>			
Measure	Target	Actual Performance	Forecast Year End Position
How quickly we attend to issues and resolve the problem.	The median attendance time for call-outs, no more than 60 minutes, from the time that we received notification to the time that our service personnel reach the site.	The October – December 2018 result was 41 minutes. The year to date median attendance time is 39 minutes. 	It is expected the median attendance time will be maintained below 60 minutes. 
How quickly we attend to issues and resolve the problem.	The median resolution time of call-outs, no more than five hours, from the time that we received notification to the time that our service personnel confirm the fault or interruption has been resolved.	The October – December 2018 result was 2.7 hours. The year to date median resolution time is 3.1 hours.	It is expected the median resolution time will be maintained below 5 hours.

			
	Significant rainfall events that occurred in December has meant that median attendance times and resolution times in this quarter are higher than the quarter one results but remain on track.		

We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following highlights.

Highlights

Our annual compliance assessment against resource consent conditions for the Pukete Wastewater Treatment Plant has recently been completed and Waikato Regional Council has assessed the site as being fully compliant. The assessment has been made against nine resource consents for a variety of activities, including the main discharge of treated wastewater effluent to the Waikato River. This is the first time since 2009 that full compliance has been achieved for the Wastewater Treatment Plant site.

The shift of City Delivery's focus to operational maintenance has resulted in improved customer response times.

STORMWATER

The Stormwater activity is about providing our city with services that protect people and properties from flooding and manage the quality of our stormwater. The activity covers the stormwater network of collection, conveyance, treatment and discharge services.

In the 10-Year Plan we said we would measure how we deliver this activity by:

Measure	Target	Actual Performance	Forecast Year End Position
The number of times the stormwater system has affected habitable buildings.	No more than 1 flooding event will occur within the city.	No flooding events affecting habitable floors have occurred between October-December 2018. 	It is expected that the target will be achieved. 
	No more than 1 per 1,000 properties, habitable floors will be affected per flooding event.	No flooding affecting habitable floors has occurred in October – December 2018. 	It is expected that the target will be achieved. 
<p>There were 10 reports of flooding, all of which occurred during December when Hamilton receive a number of intense rain events.</p> <p>Of the 10 reports of flooding, 6 related to flooding of private property (garages and yards), and 4 related to flooding of the road. These reported events, all related to a heavy rain event in the Hamilton West areas which resulted in 7 properties being evacuated as a precautionary health and safety measure.</p> <p>Although properties were affected by the flooding, these did not meet the definition of a flooding event as no habitable floors were affected (a garage is defined as not being part of a habitable floor).</p> <p>Currently we are on track to meet the target, however, March to June are historically our highest risk months for flooding events. Planned maintenance and proactive monitoring of weather patterns will continue to be used to reduce this risk.</p>			
Measure	Target	Actual Performance	Forecast Year End Position
If we are operating within our resource consent conditions.	No more than one abatement notice, related to the management of the stormwater system.	Council has complied with all resource consents and therefore no abatement notices have been issued. 	It is expected compliance will continue to be achieved. 
	Zero infringement notices, enforcement orders and convictions related to the management of the stormwater system.	Council has complied with all resource consents and therefore no infringement notices have been issued. 	Is it expected compliance will continue to be achieved. 

Measure	Target	Actual Performance	Forecast Year End Position
How fast we will respond to the issue.	The median response time, is no more than 60 minutes from the time that we received notification to the time that our service personnel reach the site of the flooding event with habitable floors affected.	No flooding events affecting habitable floors has occurred this quarter hence no response time recorded. 	It is expected the median response time will be maintained below 60 minutes. 
Although 10 properties were affected by the flooding, these did not meet the definition of a flooding event as no habitable floors were affected (a garage is defined as not being part of a habitable floor).			
Measure	Target	Actual Performance	Forecast Year End Position
Customer and community satisfaction with the effectiveness of the stormwater system.	No more than 10 complaints per 1,000 properties connected about the performance of the stormwater system.	The October – December 2018 result is 1.24‰. With a year to date result of 2.07‰ 	It is expected the annual target will be achieved. 
There was a total of 73 complaints received, the majority of those received related to areas of drainage reserve requiring clearance or tree pruning. 10 of the complaints received related specifically to flooding of roads or private property. Maintenance and monitoring activities will continue to be a focus for the City Waters and City Delivery teams.			
The number of complaints per 1,000 connections is higher than the quarter one result of 0.83‰ but remain on track.			

We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following highlights.

Highlights

Physical work on the complex Valley Terrace stormwater pipe replacement project has recently been completed. Re-vegetation work is now underway which will see the gully and appropriate areas of the affected properties restored to a natural gully area by early next year.

The shift of City Delivery's focus to operational maintenance has resulted in improved customer response times.

Hamilton City Councils annual compliance assessment for stormwater discharge conditions was completed, and assessed as having a high level of compliance by Waikato Regional Council. The assessment has been made against authorised activities within the Comprehensive Stormwater Discharge Consent which authorises the diversion and discharge of urban stormwater and use of discharge structure within the Hamilton urban area.

TRANSPORT

The Transport activity is about Hamilton being a city that is easy to get around. The activity includes the transport network and parking management.

In the 10-Year Plan we said we would measure how we deliver this activity by:

Measure	Target	Actual Performance	Forecast Year End Position
How effectively we manage peak hour traffic flows with minimal unnecessary delays on the road.	No more than 50% of extra time taken for vehicles to travel key routes in the city during peak travel times compared to non-peak.	30.23% of extra time taken. 	End of year target is expected to be achieved. 
Data is collected on a 6 monthly basis. The most recent assessment was completed in November 2018, with a result that was slightly lower than November 2017. The next result will be available in Quarter 4.			
Measure	Target	Actual Performance	Forecast Year End Position
Number of cyclists biking in the central city.	At least 1,380 cyclists biking into the central city.	Data is collected on an annual basis. The next survey is due to be completed in early 2019. With the results available in Quarter Four Report. 	
Measure	Target	Actual Performance	Forecast Year End Position
The impact of safety improvements on reducing death and serious harm on Hamilton roads.	A positive change from the previous financial year in the number of fatalities and serious injury crashes on Hamilton's local road network.	The interim result for July – December 2018 result is 25. 	Year end result on track to be lower than last year. This is based on the total deaths and serious injuries year to date being slightly lower than 2017/18 result at the same time (27). 
ANNUAL REPORT RESULT FOR 2017/18: There were 4 deaths and 52 serious injuries on record for a total of 56 deaths/serious injuries.			
INTERIM RESULT Q2 2018/19: There has been 3 deaths and 22 serious injuries on record for a total of 25 fatal and serious injuries year to date.			
Measure	Target	Actual Performance	Forecast Year End Position
The quality of the ride, with a higher percentage indicating more roads providing a smooth ride.	At least 86% smooth travel exposure rating across the sealed road network	The July – December 2018 result is 85%. 	End of year target is expected to be achieved. An annual survey expected to confirm an improved result due to the targeted reseal programme.

			
	Result below target predominantly due to some rough collector roads on the network. These collector roads are scheduled as part of our regular maintenance programme.		
Measure	Target	Actual Performance	Forecast Year End Position
How well we understand and plan for the need to resurface roads.	At least 4% of Hamilton's sealed local road network that is resurfaced each year.	The October – December 2018 result is 0.6%. 	End of year target is expected to be achieved as per the programme of work. 
	All resurfacing works completed between July-December was Thin Asphaltic Concrete. The chipseal season, which is the major part of our programme, will start from January 2019 and the targets for the programme of work have been phased on this basis. The percentage of network that has been resurfaced in this quarter is higher than the quarter one result of 0.21%.		
Measure	Target	Actual Performance	Forecast Year End Position
The percentage of footpaths that meet the service level.	At least 97% of footpaths that fall within the service standard for the condition of footpaths as set out in the Transport Activity Management Plan.	The October – December 2018 result is 96%. 	End of year target is expected to be achieved due to increased footpath maintenance programme. 
	The length of footpath with greater than 5 faults/100m has reduced to 37.55km, down from 40.57km in Quarter 1 and 43.33km in Quarter 4 of 2017/18. The city-wide audit of footpath condition by Scooter Man has provided us with a high-quality view of the condition of footpaths which will allow us to develop updated targeting of resource to the high priority footpath faults.		
Measure	Target	Actual Performance	Forecast Year End Position
*We will investigate and respond to the customer about their request for service relating to road and footpath issues. The measure indicates the percentage of requests responded to within five working days.	At least 96% percentage of customer service requests relating to roads and footpaths responded to within five working days.	The October – December 2018 result is 97%. With a year to date result of 98% 	The annual target is expected to be achieved. 
	Of the 1304 service requests received, 37 were not responded to within five working days. The majority of the exceeded response times occurred during the Christmas shutdown period where staff numbers are reduced, and urgent jobs are prioritised. The most common request types received related to street light faults, damaged or missing street signs, and collecting illegally dumped rubbish. The number of customer service requests responded to in five working day is lower than the quarter one result of 99% but remains on track.		

We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following highlights.

Highlights

The Discretionary Transport Programme has made good progress with multiple safety improvements completed on the network. This includes completion of the pedestrian crossing upgrades in Silverdale Road and Collins Road, the first 2 of 5 pedestrian crossing upgrades being installed across the city in selected high-risk street crossing locations including around schools and retirement villages.

RUBBISH AND RECYCLING

The Rubbish and Recycling activity is about protecting the health of Hamiltonians and the environment by providing a reliable kerbside rubbish and recycling collection service and promoting waste minimisation and resource recovery. The activity includes landfill site management, refuse and recycling collection and waste minimisation.

In the 10-Year Plan we said we would measure how we deliver this activity by:

Measure	Target	Actual Performance	Forecast Year End Position
How effective our waste minimisation education is working.	At least 30% percentage of waste recovered for recycling through the kerbside collection.	The October – December 2018 result is 34%. With a year to date result of 31%. 	Historically this target has been challenging to achieve and continued monitoring and implementation of educational initiatives will be undertaken. 
<p>The increase in recycling volume is due to material movements at Waste Management Edgar Street depot being low in August and September. This created a spike in recycling in October and November as this stockpile was moved through.</p> <p>In addition, an education campaign in October and November has helped increase recycling volumes.</p> <p>Since the last quarter report to September 2018, the indicator has moved from off-track to on-track, with the percentage of waste recovered for recycling having increased from 27%.</p>			
Measure	Target	Actual Performance	Forecast Year End Position
How much waste is diverted from landfill at our solid waste facilities.	At least 16,000 tonnes per annum of waste received at Council operated waste facilities that is diverted from landfill.	The October – December 2018 result is 4,899 tonnes. With a year to date result of 8,540 tonnes. 	The annual target is expected to be achieved. 
<p>The October – Decembers result is significantly higher than July-September, as expected. This is due to the seasonal impact of the spring and summer months on the levels of waste diverted from landfill to the Hamilton Organic Centre.</p> <p>Since the last quarter report to September 2018, the indicator has moved from off-track to on-track, with the level of waste divereted from landfill having increased from 3,641 tonnes in quarter one.</p>			
Measure	Target	Actual Performance	Forecast Year End Position
How often our rubbish is not collected.	Number of weeks where there are more than 20 complaints about	There have been no weeks of more than 20 complaints of uncollected recycling.	The annual target is expected to be achieved.

	uncollected kerbside rubbish and recycling.		
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Measure	Target	Actual Performance	Forecast Year End Position
The percentage of complaints resolved within 24 hours.	95 percentage of customer complaints about uncollected kerbside rubbish and recycling resolved within 24 hours.	The October – December 2018 result is 93%. With a year to date result of 95%	Due to the October – December results, there is only a small margin for further non-conformance for the remainder of the year. Increased communication with the contractor and regular monitoring of service delivery is aimed at reducing the number of missed collections not resolved within 24hrs.
	There were 5 complaints received that were not resolved within 24 hours. The frequency of operational meetings with the contractor has increased and weekly updates of customer enquires/complaints are being provided to the contractor, this will help to identify trends in collection routes to improve performance in this area. In quarter one all customer complaints were resolved within 24 hours.		

We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following highlights.

Highlights

In October we launched the Silver Service waste minimisation initiative which is a self contained mobile caravan equipped with cutlery, crockery and a dish-washing facility. This initiative was supported by Council and can be used at City Events and will continue to be used at the Gourmet at the Gardens events.

Applications for project funding under the contestable \$50,000 waste grant were opened. The aim of the grant is to provide funding for community projects that lead to long term waste minimisation and behavior change and help achieve the vision, goals, and objectives of the waste plan.

Council Report

Committee: Finance Committee

Date: 21 February 2019

Author: Natalie Young

Authoriser: Chris Allen

Position: PMO Manager

Position: General Manager
Development

Report Name: Capital Portfolio Monitoring Report

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee on the progress of the capital portfolio delivery against the 2018-28 10-Year Plan for the six-months ending 31 December 2018.

Staff Recommendation

That the Finance Committee receives the report.

Executive Summary

2. This report is to be read in conjunction with the:
 - a). February 2019 Annual Monitoring Report; and
 - b). February 2019 Financial Strategy Report
3. This report reflects the results at the end of December 2018.
4. The 2018-19 approved capital budget is \$254.8M which is a significant increase over the previous 2017-18 budget of \$100.7M.
5. This report forecasts an annual spend of \$213.8M and indicates \$36.9M of anticipated deferrals and \$4.1M of anticipated savings based on the information available for the period to 31 December 2018.
6. Of the current anticipated deferrals of \$36.9M;
 - a. \$21.9M is related to projects which are on track to be completed in accordance with the 10-Year Plan timeframes.
 - b. \$8.3M is related to projects which are dependent on the timing of third party actions outside of Councils control.
 - c. \$7.0M is related to projects being deferred for other reasons
 - d. \$0.2M is related to a bring forward decision.

7. In addition to these anticipated deferrals it is also signalled that additional deferrals will result from timing issues associated with the significant land purchase programme for Peacocke and also for the Renewal and Compliance Programme of works.
8. The funding for land purchase in Peacocke is significant and has been spread across 3 years because it is difficult to predict when individual land purchase agreements will be completed. A structured approach is being taken to the purchase programme that will ensure alignment with the relevant construction programmes.
9. The Renewals and Compliance Programme is associated with Councils priority of looking after its existing assets. Staff are seeking flexibility to prioritise and manage this programme across all of the activities in a 3-year period while being careful that appropriate and equitable investment is made across all of Councils assets. This approach may result in some further deferrals from 2018-19 which have not yet been signalled.
10. An example of the flexibility being sought is the recent decision by Council to approve additional cost for the Seddon Park Lights to be funded from within the existing approved budget for the entire programme.
11. The expenditure to the end of December 2018 is 55% higher than for the corresponding time period last financial year (2017-18).
12. Staff consider the matter's in this report have low significance and comply with the Council's legal requirements.

Programme Summary (Attachment 1)

13. The following definitions are relevant.
 - Portfolio; refers to the HCC total capital budget \$255M (including approved deferrals of \$32.0M from 2017-18) in Year 1/2018-19 and \$772M over 3 years (2018-21).
 - Programme; refers to the 8 programmes that are referred to in this report, which when added together equal the Portfolio.
 - Project; refers to an individual identified project under a particular programme which may have funding from multiple activities and across multiple years

Programme	Description
Renewals and Compliance Programme	Looking after the assets we have and making sure they are fit for purpose.
Transport Improvement Programme	Delivering a balanced transport system through; <ul style="list-style-type: none"> - enabling growth, - improving safety, and - improving transport choice.
City Wide Waters Programme	Ensuring the provision of essential water services that allow for future growth and compliance
City Wide Community Programme	Improving the vibrancy of our social and creative spaces.
Peacocke Programme	Enabling the development of an attractive and sustainable community in the Peacocke growth area.

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

14. Renewals and Compliance Programme

13. The successful management and delivery of the renewals and compliance programme requires taking a 3-year programme approach. The programme has a total budget of \$208m over the first 3 years of the 2018-28 10-Year Plan across the various Council activity budgets. Since the 10-Year Plan has been adopted, the programme of works on some assets has needed to be updated in response to new information received, continual testing of need for capital interventions, other new works being required and procurement and contractor considerations. These factors have a minor impact on the expenditure profile of the programme as a whole over the longer timeframe. However it may mean that a project originally planned in a given year may be delayed to be more efficiently delivered in the next year.

14. Now that we are half way through the first year of the 10-Year Plan (2018/19), an assessment of expenditure against budget becomes more robust. The renewals and compliance programme report (Attachment 1) provides an update on expenditure to date against the phased forecast for each of the Renewal and Compliance sub-programmes from the beginning of the Financial year by each activity group. This analysis provides us with guidance on where time and effort needs to be allocated in order to support the continued delivery and understand the issues the sub-programmes are facing.

15. Transport Improvement Programme

16. The development of the Rotokauri Transport Hub, Rail Platform and Park and Ride is on track and progressing with the other passenger rail programme partners and is being reported to the Growth and Infrastructure Committee. The projected start date has been delayed to March 2020 which has resulted in some project deferrals.

17. There is significant strategic planning and business case development underway this financial year with the NZ Transport Agency which will enable the delivery of the capital programme for the next 3 years.

18. Strategic planning for Mass Transit and the Auckland to Hamilton Corridor Plan will provide key direction for this programme.

19. Citywide Waters Programme

20. The significant City Wide Waters project are all contracted and underway. These include;

- a. Pukete Waste Water Treatment Plant Upgrade
- b. Waiora Water Treatment Plant Upgrade
- c. Western Wastewater Interceptor Duplication

21. While all of these projects are awarded and underway an estimated \$9.1M of deferrals are signalled to align with the contractor programmes of work.

22. The Hillsborough Pump Station Upgrade project has some design and consenting complexities and optimisation of procurement opportunities to align with earthworks in the

summer construction season which have resulted in the need for a deferral. Works are still on track to be complete in the 2019-20 financial year in accordance with the 10-Year Plan.

23. Funding is budgeted in 2018-19 for the land procurement for the Dinsdale Pump Station Upgrade, however it is anticipated that this land procurement will not be finalised this financial year. Land procurement delays are not currently forecast to affect timeframes for completion of the overall upgrade project.

24. *Citywide Community Programme*

25. The revenue for Hamilton Gardens Development Programme and the Playground Development Programme has been confirmed for 2018-19. The playground programme has a shortfall of \$23,000 which staff are working through options to resolve.
26. The contract for the delivery of the Waiwhakareke Development project has been awarded.
27. Planning for the Zoo-Waiwhakareke Entry project is underway and the concept design phase is commencing.
28. The Ferrybank Jetty is on track for completion by 30 June 2019.
29. The contract for the Hamilton Gardens Development is currently out to market for the works for this financial year.

30. *Peacocke Programme*

31. The growth and development of the Peacocke area is separately reported to the Growth and Infrastructure Committee. This report relates to the delivery of the capital projects to support that growth.
32. All of the planned works are on track or ahead of the programme.
33. The Wairere/Cobham Drive overbridge contract has been awarded and is underway. This project is managed within the Transport Improvement Programme.
34. An enabling works contract for the Ohaupo Road (SH3) intersection is currently being tendered. The main works which include the Wairere Drive extension and the bridge over the Waikato River, Peacocke Road Urban Upgrade and the wastewater works are not planned to commence until 2021.
35. A significant part of the programme of works is land acquisition. A land purchase strategy has been developed and implemented which provides an outcome where all land will be available by the time of the main works commencing in 2021.
36. The funding for land purchase has been spread across the first 3 years of the 10-Year Plan. It is possible that up to \$26M of funding currently in 2018-19 will need to be deferred to 2019-20. This has not yet been signalled as a deferral and this will be considered at the next meeting when landowners response to the commencement of the land acquisition process is better known.

37. *Rotokauri Programme*

38. A number of significant planned projects are dependent on alignment with developer activity in Rotokauri. In particular Council has planned to designate the major north-south arterial and the stormwater swale.
39. The planning work for the stormwater swale designation has been completed and is ready for lodgement. This designation and the designation of the north-south transport arterial have been put on hold pending discussions with the major developers in Rotokauri to ensure alignment. Almost \$5M of funding is signalled for deferral pending this alignment.

40. Rototuna Programme

41. All of the significant planned projects for Rototuna this financial year are underway and on track for completion. These include;
- a. Resolution Drive Extension
 - b. Borman Road (West) Extension
 - c. North City Road Upgrade (Stage 1)
 - d. Rototuna Sports Park
 - e. Park Lane Construction
42. During development of the 2018-28 10-Year Plan, Council deferred the Borman Road (East) Extension until 2026. Funding was retained to complete business case and design work over the 2-year period 2018-20. This work is underway but a deferral of \$600k is required to year 2.
43. Work is continuing on the integrated development of the Rototuna Town Centre and the Community Hub Options. These matters are being reported to the Community Services and Environment Committee.
44. Councils programme to deliver the North City Road (Stage 2) Upgrade is dependent on this planning and a number of deferrals are signalled to allow alignment.

45. Ruakura Programme

46. Council has achieved a significant milestone and has awarded the construction contracts to deliver the Ruakura Reservoir and associated bulk mains. A rephasing deferral of \$2.5M is signalled to match the contractors programmes.
47. Council also has planned investment to upsize water mains in Ruakura which is dependent on developer timing. Deferrals are signalled to match developer timing.

Capital Portfolio Report

48. See Attachment 1 for the portfolio summary and programme reports.
49. See Attachment 2 for the capital expenditure by activity report.
50. A significant amount of work has gone into the award of contracts that are multi-year and allow for the delivery of our 3-year portfolio of works.
51. The pipeline of works is under continuous development and review as we ahead for the delivery of the 3-year portfolio.
52. The following 3 contracts have been awarded over the last 2 months;

Contract	Awarded to	Value and Term
Ruakura Reservoir	Spartan Construction	\$13M – to be completed mid 2020.
Transport Network Minor Improvements	Base Civil	\$9M over 3 years
Borman Road Western Extension	Pemberton Civil	\$1.5M to be completed April 2019.

53. The remainder of this summer construction season is going to be a busy time in the city with delivering of physical works, as well as keeping up with land development activities and other works across the Waikato region.
54. Key contracts still to be awarded this financial year include:

Contract	Status	Value and Term
Hamilton Gardens Development	Currently out to market.	Approx. \$2M – works to be completed mid 2019.
Enabling Works Package for a new arterial intersection into Peacocke on Ohaupo Road (SH3)	Going out to market mid February 2019.	Approx. \$2M – works to be completed September 2019.

55. Other major works in the pipeline for procurement in mid 2019 for delivery in 2019-20 financial year and beyond include;
- a. HCC section of the Te Awa cycle path
 - b. Hillsborough pump station upgrade
 - c. Rotokauri transport hub
 - d. New arterial intersection into the Peacocke area on Ohaupo Rd (SH3)
 - e. Baverstock Road urban upgrade
 - f. Upgrade of the Hamilton Transport Centre

Capital Expenditure to end of December 2018

56. For the purposes of this Capital Portfolio Monitoring report there are 4 main types of capital budget movements that will impact on the forecasted total spend for this financial year. They are;
57. **Rephasing Deferrals** – this is where the project has started or there is confidence that the project will start and will finish on time but the expenditure across the years of the project is forecast to be different than budgeted. In general, this refers to projects where we have now received construction programmes from the contractors and with them the forecasts of expenditure have been rephased.
58. **Delay Deferrals** – this is where a movement of capital expenditure is required due to delays and will result in a shift of the project end date.
59. **Capital Savings** – this is for the recording of efficiencies and capital savings that can be attributed to the capital savings target. The capital savings translate into operating savings through consequential opex, interest and depreciation savings. The contribution of the capital savings to operating savings are established through the six monthly Business Transformation Report.
60. The organisation has an increased focus on the capital portfolio and is putting in place disciplines to allow for the realisation of savings from projects. By regularly capturing the savings on projects the discipline of controlling scope and seeking savings from projects is becoming part of the organisational culture. There is regular checking and challenging of projects, project scopes and procurement methods to ensure that we are delivering the right outcomes to the community at the best value for money.
61. This discipline of capturing savings early to ensure no scope creep does come with risks and while we will declare the savings through this report every six weeks there will be times when situations will change and we may no longer be able to achieve the stated savings. It is important that we provide transparency around the changes but that we are supported in what will be a fluid and changing environment.
62. **Capital Expenditure Brought Forward** – this is where a project has been brought forward to align with other projects or to enable work ahead of schedule to achieve the outcomes required in the timeframes set.

63. The forecasted capital expenditure to 30 June 2019 is made up as follows;

2018-19 Capital Expenditure Budget (including deferrals from 2017-18)	\$254.8M
Forecasted <u>rephasing deferrals</u>	\$21.9M
Forecasted <u>delay deferrals</u>	\$15.2M
Capital expenditure <u>brought forward</u> from 2020/21	(\$0.2M)
Capital <u>savings</u> forecasted in 2018-19	\$4.1M
Total forecasted capital expenditure 2018-19	\$213.8M

64. See Attachment 3 for the total list of rephasing and delay deferrals by project.

65. The capital expenditure brought forward relates to the following project;

Programme	Project	Amount	Explanation
Peacocke	Sports Park	\$0.2M	This is the bringing forward of capital expenditure from 2020-21 for the preparation of a Notice Requirement to secure land for a sports park in Peacocke.

66. The emerging capital savings forecasted for 2018-19 are related to the following projects;

Programme	Project	Amount	Explanation
Citywide Community	Central City Park	\$0.5M	The scope for the purchase of the Central City Park land has been achieved and the savings achieved have been recorded.
Citywide Waters	Western Wastewater Interceptor Duplication	\$1.0M	This saving has been achieved through the development of a strategic business case to prioritise and align projects to achieve the right outcomes. There was also significant consideration given to the appropriate procurement model to ensure that innovation and value for money is achieved.
Rotokauri	Rotokauri Minor Arterials	\$1.5M	We have achieved the outcome of building a roundabout and central arterial under budget due to the implementation of a Private Development Agreement.
Ruakura	Ruakura FEI	\$1.0M	Savings of \$1.0M achieved through the effective co-ordination, cost share negotiation and procurement planning with the Ruakura land developers.
Peacocke	Peacocke – Stage 1 Neighbourhood Parks	\$0.1M	Savings achieved through acquiring the land for Peacocke Neighbourhood Park under budget through negotiations with developers.
Total Forecasted Capital Savings		\$4.1M	

Revenue to end of December 2018

67. At the end of December 2018, the capital revenue result was \$1.7M favourable.

68. The forecasted revenue to 30 June 2019 is made up as follows;

2018-19 Revenue Budget	\$44.8M
Forecasted delay deferrals/rephasing deferrals	\$7.4M
Additional revenue forecasted in 2018-19	\$4.3M
Total forecasted revenue 2018-19	\$41.7M

69. The deferrals in revenue are directly related to the capital expenditure deferrals outlined in Attachment 3 and forecast revenue from 2018-19 out to 2019-20. The following table shows the projects and the revenue associated with those capital expenditure deferrals;

Programme	Project	Amount	Explanation
Transport Improvement	Gordonton Road Corridor	\$0.6M	Related to the capital expenditure delay deferral in Attachment 3.
Transport Improvement	Ring Road	\$4.2M	Related to the capital expenditure rephasing deferral in Attachment 3.
Transport Improvement	Rotokauri Park & Ride	\$0.9M	Related to the capital expenditure delay deferral in Attachment 3.
Transport Improvement	School Link	\$0.9M	Related to the capital expenditure delay deferral in Attachment 3.
Transport Improvement	Transport Centre Upgrade	\$0.2M	Related to the capital expenditure delay deferral in Attachment 3.
Rotokauri	Arterial Designations	\$0.4M	Related to the capital expenditure delay deferral in Attachment 3.
Rototuna	Borman/Horsham Urban Upgrade	\$0.3M	Related to the capital expenditure delay deferral in Attachment 3.
Total Revenue Deferrals		\$7.4M	

70. The additional revenue identified for 2018-19 is related to the following projects;

Programme	Project	Amount	Explanation
Renewals & Compliance	Footpath Renewals	\$2.3M	Additional revenue from NZTA to be received over the next 10 years for footpath renewals.
Ruakura	Ruakura Reservoir & Bulk mains	\$0.2M	Early completion of the trunk water network which is subject to development cost share in accordance with the Ruakura Private Developer Agreement. This revenue was not budgeted.
Citywide Waters	Customer Service Connections	\$1.0M	Revenue for customer service connections. This is demand driven and directly offset by expenditure.
Transport Improvement	Thomas/Gordonton Road	\$0.8M	An additional \$0.8M has been successfully secured from the NZTA TEFAR funding for the Thomas/Gordonton Intersection.
Total Additional Revenue		\$4.3M	

Work in Progress (WIP)

71. The total Work in Progress (WIP) balance increased over the period from the end of November (\$136.9M) to end of December 2018 (\$139.0M). Of this balance the value of the WIP that is classified as Outstanding has decreased from the last reported result in October of \$14.7M to \$14.3M in December 2018.
72. Focus in the City Waters and Venues, Tourism and Major Events teams has been on working on processing some of the oldest outstanding WIP. However, due to the short working months this was not financially recognised by the end of December 2018 and will be shown in future reports. The balance of Outstanding WIP is expected to decrease over coming months.
73. Improvements continue to be made to processes with the capitalisation of new assets. The level of capitalisation is becoming more consistent over the entire financial year. While there will always be months where capitalisation activity is higher later in the financial year (following construction season), the organisation is improving capitalisation rates across the whole financial year.
74. In the 6 months to end of December 2017 only \$6.1M has been capitalised whereas over the 6 month period to the end of December 2018 this had increased to \$15.8M. This was also over the period while no capitalisations were able to be processed for Council's 3 waters assets due to a revaluation of these assets being undertaken.
75. Council management remain focused on clearing the Outstanding WIP and improving processes and systems where possible to assist monitoring or capitalisation performance.

Risk

76. *NZ Transport Agency Subsidy and Business Case Processes*

77. The assumption made in the 10-Year Plan is that a significant number of capital transport projects will receive NZ Transport Agency subsidy.
78. Confirmation of subsidy can only be received at the time of commencement of the project and is subject to business case approval. The risk to HCC is that we do not achieve subsidy for projects with subsidies budgeted.
79. The investment in time this financial year for the business case processes will allow for greater clarity and certainty of project subsidies for project construction for the next 3-5 years.

80. *Rotokauri Development*

81. In Rotokauri, staff are continuing to work closely with land developers to support continued development of the stage 1 residential area and better understand opportunities to support long term growth in alignment with key developers.
82. A number of projects in the Rotokauri area are being deferred or put on hold until the outcomes of these discussions are confirmed and the impact on the projects is understood. This will result in projects that align with the outcomes required for the community.

83. *Thomas/Gordonton Road*

84. Additional construction and service relocation requirements have impacted on the costs and schedule of the Thomas/Gordonton Road project as a result of service conflicts and the replacement of unsuitable materials.
85. Additional costs have been accommodated within the existing budget contingency so there is no expected impact on the overall portfolio.

Emerging Issues

86. *Western Wastewater Interceptor Duplication*

87. The potential savings for the Western Wastewater Interceptor Duplication were indicated in the 4 December 2018 Finance Committee Report to be up to \$7.2M over 2 years.
88. A saving will be realised but the quantum of this saving is being reviewed due to ongoing methodology risk assessments and the impact of tunnelling regulations.
89. We have continued to record a saving of \$1M against this project for 2018-19.

90. *Seismic Upgrades*

91. A briefing will be held at the end of February 2019 to update Council on the work required to remedy seismic issues identified by detailed seismic analysis.
92. Council chose not to fund any seismic upgrade work in the 2018-28 10-Year Plan.

93. *Arthur Porter Drive*

94. A report was presented to the Growth and Infrastructure Committee on 12 February 2019 outlining the issues and proposed response.
95. Unplanned renewal funding of up to \$8.035M may be required over the 3-year 2018-21 period which can be offset by the additional revenue expected to be received from NZ Transport Agency for footpath renewals.
96. The Growth and Infrastructure Committee were advised that a more accurate analysis of the funding needs will be provided as part of the 2019/20 Annual Plan.

Insights

97. *Professional Services Panel*

98. The Waikato Local Authority Shared Services (WLASS) Professional Services Panel which currently covers disciplines of Building Services, 3 Waters, Flood Hazard Management and Urban Design and Planning is due to expire in August 2019.
99. A Request for Proposal from WLASS is planned to be presented to the market on 11 February 2019 via Government Electronic Tenders Service (GETS) and is due to close of 15 March 2019.
100. The participating councils for the current version of this panel are Hamilton City Council, Waikato District Council, Waipa District Council and Waikato Regional Council.
101. It is anticipated that with the new panel agreement participating councils will also include Rotorua Lakes District Council, Hauraki District Council, South Waikato District Council, Taupo District Council, Otorohanga District Council and Matamata-Piako District Council.
102. The HCC Panel which currently covers the disciplines of Transportation, Parking and Support Services for HCC only is due to expire in January 2020.
103. The new panel agreement will also include disciplines of Transportation, Parking and Support Services for all participating Councils other than HCC, which has been the case in the past.
104. A Request for Proposal is planned to be presented to the market later in 2019.

Legal and Policy Considerations

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

Cultural Considerations

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

Significance & Engagement Policy

Significance

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

Engagement

108. Community views and preferences are already known to the Council through the 2018-28 10-Year Plan.

Attachments

Attachment 1 - Attachment 1: Portfolio Summary Report as at 31 Dec 18

Attachment 2 - Attachment 2: Capital Expenditure Summary by Activity December 2018

Attachment 3 - Attachment 3 - Deferrals List for Finance Committee Report .

Hamilton City Council Capital Portfolio Report

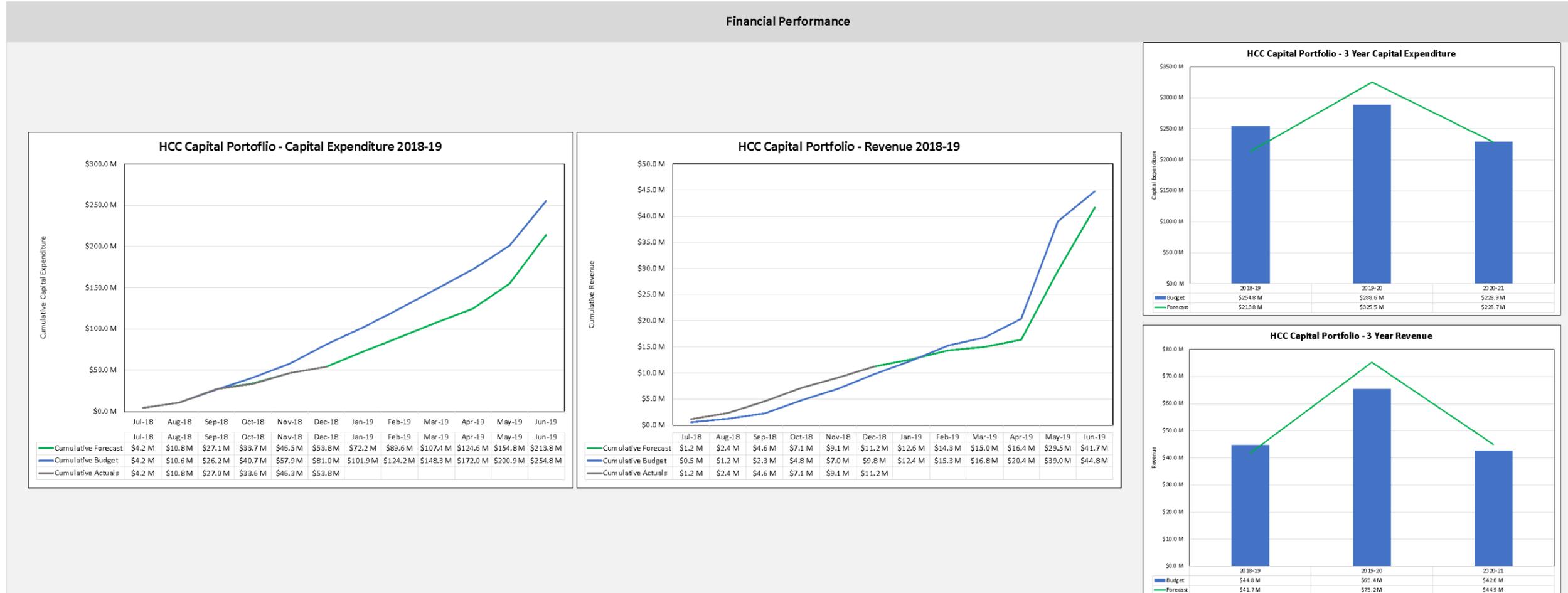
Portfolio Status				
	Last Month Status	Current Month	Forecast Next Month	Comments
Scope	G	A	A	The uncertainty and dynamic nature of the work occurring with developers in Rotokauri has meant that some scopes are not clear. Many of these projects have now been forecasted to be deferred to allow time for discussions and planning to progress. The scope of some projects in the Transport Improvement Programme are still subject to discussions and business cases with NZTA but will provide a clear pathway for delivery for years 2-3.
Time	G	G	G	Deferrals have been forecast to provide an up to date and clear picture of the time delays being faced by the portfolio. Many of these delays are due to third party dependencies and rephasing of budget to align with contractor programmes.
Cost	G	G	G	The forecasted capital spend for 2018/19 is \$213.8M due to forecasted savings and deferrals.
Revenue	G	G	G	The year end result for revenue is forecast to be below budget by approximately \$0.2M. The revenue deferrals are as a result of the capital expenditure deferrals. The additional revenue achieved this financial year is for the footpath renewals (NZTA), the early completion of the Ruakura trunk water network which is subject to development cost share, and additional revenue received from the water service connections programme (demand driven and directly offset by cost).

