

Notice of Meeting:

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

Date: Tuesday 4 December 2018
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

27 November 2018

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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 16 October 2018 at 9.30am.

PRESENT

Chairperson	Cr G Mallett
Deputy Chairperson	Cr R Pascoe
Members	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:

- Richard Briggs – Chief Executive
- David Bryant – General Manager Corporate
- Sean Murray – General Manager Venues, Tourism and Major Events
- Sean Hickey – General Manager Strategy and Communications
- Lance Vervoort - General Manager Community
- Eeva-Liisa Wright – General Manager Infrastructure Operations
- Jen Baird – General Manager City Growth
- Blair Bowcott – Executive Director Special Projects
- Tracey Musty – Financial Controller
- Maire Porter – City Waters Manager
- Stephen Halliwell – Accounting Manager
- Matthew Bell – Rates and Revenue Manager
- Sarah Wilson – Organisational Support Team Leader
- Hayden De Villiers – Treasury Accountant
- Nigel Ward – Communications Team Leader
- Mike Lamb – Chief Information Officer
- Scott Copeland – Procurement Manager
- Nicolas Wells – Strategic Property Manager

Natalie Young – PMO Manager
Paul Gower – Programme Manager Growth and Assets

Governance Advisors: Lee-Ann Jordan – Governance Manager
Becca Brooke – Governance Team Leader
Rebecca Watson – Committee Advisor

1. Apologies

Resolved: (Crs Mallett/Casson)

That the apologies for absence from Mayor King, and from Cr Pascoe and Cr Macpherson for lateness are accepted.

2. Confirmation of Agenda

Resolved: (Crs Mallett/Casson)

That the