Green:
Project is on track for delivery against scope, time and cost.

Amber:
Project is off track but there is a plan to get it back on track.

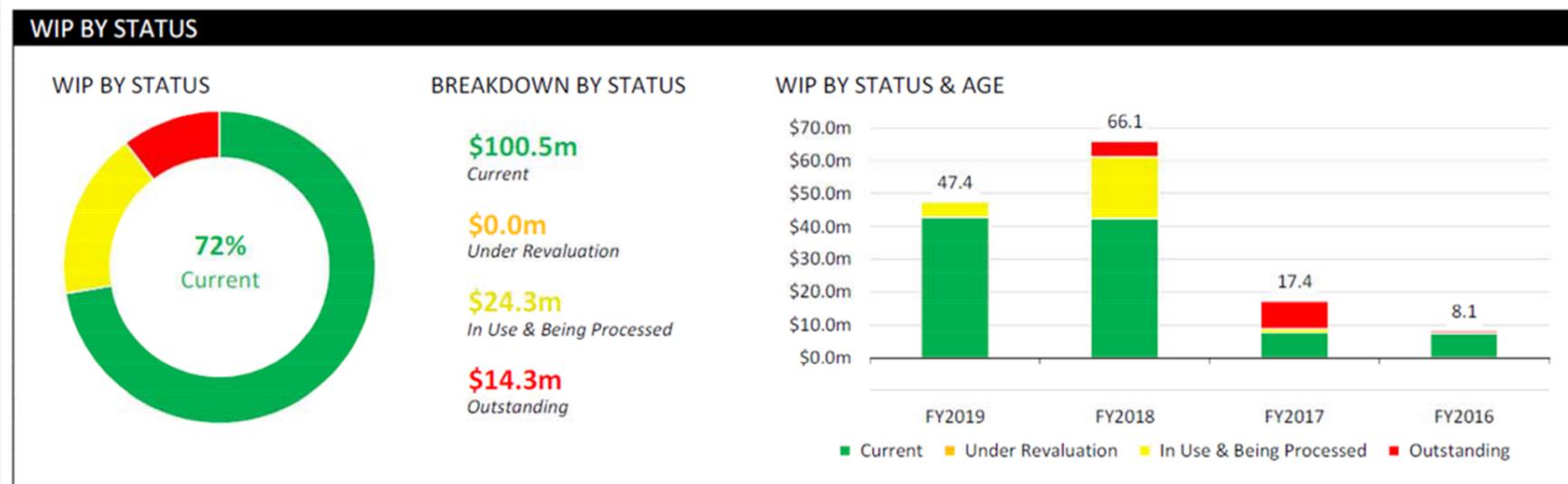
Red:
Project is off track and requires intervention.

Portfolio Commentary/Highlights																	
<ul style="list-style-type: none"> The capital portfolio forecasted year end result for 2018-19 is made up as follows; <table border="0" style="margin-left: 20px;"> <tr><td>Approved 2018-19 Capital Expenditure</td><td style="text-align: right;">\$254.8M</td></tr> <tr><td>Indicative Savings forecast to date</td><td style="text-align: right;">\$4.1M</td></tr> <tr><td>Deferrals forecast to date</td><td style="text-align: right;">\$36.9M</td></tr> <tr><td>Forecasted Capital Expenditure 2018-19</td><td style="text-align: right;">\$213.8M</td></tr> </table> The capital revenue forecasted year end result for 2018/19 is made up as follows; <table border="0" style="margin-left: 20px;"> <tr><td>Budgeted 2018-19 Capital Revenue</td><td style="text-align: right;">\$44.8M</td></tr> <tr><td>Deferrals forecast to date</td><td style="text-align: right;">\$7.4M</td></tr> <tr><td>New unbudgeted revenue</td><td style="text-align: right;">\$4.3M</td></tr> <tr><td>Forecasted Capital Revenue 2018-19</td><td style="text-align: right;">\$41.7M</td></tr> </table> There has been significant investment this year in strategic planning with our partners to ensure that we are delivering the right outcomes for the community and getting our base planning done for delivery the 3 year portfolio. Across the capital portfolio, the first half of the 2018/19 Financial Year has had a focus on tendering and awarding physical works and design engagements. With a large proportion of the forward works programme now contractually committed, we are in a good position to best utilise the rest of the summer construction season to continue delivering. 	Approved 2018-19 Capital Expenditure	\$254.8M	Indicative Savings forecast to date	\$4.1M	Deferrals forecast to date	\$36.9M	Forecasted Capital Expenditure 2018-19	\$213.8M	Budgeted 2018-19 Capital Revenue	\$44.8M	Deferrals forecast to date	\$7.4M	New unbudgeted revenue	\$4.3M	Forecasted Capital Revenue 2018-19	\$41.7M	
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Total Capital Expenditure and Revenue at 31 December 2018																	
Programme	Status	Capex YTD Actual	Capex YTD Budget	Capex YTD Variance Fav/-Unfav	Capex Annual Budget	Forecasted Capex Deferrals	Forecasted Capex Savings	Capex Annual Forecast	Capex 3 Year Budget	Revenue YTD Actual	Revenue YTD Budget	Revenue YTD Variance Fav/-Unfav	Revenue Annual Budget	Forecasted Revenue Deferrals	Forecasted New Revenue	Revenue Annual Forecast	Revenue 3 Year Budget
Renewals & Compliance	G	\$25.2 M	\$31.9 M	\$6.8 M	\$78.6 M	\$0.0 M	\$0.0 M	\$78.6 M	\$207.9 M	\$3.6 M	\$2.3 M	\$1.3 M	\$5.5 M	\$0.0 M	\$2.3 M	\$7.8 M	\$20.5 M
Rototuna	G	\$0.9 M	\$4.3 M	\$3.4 M	\$25.3 M	(\$2.7)M	\$0.0 M	\$22.6 M	\$69.4 M	\$0.0 M	\$0.0 M	\$0.0 M	\$5.1 M	(\$0.3)M	\$0.0 M	\$4.8 M	\$8.2 M
Rotokauri	A	\$0.9 M	\$2.9 M	\$2.1 M	\$10.9 M	(\$5.3)M	(\$1.5)M	\$4.1 M	\$24.4 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.4 M	(\$0.4)M	\$0.0 M	\$0.0 M	\$1.6 M
Peacocke	G	\$5.1 M	\$9.7 M	\$4.6 M	\$38.4 M	\$0.2 M	(\$0.1)M	\$38.4 M	\$178.0 M	\$1.5 M	\$3.5 M	(\$2.0)M	\$11.2 M	\$0.0 M	\$0.0 M	\$11.2 M	\$43.7 M
Ruakura	G	\$3.9 M	\$4.1 M	\$0.2 M	\$15.6 M	(\$3.0)M	(\$1.0)M	\$11.6 M	\$37.5 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.2 M	\$0.0 M	\$0.2 M	\$0.3 M	\$2.9 M
City Wide - Waters	G	\$3.7 M	\$5.0 M	\$1.3 M	\$34.5 M	(\$14.7)M	(\$1.0)M	\$18.8 M	\$105.2 M	\$1.5 M	\$0.1 M	\$1.4 M	\$0.2 M	\$0.0 M	\$1.0 M	\$1.2 M	\$1.6 M
City Wide - Community	G	\$7.1 M	\$8.2 M	\$1.1 M	\$12.6 M	(\$0.4)M	(\$0.5)M	\$11.7 M	\$25.7 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.6 M	\$0.0 M	\$0.0 M	\$0.6 M	\$7.6 M
Transport Improvement	A	\$7.0 M	\$14.9 M	\$7.9 M	\$39.0 M	(\$11.0)M	\$0.0 M	\$28.0 M	\$124.3 M	\$4.6 M	\$3.8 M	\$0.8 M	\$21.7 M	(\$6.7)M	\$0.8 M	\$15.8 M	\$66.7 M
TOTAL Portfolio	G	\$53.8 M	\$81.0 M	\$27.3 M	\$254.8 M	(\$36.9)M	(\$4.1)M	\$213.8 M	\$772.3 M	\$11.2 M	\$9.7 M	\$1.5 M	\$44.8 M	(\$7.4)M	\$4.3 M	\$41.7 M	\$152.9 M

WIP Balance



Rototuna Programme Capital Report

Programme Outcome:

Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Rototuna
Enabling the development of an attractive and sustainable community in the Rototuna growth area.

- Residential land development in the Rototuna area continues to boom as the current primary greenfield residential growth area in the city.
- The Rototuna capital works programme is focussed on supporting the development of a strong and vibrant Rototuna community and continuing to provide infrastructure services to enable continued residential development.
- A priority to support the residential community in Rototuna is development of the town centre area, which involves supporting developers to deliver the planned supermarket and retail/commercial areas, continuing planning and design for community facilities in the town centre including the proposed library and community buildings, and developing the Rototuna Sports Park which is on track for completion by May 2019.
- Key transport network connections are continuing to be developed, including extensions of the Resolution Drive and Borman Road arterial roads, as well as a focus on ensuring appropriate and safe walking and cycling network connectivity, particularly to schools and through the town centre area.
- Following on from a successful and well received public open day in 2018 which outlined for the community the entire programme of works going on in the area, a subsequent information session is currently being planned for April/May 2019 to provide further opportunities for the community to engage with and provide input to the planned forward works programme.

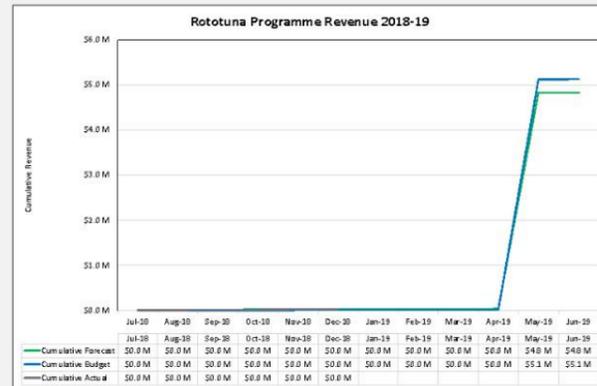
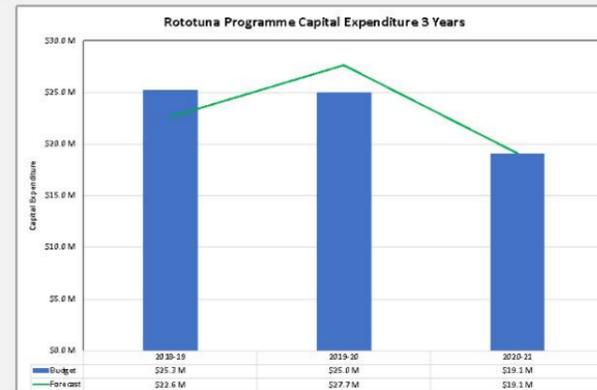
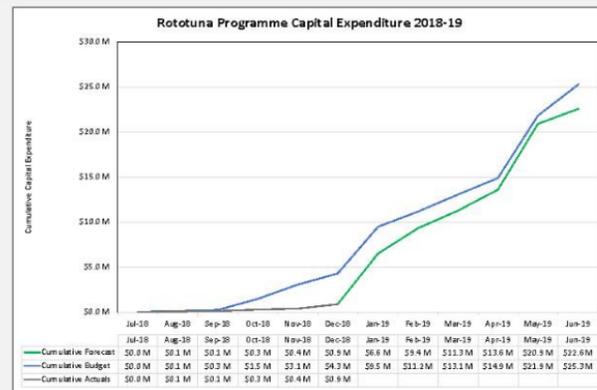
Programme Status

	Last Month Status	Current Month	Forecast Next Month	Comments
Scope	G	G	G	On track
Time	G	G	G	On track
Cost	G	G	G	A total of \$2.7M in deferrals is forecast to date for the following projects; -\$0.6M deferral for the Borman/Horsham Urban Upgrade due to the realignment of work in relation to the LTP decisions to move construction out to year 7. -\$1.0M deferral for the North City Road Corridor Borman to Kay Road to align with the town centre decision making process. -\$1.1M deferral for the Rototuna Network - Neighbourhood Park due to the inability to secure land at this stage due to third party dependency.
Revenue	G	G	G	The primary revenue for the Rototuna Programme is made up NZTA subsidies for Resolution Drive which is a being delivered by NZTA and will be invoiced as a lump sum in May 2019 (revenue reflects this expenditure profile).

Definitions:

Green: Project is on track for delivery against scope, time and cost.	Amber: Project is off track but there is a plan to get it back on track.	Red: Project is off track and requires intervention.
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Financial Performance



Rotokauri Programme Capital Report

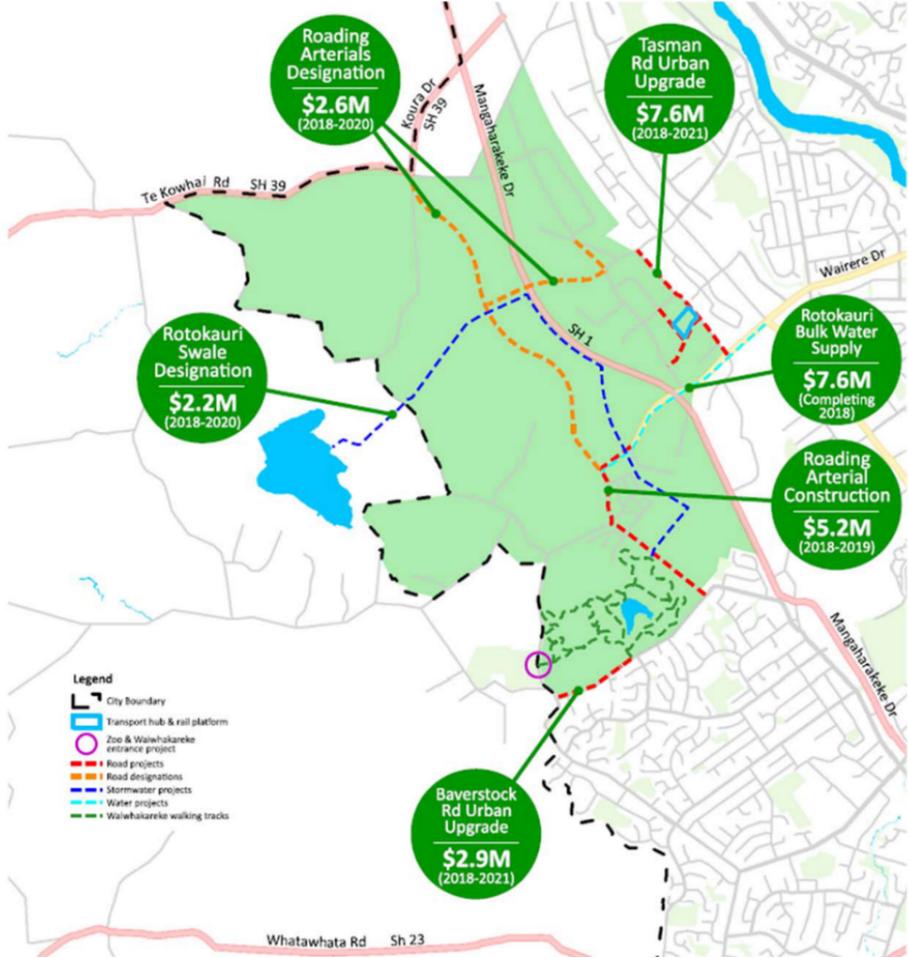
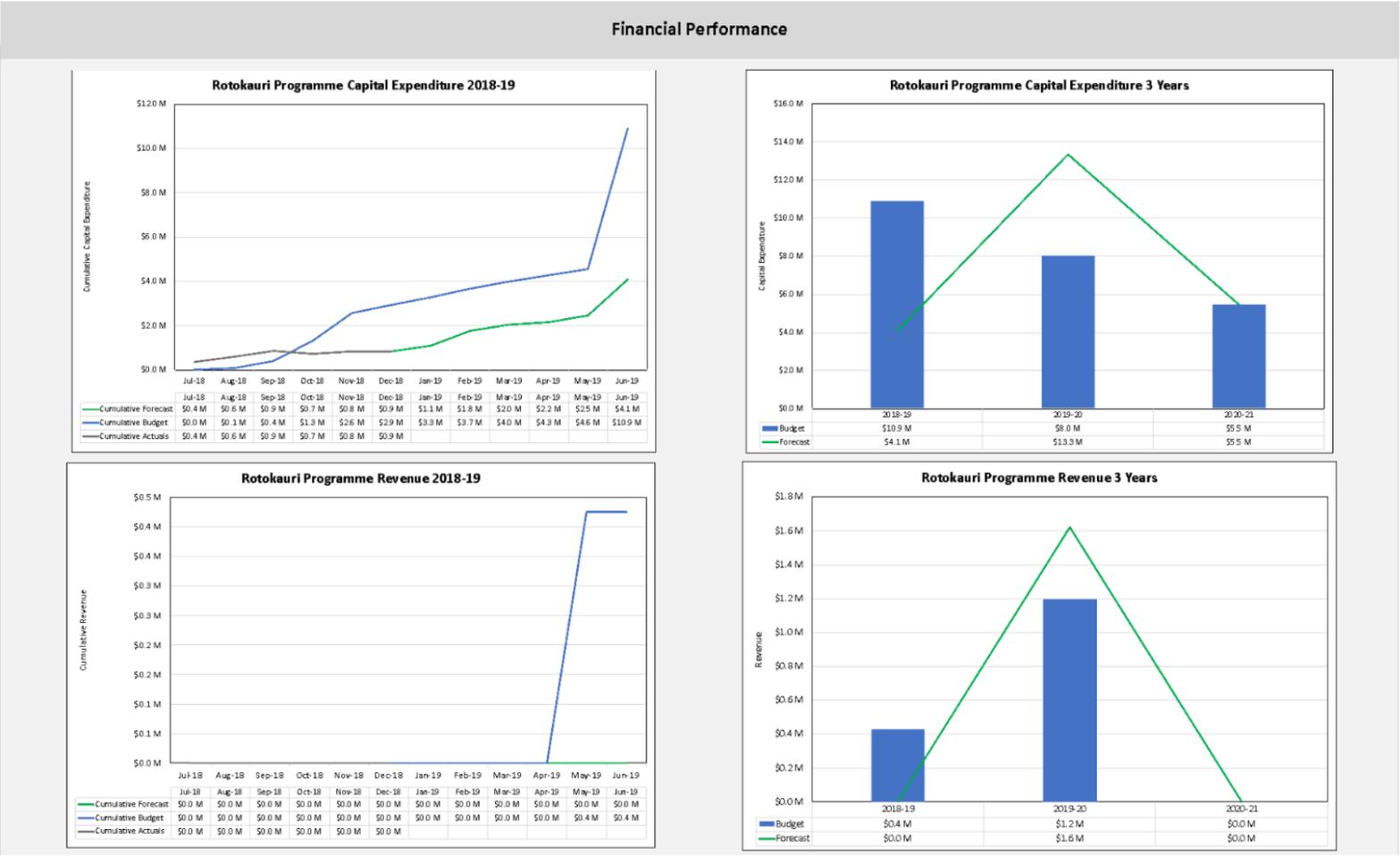
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Programme Status				
	Last Month Status	Current Month	Forecast Next Month	Comments
Scope	A	A	A	Some scopes are still to be defined due to the uncertainty and dynamic nature of the work occurring with developers in the Rotokauri area.
Time	A	A	A	Delivery of a number of projects is currently at risk against 10YP timeframes, however are generally in accordance with development timeframes.
Cost	A	A	A	A total of \$5.3M in deferrals is forecast to date due to the uncertainty in developer timing for the following projects: - \$0.8M deferral for Arterial Designations - \$0.5M deferral for Arthur Porter Drive Connection - \$0.7M deferral for Transport Upsizing Programme - \$1.3M deferral for Rotokauri Central Swale - \$2.0M deferrals for the Te Waiwini Road project An additional saving of \$1.5M has been forecast for the Rotokauri Minor Arterials project as the roundabout and a central arterial have been delivered under budget due to the positive impact of the PDA implemented.
Revenue	A	A	A	The revenue for 2018-19 is for the budgeted NZTA subsidies associated with the arterial designations in the Rotokauri area. A \$0.4M deferral of revenue has been made to align with the capital deferral.

Programme Outcome:
Ko te ahainga o te hanga he waahi ataahua, he waahi toiora ki Rotokauri
Enabling the development of an attractive and sustainable community in the Rotokauri growth area.

- The Rotokauri greenfield area on the city's north-west is a planned city growth area, primarily zoned for residential development.
- A key development feature of the Rotokauri area is connection with the natural environment, which is planned to be realised through leveraging existing land topography and emphasising activated greenspace – including the development of the Lake Waiwhakareke natural area and maximising the amenity opportunities of the planned stormwater central swale system.
- Stage 1 of the residential development in the south is currently underway, however discussions are in progress with major developers about the future development of Rotokauri which is resulting in project deferrals and driving the 'amber' project status.
- In accordance with the 2018-28 10 Year Plan, residential development in Rotokauri beyond Stage 1 is not planned until approximately 2025. This is primarily due to the challenges and associated cost of appropriately managing stormwater to enable development.
- In addition to enabling land development, a programme of transportation work is currently planned along the existing city urban fringe (Baverstock Road, Rotokauri Road and Brymer Road) to ensure safe and appropriate integration of new residential development with existing city networks and facilities.

Item 9

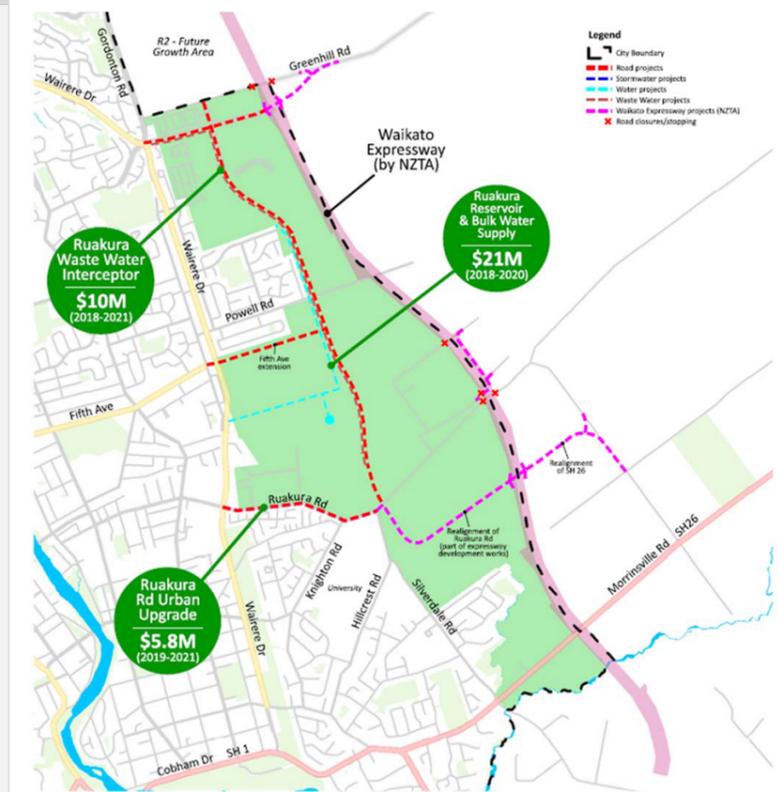
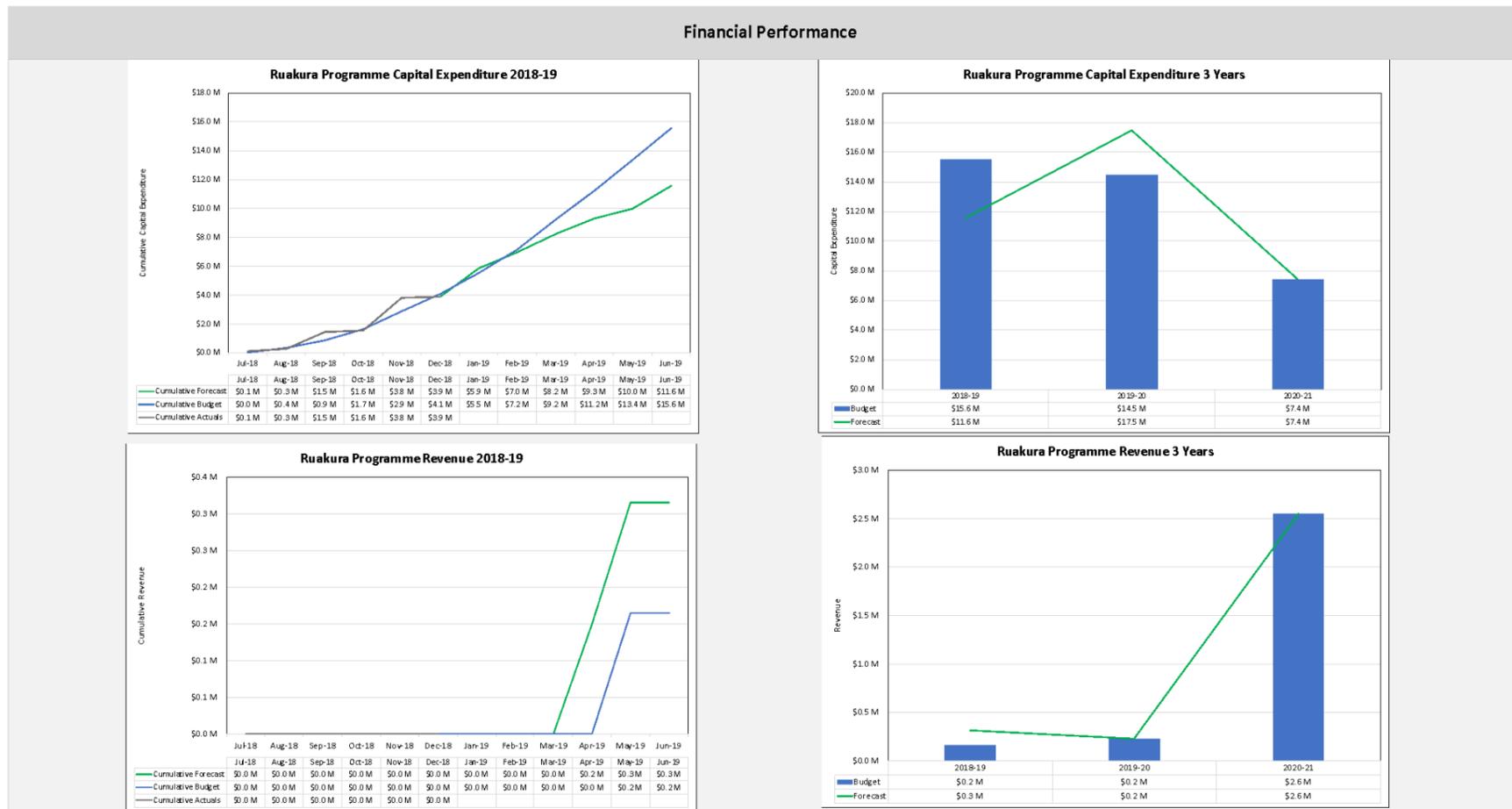


Ruakura Programme Capital Report

Programme Status				Comments
	Last Month Status	Current Month	Forecast Next Month	
Scope	G	G	G	Key future potential scope query or issue in the timing of Spine Road development
Time	G	G	G	On track
Cost	G	G	G	A total of \$3.0M in deferrals is forecast to date for the following projects; - \$0.5M delay deferral for Chedworth Trunk Main Upsize project to align with developer timing. - \$2.5M rephasing deferral for the Ruakura Reservoir and Bulk mains project to align with the contractors construction programme. A saving of \$1.0M is forecast for the Ruakura FEI project through the successful negotiation of the PDA and the award of contract below budget.
Revenue	G	G	G	We are forecasting additional revenue this financial year due to early completion of the trunk water network which is subject to development cost share in accordance with the Ruakura Private Development Agreement. There is a risk of realising the budgeted Ruakura Road upgrade revenue subject to NZTA Business Case and subsidy approval progress in years 1-3.

Programme Outcome:
Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Ruakura
Enabling the development of an attractive and sustainable community in the Ruakura growth area.

- Councils Ruakura capital works programme is focussed on providing key strategic infrastructure servicing (transport arterials, water supply and wastewater servicing) to enable planned land development to occur.
- The Ruakura greenfield growth area on the eastern side of the city is a new greenfield growth area, zoned primarily for industrial and employment generating activities - including the planned Ruakura Inland Port.
- Although a lot of focus of land development in the city in recent times has been on enabling housing development, the balanced development of further industrial land in Hamilton City is also critically important to provide employment opportunities and continue to build a strong economy to support a prosperous city.
- The development of industrial land and employment opportunities on the eastern side of Hamilton is also important to provide balance to the city, where currently most industrial and employment areas are in the west (Te Rapa, Frankton and the CBD)
- The Ruakura growth area also includes planned residential development in the northern sector - north of Fairview Downs.
- It is noted that some of the land use zoning in the Ruakura area is planned to be reviewed in the context of the Hamilton to Auckland Corridor Plan.
- Council have engaged proactively and collaboratively with the two major land developers in the Ruakura area to ensure alignment of infrastructure servicing with development requirements to enable growth.
- The programme is well advanced and on track, including current installation of the wastewater interceptor and bulk water mains, and the recently awarded tender to construct the new Ruakura Reservoir.

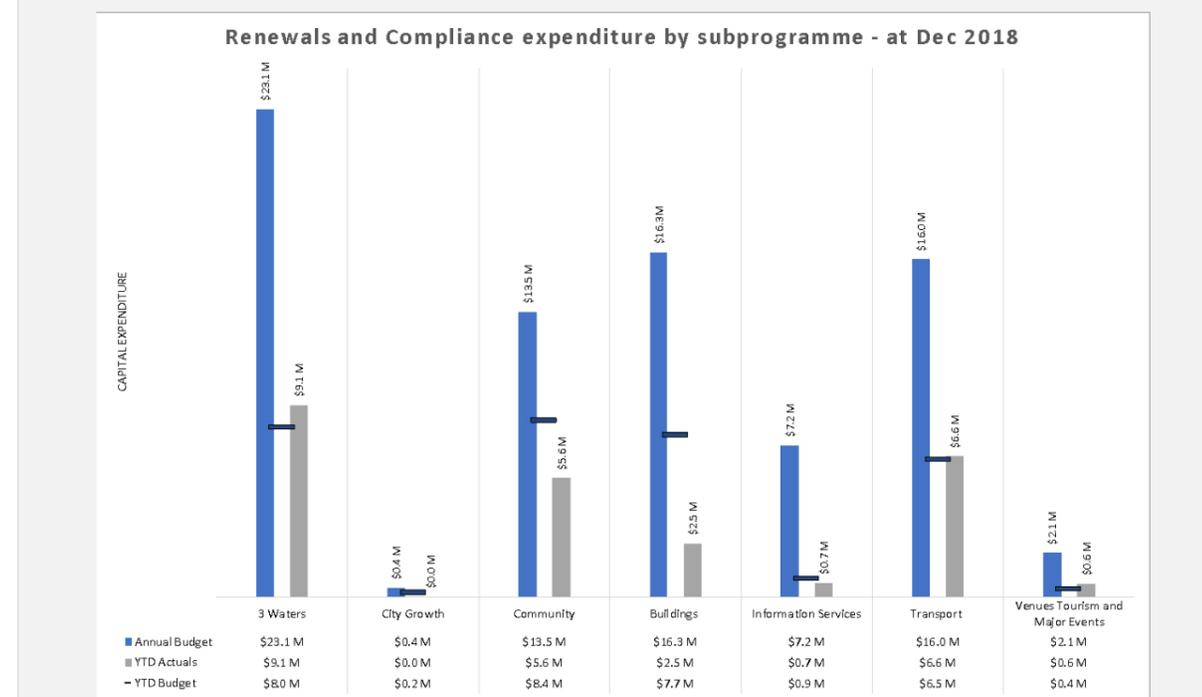
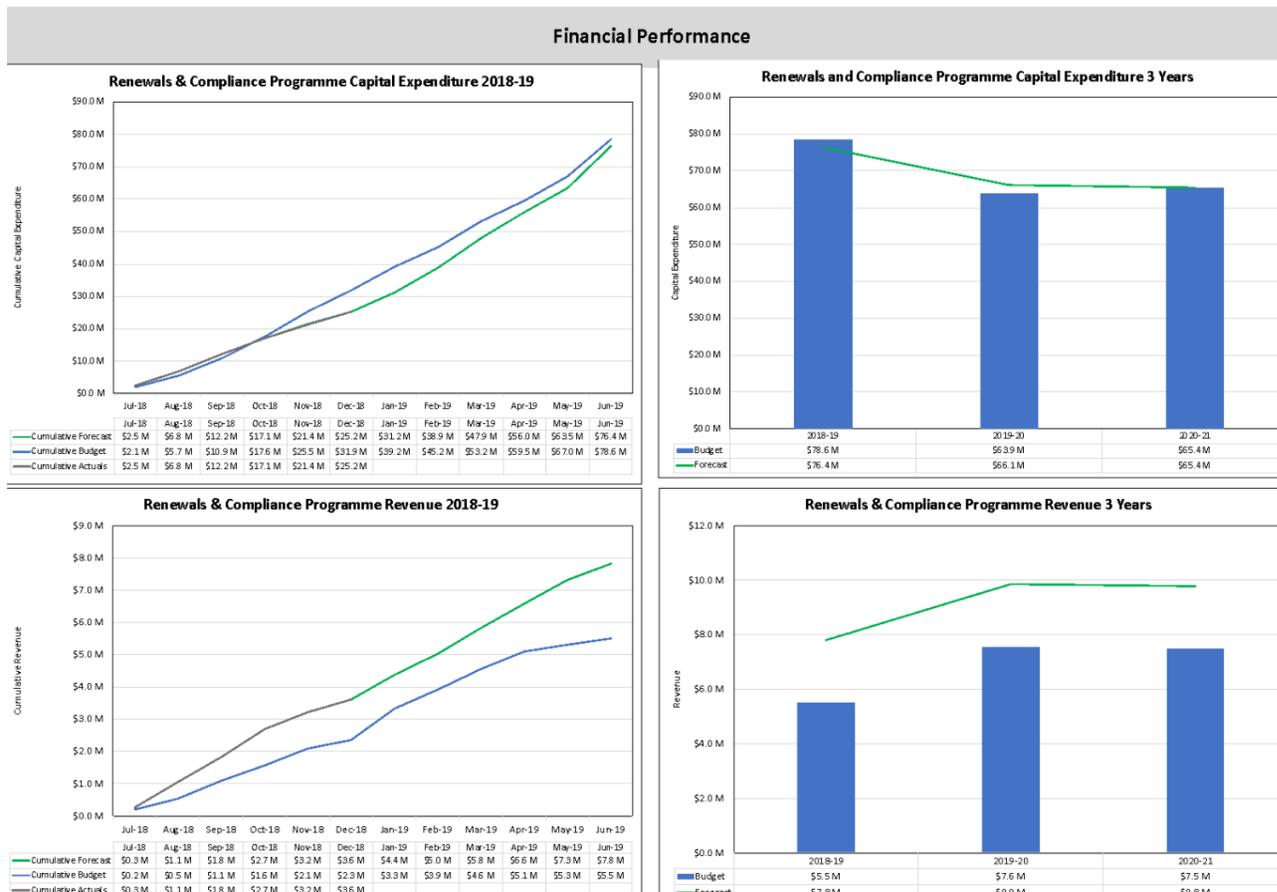


Renewals & Compliance Programme Capital Report

Programme Status				Comments
	Last Month Status	Current Month	Forecast Next Month	
Scope	G	G	G	IS and Facilities subprogrammes being reset to accommodate changes in priorities. Detailed planning for years 2 (2019/20) and 3 (2020/21) is being prepared for all subprogrammes
Time	G	G	G	Zoo, Parks, Building and IS subprogrammes are behind original year to date phased expenditure. The expenditure forecasts and procurement approaches for the remainder of this year (18/19) and future years is being tested and rephased.
Cost	G	G	G	On track
Revenue	G	G	G	An additional \$25M from NZTA to be received over the next 10 years for footpath renewals. For 2018/19 this is an additional \$2.3M of revenue. The other revenue for this programme is for NZTA subsidy for transport renewals.

Programme Outcome:
Ko te tiaki aa taatou hua hei tika moo toona whaingā.
Looking after the assets we have and making sure they are fit for purpose.

- The budget for the Renewals and Compliance capital programme increased by approximately 70% between last financial year (\$46.3m in 2017/18) and the current financial year (\$78.6m) in a response of Council commitment to look after its assets.
- The 2018/19 Renewals and Compliance capital programme is made up of renewal works (replacing existing assets that are at the end of their life) and compliance projects (necessary for the safe and compliant continued service provision).
- In each of the programmes, the originally planned scope and rationale for projects is being tested and reviewed. This is resulting in some reduction in scope and may deliver some savings as the year progresses.
- This years programme is the first year of the 2018-28 10-Year Plan and includes some large new projects that have required detailed planning and procurement as part of their delivery. The first 6 months of the year, for many new projects and programmes with increased budgets, has focussed on getting detailed planning completed. The 3 waters and Transport Renewal and Compliance subprogrammes had relatively minor changes from previous years and the delivery of these programmes has benefited from an established and mature 'delivery pipeline'. This 'pipeline', in many cases, enabled these subprogrammes to contracts in place and plans at an advanced stage at or near the beginning of the 2018/19 financial year.
- Programme planning and procurement approaches for years 2 (2019/20) and 3 (2020/21) are being prepared for each of the Renewals and Compliance subprogrammes. This will assist in taking a longer-term view to efficient procurement and successful delivery of all subprogrammes.
- The Buildings, Information Services and Community subprogrammes are behind the original forecasted YTD expenditure. While some of this is due to out of date expenditure phasing assumptions, a detailed review of the detailed work programmes and procurement approaches for 2018/19 and future years is underway to gain assurance over the longer-term delivery.
- Council's Financial system, Microsoft AX, is ending its useful life and requires a significant upgrade or replacement. Following an assessment of viable options / constraints staff are expanding Council's use of its Authority Rates & Regulatory system to include using Authority's Financial modules (not upgrade Microsoft AX). Key benefits are significant cost savings, reduction of the number of systems to maintain, simplification of business processes, and creating a digital platform that allows Council to improve online services to the community.



Citywide Waters Programme Capital Report

Programme Status

	Last Month Status	Current Month	Forecast Next Month	Comments
Scope	G	A	A	Some projects are undergoing scope review and options assessments to ensure the optimum outcomes for the community and value for money. These reviews are being carried out in alignment with the strategic direction of the 3 waters master plans.
Time	G	G	G	
Cost	G	G	G	A total of \$14.7M deferrals are forecast for this programme including: - \$1.1M rephasing deferral for the DMA - Hillcrest Reservoir Zone project to allow for network investigations to be completed before commencement of the project. - \$6.0M rephasing deferral for the Pukete Wastewater Treatment Plant project to align with contractor programme of work. - \$1.4M rephasing deferral for the Wairoa Wastewater Treatment Plant Upgrade project to align with contractor programme of work. - \$1.7M rephasing deferral for Western Interceptor Duplication - Mid Section project to align with the contractor programme. - \$1.2M rephasing deferral for the Dinsdale Pump Station Upgrade project to align with the programme of works. - \$3.3M delay deferral for the Hillsborough Pump Station project due to the work required to work through the complexities of the design and the co-ordination with other projects. A \$1.0M saving is forecast for 2018/19 for the Western Interceptor Duplication - Mid Section project through the development of a strategic business case to prioritise and align projects to get the right outcomes.
Revenue	G	G	G	Revenue for this programme is above budget due to the water connections programme which is demand driven and directly offset by expenses.

Programme Outcome:

He wai tonu ka whai ture, ka haapai hoki i te tupuranga

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

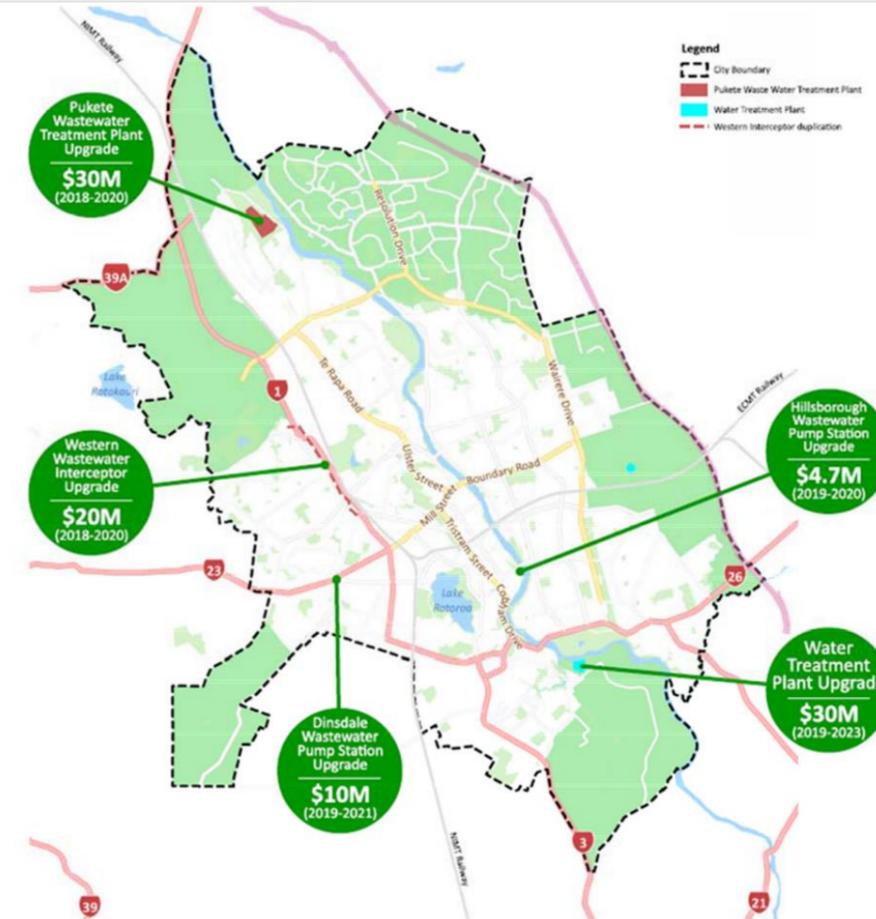
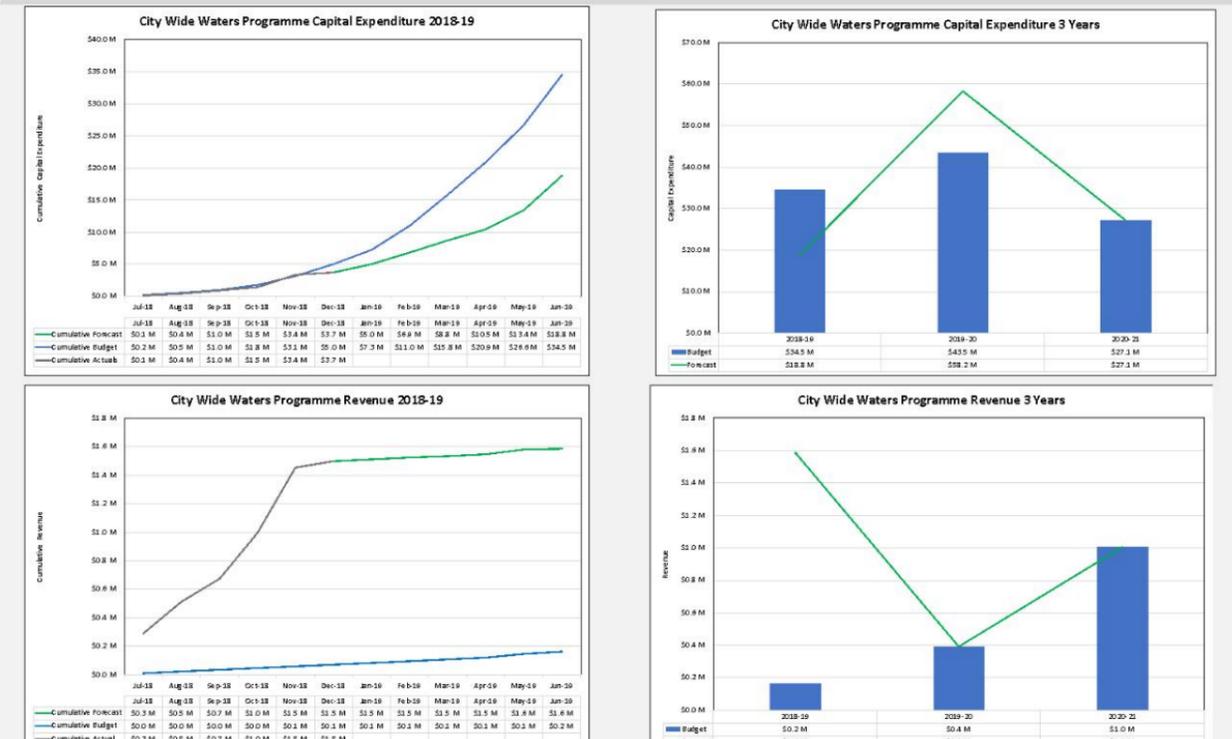
This programme continues to implement future-proofed 3 waters infrastructure delivery to support the City growth. The Pukete 3 Wastewater Treatment Plant Upgrade construction work is currently under way, predominately for the chemical facility, clarifier and the removal of stockpile. The planned upgrade is on time and will enable HCC to continue issuing resource consent for new dwellings and support future growth. The upgrade will also keep the treatment plant compliant. This project has a significant risk of financial deferral to align with the contractor programme of work. Similarly, the Wairoa Water treatment plant upgrade is progressing well and is on track. It will continue to support the future city growth.

Wastewater network capacity upgrade programme is progressing well. Contract for duplication of the existing western interceptor between Far Western Interceptor (Mangaharakeke Drive) to twin mains at Rifle Range Road has been awarded. The potential savings on this project of up to \$7M over 2 years is now being revised and may come in less due to implementation of new tunneling regulations and ongoing risk assessments. The Hillsborough pump station upgrade will reduce wastewater overflows into the Waikato River from 8 events a year to 1 event every second year by 2061. It will replace two pump stations by next financial year and will reduce ongoing operational and maintenance costs.

Water network improvement programme is progressing well and is on track. Work is underway in a total of 5 Demand Management Areas (DMAs). This will enable us to create isolated water supply zone to manage and in the process reduce the water losses. It will also provide flexibility to supply a zone from more than one source. For example the Rototuna reservoir zone can also supply the Fairfield zone if something went wrong with the Fairfield reservoir.

The ICMP sub-programme is on track. However there is a risk of financial deferral.

Financial Performance



Citywide Community Programme Capital Report

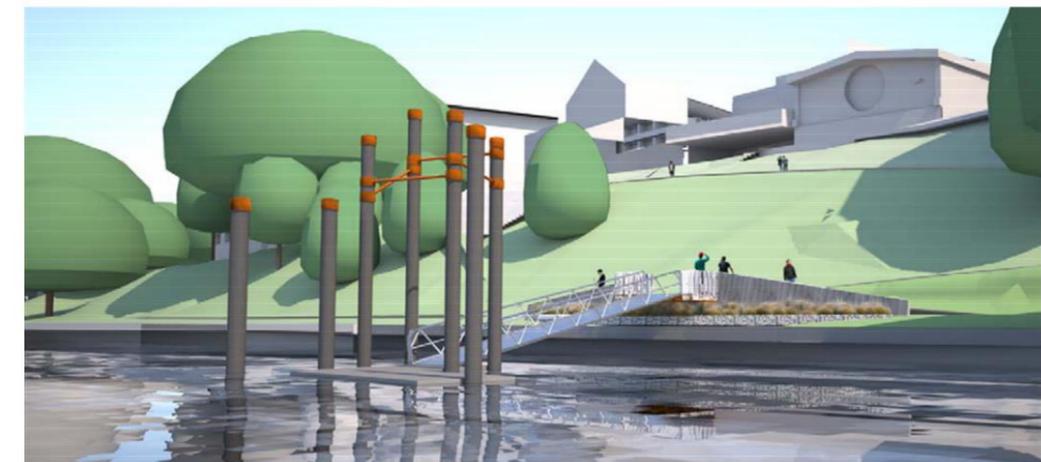
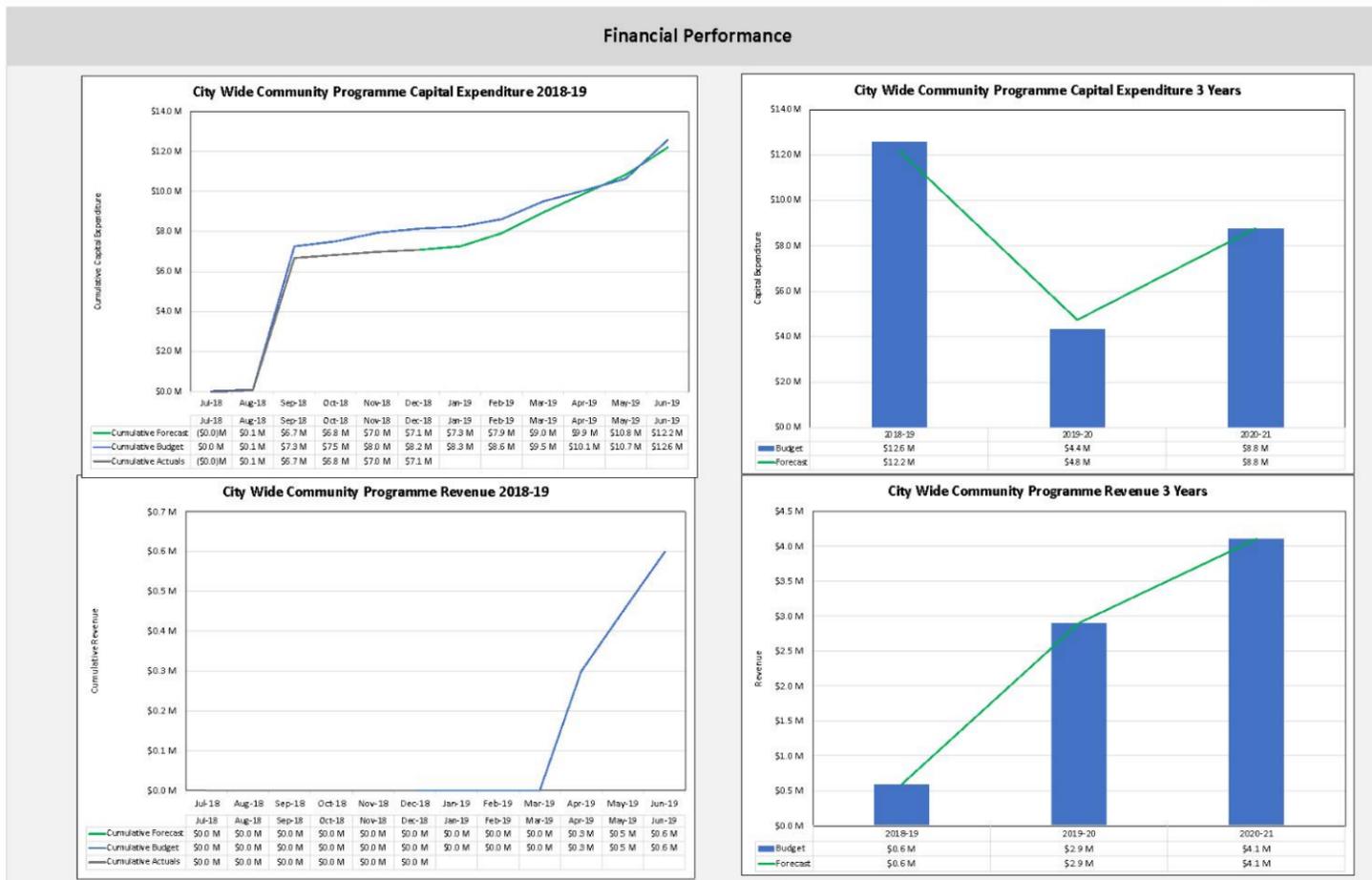
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Item 9

Programme Status				
	Last Month Status	Current Month	Forecast Next Month	Comments
Scope	G	G	G	Currently in planning stages for Stage 1 of new development of Hamilton Gardens. Tender stage is planned for February 2019 but is dependent on resource and building consent process. VOTR Boardwalk has been placed on hold. Playground Development programme external funding has been met, therefore no risk to scope.
Time	G	A	A	Completion of the Picturesque and Surrealist Gardens is waiting on a specialist contractor who is expected on-site in January / February. The delay with the Resource Consent for the Hamilton Gardens Development programme is now pushing the programme into the next financial year. This looks certain to include July but that could soon push out into August (depending on any further hold ups). Ferrybank Jetty resource consent has been obtained from WRC and HCC. Currently negotiating with contractor regarding ECI contract. Reliance on other projects to coincide to get barge within budget (total cost \$150k) will impact construction timing.
Cost	G	G	G	A delay deferral of \$0.4M has been forecast for the parks land purchase allocation due to the third party dependency on land owners. With hold ups in the Hamilton Gardens Development programme there is the potential that the 18/19 programme of work will be pushed into 19/20, bringing with it the need to defer a portion of the budget.
Revenue	G	G	G	The Hamilton Gardens revenue of \$300k for 2018/19 has been confirmed. Playground Development Programme revenue of \$277k has been confirmed. A shortfall of \$23k in external revenue currently exists. Staff are investigating options to raise the funds to cover the shortfall.

Programme Outcome:
Whakapai atu te mauri o nga waahi taangata me nga waahi wairua auaha
Improving the vibrancy of our social and creative spaces

- The design process for the Hamilton Gardens Visitor Arrival Centre is underway. Key outcomes and design principles have been agreed to lead the design process.
- Work on the WINTEC barn as part of the Hamilton Gardens Development programme has been completed. Contract documentation for the civil works for stage one have been prepared (scheduled to go out to tender in Jan/Feb).
- The Ferrybank Jetty is on track for completion by 30 June 2019.
- The Hamilton Gardens revenue has been confirmed for 18/19 and the majority of the revenue for 19/20. We are currently reviewing the funding strategy for the future years with the Hamilton Gardens Trust. Sponsorship work streams have recently focused on the annual sponsors function, the provincial growth Fund and utilizing the release of the long term plan for HG to drive engagement with more sponsors targets.
- The VOTR Boardwalk has been put on hold until dependencies related to the theatre and central city park are understood. A funding application has been made to the Provisional Growth Fund for \$1.23m for construction of paths and stairs from VOTR to the Museum and \$0.5m for a bridge feasibility study.
- Settlement for the Central City Park properties was completed in September 2018.
- Clyde Park Cricket Blocks have the final trim and grow in yet to be completed due to delays in water connection and adverse weather. Shed is to be constructed in February and then pitch to follow.
- The contract for the delivery of the Waiwhakareke Development project has been awarded.
- Planning for the Zoo entry project is underway and the concept design phase is commencing.



Artist's impression of central city jetty. Details may change during design.



Artists impression of the proposed Baroque Theatre Garden



Photo of Mansfield Garden

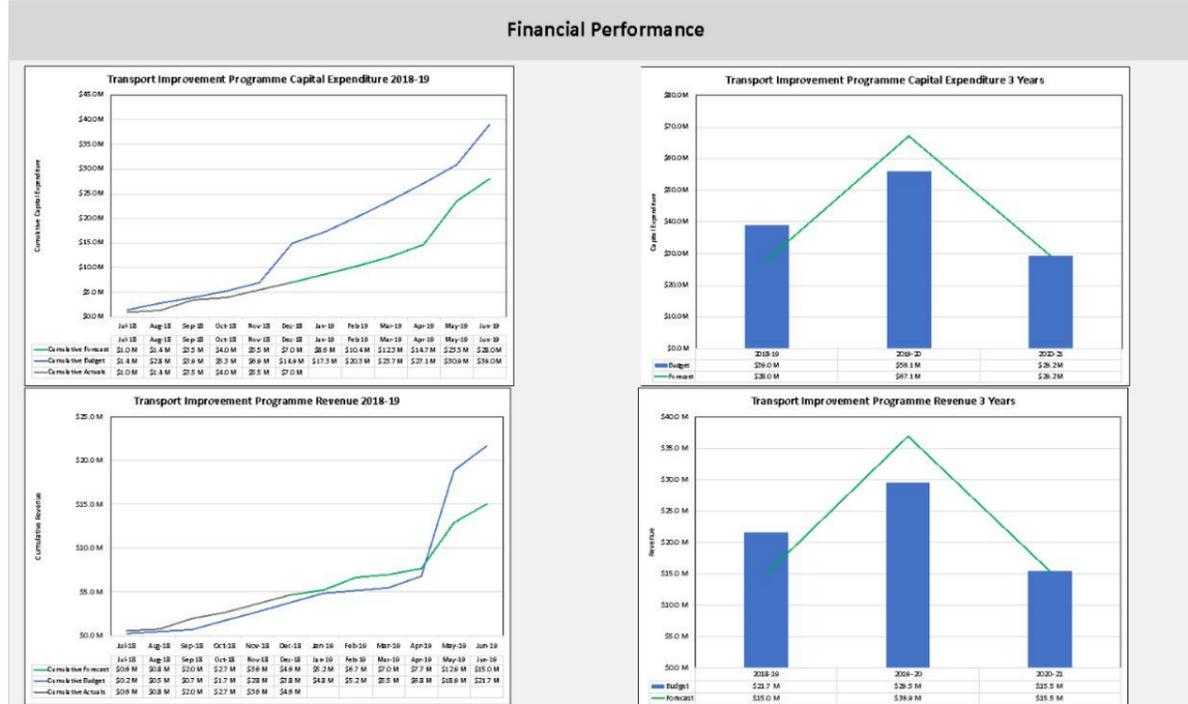
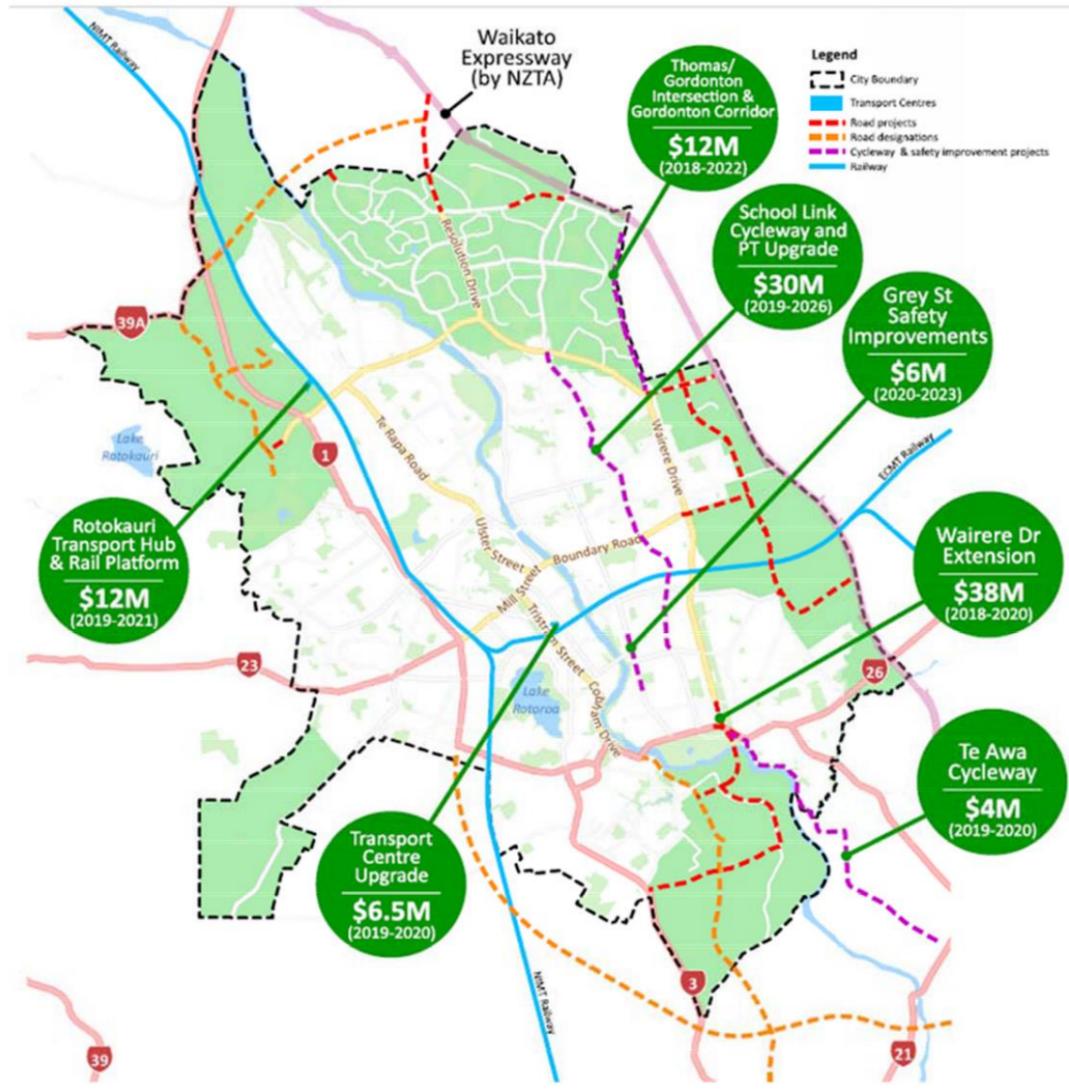
Transport Improvement Programme Capital Report

Programme Status				
	Last Month Status	Current Month	Forecast Next Month	Comments
Scope	A	A	A	The projects scope and programme scope are dependent on the strategic planning for Mass Transit and Auckland to Hamilton planning. HCC is prioritising this work and actively involved with key partners, NZTA and WRC. In cases where projects have been scoped, planning and preliminary designs are underway.
Time	A	A	A	The strategic planning and business cases are key dependencies for this programme and there is therefore risk around the ability to deliver against current timeframes.
Cost	A	A	A	A total of \$11.0M is forecast for deferrals in the Transport Improvement programme. This is made up of the following projects: - \$5.7M for the Ring Road. Physical works in progress. Re-phasing of \$5.7M is forecast to align with the contractor's construction programme. - \$1.8M for the Biking Plan School Link Project as we continue to work with NZTA on the business case. Planning and design is in progress. Construction will commence this financial year and the remainder deferred to 2019-20. - \$1.6M for the Tasman Road Upgrade and Rotokauri Rail Platform as construction is anticipated next financial year following approval of the business case in December 2018. - \$1.0M of deferrals signalled for the Gordonton Corridor due to difficulties in securing land. Physical works is progressing and due for completion in March 2019. - \$0.6M deferral forecast for the Mass Transit project to allow for inclusion in the Hamilton to Auckland corridor discussion. - \$0.3M deferral signalled for the Transport Centre Bus Shed replacement as discussions with tenants continue. A significant amount of the revenue for this 3 year programme is subject to the NZTA business case process. An assumption made in the 10 Year Plan is that all projects will meet the NZTA criteria for project funding assistance. This is a current risk for this programme as these criteria have not been tested. We are investigating opportunities related to the NZTA TEFAR (Targeted & Enhanced Funding Assistance Rate). As a result of the capital expenditure re-phasing/deferrals, \$3.1M has been forecast out of 2018-19 and into 2019-20 to align with the expected works programmes.
Revenue	A	A	A	

Programme Outcome:
Kia tika ano te hanga rori maa;
 - Ahienga whakatupu
 - Whakapai atu haumaruru, me
 - Whakawhaanui atu ngaa koowhiringa waka

Delivering a balanced transport system through;
 - Enabling growth
 - Improving safety, and
 - Improving transport choice

- There has been positive outcomes from HCC-NZTA engagements.
- Significant strategic planning and business case development is underway this financial year to be able to deliver the capital programme for the next 3 years.
- Strategic planning for Mass Transit and the Auckland to Hamilton Plan will provide key direction for this programme. Development of business cases and project scoping will be dependent on the key strategic information.
- Opportunities for Targeted Enhanced Funding Assistance (TEFAR) are being identified and will be incorporated in the programme.
- Te Awa Cycle Remediation project is commencing with point of entry discussions with NZTA.
- The contract for minor works, integrated transport and cycling works was awarded in January 2019. Physical works has commenced and on track for delivery.



Peacocke Programme Capital Report

Attachment 1

Item 9

Programme Status

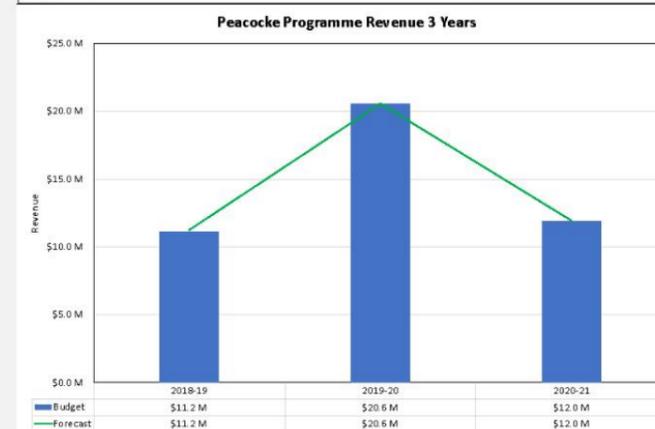
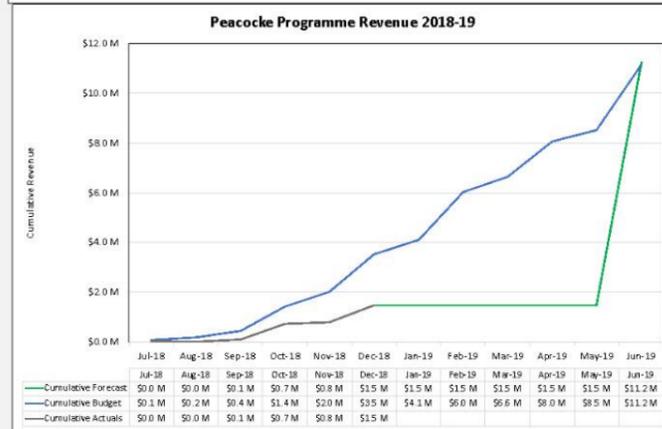
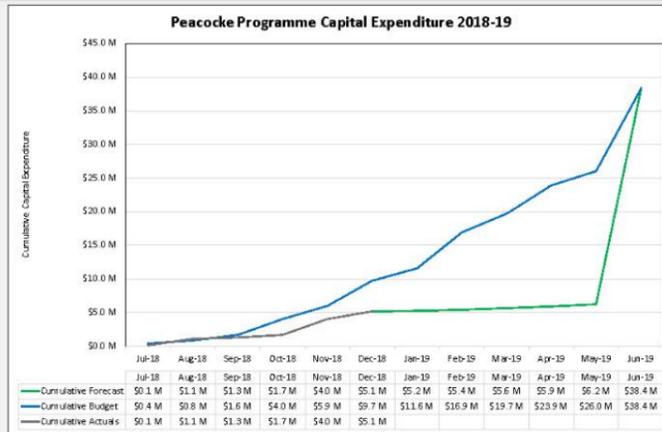
	Last Month Status	Current Month	Forecast Next Month	Comments
Scope	G	G	G	On track
Time	G	G	G	On track
Cost	G	G	G	- \$0.2M has been brought forward from 2020/21 for the preparation of a Notice of Requirement to secure land for a sports park in Peacocke due to a lack of progress between staff and the land owner. - A saving of \$0.1M has been forecast following the purchase of the land for neighbourhood parks. This outcome was achieved through negotiations with developers. - Contract amounts are in line with budgeted amounts. - There is upward pressure on land prices which may be offset by valuations recognising betterment for partial purchases. - Due to the nature of the land procurement process and the uncertainty of having willing sellers, there is potential for a deferral to be required at the end of the financial year for up to \$26M as land procurement may flow into next financial year.
Revenue	G	G	G	NZTA subsidy is the only source of revenue for this programme. Delays to land procurement will impact on the revenue timing for this programme.

Programme Outcome:

Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Peacocke
Enabling the development of an attractive and sustainable community in the Peacocke growth area.

- Overall, the programme is running to schedule. The consultancy contracts for design and investigation for the key infrastructure projects have been procured except for one contract, which is currently being assessed for award.
- Land acquisition for network infrastructure is being progressed in accordance with the approved detailed business case. One property has been acquired and another property is currently in progress.
- Land for stage 1 neighbourhood park has been purchased as per 10 year plan.
- Project teams continue to focus on forming partnerships to support delivery, collaborating with key stakeholders and agencies including iwi, Ministry of Education, Department of Conservation, NZ Transport Agency, local government, developers and landowners in the area.
- A potential deferral is being signalled for up to \$26M. This is largely due to the third party dependency of the land acquisition. The deferral applies to the current financial year of 2018/19 but all land is expected to be acquired within two years, meaning Council will have most of the land needed three years earlier than planned.

Financial Performance



CAPITAL EXPENDITURE
for the six months ended 31 December 2018

	Type	YTD Expenditure			Annual Budget			Capital Revenue	
		Actual	Total YTD Budget	Variance	2018/19 Approved Budget	2017/18 Deferrals	Total Capital Budget	Actual	Annual Capital Revenue Budget
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ARTS AND COMMUNITY									
Libraries									
CE10005 - Library collection purchases	R	546	552	6	1,135	0	1,135	0	0
CE10006 - Library asset renewal	R	95	98	3	121	0	121	0	0
CE10007 - Library building asset renewal programme	R	8	21	13	343	0	343	0	0
CE19015 - Libraries Facilitation Plan	LOS	6	60	54	80	0	80	0	0
Total libraries		654	730	76	1,679	0	1,679	0	0
Theatres									
CE10013 - Technical services equipment renewals	R	170	191	21	386	0	386	0	0
Total Theatres		170	191	21	386	0	386	0	0
Community Development									
CE19070 - Community Facilities Building Renewals	R	44	49	5	49	0	49	0	0
Total Community Development		44	49	5	49	0	49	0	0
TOTAL ARTS AND COMMUNITY		869	970	102	2,114	0	2,114	0	0
VENUES, TOURISM AND MAJOR EVENTS									
CE10041 - Claudelands plant and equipment	R	134	0	(134)	214	200	414	0	0
CE10042 - Seddon Park plant and equipment	R	0	0	0	2	52	54	0	0
CE10043 - Waikato Stadium plant and equipment	R	(0)	122	122	330	0	330	0	0
CE10044 - Turf services plant and equipment	R	25	24	(1)	52	0	52	0	0
CE10046 - Seddon Park property renewals	R	15	21	6	60	160	220	0	0
CE10047 - Waikato Stadium property renewals	R	71	10	(61)	33	0	33	(2)	0
CE10048 - Stadia building renewals	R	347	728	381	3,070	0	3,070	0	(100)
CE10049 - Claudelands building renewals	R	437	282	(155)	413	0	413	0	0
CE15050 - Claudelands capital improvement programme	LOS	0	0	0	100	0	100	0	0
CE15051 - Stadia capital improvement function	LOS	0	455	455	970	0	970	0	0
TOTAL VENUES, TOURISM AND MAJOR EVENTS		1,028	1,642	614	5,244	412	5,656	(2)	(100)
PARKS AND RECREATION									
Pools									
CE10001 - Aquatic facilities building renewals	R	3,943	4,208	265	442	3,911	4,353	0	0
CE10003 - Waterworld operational asset renewals	R	488	474	(15)	734	0	734	0	0
CE10004 - Gallagher Aquatic Centre operational asset renewal	R	32	124	92	185	0	185	0	0
Total Pools		4,464	4,806	342	1,361	3,911	5,272	0	0
Cemeteries and Crematorium									
CE10021 - Building renewals cemeteries	R	217	564	348	1,679	318	1,997	0	0
CE10022 - Renewal of crematorium assets	R	20	0	(20)	21	24	45	0	0
CE10023 - Hamilton Park east and west cemeteries renewals	R	28	15	(13)	53	0	53	0	0
CE19001 - Hamilton Park Cemetery Accessible Toilet Block	LOS	(3)	320	323	427	28	455	0	0
CE15024 - Hamilton Park cemetery, burial and ash lawn extension	G	4	15	11	75	0	75	0	0
Total Cemeteries and Crematorium		266	915	648	2,255	370	2,625	0	0
Community Parks									
CE10029 - Toilet and changing room renewals	R	30	104	74	104	0	104	0	0
CE10030 - Building renewals parks and open spaces	R	9	83	74	83	0	83	0	0
CE10032 - Parks and open spaces assets and playgrounds renewals (R)	R	113	428	315	1,349	0	1,349	(9)	0
CE19004 - Destination Parks Renewals	R	0	100	100	977	0	977	0	0
CE15036 - Playground development programme	LOS	18	0	(18)	900	0	900	0	(300)
CE16001 - Victoria On The River Development	LOS	0	250	250	0	0	0	0	0
CE17004 - River Plan	LOS	6,626	7,000	374	7,000	962	7,962	0	0
CE19012 - Day's Park Erosion Remediation	LOS	4	3	(1)	242	0	242	0	0
CE19013 - Pooches and Parks	LOS	18	109	90	177	0	177	0	0
CE19014 - Waiwhakareke Natural Heritage Park Development	LOS	31	325	294	710	0	710	0	0
CE19022 - Alternative Weed Control	LOS	0	10	10	20	0	20	0	0
CE15033 - Land Purchase future Reserves	G	2,101	0	(2,101)	2,250	541	2,791	0	0
CE19007 - Peacocke Parks Development	G	0	0	0	1,094	0	1,094	0	0
CE19009 - Rototuna Parks Development	G	0	0	0	0	0	0	0	0
Total Community Parks		8,951	8,412	(539)	14,905	1,503	16,408	(9)	(300)
Sports Parks									
CE10031 - Sports area renewals	R	220	171	(49)	473	0	473	0	0
CE19003 - Parks Toilets Development/Upgrade	LOS	68	982	914	1,052	0	1,052	0	0
CE15035 - Rototuna Park Development	G	75	711	636	3,862	69	3,931	0	0
CE19005 - Sports Park Development (G)	LOS	134	0	(134)	0	0	0	0	0
Total Sports Parks		498	1,864	1,367	5,387	69	5,456	0	0
TOTAL PARKS AND RECREATION		14,178	15,997	1,818	23,909	5,853	29,762	(9)	(300)
VISITOR ATTRACTIONS									
Hamilton Gardens									
CE10026 - Hamilton Gardens renewals	R	72	225	153	210	15	225	0	0
CE10028 - Hamilton Gardens building renewals	R	42	40	(2)	50	0	50	0	0
CE19023 - Hamilton Gardens Development	LOS	277	535	258	1,900	486	2,386	0	(300)
Total Hamilton Gardens		391	800	409	2,160	501	2,661	0	(300)
Hamilton Zoo									
CE10015 - Zoo animal enclosure renewals	R	4	160	156	388	0	388	0	0
CE10016 - Zoo building renewals	R	13	10	(4)	33	0	33	0	0
CE10017 - Property renewals	R	91	49	(42)	49	0	49	0	0
CE10020 - Zoo animal replacement	R	3	0	(3)	60	0	60	0	0
CE19021 - Water and Stormwater Reticulation	R	19	550	531	845	0	845	0	0
CE19019 - Zoo Safety Improvements	LOS	174	1,017	843	1,710	57	1,767	0	0
CE19020 - Hamilton Zoo Improvement programme	LOS	4	15	11	75	0	75	0	0
CE19030 - Zoo and Waiwhakareke Entrance Precinct	LOS	0	115	115	250	0	250	0	0
Total Hamilton Zoo		308	1,915	1,607	3,409	57	3,466	0	0

CAPITAL EXPENDITURE
for the six months ended 31 December 2018

	Type	YTD Expenditure			Annual Budget			Capital Revenue	
		Actual	Total YTD Budget	Variance	2018/19 Approved Budget	2017/18 Deferrals	Total Capital Budget	Actual	Annual Capital Revenue Budget
Waikato Museum									
CE10008 - Museum asset renewal	R	61	94	33	110	0	110	0	0
CE19028 Collection Acquisition Fund	R	10	30	20	50	0	50	0	0
CE10010 - Public art support fund	R	14	18	4	30	58	88	0	0
CE10011 - Museum activity building renewals	R	48	45	(3)	589	41	630	0	0
CE10009 - ArtsPost earthquake strengthening	LOS	17	0	(17)	800	0	800	0	0
Total Waikato Museum		151	187	36	1,579	99	1,678	0	0
TOTAL VISITOR ATTRACTIONS		849	2,901	2,052	7,148	657	7,805	0	(300)
SAFETY									
CE10037 - CCTV renewals	R	0	20	20	50	0	50	0	0
TOTAL SAFETY		0	20	20	50	0	50	0	0
RUBBISH AND RECYCLING									
CE10054 - Replacement of closed landfill assets	R	39	25	(14)	519	0	519	0	0
CE10056 - Replacement of RTS & HOC assets	R	17	150	133	342	0	342	0	0
CE15055 - Closed landfill management	LOS	10	15	5	90	0	90	0	0
TOTAL RUBBISH AND RECYCLING		65	190	125	951	0	951	0	0
STORMWATER									
CE10058 - Replacement of stormwater assets	R	321	180	(141)	516	397	913	0	0
CE15067 - Comprehensive stormwater consent implementation	LOS	23	30	7	30	0	30	0	0
CE19026 - Erosion Control Works	LOS	11	242	231	1,306	0	1,306	(30)	(14)
CE15059 - Rototuna stormwater infrastructure	G	19	115	96	4,532	0	4,532	0	0
CE15060 - Rotokauri stormwater infrastructure stage 1	G	162	250	88	900	1,275	2,175	0	0
CE15062 - Peacocke stormwater infrastructure stage 1	G		50	50	998	0	998	0	0
CE15063 - Peacocke stormwater infrastructure stage 2	G	4	55	51	2,334	0	2,334	0	0
CE15064 - Stormwater pipe upgrade - growth	G	28	40	12	150	0	150	0	0
CE15066 - Existing network improvements in new areas	G	50	45	(5)	105	0	105	(88)	0
CE15068 - Stormwater customer connections to the network	G	255	24	(231)	50	0	50	(245)	(50)
CE15162 - Integrated catchment management plan	G	434	688	254	920	558	1,478	0	0
TOTAL STORMWATER		1,306	1,719	413	11,841	2,230	14,071	(364)	(64)
TRANSPORT									
Parking Management									
CE10069 - Resurfacing off street carparks	R		0	0	25	0	25	0	0
CE10070 - Replacement of parking enforcement equipment	R	7	83	76	188	83	271	0	0
CE10071 - Parking building renewal	R	18	557	539	408	279	687	0	0
Total Parking Management		25	640	615	621	362	983	0	0
Transport Network									
CE10072 - Replacement of footpath	R	1,848	1,801	(47)	4,552	0	4,552	(946)	0
CE10074 - Replacement of drainage (kerb and channel)	R	967	768	(199)	1,531	0	1,531	(510)	(662)
CE10075 - Replacement of road base	R	156	629	473	1,192	0	1,192	(82)	(611)
CE10076 - Road resurfacing	R	2,042	2,280	238	4,986	0	4,986	(1,077)	(2,542)
CE10077 - Replacement of bridges and culverts	R	124	128	4	1,245	0	1,245	(65)	(625)
CE10080 - Replacement of lighting	R	1,039	585	(454)	1,185	0	1,185	(675)	(381)
CE10081 - Replacement of traffic equipment	R	456	160	(296)	365	0	365	(241)	(262)
CE10098 - Building and property renewals	R	115	252	137	252	0	252	3	0
CE15085 - Minor improvements to transport network	LOS	1,192	1,000	(192)	2,000	0	2,000	(629)	(1,020)
CE15086 - Bus stop infrastructure	LOS	19	325	306	650	0	650	(9)	(332)
CE19052 - Intersection Safety Upgrade Programme	LOS		55	55	310	0	310	0	(157)
CE19054 - Bridge Safety Improvements	LOS		20	20	130	0	130	0	(66)
CE19062 - Bridge Resilience Programme	LOS		60	60	500	0	500	0	(255)
CE19064 - Transport Centre Rejuvenation	LOS	14	475	461	950	0	950	0	(485)
CE15087 - Network upgrades to allow new development	G	16	30	14	175	0	175	0	0
CE15088 - Roading upgrades and development in Peacocke stage 1	G	785	1,253	468	3,868	0	3,868	(400)	(1,973)
CE15089 - Roading upgrades and development in Peacocke stage 2	G	2,062	6,868	4,806	20,638	468	21,106	(1,165)	(9,181)
CE15090 - Roading upgrades and development in Rotokauri stage 1	G	63	1,660	1,597	8,247	0	8,247	0	(426)
CE15092 - Roading upgrades and development in Rototuna	G	1,745	4,079	2,334	15,284	3,206	18,490	(920)	(9,570)
CE15093 - Roading upgrades and development in Ruakura	G	35	75	40	325	0	325	0	(165)
CE15095 - Integrated transport initiatives	G	522	750	228	1,500	0	1,500	(273)	(765)
CE19057 - Biking Plan Implementation	G	183	909	727	3,750	0	3,750	0	(1,913)
CE19058 - Mass Transit	G	35	6,390	6,355	6,750	0	6,750	0	(3,442)
CE19037 - Hamilton Transport Model	G		0	0	50	0	50	0	0
CE19036 - Ring Road	G	3,875	4,322	447	12,122	3,931	16,053	(2,839)	(8,760)
CE19038 - Rotokauri rail platform	G	1	15	14	750	0	750	0	(383)
Total Transport Network		17,290	34,889	17,599	93,307	7,605	100,912	(9,831)	(43,976)
TOTAL TRANSPORT		17,316	35,529	18,213	93,928	7,967	101,895	(9,831)	(43,976)
WASTEWATER									
Wastewater Reticulation									
CE10100 - Replacement of wastewater pump stations	R	564	405	(159)	1,058	0	1,058	0	0
CE10101 - Replacement of wastewater assets	R	2,518	2,008	(510)	3,036	0	3,036	0	0
CE15103 - Increase capacity of wastewater pump stations	LOS	58	35	(23)	323	500	823	0	0
CE15104 - Wastewater pipe upgrade - growth	G		100	100	300	0	300	0	0
CE15105 - Increase capacity of wastewater network - Rototuna	G	27	35	8	312	0	312	0	0
CE15106 - Wastewater network upgrades to allow development	G	219	25	(194)	80	0	80	(146)	0
CE15107 - Increase capacity of network in Rotokauri stage 1	G	0	200	200	681	0	681	0	0
CE15109 - Increase capacity of network in Peacocke stage 1	G	0	114	114	189	0	189	0	0
CE19040 - Increase capacity network Peacocke Stage 2	G	55	648	593	4,090	0	4,090	0	0
CE15111 - Increase capacity of network throughout the city	G	22	250	228	0	250	250	0	0
Total Wastewater Reticulation		3,464	3,820	356	10,069	750	10,819	(146)	0

CAPITAL EXPENDITURE

for the six months ended 31 December 2018

	Type	YTD Expenditure			Annual Budget			Capital Revenue	
		Actual	Total YTD Budget	Variance	2018/19 Approved Budget	2017/18 Deferrals	Total Capital Budget	Actual	Annual Capital Revenue Budget
Wastewater Treatment Plant									
CE15160 - Wastewater model	R		0	0	70	0	70	0	0
CE10115 - Replacement of wastewater treatment plant assets	R	765	833	68	2,632	1,105	3,737	0	0
CE19029 - Wastewater Seismic Strengthening	LOS	606	297	(309)	100	297	397	0	0
CE15120 - Wastewater treatment plant compliance	LOS	189	338	149	1,657	0	1,657	0	0
CE15161 - Wastewater Master Plan	G	63	52	(11)	150	0	150	0	0
CE15117 - Upgrade wastewater treatment plant (Pukete 3)	G	1,554	2,400	846	10,000	5,232	15,232	0	0
CE15121 - Wastewater customer connections to the network	G	474	24	(450)	50	0	50	(481)	(50)
CE19041 - Increase capacity WW Far East Network	G	614	965	351	2,000	2,065	4,065	0	0
CE19042 - Increase capacity WW South Network	G	108	610	502	3,300	0	3,300	0	0
CE19043 - Increase capacity WW West Network	G	201	1,009	807	6,963	535	7,498	0	0
CE19044 - Increase capacity WW East Network	G		70	70	250	0	250	0	0
CE19050 - Increase capacity WW Central Network	G	34	85	51	3,664	0	3,664	0	0
Total Wastewater Treatment Plant		4,608	6,683	2,074	30,836	9,234	40,070	(481)	(50)
TOTAL WASTEWATER		8,072	10,503	2,431	40,905	9,984	50,889	(627)	(50)
WATER SUPPLY									
Water Reticulation									
CE10123 - Replacement of watermains	R	2,295	1,011	(1,284)	2,744	0	2,744	0	0
CE10124 - Replacement of water meters, valves and hydrants	R	441	402	(39)	1,135	0	1,135	0	0
CE10145 - Tools of trade renewals	R	17	0	(17)	50	0	50	0	0
CE15133 - Water demand management - network water loss	LOS	1	170	169	500	0	500	0	0
CE15126 - Upgrade or build new watermains in Rototuna	G	186	323	137	1,625	0	1,625	0	0
CE15127 - Water pipe upgrade - growth	G		100	100	300	0	300	0	0
CE15128 - Upgrade/build new watermains in Rotokauri stage 1	G	642	695	53	576	500	1,076	0	0
CE16004 - Eastern Bulk Main Slip	G	48	155	107	800	247	1,047	0	0
CE19046 - Upgrade/Build New Watermains - Peacocks Stage 2	G	1	43	42	163	0	163	0	0
CE15132 - Water network upgrades to allow new development	G		25	25	80	0	80	(110)	0
CE15134 - Water demand management - Pukete reservoir zone	G		0	0	135	0	135	0	0
CE15135 - Upgrade/build distribution watermains in Peacocke	G		50	50	85	0	85	0	0
CE15137 - Water demand management - Newcastle reservoir zone	G	7	0	(7)	50	0	50	0	0
Total Water Reticulation		3,638	2,974	(665)	8,243	747	8,990	(110)	0
Water Treatment Plant									
CE10138 - Replacement of treatment plant and reservoir assets	R	1,003	1,029	27	2,101	68	2,169	0	0
CE15158 - Water model	R	10	15	5	60	339	399	0	0
CE15139 - Water treatment plant compliance - minor upgrades	LOS	157	865	708	1,610	0	1,610	0	0
CE15141 - Water demand management - Hillcrest reservoir zone	G	14	40	26	1,119	0	1,119	0	0
CE15144 - Upgrade water treatment plant	G	36	200	164	1,900	910	2,810	0	0
CE15146 - Water customer connections	G	305	24	(281)	50	0	50	(399)	(50)
CE15148 - Upgrade or build new watermains in Ruakura	G	0	125	125	500	0	500	0	0
CE15159 - Water master plan	G	14	19	5	150	0	150	0	0
CE19045 - Ruakura Reservoir & Associated Bulk Mains	G	3,230	2,925	(305)	9,698	976	10,674	0	0
CE19049 - Water Demand Management - Fairfield Reservoir Zone	G	34	0	(34)	514	0	514	0	0
Total Water Treatment Plant		4,803	5,242	440	17,702	2,293	19,995	(399)	(50)
TOTAL WATER SUPPLY		8,441	8,216	(225)	25,945	3,040	28,985	(509)	(50)
OVERHEAD AND SUPPORT UNITS									
Facilities									
CE10151 - Renewals program	R	195	992	797	1,651	0	1,651	0	0
CE19034 - Key Control Project	R	23	44	21	44	0	44	0	0
CE10158 - Replacement of fleet vehicles	R	742	1,701	958	3,401	0	3,401	0	0
Total Facilities		960	2,736	1,776	5,096	0	5,096	0	0
Information Services									
CE10152 - Network and infrastructure	R	6	394	388	968	549	1,517	0	0
CE10153 - Core business applications	R	211	515	304	775	325	1,100	0	0
CE10154 - Minor applications	R		15	15	25	0	25	0	0
CE10156 - Lease funding of equipment	R	210	81	(130)	1,287	0	1,287	0	0
CE15155 - Mobility and eservices	R	144	384	240	355	529	884	0	0
CE19024 - IS Major Upgrades	R	83	308	225	1,898	0	1,898	0	0
CE15157 - Authority replacement	R		340	340	0	425	425	0	0
Total Information Services		654	2,037	1,382	5,308	1,828	7,136	0	0
Customer Services									
CE19025 - Smart Hamilton Initiatives	LOS		126	126	250	0	250	0	0
CE17001 - Customer Services Projects	LOS	22	100	78	0	100	100	0	0
Total Customer Services		22	226	204	250	100	350	0	0
Strategic Property									
CE10053 - Tenancy inducement renewals	R	0	36	36	75	0	75	0	0
Total Strategic Property		0	36	36	75	0	75	0	0
TOTAL OVERHEADS AND SUPPORT UNITS		1,636	5,035	3,399	10,729	1,928	12,657	0	0
TOTAL COUNCIL		53,761	82,722	28,961	222,764	32,071	254,835	(11,342)	(44,840)

List of Capital Movements as at 31 December 2019

Delay Deferrals

Programme	Project	Deferral Type	Reason	Amount	Explanation
City Wide Waters Programme	Network Improvement Programme	Delay Deferral	Other	\$1,090,000	DMA - Hillcrest Reservoir Zone: deferrals of \$1,090,000 signalled to allow asset team to undertake network investigations.
Rototuna Programme	Borman Road - Kimbrae to Barrington	Delay Deferral	Other	\$60,000	Deferrals signalled due to the realignment of work with the decision made in the LTP ie the movement of construction out to year 7.
Rototuna Programme	Borman Road Kimbrae to Moonlight including Horsham to North Ridge	Delay Deferral	Other	\$393,000	Deferrals signalled due to the realignment of work with the decision made in the LTP ie the movement of construction out to year 7.
Rototuna Programme	North City Road Corridor Borman to Kay	Delay Deferral	Other	\$1,000,000	Deferral of \$1m identified within this project due to town centre implications.
Rototuna Programme	WW Trunk Borman Road and Horsham Downs	Delay Deferral	Other	\$137,000	Deferrals signalled due to the realignment of work with the decision made in the LTP ie the movement of construction out to year 7.
Transport Improvement Programme	Mass Transit	Delay Deferral	Other	\$600,000	Deferral of \$600,000 signalled as part of the Hamilton to Auckland corridor discussion
Transport Improvement Programme	Rotokauri Park and Ride	Delay Deferral	Other	\$1,600,000	Deferral of \$1,600,000 for Rotokauri rail platform and Tasman Road works - works will commence next year.
Transport Improvement Programme	School Link & University Route	Delay Deferral	Other	\$1,780,135	This project requires a business case to be developed with NZTA. The business case is expected to be completed this financial year with construction to commence in 2019/20.
Transport Improvement Programme	Transport Centre Upgrade & Bus Shed	Delay Deferral	Other	\$300,000	This project requires a business case to be developed with NZTA. The business case is expected to be completed this financial year with construction to commence in 2019/20.
City Wide Community	Land Purchase - Deferral	Delay Deferral	Third Party Dependency	\$399,100	\$141,900 spent this year and the remaining budget to be deferred until land is available.
Rotokauri Programme	Arterial Designations	Delay Deferral	Third Party Dependency	\$836,000	Deferral of \$836,000 indicated to align with Development timing. Discussions with developers are increasing in intensity but budget is not expected to be spent this financial year.
Rotokauri Programme	Arthur Porter Drive Connection	Delay Deferral	Third Party Dependency	\$499,000	Deferral signalled of \$499,000 to align with developer timing.
Rotokauri Programme	Rotokauri Central Swale	Delay Deferral	Third Party Dependency	\$1,275,000	Deferral signalled of \$1,275,000 for the Rotokauri Swale due to ongoing third party land purchase negotiations with developers.
Rotokauri Programme	Southern Arterials - Te Wetini & Central	Delay Deferral	Third Party Dependency	\$2,000,000	\$2m signalled for deferral for Te Wetini construction - to align with developer timing.
Rotokauri Programme	Transport Upsizing Programme	Delay Deferral	Third Party Dependency	\$690,000	Deferral of \$690,000 signalled for Road 0357.1 Gilchrist Road Collector Rotokauri to align with the Arterial Designations deferral to align with developer timing.
Rototuna Programme	Rototuna Network - Neighbourhood Park	Delay Deferral	Third Party Dependency	\$1,094,000	Delay deferral - related to the land requirements and the inability to secure land at this stage due to third party dependency.
Ruakura Programme	Developer Upsizing	Delay Deferral	Third Party Dependency	\$500,000	Chedworth Trunk Watermain Upsize - Deferral of \$500k to align with developer timing
Transport Improvement Programme	Gordonton Road Corridor	Delay Deferral	Third Party Dependency	\$1,000,000	Gordonton Road roundabouts - Thomas/Puketaha - \$1m deferral signalled due to risk of third party land purchase not being completed.
			TOTAL	\$15,253,235	

Rephasing Deferrals

Programme	Project	Deferral Type	Reason	Amount	Explanation
City Wide Waters Programme	Pukete WWTP Upgrade	Rephasing Deferral	Align with contractor programme	\$6,039,786	Deferral of \$6,039,786 for the 2017/18 budget to align with contractor cash flow projection of the programme of works for the Pukete WWTP Upgrade.
City Wide Waters Programme	Wairoa 2 WTP Upgrade	Rephasing Deferral	Align with contractor programme	\$1,360,000	Deferral of \$1,366,000 identified to align with contractor cash flow forecast for the programme of works at Wairoa WTP
Ruakura Programme	Ruakura Reservoir & Bulkmain	Rephasing Deferral	Align with contractor programme	\$2,500,000	Deferral of \$2,500,000 signaled for Ruakura reservoir in line with contractor construction programme.
Transport Improvement Programme	Ring Road - Cambridge to Cobham	Rephasing Deferral	Align with contractor programme	\$5,740,000	Financial deferral signaled to align with contractors work programme.
Wastewater Network Capacity Upgrade Programme	Dinsdale PS Upgrade	Rephasing Deferral	Rephasing within completion date	\$1,195,960	This project is scheduled to be carried out over 3 years into the 2021/22 period and this deferral of budget is not expected to impact on the project completion date.
Wastewater Network Capacity Upgrade Programme	Hillsborough Pump Station	Rephasing Deferral	Rephasing within completion date	\$3,324,120	Delays in design due to unexpected complexities. Construction to be undertaken next financial year instead of phased over 2 years.
Wastewater Network Capacity Upgrade Programme	Western Interceptor Duplication - Mid Section	Delay Deferral	Align with contractor programme	\$1,700,000	Financial deferral signaled to align with contractors work programme.
			TOTAL	\$21,859,866	

Bring Forward

Programme	Project	Deferral Type	Reason	Amount	Explanation
Peacocke Programme	Sports Park	Bring Forward	To secure land	\$200,000	This is the bringing forward of capital expenditure from 2020-21 for the preparation of a Notice Requirement to secure land for a sports park in Peacocke.
			TOTAL	\$200,000	

Accounting Result		
For the six months ended 31 December 2018		
YTD Actual	YTD Forecast	YTD Variance
\$29.4M	\$27.6M	\$1.8M

8. The annual forecast has been adjusted to reflect the forecasting adjustments that are explained in paragraph 32 below.

Annual Accounting Result		
Annual Forecast	Annual Budget	Forecasting Variance
\$75.0M	\$76.3M	\$(1.3M)

Balancing the books result

9. The balancing the books result for the six months ended 31 December 2018 is \$6.0M. This is \$5.7M favourable against a year-to date forecast of \$0.3M.

Balancing the Books		
For the six months ended 31 December 2018		
YTD Actual	YTD Forecast	YTD Variance
\$6.0M	\$0.3M	\$5.7M

Annual Balancing the Books Result		
Annual Forecast	Annual Budget	Forecasting Variance
\$(6.7M)	\$(9.4M)	\$2.7M

10. The Local Government balancing the books result for the six months ended 31 December 2018 is \$10.6M. This is \$6.8M favourable against a year-to date forecast of \$3.8M.

Understanding the variances

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

Operating revenue

15. Total Operating revenue YTD exceeds forecast by \$3.0M.
16. Rates are \$0.4M favourable YTD, which is due to greater than expected growth.
17. Fees and user charges are \$1.6M favourable YTD, the majority of which arise in the following activities:

- a) Venues, Tourism and Major Events \$0.6M favourable.
- b) Planning and Development \$0.5M favourable.
- c) Water Supply \$0.1M favourable.
- d) Wastewater \$0.1M favourable.
- e) Transport \$0.3M favourable.

Please refer to the activity statements for variance explanations.

18. Interest revenue is \$1.0M favourable YTD due to higher than budgeted term deposits. With \$65M debt expiring in March 2019 we have pre-funded the repayment of this debt and put the funds on term deposit until then. These funds are earning more interest than the interest we pay on this debt.

Expenses

19. Total Expenses are \$1.9M favourable YTD against forecast.
20. Personnel costs are \$1.8M favourable YTD, the majority of which arise in the following activities:
- a) Democracy Services \$0.1M favourable.
 - b) Venues, Tourism and Major Events \$0.3M favourable.
 - c) Visitors and Attractions \$0.1M favourable.
 - d) Arts and Community \$0.1M favourable.
 - e) Planning and Development \$0.4M favourable.
 - f) Wastewater \$0.3M favourable.
 - g) Stormwater \$0.1M favourable.
 - h) Transport \$0.4M favourable.
21. Depreciation and amortisation is \$(1.6M) unfavourable which is mainly due to the impact of the three-waters asset revaluation, which resulted in higher than budgeted asset values.
22. Finance costs are \$0.3M favourable due to lower debt in the first six months due to timing of capital spending.
23. Professional costs are \$0.7M favourable, the majority of which arise in the following activities:
- a) Planning and Development \$0.1M favourable
 - b) Water Supply \$0.1M favourable
 - c) Stormwater \$0.1M favourable
 - d) Transport \$0.1M favourable
 - e) Overheads \$0.1M favourable
24. Administration costs \$0.3M favourable made up of small variances across the activities.
25. Property costs \$0.4M favourable mostly due to electricity and gas expenditure being lower than anticipated due to running efficiencies in Wastewater \$0.2M.

Development contributions revenue

26. Development contributions revenue YTD actuals of \$10.0M are \$1.2M ahead of YTD forecast of \$8.8M. The DC revenue forecast has potential to be increased for the next six months however timing and recognition of DC's are variable and unpredictable.

Vested assets revenue

27. The timing and recognition of vested assets relies on being aware of when the s224c (clearance of title) is issued. Like DC revenue, vested assets revenue is variable month to month. Elevated levels of development activity equals more vested assets but timing is not easy to predict. \$12.9M of vested assets were received for the first six months of the financial year.
28. Vested assets revenue has been budgeted at \$30M for 2018/19. This budget is broken down by class of asset on page 99 of the 10-Year Plan.

Vested Assets		
For the six months ended 31 December 2018		
YTD Actual	YTD Forecast	YTD Variance
\$12.9M	\$15.0M	\$(2.1M)

Asset class	YTD Actual \$000	Annual Budget \$000	Life Range (Years)	Estimated Annual Depreciation \$000
Wastewater	1,462	3,000	15-100	18
Stormwater	2,083	5,100	30-100	26
Water Supply	710	1,800	50-80	9
Roading	3,834	8,000	12-140	77
Parks and Recreation [#]	230	-	50	-
Land		12,100		-
Land – Under Roads	3,690	-		-
Land – Local Purpose Reserves [*]	44	-		-
Land – Recreation Reserves	859	-		-
Land – Restricted ⁺	18	-		-
Total	12,931	30,000		130

[#] Playground

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

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

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

Forecasting

Forecasting adjustments 2018/19

- 30. Forecast financial budgets will provide a revised year-end result. The consequence on future years is addressed in the December 2018 Financial Strategy Monitoring Report.
- 31. The annual budget will be forecast monthly to reflect:
 - a) Changes to capital budgets approved by the Capital Investment Board under delegation.
 - b) Changes to operating budgets approved by CE or GM under delegation.
 - c) Changes as a result of a Council decision.
 - d) Changes recommended to the Finance Committee.
- 32. The annual forecast is \$(1.3M) unfavourable compared to annual budget. This is unchanged from what was reported to the December 2018 Finance Committee. The significant forecast changes below net off to zero in 2018/19 but are included in this report for Committee information. The ongoing impact of these changes will be addressed as part of the 2019/20 Annual Plan:

	\$000
<p>Increased City Growth revenue</p> <ul style="list-style-type: none"> – We have exceeded our year to date budgeted number of consents for duplexes, townhouses, apartments, and large commercial buildings by 141%. As such, Building Control revenue annual forecast has increased \$1.18M to reflect this higher than budgeted consent numbers. – City Planning revenue annual forecast has reduced \$243k due to the Perry Plan change not going ahead this year. – Food premises revenue annual forecast has reduced \$90k due to legislative changes. <p>The net increase to revenue of \$847k offsets increased City Growth and Peacocke operating expenditure budgets advised below.</p>	847
<p>Increased City Growth expenses</p> <ul style="list-style-type: none"> – Building Control legal expenses annual forecast have increased \$270k because of unexpected legal claims. – Building Control IT expenses annual forecast have increased \$100k for enhancements to the end to end online building consent process. – Development Contributions expenses annual forecast have increased \$194k due to the ongoing licence and support for the DC Growth Model, which was incorrectly excluded from the budget. <p>The increase to expenses of \$564k is offset by increased City Growth revenue, explained above.</p>	(564)
<p>Peacocke operating budget</p> <p>The Peacocke operating budget was unbudgeted in the 2018-28 10-Year Plan. As such, an operating budget for Peacocke has been included in the forecast. This budget is offset by increased City Growth revenue, explained above.</p>	(272)

<p>Housekeeping adjustments</p> <p>Various housekeeping adjustments that net to zero have been made within the activities to provide more accurate forecasts. Refer to the individual activity statements for explanations. Examples include:</p> <ul style="list-style-type: none"> – Vacancy factor of \$3.3M transferred from General Other Costs to Personnel Costs across the activities. – Central City Park rental revenue \$133k transferred from Parks and Recreation to Strategic Property (Overheads). – Cost to clean up illegal dumping of rubbish \$207k offset against increased water rates \$146k and stormwater consultancy savings \$60k. – Transport fees and charges and other revenue increased \$850k, which offsets increased Transport expenses \$850k. 	0
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Emerging Issues

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

Emerging issues from previous report:

Planning and Development fees and user charges revenue has been adjusted in YTD forecast. Refer to Paragraph 32.

Debt and Treasury Management

Treasury Management

34. Council is fully compliant with all treasury policy measures as at 31 December 2018.
35. Refer to the Treasury Report in Attachment 3 for further detail.

Debt and Cash Investments

External debt, cash investments, and net debt as at 31 December 2018 is shown in the table below.

Debt and Cash Investments			
As at 31 December 2018			
	YTD Actual	Annual Budget	Variance
External Debt	\$448M	\$510M	\$62M
Cash Investments	(\$118M)	(\$55M)	\$63M
Net Debt	\$330M	\$455M	\$125M

36. Net debt as at 31 December 2018 is \$125M lower than the annual budget largely due to the timing of spend in the capital programme.
37. Cash investments are higher than budgeted due to pre-funding the \$65M debt that expires in March 2019 which is currently on term deposit. Also refer to Paragraph 19.

Interest Rate Risk Management

38. The movement on interest rate swaps relates to valuations completed at a point in time. These are based on Council's total external debt and the difference between current market interest rates and the fixed rates that Council has locked in. They are unrealised because on maturity of each interest rate swap contract no interest gain or loss eventuates.
39. As at 31 December 2018 our net unrealised loss on revaluation of interest rate swaps was \$(3.5M) and our liability balance was \$36.1M.

Legal and Policy Considerations

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

Cultural Considerations

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

Sustainability Considerations

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

Risks

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

Significance and Engagement Policy

Significance

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

Engagement

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

Attachments

Attachment 1 - Financial Statements December 2018

Attachment 2 - Everyday Revenue + Expense by Activity December 2018

Attachment 3 - Treasury Report December 2018 .

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the six months ended 31 December 2018

Attachment 1

YTD 2017/18		YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Revenue						
	Operating revenue						
79,191	Rates	87,900	87,538	362	179,713	180,430	717
19,616	Fees and user charges	21,292	19,666	1,626	35,284	36,469	1,185
2,601	Subsidies and grants	3,379	3,447	(68)	7,120	7,192	72
2,003	Interest revenue	2,227	1,238	989	2,475	2,475	-
3,622	Other revenue	3,795	3,696	99	10,860	11,217	357
107,033	Total Operating revenue	118,593	115,585	3,008	235,452	237,783	2,331
	Capital revenue						
12,593	Development contributions	9,955	8,759	1,196	17,518	17,518	-
4,604	Capital revenue	11,343	9,816	1,527	44,840	43,130	(1,710)
13,567	Vested assets	12,931	15,000	(2,069)	30,000	30,000	-
30,764	Total Capital revenue	34,229	33,575	654	92,358	90,648	(1,710)
137,797	Total revenue	152,822	149,160	3,662	327,810	328,431	621
	Expenses						
36,943	Personnel costs	38,497	40,309	1,812	83,168	80,093	3,075
31,875	Depreciation and amortisation expense	34,734	33,094	(1,640)	68,473	68,473	-
10,193	Finance costs	9,988	10,323	335	22,010	22,010	-
18,559	Operating and maintenance costs	21,118	21,135	17	46,466	46,972	(506)
3,900	Professional costs	3,403	4,055	652	13,268	13,448	(180)
5,447	Administration costs	6,378	6,693	315	6,582	10,907	(4,325)
5,746	Property costs	5,643	6,026	383	12,067	12,067	-
112,663	Total expenses	119,761	121,635	1,874	252,034	253,970	(1,936)
25,134	Operating surplus/(deficit)	33,061	27,525	5,536	75,776	74,461	(1,315)
	Gains and losses						
(2,134)	Net gain/(loss) on revaluation of interest rate swaps	(3,497)	-	(3,497)	-	-	-
198	Gain on fair value of investment properties	-	47	(47)	565	565	-
(555)	Property, plant and equipment net gain/(loss)	(153)	-	(153)	-	-	-
(2,491)	Total gains and losses	(3,650)	47	(3,697)	565	565	-
22,643	Total surplus/(deficit)	29,411	27,572	1,839	76,341	75,026	(1,315)

Refer to Activity Statements for variances against forecast.

BALANCING THE BOOKS RESULT

For the six months ended 31 December 2018

Attachment 1

YTD 2017/18		YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000		\$000	\$000	\$000	\$000	\$000	\$000
22,643	Surplus/(deficit)	29,411	27,572	1,839	76,341	75,026	(1,315)
	Remove capital revenue						
(13,567)	Vested assets	(12,931)	(15,000)	2,069	(30,000)	(30,000)	-
(8,767)	Part of development and financial contributions	(6,239)	(5,694)	(546)	(11,387)	(11,387)	-
(659)	Capital subsidy (excluding subsidy on transport renewals)	(4,546)	(4,682)	136	(35,012)	(30,654)	4,358
(1,586)	Other capital contributions	(3,200)	(1,771)	(1,429)	(4,744)	(5,076)	(332)
-	Other items not considered everyday operating revenue	(115)	(115)	-	(4,233)	(4,233)	-
	Remove (gains)/losses						
2,491	All (gains)/losses	3,650	(47)	3,697	(565)	(565)	-
	Remove other expenses						
-	Other items not considered everyday operating expenses	3	1	2	197	197	-
556	Everyday surplus/(deficit)	6,033	265	5,769	(9,403)	(6,692)	2,711

LOCAL GOVERNMENT BALANCING THE BOOKS MEASURE

For the six months ended 31 December 2018

YTD 2017/18		YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000		\$000	\$000	\$000	\$000	\$000	\$000
22,643	Surplus/(deficit)	29,411	27,572	1,839	76,341	75,026	(1,315)
	Adjustments for the Local Government Regulations measure						
(198)	Gains excluding gains on investment properties	-	(47)	47	(565)	(565)	-
3,918	Losses	4,099	-	4,099	-	-	-
(12,593)	Development and financial contributions	(9,955)	(8,759)	(1,196)	(17,518)	(17,518)	-
(13,567)	Vested assets	(12,931)	(15,000)	2,069	(30,000)	(30,000)	-
(22,440)	Total adjustments	(18,787)	(23,806)	5,019	(48,083)	(48,083)	-
203	LG Regulations balancing the books surplus/(deficit)	10,624	3,766	6,858	28,258	26,943	(1,315)

Item 10

Attachment 1

STATEMENT OF FINANCIAL POSITION
For the six months ended 31 December 2018

Attachment 1

YTD 2017/18		Note	Actual	Annual Budget
\$000			\$000	\$000
Assets				
Current assets				
21,828	Cash and cash equivalents		40,575	49,500
9,486	Receivables	1	14,832	17,910
2,604	Prepayments		1,212	1,670
159	Inventory		126	160
-	Other financial assets	2	87,787	2,125
34,077	Total current assets		144,532	71,365
Non-current assets				
3,854,485	Property, plant and equipment		4,145,095	4,371,324
20,703	Intangible assets		19,712	22,283
22,059	Investment property		25,255	23,175
	Other financial assets		-	-
15,852	- Investment in CCOs and other similar entities		9,823	8,978
35,032	- Other investments		6,400	5,500
50,884	Total other financial assets		16,223	14,478
	Investment in associates		7,430	7,430
597	Derivative financial instruments	4	745	
3,948,728	Total non-current assets		4,214,460	4,438,690
3,982,805	Total assets		4,358,992	4,510,055
Liabilities				
Current liabilities				
25,541	Payables and deferred revenue		23,560	33,250
6,114	Employee entitlements		6,755	6,420
1,194	Provisions		1,609	337
33,372	Borrowings	3	81,000	83,300
156	Derivative financial instruments	4	758	4,628
66,377	Total current liabilities		113,682	127,935
Non-current liabilities				
1,122	Employee entitlements		966	1,100
14,296	Provisions		15,100	24,413
315,561	Borrowings	3	366,949	427,194
32,723	Derivative financial instruments	4	36,106	19,025
363,702	Total non-current liabilities		419,121	471,732
430,079	Total liabilities		532,803	599,667
3,552,726	Net assets		3,826,189	3,910,388
Equity				
1,711,706	Accumulated funds		1,825,447	1,801,331
1,841,020	Other reserves		2,000,742	2,109,057
3,552,726	Total equity attributable to Hamilton City Council		3,826,189	3,910,388
3,552,726	Total equity		3,826,189	3,910,388

NOTES TO THE STATEMENT OF FINANCIAL POSITION

Attachment 1

For the six months ended 31 December 2018

Note 1: Rates and debtors receivables

	Actual			Actual Dec-2017		
	\$000	\$000	\$000	\$000	\$000	\$000
Rates	Rates	Arrears	Total	Rates	Arrears	Total
Balance as at 1 July	(2,355)	3,319	964	(2,037)	3,302	1,265
Instalments to date	102,237	-	102,237	89,854	-	89,854
Penalties, adjustments & postponed	557	-	557	636	-	636
Government rebate	(1,146)	-	(1,146)	(1,086)	-	(1,086)
Council hardship	(211)	-	(211)	(219)	-	(219)
Other remissions	(5,978)	-	(5,978)	(3,369)	-	(3,369)
Rates receipts	(97,622)	(2,493)	(100,114)	(86,818)	(2,510)	(89,328)
Balance as at 30 June	(4,518)	827	(3,691)	(3,039)	792	(2,247)
Water by meter			1,373			1,524
Sundry debtors						
Debtors			2,903			3,242
Rentals			421			416
Rates rebates Internal Affairs			164			289
NZTA			1,963			1,086
H3 debtors			714			612
GST refund			-			-
			6,165			5,645
Debtor accruals			10,435			3,664
Parking			3,294			3,477
Provision for doubtful debts			(2,742)			(2,577)
Total Rates and debtors receivables			14,832			9,486

	Actual		Actual Dec-2017	
	\$000	\$000	\$000	\$000
Sundry debtors ageing				
as at 31 November 2018			as at 31 November 2017	
Current	4,406		Current	2,827
0-30 days	1,094		0-30 days	1,370
30-60 days	116		30-60 days	681
60-90 days	38		60-90 days	260
>90 days	511		>90 days	505
	6,165			5,645

Note 2: Other financial assets - current

	Actual	Actual Dec-2017
	\$000	\$000
Term deposits	65,000	0
Loan investments	22,787	0
Total other financial assets - current	87,787	-

Note 3: Borrowings

	Actual	Annual budget	Actual Dec-2017
	\$000	\$000	\$000
Borrowings - current	81,000	83,300	33,372
Borrowings - non-current	366,949	427,194	315,561
Total external debt	447,949	510,494	348,933

Note 4: Derivative financial instruments

	Actual	Annual budget	Actual Dec-2017
	\$000	\$000	\$000
Interest rate Swaps (current asset)	-	-	-
Interest rate Swaps (non-current asset)	(745)	-	(597)
Interest rate Swaps (current liability)	758	4,628	156
Interest rate Swaps (non-current liability)	36,106	19,025	32,723
Total net derivative financial instrument liabilities	36,119	23,653	32,282

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
0 Rates	0	0	0	0	0	0
12 Fees and user charges	12	14	(2)	27	27	0
0 Subsidies and grants	0	0	0	0	0	0
0 Interest revenue	0	0	0	0	0	0
2 Other revenue	0	0	0	0	0	0
14 Total everyday revenue	12	14	(2)	27	27	0
Everyday expenses						
99 Personnel costs	107	206	99	421	410	11
0 Depreciation and amortisation	0	0	0	0	0	0
0 Finance costs	0	0	0	0	0	0
6 Operating and maintenance costs	13	20	7	39	39	0
217 Professional costs	156	217	61	435	435	0
0 Property costs	0	0	0	0	0	0
615 Other costs	707	772	65	1,545	1,545	0
937 Total everyday expenses	983	1,215	232	2,440	2,429	11
(923) Everyday surplus/(deficit)*	(971)	(1,201)	230	(2,413)	(2,402)	11
(923) OPERATING SURPLUS/(DEFICIT)	(971)	(1,201)	230	(2,413)	(2,402)	11

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

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

There are no significant variances to explain.

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$150k.

There are no significant variances to explain.

VENUES, TOURISM AND MAJOR EVENTS

Claudelands | FMG Stadium Waikato | Seddon Park | I-SITE | Tourism and Events Funding
for the six months ended 31 December 2018

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
64 Rates	85	63	22	124	124	0
3,219 Fees and user charges	3,364	2,732	632	5,432	5,432	0
0 Subsidies and grants	0	0	0	0	0	0
378 Interest revenue	216	120	96	240	240	0
433 Other revenue	310	376	(66)	742	742	0
4,094 Total everyday revenue	3,975	3,291	684	6,538	6,538	0
Everyday expenses						
2,875 Personnel costs	2,770	3,034	264	6,268	6,008	260
2,323 Depreciation and amortisation	2,620	2,620	0	5,230	5,230	0
1,595 Finance costs	981	996	15	1,992	1,992	0
2,017 Operating and maintenance costs	1,846	1,899	53	4,332	4,332	0
113 Professional costs	159	159	0	318	318	0
714 Property costs	747	697	(50)	1,461	1,461	0
838 Other costs	808	924	116	1,882	1,882	0
10,475 Total everyday expenses	9,931	10,329	398	21,483	21,223	260
(6,381) Everyday surplus/(deficit)*	(5,956)	(7,038)	1,082	(14,945)	(14,685)	260
Capital revenue						
0 Capital contributions	2	0	2	100	100	0
0 Total capital revenue	2	0	2	100	100	0
(6,381) OPERATING SURPLUS/(DEFICIT)	(5,954)	(7,038)	1,084	(14,845)	(14,585)	260

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

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

Fees and user charges are \$632k favourable. The mix and volume of events across our venues continues to be favourable compared to the budget phasing set. The favourable variance at Claudelands is attributed to a higher than forecast level of fees and charges relating to business events. Current forecasts indicates we will be above budget at year end. Note, the uplift in revenue achieved to date, has a corresponding impact on cost of sales.

Personnel costs are \$264k favourable. This is due to vacancies across the group.

Other costs are \$116k favourable. This is due to the timing of event sponsorship payments to approved events but as the fund is fully committed by Council resolution, it will be expended by year end.

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.

Personnel costs annual forecast is \$260k favourable. This is due to the vacancy factor being allocated across activities.

VISITOR ATTRACTIONS

Hamilton Gardens | Waikato Museum | Hamilton Zoo

for the six months ended 31 December 2018

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
296 Rates	319	299	20	595	595	0
1,332 Fees and user charges	1,406	1,406	0	2,872	2,872	0
35 Subsidies and grants	51	42	9	85	85	0
10 Interest revenue	20	11	9	22	22	0
49 Other revenue	65	70	(5)	141	141	0
1,722 Total everyday revenue	1,861	1,828	33	3,715	3,715	0
Everyday expenses						
3,643 Personnel costs	3,866	3,937	71	7,930	7,699	231
954 Depreciation and amortisation	984	1,023	39	2,163	2,163	0
70 Finance costs	89	90	1	180	180	0
844 Operating and maintenance costs	1,089	1,039	(50)	2,306	2,306	0
184 Professional costs	221	244	23	494	494	0
380 Property costs	380	475	95	951	951	0
247 Other costs	278	300	22	573	573	0
6,322 Total everyday expenses	6,907	7,108	201	14,597	14,366	231
(4,600) Everyday surplus/(deficit)*	(5,046)	(5,280)	234	(10,882)	(10,651)	231
Capital revenue						
775 Capital contributions	0	0	0	300	300	0
775 Total capital revenue	0	0	0	300	300	0
(3,825) OPERATING SURPLUS/(DEFICIT)	(5,046)	(5,280)	234	(10,582)	(10,351)	231

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

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

There are no significant variances to explain.

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.

Personnel costs annual forecast is \$231k favourable. This is due to the vacancy factor being allocated across activities.

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
(5) Rates	(7)	(10)	3	(24)	(24)	0
289 Fees and user charges	292	290	2	588	433	(155)
0 Subsidies and grants	0	1	(1)	2	2	0
20 Interest revenue	0	0	0	0	0	0
60 Other revenue	32	33	(1)	66	66	0
364 Total everyday revenue	317	314	3	632	477	(155)
Everyday expenses						
2,636 Personnel costs	2,665	2,760	95	5,697	5,367	330
1,657 Depreciation and amortisation	1,307	1,249	(58)	3,364	3,364	0
84 Finance costs	2	2	0	4	4	0
265 Operating and maintenance costs	256	397	141	1,646	1,646	0
46 Professional costs	215	241	26	615	615	0
275 Property costs	317	382	65	764	764	0
807 Other costs	1,275	1,355	80	1,973	1,973	0
5,770 Total everyday expenses	6,037	6,386	349	14,063	13,733	330
(5,406) Everyday surplus/(deficit)*	(5,720)	(6,072)	352	(13,431)	(13,256)	175
(5,406) OPERATING SURPLUS/(DEFICIT)	(5,720)	(6,072)	352	(13,431)	(13,256)	175

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

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

Operating and maintenance costs are \$141k favourable. The majority of this variance is due to the Community Hall building maintenance work programme that is starting later than planned.

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.

Fees and user charges annual forecast is \$155k unfavourable. The contract with Waikato District Council rate payers to use Hamilton Library facilities has been amended. A fixed amount of memberships have been purchased 2018/19 and the revenue has been reduced to reflect this.

Personnel costs annual forecast is \$330k favourable. This is due to the vacancy factor being allocated across activities.

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
(56) Rates	(57)	(97)	40	(196)	(196)	0
3,432 Fees and user charges	3,099	3,100	(1)	6,534	6,534	0
77 Subsidies and grants	5	3	2	7	7	0
163 Interest revenue	254	141	113	282	282	0
85 Other revenue	103	132	(29)	330	197	(133)
3,701 Total everyday revenue	3,404	3,279	125	6,957	6,824	(133)
Everyday expenses						
5,540 Personnel costs	5,663	5,639	(24)	11,850	11,371	479
2,526 Depreciation and amortisation	2,767	2,807	40	5,898	5,898	0
769 Finance costs	1,154	1,172	18	2,344	2,344	0
1,893 Operating and maintenance costs	2,618	2,727	109	6,893	6,893	0
271 Professional costs	313	268	(45)	529	508	21
617 Property costs	560	607	47	1,212	1,212	0
358 Other costs	443	448	5	920	920	0
(132) Internal capital recoveries	(9)	0	9	0	0	0
11,842 Total everyday expenses	13,509	13,668	159	29,646	29,146	500
(8,141) Everyday surplus/(deficit)*	(10,105)	(10,389)	284	(22,689)	(22,322)	367
Capital revenue						
12 Capital contributions	10	0	10	300	300	0
15 Total capital revenue	11	0	11	300	300	0
(8,126) OPERATING SURPLUS/(DEFICIT)	(10,094)	(10,389)	295	(22,389)	(22,022)	367

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

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

Interest revenue is \$113k favourable. This is due to term deposits being greater than budget.

Operating and maintenance costs are \$109k favourable. This is due to minor variances across the activity and the budget is expected to be fully spent at year end.

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.

Other revenue annual forecast is \$133k unfavourable. Income received for properties purchased in Victoria Street (Central City Park) was originally budgeted in Parks and has been moved to Strategic Property as these are Investment Properties.

Personnel costs annual forecast is \$479k favourable. This is due to the vacancy factor being allocated across activities.

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
(1) Rates	0	0	0	0	0	0
1,668 Fees and user charges	1,526	1,536	(10)	2,139	2,049	(90)
0 Subsidies and grants	0	0	0	0	0	0
3 Interest revenue	0	0	0	0	0	0
10 Other revenue	11	15	(4)	31	31	0
1,680 Total everyday revenue	1,537	1,551	(14)	2,170	2,080	(90)
Everyday expenses						
1,667 Personnel costs	1,728	1,722	(6)	3,568	3,417	151
45 Depreciation and amortisation	35	40	5	173	173	0
11 Finance costs	0	0	0	0	0	0
526 Operating and maintenance costs	522	591	69	1,176	1,176	0
92 Professional costs	85	106	21	211	211	0
42 Property costs	33	32	(1)	53	53	0
73 Other costs	84	49	(35)	107	107	0
2,452 Total everyday expenses	2,483	2,540	57	5,288	5,137	151
(772) Everyday surplus/(deficit)*	(946)	(989)	43	(3,118)	(3,057)	61
(772) OPERATING SURPLUS/(DEFICIT)	(946)	(989)	43	(3,118)	(3,057)	61

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

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

There are no significant variances to explain.

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.

Personnel costs annual forecast is \$151k favourable. This is due to the vacancy factor being allocated across activities.

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
0 Rates	0	0	0	0	0	0
4,441 Fees and user charges	6,197	5,730	467	9,253	10,190	937
0 Subsidies and grants	0	0	0	0	0	0
147 Interest revenue	81	45	36	90	90	0
2 Other revenue	1	0	1	0	0	0
4,590 Total everyday revenue	6,279	5,775	504	9,343	10,280	937
Everyday expenses						
3,931 Personnel costs	3,930	4,281	351	8,929	8,568	361
4 Depreciation and amortisation	2	2	0	4	4	0
613 Finance costs	369	375	6	749	749	0
132 Operating and maintenance costs	87	179	92	358	358	0
1,223 Professional costs	827	949	122	2,055	2,195	(140)
18 Property costs	18	11	(7)	21	21	0
505 Other costs	507	589	82	1,000	1,372	(372)
(50) Internal capital recoveries	(52)	0	52	0	0	0
6,376 Total everyday expenses	5,688	6,386	698	13,116	13,267	(151)
(1,786) Everyday surplus/(deficit)*	591	(611)	1,202	(3,773)	(2,987)	786
(1,786) OPERATING SURPLUS/(DEFICIT)	591	(611)	1,202	(3,773)	(2,987)	786

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

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

Fees and user charges are \$467k favourable. This is largely due to higher than budgeted activity for duplexes, townhouses or apartments and large commercial building consents. We have already exceeded our year to date budgeted number of consents by 141% and there are still 6 months remaining in the financial year. As such, we have made a forecast adjustment to revenue to reflect this higher than budgeted consent numbers. We will continue to monitor this revenue and the need for further forecasting adjustments will be reviewed each month as more data is available.

Personnel costs are \$351k favourable. This variance is largely due to vacancies in the Building Control Unit due to a national skills shortage. In addition, there has been a restructure in the Planning Guidance team resulting in people being promoted into new leadership roles leaving vacant positions behind. The Planning Guidance team commenced recruitment in mid January to fill the vacant positions. The recruitment was delayed while the restructure was carried out.

Professional costs are \$122k favourable. This is largely due to the timing of the REEP project and how the roll out has occurred. The budget will be spent in the next few months as the project moves into the customer journey mapping phase.

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.
<p>Fees and user charges annual forecast is \$937k favourable. As explained above, we have already exceeded our year to date budgeted number of consents for duplexes, townhouses, apartments, and large commercial buildings by 141%. As such, Building Control revenue annual forecast has increased \$1,180k to reflect this higher than budgeted consent numbers.</p> <p>City Planning revenue annual forecast has reduced \$243k due to the Perry Plan change not going ahead this year. This revenue included on-charging consultant costs and staff time charged directly to the project.</p> <p>Personnel costs annual forecast is \$361k favourable. This is due to the vacancy factor being allocated across activities.</p> <p>Professional costs annual forecast is \$140k unfavourable. This is due to increased spend in Building Control legal expenses as a result of unexpected legal claims. In addition there have been some legal, consulting and ongoing compliance costs included in the new Peacocke operating budget.</p> <p>Other costs annual forecast is \$372k unfavourable. This is mostly due to a provision for a legal claim. There has also been a \$100k budget added for IT spend in Building Control for enhancements to the end to end online building consent process.</p>

for the six months ended 31 December 2018

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
4,053 Rates	4,262	4,206	56	8,107	8,253	146
52 Fees and user charges	14	(115)	129	(215)	(215)	0
0 Subsidies and grants	0	0	0	0	0	0
252 Interest revenue	440	245	195	489	489	0
0 Other revenue	0	0	0	0	0	0
4,357 Total everyday revenue	4,716	4,336	380	8,381	8,527	146
Everyday expenses						
1,774 Personnel costs	1,888	1,942	54	4,152	3,909	243
3,520 Depreciation and amortisation	4,124	3,793	(331)	7,662	7,662	0
1,684 Finance costs	2,003	2,034	31	4,068	4,068	0
1,534 Operating and maintenance costs	1,579	1,606	27	3,448	3,448	0
82 Professional costs	67	138	71	745	745	0
828 Property costs	819	864	45	1,754	1,754	0
36 Other costs	43	41	(2)	82	82	0
(702) Internal capital recoveries	(780)	(747)	33	(1,494)	(1,494)	0
8,756 Total everyday expenses	9,743	9,671	(72)	20,417	20,174	243
(4,399) Everyday surplus/(deficit)*	(5,027)	(5,335)	308	(12,036)	(11,647)	389
Capital revenue						
275 Capital contributions	509	24	485	50	50	0
275 Total capital revenue	509	24	485	50	50	0
(4,124) OPERATING SURPLUS/(DEFICIT)	(4,518)	(5,311)	793	(11,986)	(11,597)	389

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

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

Fees and user charges are \$129k favourable. This is predominantly due to higher than expected revenue from the water supply's sub-division engineering fees. There is also higher than anticipated revenue from water take points due to increasing volumes of tankered water for pool and water tank filling as well as construction dust suppression.

Interest revenue is \$195k favourable. This is due to term deposits being greater than budget.

Depreciation and amortisation is \$331k unfavourable. This is due to the impact of the three-waters asset revaluation, which resulted in higher than budgeted asset values. This will be reviewed as part of the depreciation forecast.

Capital contributions are \$485k favourable. Contributions towards new water connections exceed budget due to higher than budgeted applications. This revenue will offset capital installation costs.

WATER SUPPLY
Water Treatment | Water Storage | Water Distribution
for the six months ended 31 December 2018

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.

Rates annual forecast is \$146k favourable. Water by meter revenue is favourable due to a higher than anticipated level of water use in the first few months. This additional revenue will offset the cost of illegal dumping under the Rubbish and Recycling activity.

Personnel costs annual forecast is \$243k favourable. This is due to the vacancy factor being allocated across activities.

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
(26) Rates	(1)	(20)	19	(41)	(41)	0
2,510 Fees and user charges	2,593	2,505	88	4,466	4,466	0
0 Subsidies and grants	0	0	0	0	0	0
321 Interest revenue	496	276	220	551	551	0
13 Other revenue	0	0	0	0	0	0
2,818 Total everyday revenue	3,088	2,761	327	4,976	4,976	0
Everyday expenses						
2,062 Personnel costs	2,109	2,423	314	4,941	4,860	81
4,564 Depreciation and amortisation	5,999	4,859	(1,140)	9,778	9,778	0
1,648 Finance costs	2,256	2,291	35	4,581	4,581	0
2,753 Operating and maintenance costs	3,444	3,158	(286)	6,463	6,463	0
53 Professional costs	198	186	(12)	742	742	0
998 Property costs	900	1,053	153	2,087	2,087	0
34 Other costs	82	64	(18)	149	149	0
(577) Internal capital recoveries	(653)	(641)	12	(1,283)	(1,283)	0
11,535 Total everyday expenses	14,335	13,393	(942)	27,458	27,377	81
(8,717) Everyday surplus/(deficit)*	(11,247)	(10,632)	(615)	(22,482)	(22,401)	81
Capital revenue						
394 Capital contributions	627	24	603	50	50	0
394 Total capital revenue	627	24	603	50	50	0
(8,323) OPERATING SURPLUS/(DEFICIT)	(10,620)	(10,608)	(12)	(22,432)	(22,351)	81

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

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

Interest Revenue is \$220k favourable. This is due to term deposits being greater than budget.

Personnel costs are \$314k favourable. This is predominantly due to short term vacancies within the City Waters team.

Depreciation and amortisation is \$1.1M unfavourable. This is due to the impact of the three-waters asset revaluation, which resulted in higher than budgeted asset values. This will be reviewed as part of the depreciation forecast.

Operating and maintenance costs are \$286k unfavourable. This is due mainly to reactive maintenance at the Wastewater Treatment Plant required by breakdowns and failures.

Property costs are \$153k favourable. Electricity and gas expenditure has been lower than anticipated due to running efficiencies at the Wastewater Treatment Plant.

Capital contributions \$603k favourable. Contributions towards new wastewater connections exceed budget due to higher than budgeted applications. This revenue will offset capital installation costs.

WASTEWATER
Wastewater Collection | Wastewater Treatment | Wastewater Disposal
for the six months ended 31 December 2018

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.

There are no significant variances to explain.

for the six months ended 31 December 2018

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
0 Rates	0	0	0	(1)	(1)	0
136 Fees and user charges	173	101	72	202	202	0
0 Subsidies and grants	0	0	0	0	0	0
30 Interest revenue	136	75	61	151	151	0
0 Other revenue	0	0	0	0	0	0
166 Total everyday revenue	309	176	133	352	352	0
Everyday expenses						
1,290 Personnel costs	1,353	1,490	137	3,047	3,007	40
4,078 Depreciation and amortisation	4,810	4,412	(398)	8,776	8,776	0
234 Finance costs	617	626	9	1,252	1,252	0
404 Operating and maintenance costs	467	381	(86)	765	765	0
129 Professional costs	(70)	78	148	294	234	60
189 Property costs	192	196	4	392	392	0
23 Other costs	28	24	(4)	48	48	0
(538) Internal capital recoveries	(548)	(481)	67	(961)	(961)	0
5,809 Total everyday expenses	6,849	6,726	(123)	13,613	13,513	100
(5,643) Everyday surplus/(deficit)*	(6,540)	(6,550)	10	(13,261)	(13,161)	100
Capital revenue						
89 Capital contributions	364	24	340	64	64	0
89 Total capital revenue	364	24	340	64	64	0
(5,554) OPERATING SURPLUS/(DEFICIT)	(6,176)	(6,526)	350	(13,197)	(13,097)	100

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

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

Personnel costs are \$137k favourable. This is predominantly due to short term vacancies within the City Waters team.

Depreciation and amortisation is \$398k unfavourable. This is due to the impact of the three-waters asset revaluation, which resulted in higher than budgeted asset values. This will be reviewed as part of the depreciation forecast.

Professional costs are \$148k favourable. This is mainly due to prior year consultancy accrual error reversals.

Capital contributions are \$340k favourable. Contributions towards new stormwater connections exceed budget due to higher than budgeted applications. This revenue will offset capital installation costs.

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.

There are no significant variances to explain.

TRANSPORT
Transport Network | Transport Centre | Parking Management
for the six months ended 31 December 2018

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
2,479 Rates	18	(5)	23	(9)	(9)	0
2,104 Fees and user charges	2,188	1,914	274	3,080	3,572	492
2,195 Subsidies and grants	2,977	3,118	(141)	6,460	6,532	72
665 Interest revenue	574	319	255	638	638	0
1,235 Other revenue	1,465	1,472	(7)	2,520	2,878	358
2,359 Plus NZTA capital subsidy on renewals	3,597	3,363	234	5,084	7,400	2,316
11,037 Total everyday revenue	10,819	10,181	638	17,773	21,011	3,238
Everyday expenses						
2,204 Personnel costs	2,521	2,930	409	6,219	5,814	405
9,182 Depreciation and amortisation	9,290	9,245	(45)	18,652	18,652	0
3,693 Finance costs	2,613	2,653	40	5,306	5,306	0
5,098 Operating and maintenance costs	6,027	6,018	(9)	12,269	12,569	(300)
247 Professional costs	229	324	95	1,322	1,422	(100)
1,200 Property costs	1,127	1,187	60	2,325	2,325	0
437 Other costs	624	624	0	772	1,222	(450)
(210) Internal capital recoveries	(694)	(842)	(148)	(1,683)	(1,683)	0
21,851 Total everyday expenses	21,737	22,139	402	45,182	45,627	(445)
(10,814) Everyday surplus/(deficit)*	(10,918)	(11,958)	1,040	(27,409)	(24,616)	2,793
Capital revenue						
41 Capital contributions	1,689	1,699	(10)	3,880	4,212	332
3,018 NZTA capital subsidy	8,143	8,046	97	40,096	38,054	(2,042)
(2,359) Less NZTA capital subsidy on renewals	(3,597)	(3,363)	(234)	(5,084)	(7,400)	(2,316)
700 Total capital revenue	6,235	6,382	(147)	38,892	34,866	(4,026)
(10,114) OPERATING SURPLUS/(DEFICIT)	(4,683)	(5,576)	893	11,483	10,250	(1,233)

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

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

Fees and user charges are \$274k favourable. This is mainly due to increased subdivision engineering fees and Ruakura Road stopping external recoveries.

Subsidies and grants are \$141k unfavourable. This is largely due to lower spend to date on NZTA-subsidised Travel Demand Management, as well as Network and Asset Management programmes. A contributing factor has been a strategic asset manager vacancy in the first half of the financial year.

Interest revenue is \$255k favourable. This is due to term deposits being greater than budget.

NZTA capital subsidy on renewals is \$234k favourable. This is due to the LED renewal programme 85% subsidy rate extended into 2018/19. This increase is expected to be offset by budgeted subsidy that won't be received for Street Lighting Renewal as this has been replaced by the LED programme.

Personnel costs are \$409k favourable. This is due to vacancies in City Transportation and Capital Development units, due mainly to a number of new roles approved for 2018/19 not appointed until late in the first half of the financial year, as well as existing vacant roles. A number of these positions have been appointed and are starting in the second half of the year.

Internal capital recoveries are \$148k unfavourable. Timecost recoveries are down on expectations, largely due to staff vacancies during the first six months, as advised under Personnel costs.

NZTA capital subsidy (excluding renewals) is \$137k unfavourable. (Total capital subsidy is \$97k favourable, of which \$234k unfavourable relates to subsidy on renewals as explained above, therefore subsidy on capital is \$137k unfavourable.) This is mainly due to lower spend on NZTA subsidised components of Peacockes Stage 2 so far.

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.
<p>Fees and user charges annual forecast is \$492k favourable. This mainly reflects the favourable trend of Parking fees and recoveries of costs added to infringements (\$362k). The balance of \$130k is a one-off recovery for State Highways maintenance early in the year.</p> <p>Other revenue annual forecast is \$358k favourable. Parking and traffic infringement trends have been extrapolated to the full year; this is offset by increased cost of collection. There is also a reduction in commercial rents from January 2019 while the Transport Centre is renovated.</p> <p>NZTA capital subsidy on renewals is \$2.3M favourable. This is a programme newly approved by NZTA. The Footpath Renewals programme was not eligible for NZTA subsidy at the time budgets were prepared.</p> <p>Personnel costs annual forecast is \$405k favourable. This is due to the vacancy factor being allocated across activities.</p> <p>Operating and maintenance costs annual forecast is \$300k unfavourable. Due to late advice by KiwiRail, work on the Te Kowhai level crossing was unbudgeted.</p> <p>Professional costs annual forecast is \$100k unfavourable. Parking Management Plan \$75k (G&I approval 23-Oct-18) and Youth Bus initiative \$25k (Council chair). This is being funded by additional Parking revenue above.</p> <p>Other costs annual forecast is \$450k unfavourable. The budget for filing parking infringements with Court (filing fees and commission) was inadequate, especially in light of increased infringements. This will be funded from additional Parking revenue above.</p> <p>Capital contributions annual forecast is \$332k favourable. This is a recategorisation of revenue from an operating grant to a capital contribution; it relates to funds received from WRC for Bus Stop Infrastructure. (N.B. Operating revenue forecast drops corresponding but was offset by new Footpath renewal subsidy.)</p> <p>NZTA capital subsidy (excluding renewals) is \$4.3M unfavourable. (Total capital subsidy is \$2.0M unfavourable, of which \$2.3M favourable relates to subsidy on renewals as explained above.) Of this, \$3.1M relates to capital programmes rephased to future years which attract subsidy. \$1.2M is Thomas-Gordonton intersection subsidy over-budgeted and this has been adjusted for NZTA's Targeted Enhanced Financial Assistance Rate (TEFAR).</p>

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
0 Rates	0	0	0	0	0	0
(128) Fees and user charges	(55)	(32)	(23)	(64)	(64)	0
294 Subsidies and grants	308	283	25	566	566	0
12 Interest revenue	11	6	5	12	12	0
213 Other revenue	222	223	(1)	445	445	0
391 Total everyday revenue	486	480	6	959	959	0
Everyday expenses						
672 Personnel costs	729	769	40	1,595	1,554	41
202 Depreciation and amortisation	285	211	(74)	436	436	0
61 Finance costs	49	50	1	1,267	1,267	0
2,455 Operating and maintenance costs	2,613	2,704	91	5,317	5,524	(207)
231 Professional costs	113	109	(4)	247	247	0
23 Property costs	33	34	1	68	68	0
27 Other costs	14	10	(4)	(1,486)	(1,486)	0
(113) Internal capital recoveries	(50)	(54)	(4)	(108)	(108)	0
3,558 Total everyday expenses	3,786	3,833	47	7,336	7,502	(166)
(3,167) Everyday surplus/(deficit)*	(3,300)	(3,353)	53	(6,377)	(6,543)	(166)
(3,167) OPERATING SURPLUS/(DEFICIT)	(3,300)	(3,353)	53	(6,377)	(6,543)	(166)

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

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

There are no significant variances to explain.

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.

Operating and maintenance costs annual forecast is \$207k unfavourable. This is the full year projected cost of cleaning up illegal dumping of rubbish which was unbudgeted. The cost will be offset by additional Water By Meter revenue under Water Supply activity and lower professional costs forecast under Stormwater activity.

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
(115) Rates	(126)	(132)	6	(265)	(265)	0
549 Fees and user charges	482	484	(2)	969	969	0
0 Subsidies and grants	38	0	38	0	0	0
1 Interest revenue	0	0	0	0	0	0
1,069 Other revenue	1,251	1,157	94	2,247	2,380	133
1,504 Total everyday revenue	1,645	1,509	136	2,951	3,084	133
Everyday expenses						
8,549 Personnel costs	9,168	9,174	6	18,552	18,108	444
2,821 Depreciation and amortisation	2,510	2,832	322	6,337	6,337	0
35 Finance costs	30	35	5	70	70	0
369 Operating and maintenance costs	556	418	(138)	928	928	0
1,011 Professional costs	892	1,036	144	5,262	5,282	(20)
461 Property costs	517	489	(28)	979	979	0
4,315 Other costs	4,507	4,506	(1)	8,890	9,004	(114)
(253) Internal capital recoveries	(257)	(172)	85	(343)	(343)	0
17,308 Total everyday expenses	17,923	18,318	395	40,675	40,365	310
(15,804) Everyday surplus/(deficit)*	(16,278)	(16,809)	531	(37,724)	(37,281)	443
(15,804) OPERATING SURPLUS/(DEFICIT)	(16,278)	(16,809)	531	(37,724)	(37,281)	443

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

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

Depreciation and amortisation is \$322k favourable. This is due to capital projects not completed within the expected timeframe. This is currently being reassessed to identify correct phasing and/or savings.

Operating and maintenance costs are \$138k unfavourable. This is due to costs incurred by the facilities team for the Capital Delivery team move. These are awaiting capitalisation and therefore this variance represents a timing difference.

Professional costs are \$144k favourable. Market research and Information Services projects will start later than budgeted. There is also an underspend in consultants across Smart Hamilton Initiatives. This will be spent in the coming months.

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.

Other revenue annual forecast is \$133k favourable. Income received for properties purchased in Victoria Street (Central City Park) was originally budgeted in Parks and has been moved to Strategic Property as these are Investment Properties.

Personnel costs annual forecast is \$444k favourable. This is due to the vacancy factor being allocated across activities.

Other costs annual forecast is \$114k unfavourable. This is due to the ongoing licence and IT support for the DC Growth Model, which was incorrectly excluded from the budget.

GENERAL
for the six months ended 31 December 2018

Attachment 2

YTD 2017/18	YTD Actual	YTD Forecast	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
72,501 Rates	83,408	83,235	173	171,424	171,994	570
0 Fees and user charges	0	0	0	0	0	0
0 Subsidies and grants	0	0	0	0	0	0
0 Interest revenue	0	0	0	0	0	0
451 Other revenue	336	219	117	4,337	4,337	0
0 Plus NZTA capital subsidy on renewals	0	0	0	0	0	0
3,827 Less DC interest	3,716	3,066	650	6,131	6,131	0
0 Less HIF fair value benefit	(115)	(115)	0	(4,233)	(4,233)	0
76,779 Total everyday revenue	87,345	86,405	940	177,659	178,229	570
Everyday expenses						
0 Personnel costs	0	0	0	0	0	0
0 Depreciation and amortisation	0	0	0	0	0	0
(303) Finance costs	(173)	1	174	197	197	0
(25) Operating and maintenance costs	25	(78)	(103)	526	539	(13)
0 Professional costs	0	0	0	0	0	0
0 Property costs	0	0	0	0	0	0
0 Other costs	0	0	0	(4,000)	(624)	(3,376)
0 Less HIF discounting	(3)	(1)	2	(197)	(197)	0
(328) Total everyday expenses	(151)	(78)	73	(3,474)	(85)	(3,389)
77,107 Everyday surplus/(deficit)*	87,496	86,483	1,013	181,133	178,314	(2,819)
Capital revenue						
12,590 Development contributions	9,953	8,759	1,194	17,518	17,518	0
(3,827) Less DC interest (everyday revenue section)	(3,716)	(3,066)	(650)	(6,131)	(6,131)	0
13,567 Vested assets	12,931	15,000	(2,069)	30,000	30,000	0
22,330 Total capital revenue	19,168	20,693	(1,525)	41,387	41,387	0
0 HIF fair value and discounting adjustment	0	0	0	4,036	4,036	0
99,437 OPERATING SURPLUS/(DEFICIT)	106,664	107,176	(512)	226,556	223,737	(2,819)

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

Item 10

GENERAL
for the six months ended 31 December 2018

Item 10

The comments below explain the variance between year-to-date actual results and year-to-date forecast where they exceed \$100k.
<p>Rates are \$173k favourable. This is due to achieving higher than expected growth. Rates are expected to be \$570k favourable at year end as shown in the annual forecast.</p> <p>Other revenue is \$117k favourable. We received a \$125k dividend from the Waikato Regional Airport Ltd, which was not budgeted.</p> <p>DC interest is \$650k favourable. This is due to the DC interest budget being set before a final DC interest figure could be accurately calculated. As such, we expect this to be favourable at year end and this will be adjusted through the forecasting process.</p> <p>Finance costs are \$174k favourable. This is due to lower than budgeted debt.</p> <p>Operating and maintenance costs are \$103k unfavourable. This is due to a variety of underspends across the Council.</p> <p>Development contributions are \$1.9M favourable. Council have experienced high growth activity in the first six months of the financial year, which has meant higher than expected DC revenue.</p> <p>Vested assets are \$2.0M unfavourable. The annual budget for vested assets is \$30M and the budget phasing assumes an even amount of revenue each month. In practice, vested assets revenue is unpredictable in its timing.</p>

The comments below explain the variance between annual approved budget and annual forecast where they exceed \$100k.
<p>Rates annual forecast is \$570k favourable. This is due to rates growth being higher than budgeted.</p> <p>Other costs annual forecast is \$3.4M unfavourable. This is due to the vacancy factor being reallocated from this budget to personnel budgets across the activities.</p>

Attachment 2

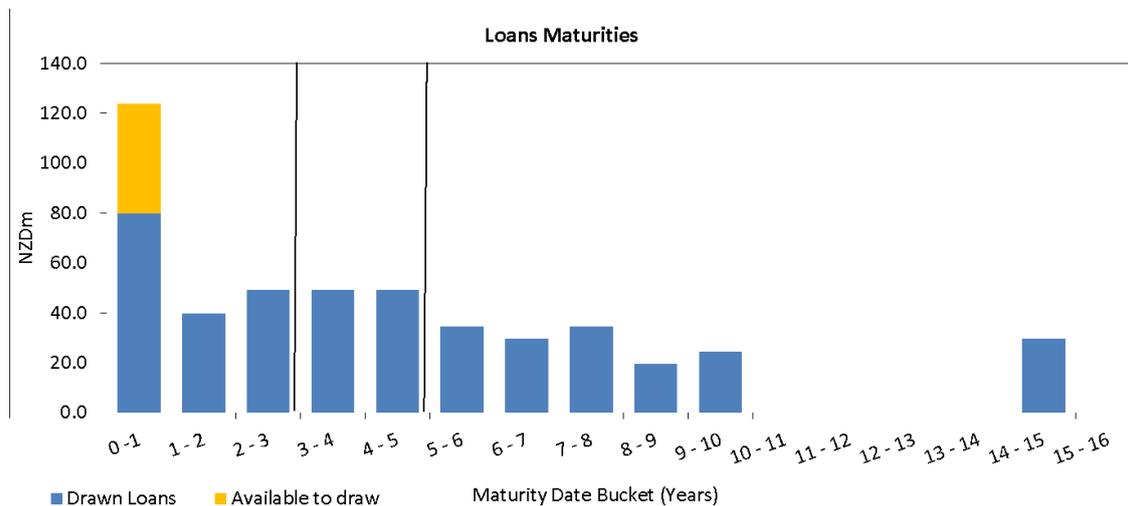
TREASURY REPORT for the six months ended 31 December 2018

Policy Compliance		Policy	Result @ 31-Dec-18	Policy Compliance
Fixed rate debt maturity	all years	within annual parameters	achieved for all years	✓
Funding maturity	0 - 3 years	15% - 60%	35%	✓
	3 - 5 years	15% - 60%	24%	✓
	5 years plus	10% - 60%	41%	✓
Liquidity ratio	minimum	110%	124%	✓
Counterparty credit risk	maximum	\$75m per bank	achieved	✓

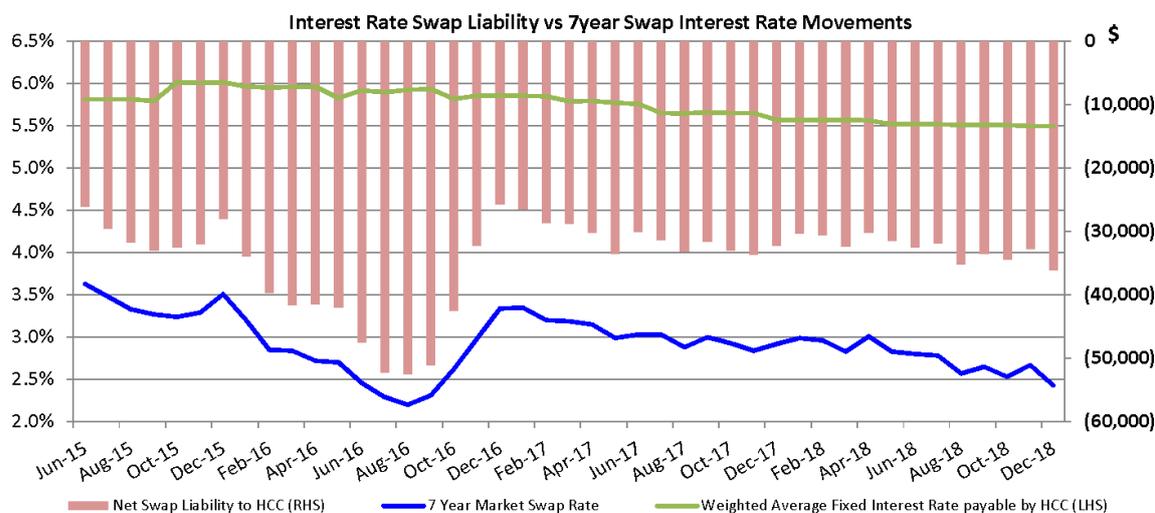
Comments on policy breaches

There are no breaches of policy.

Fixed rate debt maturity



Debt and Cash Investment (\$000)	Result @ 31-Dec-18	Budget @ 30-Jun-19	Variance Fav/(Unfav)
External debt	447,948	510,494	62,546
less Cash investments	(117,704)	(55,000)	62,704
Net debt	330,244	455,494	125,250
Gross cost of funds (12 month rolling average)	4.77%	4.31%	-0.46%



The above graph shows how the movements in 7 year swap interest rates impact HCC's swap position in the balance sheet. If the swap interest rate decreases, the swap liability increases. Recent months have seen swap interest rates decrease, causing an increase in HCC's liability.

Definitions

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

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

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

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

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

Cash investments is the total of all amounts in our bank account (General and Treasury account), term deposits and LGFA borrower notes. (1.6% of all LGFA loans held by LGFA as an investment for HCC).

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

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

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

Council Report

Committee:	Finance Committee	Date:	21 February 2019
Author:	Stephen Halliwell	Authoriser:	David Bryant
Position:	Accounting Manager	Position:	General Manager Corporate
Report Name:	February 2019 Financial Strategy Monitoring Report		

Report Status	<i>Open</i>
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Purpose

- To inform the Finance Committee of the status of the 2018-28 10-Year Plan Financial Strategy as at 31 December 2018.

Staff Recommendation *(Recommendation to Council)*

- That the Finance Committee:
 - receives the report.
- That the Finance Committee recommends the Council:
 - approves the rephrasing and delay deferrals of an additional \$10.7M capital projects from 2018/19 to 2019/20 as listed in the February 2019 Capital Portfolio Monitoring Report;
 - approves the significant forecast adjustments as set out in paragraphs 24 to 27 of this report; and
 - approves the revised forecast Financial Strategy graphs for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 31 to 37 of this report.

Executive Summary

- This report is to be read in conjunction with the:
 - February 2019 Annual Monitoring Report; and
 - February 2019 Capital Portfolio Monitoring Report.
- This report provides a forecast update of the key 10-Year Plan Financial Strategy metrics.
- One key goal of the 10-Year Plan Financial Strategy is to maintain or better the balancing the books result so that the need to borrow to fund everyday expenses is reduced.
- Not borrowing to fund everyday expenses maintains the Council's borrowing capacity to fund investment in infrastructure.
- For the first 3 years of the Plan there is very little margin for over-budget spending, be that operating or capital.

8. If there are negative variances from either the operating and/or capital budgets the Council will need to consider increasing revenue and/or reducing expenditure in other budgets.
9. Staff recommendation reflect matters raised in the 21 February 2019 Capital and Annual Monitoring Reports. These matters have been collated into this report to allow for the sum of the matters to be considered in the context of the financial strategy.
10. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Background

11. Financial Strategy

12. The Financial Strategy (pages 67-71, 2018-28 10-Year Plan) is designed to:
 - a) Fund everyday expenses from everyday revenues,
 - b) maintain service levels and assets,
 - c) support investment in growth,
 - d) fund borrowing from debt.
13. The key outcomes are:
 - a) Balancing the books after three years (2022/23).
 - b) Maintaining a Debt to Revenue Ratio of less than 230%.
 - c) Setting rates increases for existing ratepayers at 9.7% (2018/19) and 3.8% per annum thereafter for existing ratepayers.
14. The adopted 10-Year Plan Financial Strategy provides for \$3M unused debt capacity for the next three years. Changes to the actual and forecast operating and capital budgets affects this capacity. If there are negative variances from either the operating and/or capital budgets the Council will need to consider increasing revenue and/or reducing expenditure in other budgets.
15. Forecasting changes made since the adoption of the 10-Year Plan show a small improvement in the Financial Strategy measures.
16. **Significant Forecasting assumptions**
17. Any changes in significant forecasting assumptions (pages 72-81, 2018-28 10-Year Plan) will result in changes to the Financial Strategy outcomes.

18. The following forecasting assumptions directly impact the Financial Strategy. An adverse change would have a material impact.
- Growth

Revenue budgets for rates, development contributions, building and resource consents are linked to growth assumptions based on the National Institute of Demographic and Economic Analysis (NIDEA) Low projections. Sensitivity analysis (page 81, 2018-28 10-Year Plan) shows the impact of a 15% increase and reduction on the Financial Strategy.
 - Interest on borrowing

Interest rates on debt is forecast at 4.85% reducing to 4.6%. A 1% movement could impact interest costs by \$5.6M p.a.
 - Inflation

Inflation was forecast by Business and Economic Research Ltd (BERL) under contract to SOLGM, with a modification for the Waikato. Waikato is experiencing higher inflation on capital projects than is being experienced across the rest of New Zealand. These BERL local government forecasts are updated annually every October.
19. These assumptions will be considered and if necessary adjusted in each Annual Plan.

Financial Strategy Significant Forecast Adjustments

20. This report forecasts the debt to revenue measure and balancing the books measure compared with the 10-Year Plan budget.
21. The forecast takes account of changes:
- a) to capital budgets approved by the Capital Investment Board, under delegation.
 - b) to operating expenditure approved by staff under delegation.
 - c) by Council decision.
 - d) recommended to Council (but not yet approved) by other Council Committees.
22. All significant changes made since the 10-Year Plan and up to 4 December 2018 are listed in Attachment 1.
23. Significant forecasting adjustments since the 4 December 2018 Finance Committee meeting are:

Description	Authoriser
a. Housekeeping adjustments	Each GM
b. Capital rephrasing and delay deferrals from 2018/19 to future years	Finance Committee
c. Capital savings	Chief Executive
d. Adjustment to WW West Network (Western Interceptor Duplication)	Finance Committee

24. Housekeeping adjustments

Discussion										
<p>The February 2019 Annual Monitoring Report (para 32) advised various housekeeping adjustments that net to zero. These changes have been made within the activity statements to provide more accurate forecasts.</p> <p>There is no impact to future years. The debt to revenue impact in 2019 relates to the 2.3 effect on the revenue adjustment included in these changes.</p>										
Financial Strategy Impact										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	-	-	-	-	-	-	-	-	-	-
Debt to revenue %	0.59	-	-	-	-	-	-	-	-	-
Net Debt \$(000)	-	-	-	-	-	-	-	-	-	-

Numbers in brackets represent an adverse outcome.

25. Capital rephasing and delay deferrals from 2018/19 to future years

Discussion										
<p>The February 2019 Capital Portfolio Monitoring Report advised \$36.9M of full rephasing and delay deferrals for the year to date. An additional \$10.7M has been added since the 4th December 2018 Financial Strategy update. The table below shows the impact of the additional \$10.7M movement.</p> <p>The change in timing of spend reduces debt and interest costs in 2018/19. This benefit is then removed in 2019/20 when the projects are completed. There is a small permanent interest saving.</p>										
Financial Strategy Impact										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	160	2	2	2	2	2	2	2	2	2
Debt to revenue %	(3.25)	4.67	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Net Debt \$(000)	3,468	35	36	38	40	42	44	46	48	51

Numbers in brackets represent an adverse outcome.

26. Capital savings

Discussion										
<p>The February 2019 Capital Portfolio Monitoring Report advised \$4.1M of savings for the year to date. \$1M is separately advised in the WW West Network (Western Interceptor Duplication) (para 27 below).</p> <p>There is an initial debt saving of \$3.3M in 2019, which is a permanent change, resulting in debt and interest savings which accumulate each year.</p>										
Financial Strategy Impact										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	160	163	171	179	188	198	203	212	223	233
Debt to revenue %	1.20	1.13	1.22	1.18	1.19	1.24	1.27	1.24	1.24	1.26
Net Debt \$(000)	3,303	3,466	3,637	3,816	4,055	4,202	4,405	4,617	4,840	5,073

Numbers in brackets represent an adverse outcome.

27. Adjustment to WW West Network (Western Interceptor Duplication)

Discussion										
<p>The February 2019 Capital Portfolio Monitoring Report includes an amendment to the forecast savings on this project. This amendment is to reflect uncertainty in the actual amount of savings. Investigations are underway and the new savings amount will be brought back in a future report to this committee.</p> <p>This increases debt by \$6.495M in 2020 and the consequential interest cost accumulates to a total increase in net debt \$9.506 in 2028.</p>										
Financial Strategy Impact										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	10	(305)	(320)	(397)	(414)	(431)	(441)	(459)	(478)	(498)
Debt to revenue %	0.08	(2.11)	(2.28)	(2.21)	(2.22)	(2.33)	(2.38)	(2.33)	(2.32)	(2.36)
Net Debt \$(000)	210	(6,495)	(6,815)	(7,152)	(7,504)	(7,874)	(8,254)	(8,652)	(9,069)	(9,506)

Numbers in brackets represent an adverse outcome.

Financial Strategy Graphs

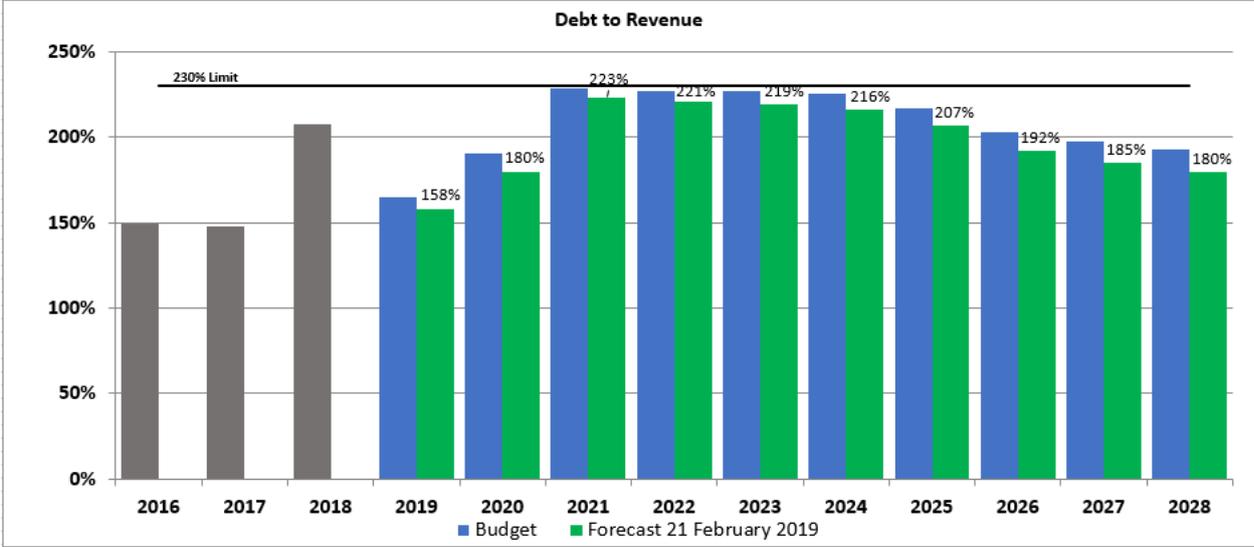
28. The following graphs show the 10-Year Plan budgets (in blue) and the total of all Council approved changes listed in Attachment 1 as well as the significant forecast adjustments as set out in paragraphs 24 to 27 above (in green).

29. Forecast changes include matters contained in this agenda and subject to decision by the:

- a) Finance Committee; or
- b) Council.

30. The potential impact of the Financial Strategy risks is not adjusted for in these graphs.

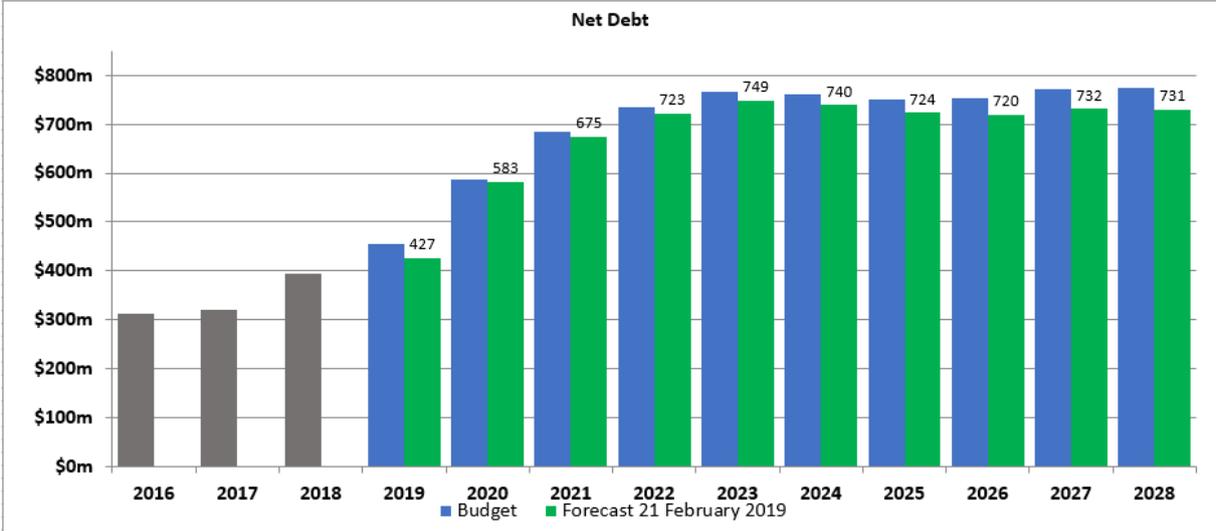
31. **Debt to Revenue**



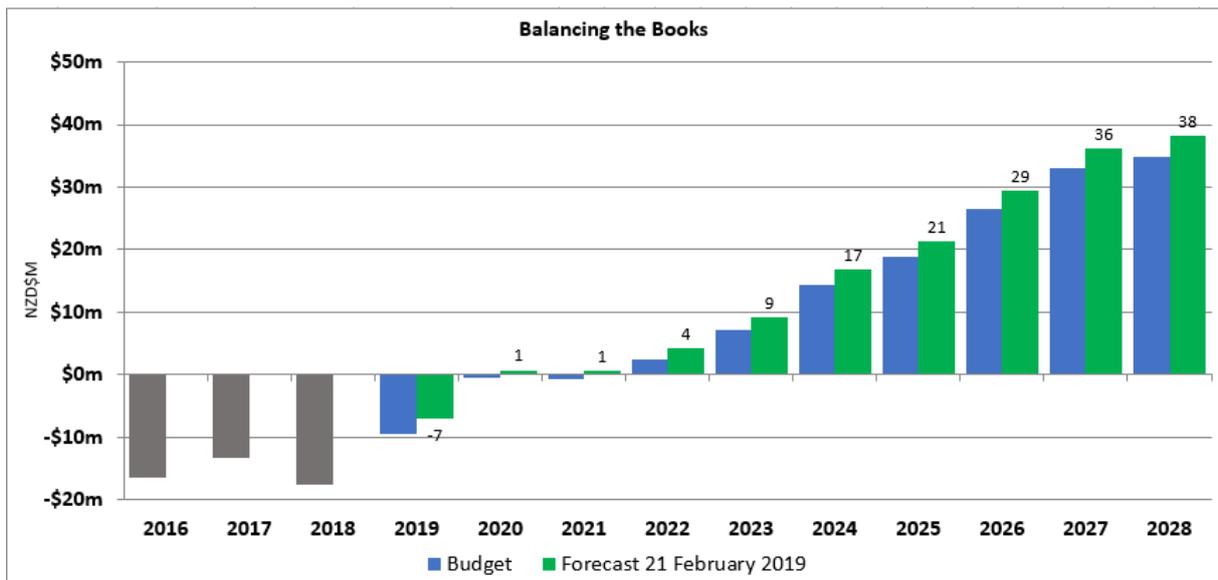
32. The Debt to Revenue graph includes all adjustments identified in this report and shows that the forecast debt to revenue is improved against the 10-Year Plan budget.

33. At 2021 debt capacity is \$20M.

34. **Net Debt**



35. The Net Debt graph shows a decrease in net debt against the 10-Year Plan, with debt in 2028 being \$45M lower. This updated 2028 result is \$10M unfavourable than reported on 4 December 2018.

36. **Balancing the Books**

37. The Balancing the Books graph shows a forecast deficit decrease in 2019 of \$2.4M (unchanged from 4 December 2018). Increased rates growth previously forecast has the largest impact over 10 years.

Options to Reinstate Budgeted Outcomes

38. The forecast adjustments above lead to improved Financial Strategy metrics. However emerging issues reported in the December 2018 Annual and Capital Portfolio Monitoring Reports indicate unfavourable movements could put these improvements at risk.
39. A debt to revenue margin of \$20M on debt capacity in three years provides a small amount of resilience. This is an improvement from the 10-Year plan budget but should be considered in the context of the extent of change that has occurred already since the plan was adopted and the amount of spending budgeted to occur before the end of 2021.

Risks to the Financial Strategy

40. The 21 February 2019 Annual Monitoring Report lists emerging issues that could impact the balancing the books result and consequentially debt across the 10-Year Plan.
41. The 21 February 2019 Capital Portfolio Monitoring Report lists emerging issues that could impact the capital portfolio and consequently debt and the balancing the books result across the 10-Year Plan.
42. Emerging issues additional to and not included in the above reports are:
- Peacocks funding gap – This item has been advised to the Committee and is under review.
 - Library funding – This item has been advised to the Committee and an adjustment was made to the 2018/19 budget. The Annual Plan will consider this for 2019/20 and beyond.
 - Insurance premium increase – This item has been advised to Council, however has not yet been allocated to activities. Further consideration is being given to 2019/20 and beyond.
43. Some of these issues are large and may require an intervention so that the Financial Strategy limits continue to be achieved.

Other Matters

Legal and Policy Considerations

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

Cultural Considerations

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

Sustainability Considerations

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

Risks

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

Significance & Engagement Policy

Significance

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

Engagement

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

Attachments

Attachment 1 - Register of Significant Forecast Changes February 2019 .

Register of Significant Forecast Changes

The follow significant forecasting changes have previously been approved.

BB= Balancing the books impact ND = Net Debt impact
Numbers in brackets have an adverse impact.

Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
16-Oct-18	Additional Rates revenue from Growth	BB	599	663	733	808	890	978	1,067	1,168	1,276	1,393
		ND	599	1,262	1,995	2,803	3,693	4,670	5,737	6,905	8,181	9,575
	Defered Capital 2017/18 to 2018/19	BB	257	-	-	-	-	-	-	-	-	-
		ND	-	-	-	-	-	-	-	-	-	-

Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
4-Dec-18	Libraray revenue adjustment 2018/19	BB	(163)	(8)	(8)	(9)	(9)	(10)	(10)	(10)	(11)	(12)
		ND	(163)	(171)	(179)	(188)	(197)	(207)	(217)	(228)	(239)	(250)
	Footpath new revenue 2018 -2028	BB	542	655	829	1,040	1,238	1,452	1,599	1,813	2,042	2,252
		ND	2,858	5,955	9,362	12,927	16,786	20,961	24,906	29,159	33,744	38,646
	Thomas - Gordonton Road Project additional revenue - enhanced subsidy	BB	40	41	43	45	47	49	50	53	55	58
		ND	822	863	906	950	997	1,046	1,097	1,150	1,205	1,263
	Capital rephasing and delay deferrals from 2018/19 to future years	BB	1,147	11	12	12	13	13	14	14	15	16
		ND	23,647	235	247	259	272	285	299	314	329	345
	Increase capacity WW West Network (Western Interceptor Duplication)	BB	41	357	375	465	485	505	516	538	560	584
		ND	841	7,598	7,973	8,366	8,778	9,211	9,655	10,121	10,609	11,121
	Te Awa Cycleway Remediation (new project)	BB	(19)	(43)	(80)	(83)	(85)	(87)	(89)	(91)	(94)	(97)
		ND	(399)	(920)	(965)	(1,013)	(1,063)	(1,116)	(1,169)	(1,226)	(1,285)	(1,347)

Council Report

Item 12

Committee: Finance Committee

Date: 21 February 2019

Author: Paul Mens

Authoriser: Richard Briggs

Position: Director - Business Transformation

Position: Chief Executive

Report Name: Business Transformation Report

Report Status	<i>Open</i>
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Purpose

1. To inform the Committee on the progress being made to reduce expenditure to save \$94.5M over ten years.
2. To inform the Committee on the Business Transformation Project work streams.

Staff Recommendation

That the Finance Committee receives the report.

Executive Summary

3. This is the first report on progress towards achieving the \$94.5M savings target over the 2018-28 10-Year Plan period . It provides the Elected Members with an outline of the key opportunities available to the Council to realise significant savings over the next 10 years.
4. Details on the savings assumption can be found on page 74 of the 2018-28 10-Year Plan.
5. The background context for these savings is strong, the Council has a number of actions and initiatives underway and the organisation has been challenging conservative local government practices.
6. Opportunities exist to leverage alternative engagement and partnership models, new technologies, and smarter, more enabling ways of working as an organisation. The approach outlined in this report is not about tightening belts or restructuring - it's about thinking differently.
7. Reimagining the way in which the Council works with and on behalf of our communities requires an accompanying awareness of the need for a shift in our risk profile. Regular reporting to the Finance Committee on progress against the savings target is a feature of this approach.
8. A programme of work has been being established to assist with transforming the way the Council delivers its services and subsequently to reduce costs to achieve the savings identified in the 10 Year Plan (at least). There are four key streams of work involved:
 - Stream 1 - Efficiency Stream

- Stream 2 - Staff Innovation Stream
 - Stream 3 – Service Delivery Stream
 - Stream 4 - Capital Expenditure Stream
9. The Council is on track to deliver the first year of savings. Savings over the 10 years are also on track to be delivered through the programme of work noted above which is presently being put in place.

Background

10. The Council made a significant strategic decision in its deliberations debate on 31 May 2018 to increase the savings proposed in the Consultation Document from \$6M to \$10M (uninflated) and reduce the investment fund available to re-imagine local government (i.e. funding to create the innovation and transformation that would enable the savings.
11. The significance of the decision was reflected in an Audit NZ response that modified their 26 June 2018 Audit Opinion on the 10-Year Plan 2018-28 to reflect their view of the uncertainty and risk associated with budgeting for these savings.
12. As part of the evidence required by Audit New Zealand and Office of the Auditor General in order to determine their opinion, the Chief Executive prepared a report to the Council meeting of 26 June 2018. This report outlined the areas where the savings are targeted. The report was illustrative of the opportunities that present and was not a budget or formal implementation plan. The report made a number of high level assumptions that may not in practice eventuate as expected.
13. The table below shows the nominal (inflation adjusted) annual operational savings in the 10-year plan and the cumulative impact of those savings.

	ANNUAL ADDITIONAL SAVINGS IN OPERATING EXPENSES (\$000)	CUMULATIVE SAVINGS (\$000)
2018/19	4,000	4,000
2019/20	2,044	6,132
2020/21	1,044	7,312
2021/22	1,067	8,536
2022/23	1,092	9,828
2023/24	1,117	11,170
2024/25	0	11,440
2025/26	0	11,730
2026/27	0	12,020
2027/28	0	12,330
10 YEAR TOTAL	10,364	94,498

14. 68% of the savings are budgeted to be achieved in the first three years of the 10-Year Plan and be persistent so that the savings will be enjoyed annually (i.e. at least until the 10-year plan is renewed).
- 15. Financial Strategy and Savings Target**
16. Achieving these targets is essential to meeting the Council's financial strategy outcomes. Failure to meet these targets will impact on the financial strategy measure of matching everyday revenues with everyday costs.
17. All other things remaining equal, not meeting these targets would increase the amount borrowed or reduce debt repayments. Such an outcome would result in higher interest costs and potentially impact on the delivery of the capital program as the Council would exceed the 230% debt to revenue Financial Strategy limit.
18. Part of the savings are derived from the consequential operational expenditure resulting from effective management of the capital programme. These savings may be achieved through reducing or delaying the cost of capital projects while maintaining stated community outcomes. Generally, this would reduce interest costs (from less debt) and reduce depreciation costs after capitalisation.
19. The reduction in debt from spending less on the capital programme has not been budgeted for in the 10-Year Plan. If the Council is successful reducing the level of capital expenditure it will create additional debt capacity. Any change in capital spend will be reported to the Finance Committee as part of the Financial Strategy Monitoring report update. Similarly, if the program delivers increased revenue or decreased costs greater than budgeted then additional debt capacity will be created.

Discussion – Reimagining Local Government

20. This section has been included to convey to Elected Members and the community the broad philosophy of reimagining local government. This is a Council-wide programme and as such, not all aspects of Reimagining Local Government fall into the remit of the Business Transformation Director.
21. The programme is guided by me as Chief Executive with streams of work that are dispersed throughout the organisation to take maximum advantage of opportunities for transformation across the Council.
22. The purpose of reimagining local government is to achieve sustainable growth and wellbeing outcomes for our community (without continually increasing rates above inflation) – in other words, to create greater value for money for our community.

At a high level, we think there are five broad areas we can influence that improve the 'value for money' equation for our community:

- a. **Deliver different services** – by better understanding what makes the most difference to the wellbeing of Hamiltonians (through better engagement, insights and data), we can focus more resource on things that provide the most value (and less resource on things that provide less value, including not doing some things).
- b. **More efficient delivery** – by exploring structural/business practice changes that improve productivity and efficiency, we can deliver the same or similar value to the community for less cost. This could include a number of considerations, for example:
 - Regional collaboration – e.g. LASS, joint back office functions, regional facilities etc

- Taking advantage of technology improvements – e.g. replacing manual processes with automated ones
 - Changing business practices – e.g. greater alignment of capital projects to achieve synergies
 - Business structure – e.g. centralisation of functions
 - New business models – e.g. outsourcing, CCOs where these can be shown to deliver more economic solutions (e.g. by accessing economies of scale or achieving efficiency through specialisation).
- c. **Change the way we deliver** – by better understanding how our community wants services delivered, we can do things differently – providing more value for the same or similar cost e.g. streamlining the way that we process building consents to better meet needs of applicants.
- d. **Change ‘who pays’** – by shifting the funding responsibility from the Council to others (including central government, private enterprise, developers, regional council, tourists, Trusts, community groups etc), we can provide the same or similar value to our community with less impact on rates.
- e. **Community-led development** – by involving the community in the design and delivery of services, solutions delivered are better aligned to needs and/or perceived value is greater. Recent examples include involving communities in the design and delivery of playgrounds and giving the Hamilton City Business Association responsibility for central city events.
23. The business transformation project is primarily focussed on the second of these broad areas – more efficient delivery of services – with four specific workstreams outlined below.

Discussion – Programme Delivery

24. Stream 1 - Efficiency Stream.

25. In addition to the efficiency targets which have been allocated to each General Manager, the GMs are being asked to agree their year-end efficiency target with the CE and Business Transformation Director. The agreed target will be represented by a specified level of expenditure below budget in the long-term plan, while at the same time maintaining levels of service.
26. Not to be confused with an austerity initiative, this stream is designed to ensure GMs continue to strive for efficiency and protect against scope creep. The objective is to achieve the same outcomes for less through efficiency and innovation.

27. Stream 2 - Staff Innovation Stream.

28. Building on the culture of innovation and staff engagement across the Council, this stream formalises a programme that fosters staff innovation. Staff are encouraged (and potentially rewarded) to make efficiency suggestions, process changes, identify improvements, reduce wastage or promote other cost savings. It is envisaged that staff will be involved in the detailed analysis and implementation of suggestions.
29. This stream will be championed by the CE and supported by the Business Transformation team using agile management practices. This stream will work in tandem with the Smart Hamilton programme and Culture Change programme.

30. Stream 3 – Service Delivery Stream.

31. Challenging the status quo and investigating new ways to achieve improved community outcomes delivered differently at lower costs is the aim of this stream. It is based on the premise that the Council has responsibility to determine and fund various outcomes but needs to challenge who is the best party to deliver those outcomes.
32. Wherever possible, the Council should challenge the delivery basis for all Council activities, providing it is cost efficient or provides for better outcomes to do so. The focus should be on 'what's best for the community'. This is consistent with Section 17a of the Local Government Act that requires the Council to conduct periodic service delivery reviews. These reviews consider the governance, funding and delivery of services to ensure the Council is cost-effectively meeting the needs of the community. This stream (including completion of service delivery reviews) is being led by the Business Transformation Director.

33. Stream 4 - Capital Expenditure Stream.

34. Any optimisation of the capital expenditure over that estimated in the 10-year plan has a very material impact on financial modelling. It will affect operating expenditure, interest and depreciation. This stream is being driven by the GM Development who is ensuring that the Council optimises the capex timing in the 10-year plan, while maintaining agreed community outcomes.

35. What is a saving?

36. A saving is a positive variance against the level of saving assumed in the 10-year plan.
37. Savings can be either a one-off saving affecting one financial year-end or a persistent saving that lowers an actual cost against budget over multiple years.
38. A saving might be an intervention derived from an innovation, a culture change, business transformation, new ideas, or more strategic procurement.
39. Any additional revenue derived through different business models also equates as a cost saving.
40. Similarly, costs that are higher than assumed in the 10-year plan are essentially negative savings. These count against positive savings and impact progress toward the agreed total savings target.
41. Significant work went into producing the 10-year plan and calculating the Council's best estimate of future costs. The costs detailed in the 10-Year Plan represent the base case against which to measure savings.
42. Vacancy factor is included in the identified savings. It is not accumulative so has to be achieved every year. The vacancy factor is a large area of savings and is identified by measuring actual personnel costs in the everyday expenditure report after adjustments against budgeted personnel costs.
43. While it only effects a single year, it does reduce the salary base of subsequent years.
44. The vacancy factor target is 4.3% of the staff remuneration budget. In Year 1 this is \$3.376M and over the 10-years amounts to \$39M.
45. The effect of Elected Member decisions on savings:
 - a. Where a feasible intervention would lead to a reduction in costs it will be recognised as a saving even if Elected Members decide to spend the saving (for example by extending scope on another project or adding additional projects).
 - b. Where a recommendation to Council or a committee for a feasible intervention to reduce costs or save money is not approved by the Council or committee it will still

be recognised against the savings target and management will continue to look for opportunities to bring other savings forward.

- 46. The half yearly cost saving report to the Finance Committee will detail the total other savings achieved within the categories: Vacancy Factor, Capital driven interest cost, Capital driven depreciation and changing business models.
- 47. The benchmark measurement is the Everyday Expenditure Report. The various savings interventions including the cultural changes around cost containment and other innovations are together assumed to be the driver of savings against the 10-year plan budget.

48. Programme Progress

- 49. Streams 1 and 2 have yet to be formally launched across the Council. That said, a culture of sensible cost containment is normal practice within the organisation and has been reinforced by the senior leadership team.
- 50. It is important to ensure that this programme is not seen as solely a cost savings drive given it’s ambition to improve efficiency and innovation. New financial reports highlighting 10-plan budgets against past years’ expenditure levels have been built and will be used in discussions with senior managers to agree appropriate targets.
- 51. In stream 2 staff have already made quality suggestions to improve efficiency, despite the programme not yet having been rolled out to the wider Council. A number of staff suggestions are currently being investigated.
- 52. Stream 3 has started - these projects are longer term. Several areas are presently being investigated and assessed and will be brought back to the Council for consideration at the appropriate time.
- 53. Stream 4 is ongoing and has been operationalised into the new Development Group. To fairly measure the performance and effectiveness of the capital programme, both unders and overs are being incorporated as savings, or in the case of a budget overrun, as negative savings.

54. Savings

- 55. The following savings have been achieved to date in 2018/2019 against approved budgets in the 10-year plan year 1.

Item	Discussion	Year to Date savings	Budget Full year 2018/19	10-year Plan savings	
	\$000	December 2018	\$000	Year 2 to Year 10	
		\$000		\$000	
Vacancy factor	Measured as the variance in year-to-date everyday personnel costs against the 10-year plan year 1.	The year-to date actual adj. everyday personnel costs are \$38,497 against an adj. 10-year plan budget of \$40,309 (exc. vacancy budget)	1,812	3,075	35,651

Interest Expense variance (1)	Only relates to the interest cost savings in the actual capital expenditure against the 10-year plan.	The phased budgeted capital expenditure is against the actual expenditure and the difference is multiplied by the average interest rate in budget of 4.85%	46	203	2,873
Depreciation Expense variance (1, 2)	Only relates to the depreciation cost variance caused by actual capital expenditure against the 10-year plan (excluding revaluations effects)	The variance in the budgeted capex per asset against the budgeted depreciation rate for the asset	92	172	43,094
General cost containment savings (3)	Everyday operational spend (exc. personnel, Councillor, Finance and depreciation) actuals against budget	Adjusted actual everyday costs were \$37,298 against a budget of \$39,395 - excluding the efficiently target	2,098	93	5,434
Alternative business models (4)	<i>WIP</i>		0	155	3,446
<i>Revenue variance (not included in totals) (5)</i>		<i>Revenue variances in Everyday revenue</i>	<i>4,290</i>	<i>0</i>	<i>0</i>
Total to December 2018 (6)		Excl. revenue variance	4,860	4,000	90,498

56. Notes

- (1) Interest Expense and Depreciation are below the budgeted level because although the level of capital expenditure in the first 3 months of the year was marginally ahead of the 10-year plan and only dropped behind budget in the last 3 months. As at 31/12/2018, Council has spent \$27m less than budgeted which will result in positive variances in both interest and depreciation over the next period. Care is again needed to ensure budgeted outcomes are on track while being within budget.
- (2) Savings are calculated on a budgeted capital project by project basis using the timing of the project multiplied by the depreciation rate for the period of the delay. It is unaffected by changes in the depreciation rate through revaluations.
- (3) General expenditure saving over the 10- year period is targeted at a total of \$5.4M so the current \$2.1m should be seen as very temporary and timing related.
- (4) Alternative business models are being investigated with a number of potential opportunities. These will be brought to council in due course.

(5) Additional everyday revenue is not a saving but is being reported here to ensure councillors are aware that this is a material increase in revenue that does in some cases result in additional work and costs.

(6) It is possible that the total savings do not reflect all the value added through the program. For instance, if through streams 1 or 2, changes are made that result in decreasing interest expense which are unrelated to capital expenditure then although these savings will be reported they were not assumed in the \$94m over 10 years.

Attachments

There are no attachments for this report.

Council Report

Item 13

Committee: Finance Committee

Date: 21 February 2019

Author: Sean Murray

Authoriser: Sean Murray

Position: General Manager Venues,
Tourism and Major Events

Position: General Manager Venues,
Tourism and Major Events

Report Name: H3 Report Quarter Two - 1 October to 31 December 2018

Report Status	<i>Open</i>
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Purpose

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

Staff Recommendation

That the Finance Committee receives the report.

Executive Summary

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

Attachments

Attachment 1 - H3 Quarter Two Report October to December 2018 .

H3 Group Limited Quarter Two Report 1 October – 31 December 2018





H3 is a business unit within the Venues, Tourism and Major Events Group at Hamilton City Council responsible for event facilities.

Venues, Tourism and Major Events Group Purpose:

- To maximise the value to Hamilton from its major events, venues and tourism opportunities.

H3 Purpose:

- To attract and deliver exceptional event experiences.

Report Purpose:

- This report focuses on Quarter Two 2018/19 and has been produced for Hamilton City Council's Finance Committee meeting on 21 February 2019.





SKYCITY NZ Breakers vs Illawarra Hawks at Claudelands Arena - December 2018

1. HIGHLIGHTS

- 1.1. H3 venues hosted a wide variety of events in Q2. The second quarter saw over 123,485 people attend events at H3 Venues, taking total attendance year to date to 234,984.
- 1.2. Overall, revenue and the total number of events was up for the quarter (when compared against budget and 2017/18 results) although hire days and attendance was down. This reflects the every-changing business mix for H3 venues.

CLAUDELANDS

- 1.3. At Claudelands, the venue hosted The Kingitanga 160th Anniversary Charity Gala, Dinner, Westpac Waikato Business Awards, Oh What A Night! concert, Michael Jackson Tribute, Foreigner in Concert, Tainui Waka Primary School Kapa Haka Competition, 7 Days LIVE and The Abba Show.
- 1.4. The venue was also home to a Constellation Cup Silver Ferns v Australian Diamonds match when 3,600 people attended. Other sporting events included the 2018 New Zealand Open Dance Championships and 2018 NZ Marching Championships plus the SKYCITY NZ Breakers vs Illawarra Hawks just prior to Christmas.
- 1.5. In addition to ticketed events, Claudelands hosted almost 40 business events across the quarter. This included the NZ Concrete Industry Conference (374 pax), IRD Regional People Leaders Forum (115 pax), National Maori Housing Conference (400 pax) and the Pasture Summit North Island Conference (350 pax) plus a number of smaller business meetings, ranging from half day to full day hires. It also hosted over 20 other functions such as graduation balls, school prizegiving ceremonies and an increased number of corporate Christmas and end of year functions for a number of Hamilton and Waikato based companies.



- 1.6. Exhibitions and large expo-type events were also popular with the Waikato Home and Garden Show 2019, Jaguar Art of Performance Tour, Waikato A&P Show, Last Season Sale, 1-Day Sale and the weekly Hamilton Farmers Market attracting consistent crowds.

STADIA

- 1.7. FMG Stadium Waikato held three Mitre 10 Cup matches throughout the quarter including the semi and final. Focus at the Stadium then turned to turf and venue preparation for the 2019 HSBC NZ Sevens event in late January 2019.
- 1.8. Seddon Park hosted Northern Districts Knights v Otago Volts, Central Stags and Canterbury plus training days for New Zealand A and India A teams, Plunket Shield matches and Burger King Super Smash T20 games up to just prior to Christmas. Focus at Seddon Park then turned to venue preparation for upcoming Burger King Super Smash T20 games, and BLACKCAPS, White Ferns and India team trainings, and ODI and T20 matches in January and February 2019, plus Bangladesh training and test match in late February 2019.
- 1.9. FMG Stadium Waikato and Seddon Park also hosted smaller business events (106) and functions (14) in their meeting and function space areas throughout the quarter.



2. FINANCIAL SUMMARY

2.1 TABLE 1 – H3 RESULT FOR THE PERIOD 1 JULY TO 31 DECEMBER 2018

Prior YTD Actual 2017-18		Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
\$000		\$000	\$000	\$000	\$000
	Revenue				
0	Subsidies and Grants	0	0	0	0
0	Capital Revenue	2	0	2	100
3,588	Revenue from Activities	3,629	3,063	566	6,072
3,588	Total Revenue	3,631	3,063	569	6,072
	Direct Operating Costs				
1,218	Cost of Sales	1,170	936	(234)	2,219
2,446	Personnel Costs	2,393	2581	188	5,359
751	Operating & Maintenance Costs	672	933	261	2,053
95	Professional Costs	123	118	(6)	245
498	Administrative Costs	659	656	(3)	1,335
741	Property Costs	753	729	(24)	1,527
5,749	Total Direct Operating Costs	5,770	5,952	182	12,737
(2,161)	Direct Operating Surplus/(Deficit)	(2,139)	(2,889)	750	(6,565)
	Indirect Revenue				
378	Interest Income	216	120	96	240
	Indirect Overhead Costs				
2,319	Depreciation and Amortisation	2,616	2,488	(128)	5,223
1,147	HCC Overhead Allocation	1,094	1,301	207	2,601
1,592	Finance Costs	981	996	15	1,992
5,059	Total Indirect Operating Costs	4,691	4,785	94	9,816
(4,682)	Net Indirect Costs	(4,475)	(4,665)	190	(9,576)
(6,842)	Net Surplus/(Deficit)	(6,614)	(7,554)	940	(16,141)
(4)	Gains and Losses	(36)	0	(36)	0
(4)	Total Gains and (Losses)	(36)	0	(36)	0
(6,842)	Surplus/(Deficit)	(6,650)	(7,554)	904	(16,141)

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



Concrete NZ Conference at Claudelands - October 2018

OPERATING EXPENDITURE

COST OF SALES

- 2.2 Additional costs relate to the ongoing uplift in revenue and most notably the increase in Audio Visual expenses (personnel and equipment hire recharged back to clients) relating to business events.

PERSONNEL COSTS

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

OPERATING AND MAINTENANCE COSTS

- 2.4 Favourable due the timing of maintenance programmes across H3 venues. This is expected to catch up across the remainder of year. Looking ahead, the business will face increased insurance and electricity costs.

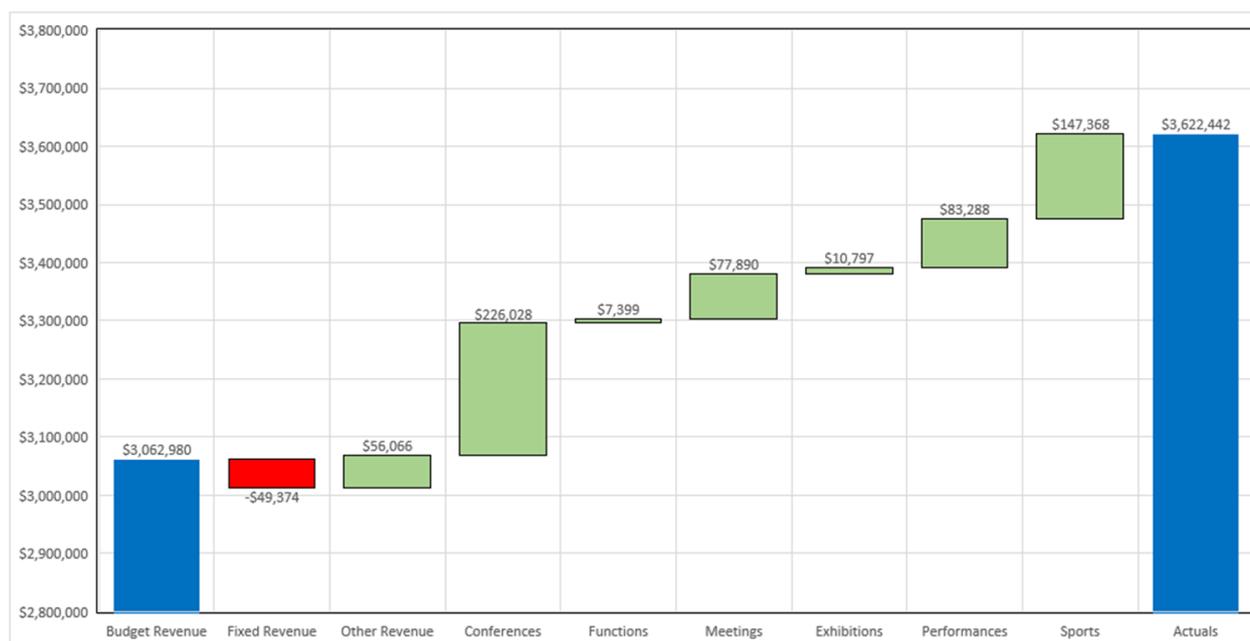
YEAR-END RESULT

- 2.5 Year-end operating expenditure is expected to come in around \$500k under budget.



2.6 H3 REVENUE SUMMARY

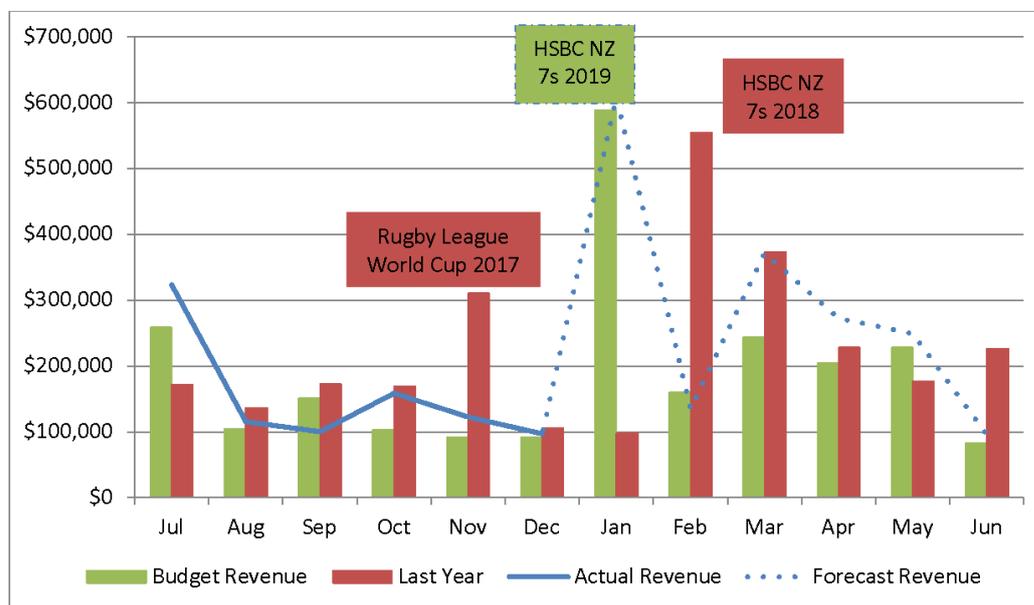
GRAPH 1: H3 REVENUE VARIANCE TO BUDGET YEAR TO DATE 2018/19



- 2.6.1 Total revenue was above budget by \$569K (18%).
- 2.6.2 The fixed revenue deficit (\$49k) is due to a timing issue which will be neutralised in Q3.
- 2.6.3 Conference revenue was over \$226k above budget due to longer conferences, which drove a higher yield.
- 2.6.4 Meetings revenue was \$78k above budget with much higher event volumes, partly offset by a lower yield due to the shorter length and lower attendees per event.
- 2.6.5 Exhibitions revenue was \$11k over budget, driven by higher attendance figures.
- 2.6.6 Performance revenue was \$83k above budget due to additional and larger than budgeted events
- 2.6.7 Sporting events revenue variance was \$147k above budget due to the additional Stadium events.
- 2.6.8 Year end, revenue is forecast to finish 11% (\$695k) over budget with positive variances across all venues and event types.

2.7 2018/19 Q2 STADIA RESULT

GRAPH 2: 2018/19 STADIA REVENUE YEAR TO DATE AND FORECAST



2.7.1 Total revenue YTD was 13% above budget driven by event revenue, in particular Sport.

2.7.2 Meetings revenue has remained favourable, being 39% above budgeted levels.

2.7.3 Our year end position for revenue is tracking to finish 13% ahead of budget, driven substantially by our sporting events.

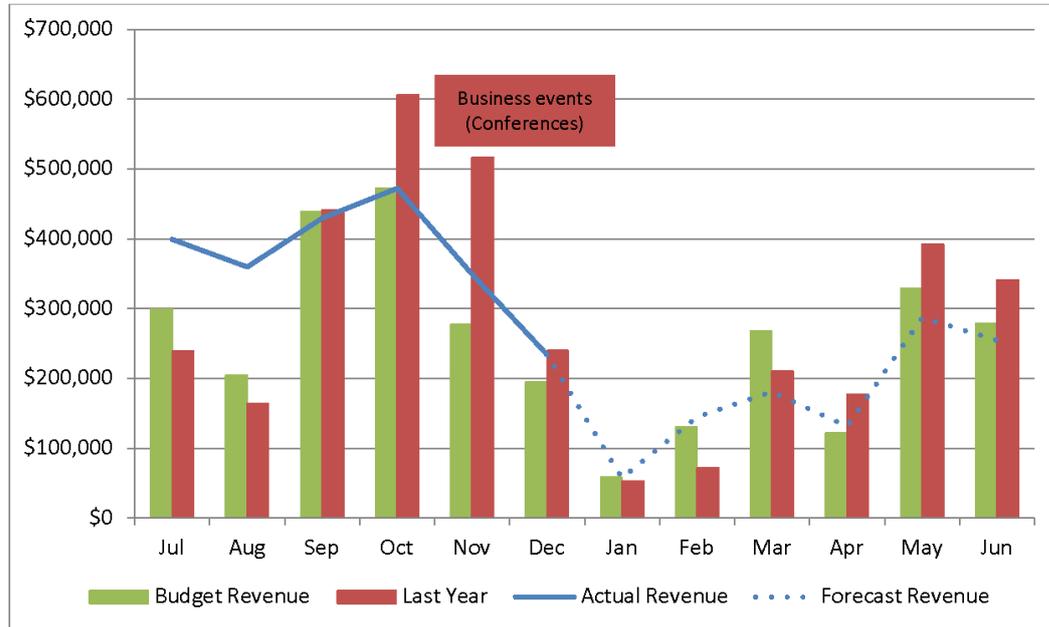
TABLE 2 – STADIA FINANCIAL SUMMARY FOR THE PERIOD 1 JULY – 31 DECEMBER 2019

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	\$000	\$000	\$000	\$000
Revenue				
Subsidies and Grants	0	0	0	0
Capital Revenue	2	0	2	100
Revenue from Activities	987	865	122	2,430
Total Revenue	989	865	124	2,530
Direct Operating Costs				
Cost of Sales	357	266	(91)	1,122
Personnel Costs	888	1,065	177	2,132
Operating and Maintenance Costs	452	611	159	1,397
Professional Costs	86	59	(26)	131
Administrative Costs	275	243	(31)	498
Property Costs	386	373	(13)	817
Total Direct Operating Costs	2,443	2,617	(175)	6,097
Direct Operating Surplus/(Deficit)	(1,453)	(1,752)	299	(3,567)



2.8 2018/19 CLAUDELANDS RESULT

GRAPH 3: 2018/19 CLAUDELANDS REVENUE YEAR TO DATE AND FORECAST



2.8.1 Claudelands total revenue finished 19% above budget driven by longer conference events bringing in a higher yield. Meetings, functions and performances also finished above budget by 43%, 27% and 23% respectively.

2.8.2 Year-end Claudelands is forecast to finish 7% above budget with strong performance across all event types.

TABLE 3 – CLAUDELANDS FINANCIAL SUMMARY PERIOD 1 JULY – 31 DECEMBER 2019

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	\$000	\$000	\$000	\$000
Revenue				
Subsidies and Grants	0	0	0	0
Capital Revenue	0	0	0	0
Revenue from Activities	2,642	2,198	444	3,642
Total Revenue	2,642	2,198	444	3,642
Direct Operating Costs				
Cost of Sales	528	356	(172)	1,097
Personnel Costs	1,505	1,627	121	3,227
Operating and Maintenance Costs	505	636	131	656
Professional Costs	38	58	21	114
Administrative Costs	385	413	28	836
Property Costs	367	356	(11)	710
Total Direct Operating Costs	3,328	3,445	(117)	6,640
Direct Operating Surplus/(Deficit)	(685)	(1,247)	562	(2,998)



Function set up in the Claudelands Arena – November 2018

3. ACTIVITY SUMMARY

3.1 NUMBER OF EVENTS, HIRE DAYS AND ATTENDANCE BY EVENT TYPE

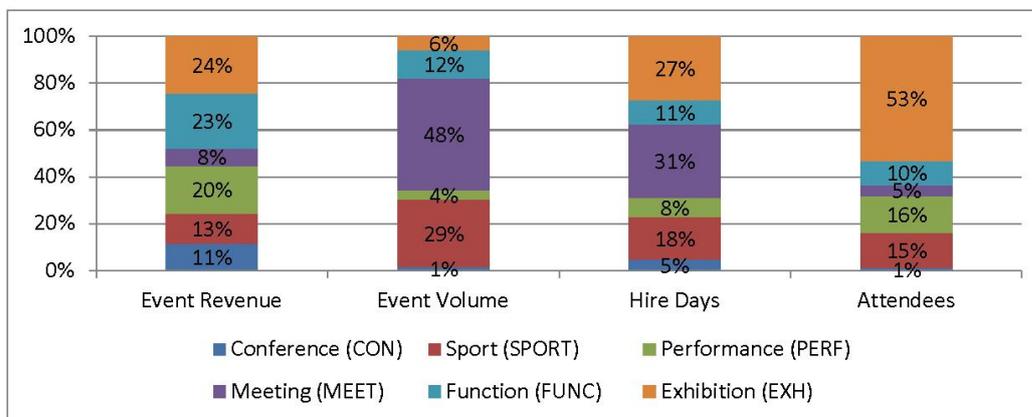
TABLE 4: FOR THE PERIOD 1 OCTOBER – 31 DECEMBER 2018

Event Type	Number of Events Q2	YTD	Hire Days Q2	YTD	Attendance Q2	YTD
Business Events	190	378	114	238.5	19,816	33,425
Exhibition	18	50	66.75	86.75	65,730	106,138
Performance	12	22	20	64.25	19,540	28,884
Sport	90	228	44.25	114.75	18,399	66,537
Total	310	678	245	504.25	123,485	234,984
FY 2017/18 comparison	283	621	325.50	561.25	146,052	250,580

3.1.1 All primary markers for the business performed well in comparison to the previous year's results.

3.2 BUSINESS MIX BY EVENT TYPE

GRAPH 4: FOR THE PERIOD 1 OCTOBER – 31 DECEMBER 2018



3.3 2018-2028 10-YEAR PLAN KEY PERFORMANCE INDICATORS

TABLE 5: FOR THE PERIOD 1 OCTOBER – 31 DECEMBER 2018

Measure	Annual Target	Q1	Q2	YTD	Comment
The number of people attending events at H3 Venues	438,000	111,449	123,535	234,984	We are on track to exceed the target at year end, with 533k attendees forecast.

4. OTHER NON-FINANCIAL KPIS

4.1 CUSTOMER SATISFACTION

TABLE 6: FOR THE PERIOD 1 OCTOBER – 31 DECEMBER 2018

Survey Type	Q1	Q2	YTD	Comment
Business Events Hire Survey (1-10)	9.6	9.2	9.4	Survey results are above average for Q2 for business events and ticketed events.
Ticketed Events Attendee Survey (1-10)	8.8	8.7	8.8	

4.2 KEY SUPPLIERS

4.2.2 One tender was publicly notified in Q2 and is due to be awarded in early Q4.

- Contract 18176 – FMG Stadium Waikato Turf Replacement Tender

4.3 SOCIAL MEDIA HIGHLIGHTS

4.3.1 HLive promotes to a core email subscriber database of approximately 66,000 people. Promotion includes major events of special significance across the city including those staged within H3 venues, those supported through council's event sponsorship fund, or those of significance staged by other organisations in Hamilton and the immediate region or any other venue/event who contracts their services.

4.3.2 The HLive NZ Facebook page (launched on 1 March 2017) had a positive increase of 419 likes over the past quarter, going from 9,245 on 1 October 2018 to 9,664 on 31 December 2018.

4.3.3 From the period 1 October to 31 December 2018, the Claudelands NZ Facebook page experienced an increase of 723 likes, growing from 14,368 to 15,091, while FMG Stadium Waikato's page following grew by 118 during this period, from 6,402 to 6,520.

4.3.4 The H3 Marketing team continues to review and refine its social media approach to maximise its effectiveness. Currently video content, competitions and event announcements tend to generate the most organic reach and engagement via these channels.

4.3.5 Our top post for the last quarter was the 1 November announcement on Claudelands NZ that Paw Patrol Live was bringing their 'The Great Pirate Adventure' show to Hamilton.

The announcement post included a hype video for the show and reached over 28,000 people. The post gained 1,235 reactions, comments and shares, and generated 3,740 clicks through to sign up for the HLive newsletter for presale access.

Claudelands NZ
Published by Kylee Boswell [?] · November 1, 2018 · 🌐

ANNOUNCEMENT: Get excited Hamilton, PAW Patrol Live! is coming back to Claudelands NZ with their new tour "The Great Pirate Adventure!" 🏴‍☠️

Featuring all your favourite characters, this amazing new show will be at Claudelands on Saturday 19 & Sunday 20 January 2019!

Make sure you're signed up to the HLive newsletter to gain access to the exclusive presale this Friday: bit.ly/2uGjlho

Paw Patrol - Hamilton
00:31

BIT.LY
Paw Patrol - Hamilton [Sign Up](#)

Performance for Your Post

28,158 People Reached

14,464 3-Second Video Views

1,235 Reactions, Comments & Shares 🗨️

269 Like	134 On Post	135 On Shares
31 Love	16 On Post	15 On Shares
2 Haha	1 On Post	1 On Shares
10 Wow	5 On Post	5 On Shares
860 Comments	610 On Post	250 On Shares
63 Shares	60 On Post	3 On Shares

3,740 Post Clicks

4.4. PEOPLE

4.4.1 Year to date, H3's permanent staff turnover is 3.33%, with two staff members leaving H3 in Q2 against an average staff number of 60. We had no leavers in Q1.

4.5 HEALTH AND SAFETY –

TABLE 7: INJURIES, MEDICAL TREATMENT AND LOST TIME INJURIES FOR THE PERIOD 1 OCTOBER – 31 DECEMBER 2018

	Q1	Q2	YTD	Comments
Injuries	4	4	8	6 H3 staff, 1 visitor, 1 contractor
Medical Treatment	0	1	1	Concussion from cricket ball to the head (H3 staff)
Lost Time Injuries	0	0	0	



4.5.1 The following Health and Safety actions were completed by H3 during Q2:

- Claudelands – changing arena fluorescent lights to LEDs to provide better lighting and installation of solid sides on Hall D, eliminating the risk of people being injured by temporary canvas sides.
- FMG Stadium Waikato - Emergency Response Scenario session held with contactors and services providers in December 2018.
- Seddon Park – Dumb waiter and stair replacement completed at the pavilion eliminating risk of fall from slippery steps.
- Other – Assessment of staff needs to increase efficiency and assist with management of long working hours, earthquake drill completed with over 80 people participating across H3, including clients on site at Claudelands and participation in activation of Claudelands at Civil Defence Centre.



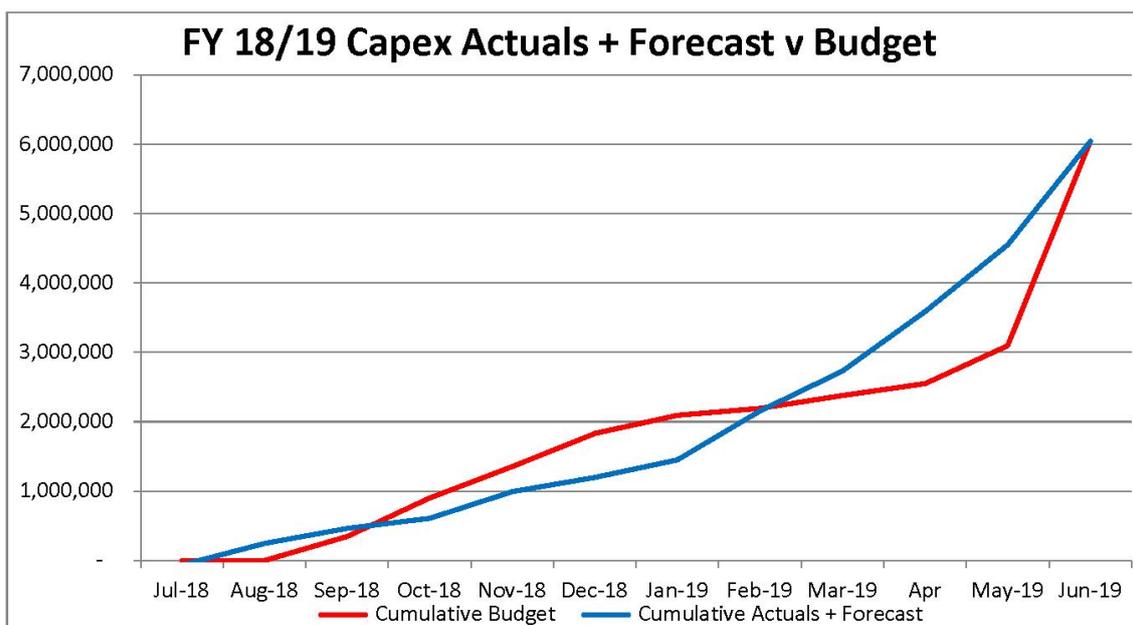


View from Oaks Lounge across Seddon Park

5. CAPEX AND ASSET MANAGEMENT

5.1 2018-19 CAPEX SPEND ACTUALS + FORECAST VERSES BUDGET

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



ASSET MANAGEMENT

SEDDON PARK – LIGHT TOWERS

- 5.2 Planning for the replacement of lights has continued during Q2. The business case for full replacement of the lights was approved at the December Council meeting. Procurement is currently being finalised, along with the designed being well progressed. Project planning is underway, with physical works to occur during April/May 2019.

FMG STADIUM WAIKATO – LIGHT TOWERS

- 5.3 No further work carried out on this, pending result of the Seddon Park lights project.

FMG STADIUM WAIKATO - TIE RODS (LIGHT TOWERS)

- 5.4 During 2016/17 rust was identified on the tie rods at the stadium with remedial work undertaken to give us time to complete preparation for replacement work. Work is underway to go to tender for the work to commence in Q4.

FMG STADIUM WAIKATO – CHIEFS CORPORATE BOXES

- 5.9 Further to previous reports to council, resource consent has been received and application for a building consent has begun. The Chiefs have begun procuring the boxes with construction now delayed into Q3. Construction is now due to start late February. A story wall concept is being worked through to go along the front ground level of the boxes telling the history of the Stadium. This is a Chiefs initiative and will generate additional revenue from increased rental and catering commissions for H3.

FMG STADIUM WAIKATO – TURF REPLACEMENT

- 5.10 We are planning for the replacement of the turf at the end of 2019 (within FY 2019-20). Budgeted cost is \$1.5m, with detailed costings to be completed. The business case is approved with the tender process underway. Product selection and approved vendor to be finalised early in Q4 of FY18-19 year. Work will commence in November 2019.

MULTIPLE VENUES – INITIAL SEISMIC ASSESSMENTS (ISA)

- 5.11 Council's Facilities team has engaged in ISA across a range of buildings at H3 venues as part of a Council wide programme. A future update will be provided when available





Crowds enjoying the HSBC NZ Sevens at FMG Stadium Waikato

6. HOT TOPICS

6.1 AREAS OF FOCUS

- Completion of Chiefs Corporate Hospitality Suites at FMG Stadium Waikato
- Light Tower renewal project planning at FMG Stadium Waikato and Seddon Park
- ISA and DSA building evaluations

6.2 EFTPOS AT FMG STADIUM WAIKATO

6.2.1 The GM will provide a verbal update at the meeting on this item.

6.3 UPDATE ON RECYCLING AT CLAUDELANDS

6.3.1 Recycling initiatives are under investigation with a waste management provider. Back of house initiatives required more review but front of house processes are currently being implemented.

6.4 THE YEAR AHEAD 2018/19 AND BEYOND

6.4.1 The forward sales position across H3 venues is very strong, particularly at Claudelands. At the same time H3's business development team is very busy with enquiries and quotations including some potentially large-scale conferences.

6.4.2 H3 remains challenged with peak season activity and turned down several large opportunities in the peak months i.e. September through December. Similarly, some impact events have been unable to secure availability at the Claudelands Arena which is increasingly under demand for larger conference activity.

6.4.3 A lack of hotel inventory in Hamilton remains our number one inhibitor to growth in the major conference business.

6.4.4 Planning ahead and activating our capital works programme will continue to challenge the business.



6.4.5 Some highlighted events in Q3 and Q4 include:

- Fat Boy Slim, Super Sunday Netball and ANZ Premiership Netball games, The Hollies and Charly Pride in concert, Relay for Life 2019, Cats the Musical, NZSO concerts, The Pink Floyd Experience and Waikato Hospice Bucket List Banquet at Claudelands;
- 2019 HSBC NZ Sevens, Nitro Circus 'You Got This' Stadium Tour; and 2019/20 Super Rugby Season matches commence at FMG Stadium Waikato;
- BLACKCAPs v India and Bangladesh and White Ferns v India at Seddon Park.



Council Report

Item 14

Committee: Finance Committee **Date:** 21 February 2019
Author: Lance Vervoort **Authoriser:** Lance Vervoort
Position: General Manager Community **Position:** General Manager Community
Report Name: Vibrant Hamilton Trust

Report Status	<i>Open</i>
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Purpose

1. To inform the Committee on the winding up of the Vibrant Hamilton Trust along with the transfer of its funds to Momentum Waikato for the Waikato Regional Theatre project.

Staff Recommendation *(Recommendation to Council)*

That the Finance Committee:

- a) receives the report; and
- b) recommends that the Council notes as part of their official records that the Vibrant Hamilton Trust has officially wound up and that the Hamilton City Council Governance Structure will be updated accordingly.

Executive Summary

2. The Annual Report and Audit Opinion reflects the financial statements being prepared on a disestablishment basis.
3. The Vibrant Hamilton Trust has now completed all actions necessary to bring effect to the Council resolution for \$6 million of the Trust funds to be transferred to Momentum Waikato for the Waikato Regional Theatre project, as part of Council's \$25 million commitment to this.
4. The Vibrant Hamilton Trust has also resolved for the Trust to be wound up.
5. Staff consider the matters in this report to be of low significance and that all legal requirements have been met.
6. Thomas Gibbons, the Chair of the Vibrant Hamilton Trust, will attend the meeting to present the report.

Background

7. At the 16 August 2018 Council meeting an update report was given on the actions being taken by the Vibrant Hamilton Trust to bring effect to the instruction given by Council for the Trust to make a \$6 million grant to the Waikato Regional Theatre project.

Discussion

8. Since that time the Vibrant Hamilton Trust has carried out a number of actions to bring effect to Council's resolution:
 - The Vibrant Hamilton Trust Deed has been varied to allow the Trust to have unrestricted rights to disburse all or any part of its capital and income at any time in support of the Trust's objectives. The original Trust Deed provided limitations on how much of the Trust's capital and income could be disbursed. The variation allows the Trust to grant all of its funds to Momentum Waikato.
 - It has approved a Deed of Gift between the Trust and Momentum Waikato that provides for \$6 million of the Trust funds to be used for the Waikato Regional Theatre project and any remaining funds to be used by Momentum Waikato for other city projects that align with the Vibrant Hamilton Trust's objectives.
 - The Deed of Gift has been signed by both parties.
 - The funds in the Vibrant Hamilton Trust investment portfolio have been realised as \$6.21 million cash, and these funds have been transferred to Momentum Waikato.
9. Staff have provided Momentum Waikato a priority project from the approved external funding plan that the remaining \$210,000 can be applied to - this being the Zoo/Waiwhakareke entry precinct project.
10. In the unlikely scenario that the Waikato Regional Theatre project should not advance to completion, the Deed of Gift provides for the Vibrant Hamilton Trust funds not expended to be used by Momentum Waikato towards other city projects that align with the Vibrant Hamilton Trust purposes.
11. The remaining action left is for the Vibrant Hamilton Trust winding up to be completed.
12. The Annual Report and Audit Opinion reflects the financial statements being prepared on a disestablishment basis.

Financial Considerations

13. The actions completed and outlined above are congruent with Council's financial strategy, the 10 Year Plan and the Council resolution from the meeting held on 6 and 7 December 2017.
14. Once the Vibrant Hamilton Trust CCO is wound up there will be a small saving of staff time related to the servicing of the administrative functions of the Trust.

Legal and Policy Considerations

15. All required legal considerations have been met in the transfer of the Vibrant Hamilton Trust funds to Momentum Waikato for the Waikato Regional Theatre project.

Cultural Considerations

16. There are no cultural considerations related to this matter.

Sustainability Considerations

17. There are no sustainability considerations related to this matter.

Risks

18. There are no known risks associated with this matter apart from those associated with the funding, construction and future operation of the Waikato Regional Theatre Project, which have been reported to Council in other fora.

Significance & Engagement Policy

Significance

19. Having considered the Significance and Engagement Policy, staff have assessed that the matter in this report is of low significance.

Engagement

21. Community views and preferences are already known to the Council through consultation on the Waikato Regional Theatre project.

Attachments

There are no attachments for this report.

Council Report

Committee:	Finance Committee	Date:	21 February 2019
Author:	Claire Foster	Authoriser:	Jen Baird
Position:	Property Officer	Position:	General Manager City Growth
Report Name:	Rototuna Family Golf Centre - New Lease - Callum Brae Drive		

Report Status	<i>Open</i>
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Purpose

- To seek the Finance Committee's approval for a new ground lease for the Rototuna Family Golf Centre Limited (RFGC).

Staff Recommendation

- That the Finance Committee:
 - receives the report;
 - approves a new ground lease for the Rototuna Family Golf Centre Limited located at Tauhara Park, 25 Callum Brae Drive, Rototuna based on the following:
 - Term 5 years, commencing 1 March 2019;
 - Renewals – 2 x 5 years (1 March 2024 and 1 March 2029);
 - Rental – \$27,500.00 plus GST per annum;
 - Rent reviews – market review on renewal; and
 - delegates the Chief Executive to give effect to this resolution.

Background

- RFGC is located at Tauhara Park, a Council-owned recreation reserve subject to the Reserves Act 1977, and has been operating since September 1998 as a commercial golf-based business offering full and half courses, pitch-n-put, crazy golf, shop and cafe. RFGC's webpage is <http://callumbrae25.co.nz/>
- RFGC leases the land only from the Council. All improvements (buildings, structures and mini-putt) are owned by RFGC. An aerial photograph of the leased area is attached.
- The existing lease commenced on 1 September 1998 for nineteen years and 364 days expiring on 30 August 2018. The agreement has been running on a month-by-month basis while negotiating a new lease.
- The Council's Parks and Recreation Unit recommends a maximum new lease term of fifteen years. This will provide certainty for RFGC and is consistent with similar operators on Council-owned reserve land.

Financial Considerations

7. Annual market rental was assessed at \$27,500 plus GST (56% increase) in accordance with standard commercial practice by a registered valuer.
8. RFGC pays annual Hamilton City Council rates of \$10,121 for the leased area (2018/19 assessment).

Legal and Policy Considerations

9. Staff confirm that the staff recommendation complies with the Council's legal and policy requirements. The lease will be issued under Section 54(1)(d) of the Reserves Act 1977.
10. In accordance with the requirements of the Reserves Act the RFGC is included in the Operative Sports Park Management Plan dated September 2009 as an accepted activity.

Cultural Considerations

11. There are no known cultural considerations associated with the decision to grant the new ground lease.

Sustainability Considerations

12. There are no known sustainability considerations associated with the decision to grant the new ground lease.

Risks

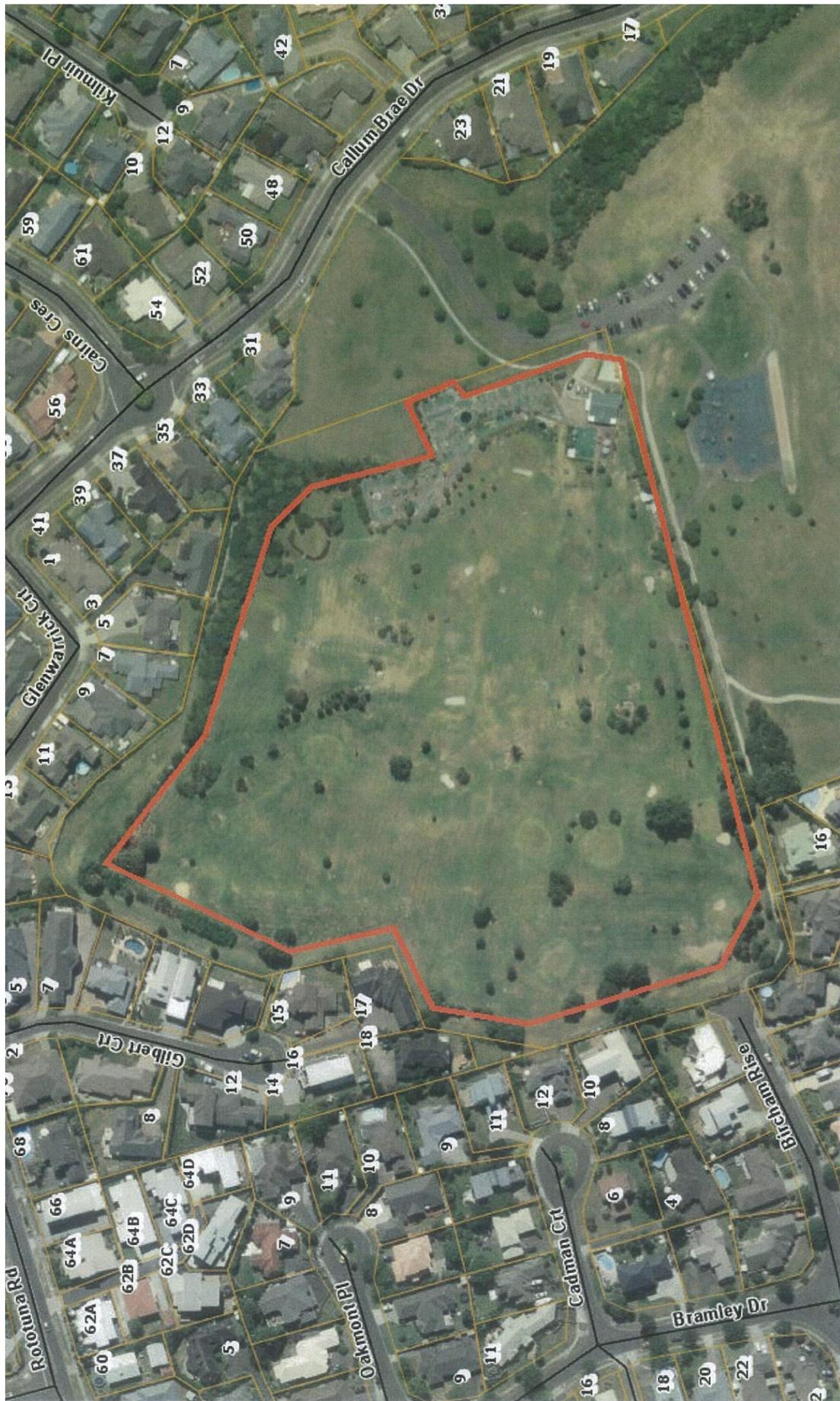
13. There are no known risks associated with the decision to grant the new ground lease.

Significance & Engagement Policy

14. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed the recommendations in this report have a low level of significance and no engagement is required.

Attachments

Attachment 1 - Aerial Photograph - Rototuna Family Golf Centre Lease .



Red outline - lease area of approx 4.2ha

Print Size: A4 Landscape

Scale: 1 : 2000
 0 50 100 Meters

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11-2019/111

Print Date: 30-01-2019

Other matters

Item 16

Legal and Policy Considerations

8. Approval of this proposal ensures that Council's COs, CCOS and CCTOs practices are compliant with current guidelines and legislation and are consistent with current Council Controlled Organisations.

Risks

9. There is no risk to Council in reviewing the Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy.

Significance

10. Staff considered the level of significance under the Significance and Engagement policy and have assessed that the matters in this report have a low level of significance.

Engagement

11. Staff recommend that no engagement on this matter is required. Matters in this report will be subject to approved delegations or decision-making processes.

Cultural Considerations

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

Attachments

Attachment 1 - Appointment and Remuneration of Board Members of COs, CCOs & CCTOs Policy (Draft Feb 2019) .

Appointment and Remuneration of Board Members of:

- Council Organisations (COs)
- Council Controlled Organisations (CCOs)
- Council Controlled Trading Organisations (CCTOs)

Purpose and Scope

1. This Policy is required by Section 57 of the Local Government Act 2002 (LGA). This Policy assists Hamilton City Council implement satisfactory governance over Council Controlled Organisations. This Policy applies to all CCOs, Cos and CCTOs (all referred to as CO's in this Policy document) as defined in Section 6 of the LGA. Hamilton City Councils current CCO and Cos are listed in Schedule 1.

Definitions

Definition	Detail
CO	A CO is an organisation in which Council has a voting interest and/or the right to appoint a director, trustee or manager.
CCO	A CCO is CO in which one or more local authorities control, directly or indirectly, 50 percent or more of the voting rights and/or have the right, directly or indirectly, to appoint 50 percent or more of the directors, trustees or managers.
CCTO	A CO which operates a trading undertaking for which making a profit is one of its purposes.

Principles

2. Hamilton City Council must be transparent and objective in its appointment of competent and professional individuals to the governance bodies of HCC's COs.
3. Hamilton City Council should appoint independent directors. Elected Members and/or HCC officers should only be appointed in exceptional circumstances.

Policy Guidelines

Appointments and Performance Management

4. Appointees should have the appropriate balance of skills, knowledge, integrity and governance experience.
5. All positions require a formal position description which all appointees must formally acknowledge and accept.
6. An annual review of appointees' delivery against the position description should be undertaken by the Finance Committee in conjunction with the respective CO's Chair.
7. No more than two Elected Members may be appointed to any particular CO.

8. Except under exceptional circumstances, Elected Members may not hold the position of Chair.

Tenure and remuneration

9. All Hamilton City Council appointments to the boards of COs are at the Finance Committee's discretion.
10. It is expected that, other than in exceptional circumstances, appointments are for two full and consecutive terms. A former appointee becomes eligible again after at least one full-term absence.
11. Remuneration of appointees is a matter of public interest and will be approved by resolution at the CO's Annual General Meeting.
12. Unless otherwise determined, Elected Members and Hamilton City Council officers appointed to the board of a CO shall not be entitled to any remuneration.

Appointment Process

13. As per its delegated authority, the Finance Committee, will approve all Hamilton City Council appointees.
14. For each appointee the Finance Committee shall:
 - a. Confirm the formal position description.
 - b. Instruct Hamilton City Council officers to compile a shortlist of candidates. This may involve collaboration with other stakeholders of the relevant CO.
 - c. Determine, in a public excluded meeting, the appointee most suitable for the position.
 - d. Gain acceptance of the appointment from the successful candidate.
 - e. Make a public announcement of the successful appointee as soon as is practical.

Conflicts of Interest

15. Hamilton City Council expects that, in line with good governance practice, all appointees will avoid actions which could give rise to a conflict of interest. This includes, but is not limited to, the offering of gifts, hospitality, travel, entertainment. Appointees should follow the provisions of the New Zealand Institute of Directors' Code of Ethics.

Monitoring and Implementation

16. This Policy will be activated and monitored by the Finance Committee which, as per its terms of reference, has the power to approve the appointment and remuneration of directors to the boards of the COs.
17. Hamilton City Council officers will advise the COs as to HCC's strategic direction, requirements of Statements of Intent and other relevant matters on behalf of the Finance Committee.
18. The Policy will be reviewed:
 - a. every three years or
 - b. at the request of HCC or
 - c. in response to changed legislation and statutory requirements.

Schedule 1

At the time of writing the entities subject to this Policy are:

CCO's

- Waikato Local Authority Shared Services Ltd (WLASS).
- New Zealand Local Government Funding Agency Ltd (NZLGFA)
- Waikato Innovation Growth Ltd (WIGL) and its subsidiary New Zealand Food Innovation Waikato Ltd (NZFIW).
- Waikato Regional Airport Ltd (WRAL).

CO's

- Civic Financial Services Ltd.

Item 16

Attachment 1

Council Report

Committee:	Finance Committee	Date:	21 February 2019
Author:	Nicolas Wells	Authoriser:	Jen Baird
Position:	Strategic Property Unit Manager	Position:	General Manager City Growth
Report Name:	Policy Review - Freeholding of Council Endowment Land Policy		

Report Status	<i>Open</i>
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Purpose

1. To recommend the Council approves the Freeholding of Council Endowment Land Policy which has been recently reviewed.

Staff Recommendation *(Recommendation to Council)*

2. That the Finance Committee:
 - a) receives the report; and
 - b) recommends that the Council approves the Freeholding of Council Endowment Land Policy (attachment 1 of this report).

Background

3. The Council owns land originally acquired by endowment from the Crown. The Council owns the freehold interest in the land. The leasehold interest in the land, together with all improvements, is owned by the lessee (the Council's tenant). The reasons for which the Council was endowed with the land are set out in the attached Freeholding of Council Endowment Land Policy (the policy).
4. The policy sets out the process for the lessee to freehold Council-owned land which is subject to Domain or Municipal Endowment ground leases. The ground leases are scheduled in the policy (Attachment 1).
5. All Council-owned land to be sold (including the endowment land ground leases) requires a specific resolution from the Council or the Finance Committee (unless previously approved for sale by the Council and included in the adopted 10-Year Plan).
6. The Freeholding of Council Endowment Land Policy is required because it:
 - sets clear and consistent rules for the process to sell this category of Council-owned land
 - provides a transparent process for the community (including the Council's tenants).

7. The policy was comprehensively reviewed in 2016. There were no substantive changes; however, some minor amendments were approved to clarify the policy by writing in plain English, and to simplify the policy by eliminating unnecessary content.

Policy Review

8. Council staff have reviewed the policy in advance of the next review date (September 2019) and have concluded that the Freeholding of Council Endowment Land Policy is fit for purpose, working well, and does not require any further alterations.

Financial Considerations

9. The Council receives a very low financial return from leased endowment land (2.56% average).
10. Freeholding of Council-owned leased endowment land is encouraged. Freeholding allows the Council to obtain a greater return by placing the money generated into higher-yield investments.
11. The money obtained from the sale of the freehold land must be used for the purpose of the relevant endowment described in the policy.
12. When a tenant applies to the Council to freehold their lease they pay all the Council's costs.
13. The value of the leased endowment land is established by a registered valuer. The value is based on "best and highest use" and is intended to ensure that the Council receives full value – recognising future development potential.
14. The policy has been revised in-house, so other than staff time, no costs have been incurred.

Legal and Policy Considerations

15. Staff confirm that the staff recommendations comply with the Council's legal and policy requirements. Freeholding is a legal transaction between the Council acting as a landlord (Lessor) and the Council's tenant (Lessee).

Cultural Considerations

16. All Council-owned land to be sold is subject to a rigorous due diligence process which includes a legal review and status report. This identifies all parties with any claim on the land and confirms whether or not any specific offer-back obligations exist.
17. Endowment land is governed by sections 140 and 141 of the Local Government Act 2002 (and in specific cases Schedule 3 of the Hamilton Domains Act 1911). The LGA permits the Council to sell or exchange the land but the proceeds must be used for a purpose that is consistent with the endowment.

Sustainability Considerations

18. There are no known sustainability considerations associated with the decision to approve the policy.

Risks

19. The reviewed policy has been written in plain English and simplified to eliminate the risk of confusion, and to provide clarity for the reader.
20. If no policy is approved the Council would have no transparent process for tenants or the community to see how these Council-owned public assets are sold.

Significance & Engagement Policy

- 21. Staff have considered the key matters under the Significance and Engagement Policy and have assessed the recommendations in this report have a low level of significance and no engagement is required.

Attachments

Attachment 1 - Freeholding of Council Endowment Land Policy .

First adopted:	24 May 2012
Revision dates/version:	February 2019
Next review date:	February 2022
Engagement required:	No
Document number:	D-2154462
Associated documents:	None
Sponsor/Group:	General Manager City Growth Group

Freeholding of Council Endowment Land Policy

Purpose and Scope

1. To describe the process to freehold (sell) Council-owned land which is subject to Domain or Municipal Endowment ground leases.
2. The Council owns land originally acquired by endowment from the Crown. Council owns the freehold interest in the land. The lessee (tenant) owns the leasehold interest in the same land.
3. This policy applies to land subject to Domain or Municipal Endowment ground leases (listed in Schedule 1 and 2 below).
4. This policy does not apply to any other Council-owned land or buildings.

Principles

5. The Council uses the income from the Domain Endowment (listed in Schedule 1) to maintain or improve reserves, purchase land in the name of the Crown as Recreation Reserve, or purchase land in the name of the Council for the purposes of the Hamilton Domain Endowment Act 1979.
6. The Council uses the income from the Municipal Endowment (listed in Schedule 2) for municipal purposes.
7. The Council encourages lessees to freehold the land. Ground leases typically yield low returns. The Council can benefit ratepayers by obtaining a greater return by placing the proceeds of sale in higher yielding investments.

Policy

8. The Council will freehold Endowment Land on application from the lessee.
9. Freeholding of **Domain Endowment** land shall proceed at 100% of the Current Market Value of the land based on independent valuation. The value may be contestable by arbitration.
10. Freeholding of **Municipal Endowment** land shall proceed at 100% of the Current Market Value of the land based on independent valuation OR the Lessors Interest Value based on independent valuation, whichever is the greater. The value may be contestable by arbitration.
11. The applicant lessee will pay all the Council's reasonable costs in the matter.
12. The sale proceeds shall be immediately credited to the relevant Endowment Fund.

Monitoring and Implementation

13. The Chief Executive will monitor the implementation of this policy.
14. The policy will be reviewed every three years, or at the request of the Council, or in response to changed statutory requirements, or in response to any issues that may arise (whatever comes first).

Schedule 1: Domain Endowment Leasehold Land

Property Reference	Property Address	Legal Description	Land Area
10002	297 Ulster Street	Lot 1 DPS 12212	2157.5m ²
10017	189 Fox Street	Lot 7 DPS 1200	675m ²
10020	5 Henry Street	Lot 8 DPS 2099	759m ²
10026	5 Cotter Place	Lot 8 DPS 4051	679m ²
10027	126 Fox Street	Lot 4 DPS 5647	718m ²
10029	103 Dey Street	Lots 7 & 8 DP 34426 and Lot 1 DPS 82950	1457m ²
10030	101 Naylor & Dey Streets		

Schedule 2: Municipal Endowment Leasehold Land

Property Reference	Property Address	Legal Description	Land Area
20017.001	145-149 Ward Street	Lots 14 & 15 DP 17135	791m ²
20017.002	145-149 Ward Street		
20017	151-155 Ward Street	Lots 16 & 17 DP 17135	971m ²
20019	179 Ward Street	Lots 23 & 24 DP 17135	592m ²
20015	258 Fox Street	Lot 13 DP 35611	558m ²
20016	12 Wiremu Street	Lot 9 DPS 5418	830m ²
20023.001	77 Norton Road	Lots 3, 4 & 6 DPS 8955	1668m ²
20023.002	79 Norton Road	Lot 5 DPS 8955	614m ²

Council Report

Committee:	Finance Committee	Date:	21 February 2019
Author:	Nicolas Wells	Authoriser:	Jen Baird
Position:	Strategic Property Unit Manager	Position:	General Manager City Growth
Report Name:	Policy Review - Municipal and Domain Endowment Funds Policy		

Report Status	<i>Open</i>
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Purpose

1. To seek the Finance Committee's recommendation for the Council to approve the Municipal and Domain Endowment Funds Policy.

Staff Recommendation *(Recommendation to Council)*

2. That the Finance Committee:
 - a) receives the report; and
 - b) recommends that the Council approves the Municipal and Domain Endowment Funds Policy (attachment 2 of this report).

Executive Summary

3. To approve the Municipal and Domain Endowment Funds Policy (the policy), which has been recently reviewed and has been found fit for purpose.
4. The Council has two endowment funds:
 - Municipal Endowment Fund (MEF)
 - Domain Endowment Fund (DEF).
5. The funds comprise land (ground leases), investment assets (land and commercial buildings) and cash. A schedule of the assets of the endowment funds is attached (Attachment 1)
6. The Municipal and Domain Endowment Funds Policy (Attachment 2) is required because it:
 - provides principles and criteria for management of the endowment funds
 - ensures that the Council complies with statutory requirements and common law principles relating to the endowment
 - provides for the flexible management and deployment of the endowment.
7. Council staff have reviewed the Municipal and Domain Endowment Funds Policy in advance of the next review date (29 September 2019) and have concluded that the policy is fit for purpose, working well, and does not require any further alterations.

Background

8. The Municipal and Endowment Funds Policy sets out the Council’s objectives for the endowment funds.
9. The policy was comprehensively reviewed on 29 September 2016. There were substantive changes to enable the endowment funds to be transferred and managed by a Council Controlled Trading Organisation (Hamilton Properties Limited) and a Council resolution to do so.
10. Subsequently, on 21 September 2017, the Council revoked this resolution, instead resolving to “dissolve Hamilton Properties Limited as a Council entity”. Accordingly, on 24 January 2018, Hamilton Properties Limited (Company Number 425257) was removed from the New Zealand Companies register under Section 318 of the Companies Act 1993.

Municipal Endowment Fund (MEF)

11. The MEF originated in the 1870s as a Crown grant of lands to the Hamilton Borough intended to provide an enduring income for “Municipal Purposes”. While “Municipal Purposes” is not defined, the Council has historically utilised the capital to offset debt and the income to offset operating costs in accordance with the MEF policy prevailing at the time.
12. The MEF consists of three asset categories:

Category	Value (\$)	Yield	Proportion
Land (7 ground leases)	4,005,000	3.56%	9%
Investment Property (3 commercial properties)	15,000,000	6.65%	31%
Cash (Restricted Reserve = used to offset debt)	28,639,293	4.77%	60%
Total	47,644,293	5.22%	100%

13. The land subject to ground leases can be sold (“freeholding”) at the request of the lessee. Council does not control the sale of this land. The controlling interest in the land is owned by the lessee. This category of the endowment is covered by the Freeholding of Council Endowment Land Policy – a separate report is included elsewhere on this agenda.
14. The investment properties can be sold at any time – noting that the decision to sell should be based on commercial property-related factors. To maximise sale proceeds, the properties should be sold on the open market in a transparent and fully competitive process.

Domain Endowment Fund (DEF)

15. The DEF was originally established in 1911 and owned by the Hamilton Domain Board. The Hamilton City Council is the successor to the Hamilton Domain Board.
16. The domain endowment functions differently from the municipal endowment in that it operates under the Hamilton Domain Endowment Act 1979, a unique legislative framework, and the money from sale of domain endowment land is used for different purposes as specified in the Act, specifically:
 - To meet the cost of improvement or development of recreation reserves
 - To purchase land as recreation reserve subject to the Reserves Act.
17. The fundamental obligation on Council regarding the domain endowment is to ensure that it is held to enhance existing reserves or to acquire new land for reserves. Domain endowment assets (land, buildings and cash) must retain a separate identity.
18. In the past, the Council has used money from the sale of domain endowment land to develop commercial premises (such as *The Verandah* at Hamilton Lake Domain), on the basis that they

enhance the amenity of the reserve land on which they sit, and the income they generate is used to benefit reserves within the city.

19. The Council has historically utilised the capital to offset debt and the income to offset the Parks and Open Spaces Unit's operating costs.
20. The DEF consists of two asset classes:

Category	Value (\$)	Yield	Proportion
Land (6 ground leases)	3,200,000	2.28%	29%
Cash (Restricted Reserve = used to offset debt)	7,760,968	4.77%	71%
Total	10,960,968	3.99%	100%

Discussion

21. Tompkins Wake has provided advice about the law relating to endowments.
22. The recipient of an endowment has a duty to comply with the conditions that attach to the endowment, to maintain the capital value of that endowment, and to utilise the income (or benefit derived from the endowment) for its intended purpose. These common law principles apply in the local government context.
23. Sections 140 and 141 of the Local Government Act 2002 (LGA) provide that endowment property must be retained by the Council for the purpose for which the property was vested in the Council. However,
 - a) the Minister of Local Government may approve additional or different purposes, or
 - b) the Council may sell or exchange the property (unless expressly prohibited by the instrument that vested the property in the Council) but the proceeds must be used for a purpose that is consistent with the endowment.
24. By their nature, endowments are intended to endure for very long periods of time - if not in perpetuity.
25. Tompkins Wake advises that the Minister's power to approve different purposes under section 140 of the LGA would be used sparingly, and would require the fundamental principles relating to endowments to continue to be respected.
26. This would require the funds to be used for acquisition of a non-depreciating asset (typically land) that would also provide either income, or possibly a significant intangible community benefit.
27. Tompkins Wake considers that an application to the Minister for endowment funds to be freed of their endowment status, and be made available for general council purposes would not be successful. Tompkins Wake does not recommend such an application be made.
28. However, if the Council has a particular project in mind for the use of the endowment funds that might not fit totally within the initial endowment purpose, but nevertheless will sustain the capital value of the fund, and provides a real measurable financial or social benefit, then application could be made to the Minister under section 140 for approval.

Financial Considerations

29. Table 1 below summarises the total value and performance of the endowment funds over the 2017/18 financial year.

30. Table 2 below summarises the total value and performance of the cash and investment assets of the endowment funds over the 2017/18 financial year - excluding the thirteen ground leases over which the Council has limited control.
31. It is possible to liquidate the investment assets of the MEF at any time. These assets have a Current Market Value of \$15M and generate a yield of 6.65%. The yield derived from these investment assets exceeds what would be generated by use of the sale proceeds to offset debt (4.77%).

Table 1

Endowment Funds – TOTAL VALUE		
Fund	Value (\$)	Yield
MEF	47,644,293	5.22%
DEF	10,960,968	2.28%
TOTAL	58,605,261	4.99%

Table 2

Endowment Funds – TOTAL VALUE – EXCLUDING GROUND LEASES		
Fund	Value (\$)	Yield
MEF	43,639,293	5.37%
DEF	7,760,968	4.77%
TOTAL	51,400,261	5.26%

32. The policy has been revised in-house, so other than staff time, no costs have been incurred.

Legal and Policy Considerations

33. There are two Council policies governing the Endowment Funds:
- The Municipal and Domain Endowment Funds Policy (Attachment 2) sets out the requirement for a minimum financial return from the assets equivalent to the Council's average cost of debt. The policy allows the assets to be deployed to *“support, advance and implement Council's strategic plans.”*
 - The Freeholding of Council Endowment Land Policy encourages the freeholding (sale of the Council-owned land to the lessee) of low-yielding ground leases.
34. The statutory framework governing endowment is detailed in paragraphs 21 to 28 above. In addition to the requirements of the LGA, the Hamilton Domain Endowment Act 1979 requires the DEF to be utilised as described in paragraph 16 above.
35. Staff confirm that the staff recommendations comply with the Council's legal and policy requirements.

Cultural Considerations

36. Endowment is governed by sections 140 and 141 of the Local Government Act 2002 and the Hamilton Domains Endowment Act 1979 (and in specific cases Schedule 3 of the Hamilton Domains Act 1911). The LGA permits the Council to sell or exchange the land but the proceeds must be used for a purpose that is consistent with the endowment.

Sustainability Considerations

37. There are no known sustainability considerations associated with the decision to approve the policy.

Risks

38. The reviewed policy has been written in plain English and simplified to eliminate the risk of confusion, and to provide clarity for the reader.
39. If no policy is approved, the Council would have no transparent principles and criteria for the management of the endowment funds. The Council would also be at risk of failing to comply with statutory and common law requirements.

Significance & Engagement Policy

40. Staff have considered the key matters under the Significance and Engagement Policy and have assessed the recommendations in this report have a low level of significance and no engagement is required.

Attachments

Attachment 1 - Endowment Funds - Asset Schedule

Attachment 2 - Municipal and Domain Endowment Funds Policy .

MUNICIPAL ENDOWMENT PROPERTY ASSETS
Annual Revaluation for the 2017/2018 Year (1 July 2017 to 30 June 2018)

Location	Date Purchased	Cost	Valuation 30/06/2017	Valuation 30/06/2018	Actual net income July 2017 to June 2018 after operating expenditure	Yield percentage on valuation at June 2018	Initial Lease Term	Next Renewal Date	Last Rent Review	Final Expiry Date
MUNICIPAL INVESTMENT PROPERTIES										
Asaleo Care (SCA Hygiene) 49 Foreman Road	31/05/2000	\$ 5,270,531	\$ 7,900,000	\$ 8,700,000	\$ 633,600	7.28%	10 years	30/09/2021	31/03/2018	30/09/2040
Online Security (Ironmountain) 378 Wairere Drive	19/04/2002	\$ 1,944,444	\$ 3,650,000	\$ 5,100,000	\$ 297,000	5.82%	8 years	1/04/2018	01/04/2018	31/03/2026
Masters Avenue Shops 58 Masters Avenue	07/05/1996	\$ 317,000	\$ 1,100,000	\$ 1,200,000	\$ 67,100	5.59%	6 years	No Further Renewals	01/05/2017	30/04/2021
TOTAL MUNICIPAL INVESTMENT		\$ 7,531,975	\$ 12,650,000	\$ 15,000,000	\$ 997,700	6.65%				
MUNICIPAL ENDOWMENT GROUND LEASES										
145-149 Ward Street	Unknown	Unknown	\$ 564,000	\$ 790,000	\$ 39,145	4.96%	21 years in perpetuity	27/07/2028	27/07/2017	NA
151-155 Ward Street	Unknown	Unknown	\$ 530,000	\$ 665,000	\$ 16,200	2.44%	21 years in perpetuity	19/05/2021	19/05/2000	NA
179 Ward Street	Unknown	Unknown	\$ 500,000	\$ 600,000	\$ 22,000	3.67%	5 years	No Further Renewals	01/01/2010	31/12/2018
258 Fox Street	Unknown	Unknown	\$ 295,000	\$ 325,000	\$ 4,188	1.29%	21 years in perpetuity	06/03/2020	06/03/1999	NA
12 Wiremu Street	Unknown	Unknown	\$ 355,000	\$ 375,000	\$ 3,080	0.82%	21 years in perpetuity	30/09/2021	22/09/2000	NA
77 & 79 Norton Road	Unknown	Unknown	\$ 1,350,000	\$ 1,250,000	\$ 58,000	4.64%	3 years	No Further Renewals	01/09/2017	30/06/2018
TOTAL MUNICIPAL ENDOWMENT			\$ 3,594,000	\$ 4,005,000	\$ 142,613	3.56%				
TOTAL CASH					\$ 28,639,293	\$ 1,346,047	4.77%	as at 31/01/2019		
TOTAL MUNICIPAL INVESTMENT					\$ 15,000,000	\$ 997,700	6.65%			
TOTAL GROUND LEASES					\$ 4,005,000	\$ 142,613	3.56%			
TOTAL ASSETS (Cash, Investment & Ground Leases)					\$ 47,644,293	\$ 2,486,360	5.22%			

DOMAIN ENDOWMENT PROPERTY ASSETS
Annual Revaluation for the 2017/2018 Year (1 July 2017 to 30 June 2018)

Location	Date Purchased	Cost	Valuation 30/06/2017	Valuation 30/06/2018	Actual net income July 2017 to June 2018 after operating expenditure	Yield percentage on valuation at June 2018	Initial Lease Term	Next Renewal Date	Last Rent Review	Final Expiry Date
DOMAIN ENDOWMENT GROUND LEASES										
297 Ulster Street	Unknown	Unknown	\$ 1,150,000	\$ 1,225,000	\$ 28,000	2.29%	21 years in perpetuity	01/05/2025	01/05/2004	NA
189 Fox Street	Unknown	Unknown	\$ 350,000	\$ 375,000	\$ 12,600	3.36%	21 years in perpetuity	21/12/2028	22/12/2007	NA
5 Henry Street	Unknown	Unknown	\$ 330,000	\$ 365,000	\$ 4,800	1.32%	21 years in perpetuity	08/09/2025	08/09/2004	NA
5 Cotter Place	Unknown	Unknown	\$ 325,000	\$ 350,000	\$ 3,900	1.11%	21 years in perpetuity	06/03/2023	07/03/2002	NA
126 Fox Street	Unknown	Unknown	\$ 355,000	\$ 375,000	\$ 4,200	1.12%	21 years in perpetuity	08/09/2021	08/09/2000	NA
101 Naylor Street	Unknown	Unknown	\$ 475,000	\$ 510,000	\$ 19,320	3.79%	21 years in perpetuity	01/06/2025	01/06/2004	NA
TOTAL DOMAIN ENDOWMENT			\$ 2,985,000	\$ 3,200,000	\$ 72,820	2.28%				
TOTAL CASH					\$ 7,760,968	\$ 364,765	4.77%	as at 31/01/2019		
TOTAL GROUND LEASES					\$ 3,200,000	\$ 72,820	2.28%			
TOTAL ASSETS (Cash & Leases)					\$ 10,960,968	\$ 437,585	3.99%			
TOTAL ASSETS (Cash & Leases)					\$ 58,605,261	\$ 2,923,945	4.99%			

First adopted:	26 August 1998
Revision dates/version:	6 November 2002, 6 July 2005, 10 March 2008, 10 December 2008, 8 April 2009, 29 September 2016
Next review date:	29 September 2019
Engagement required:	Yes – Non SCP
Document number:	D-13243
Associated documents:	Appointment and Remuneration of Board Members of Council Controlled Trading Organisations (CCT)s Policy, Freeholding of Council Endowment Land Policy, Sale and Disposal of Council Land Policy
Sponsor/Group:	General Manager City Growth

Municipal and Domain Endowment Funds Policy

Purpose and Scope

1. To provide principles and criteria for management of the Municipal Endowment Fund and Domain Endowment Fund (“Endowment Funds”).

Principles

2. The capital must be preserved to comply with the common law principles of endowment.
3. Endowment Funds must be used for municipal and domain purposes.
4. Investment must aim to increase returns from the Endowment Funds and must return a dividend to Council that is equivalent to the average cost of Council’s debt over the first three-year period of each 10-Year Plan.

Policy

5. Endowment Funds may be managed by Council, a Council Controlled Trading Organisation or any other entity or organisation that Council approves.
6. Endowment Funds must be used to directly or indirectly support, advance and implement Council’s strategic plans. The Council will identify the priorities within these strategic plans in each 10-Year Plan.
7. To achieve the outcomes required in paragraph 6, the entity managing the Endowment Funds will:
 - a. Undertake new profitable investments as cash flows allow which, over their life, will yield a substantially greater return than previously achieved;
 - b. Promote development of properties in a manner which will maximise the commercial value of the asset by ensuring that the addition of any new capacity is related as closely as possible to actual and forecast market demand;
 - c. Encourage freeholding of endowment properties to generate capital for investment in higher yielding assets as soon as practicable;
 - d. Enter into joint venture or turn-key developments to provide flexible options for the future;
 - e. Manage its financial assets and liabilities on a prudent basis;
 - f. Seek and effectively administer service contracts with other public sector entities;
 - g. Strive to minimise operating costs.

Resolution to Exclude the Public
Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of Finance Committee Public Excluded Minutes - 4 December 2018) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Report on overdue debtors as at 31 January 2019 & Debt write-offs 2018/19)	
C3. Contract 13392 - Hosting and Managed Infrastructure and Application Services - Initial Renewal Term		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to protect the privacy of natural persons to maintain the effective conduct of public affairs through protecting persons from improper pressure or harassment	Section 7 (2) (a) Section 7 (2) (f) (ii)
Item C3.	to enable Council to carry out negotiations	Section 7 (2) (i)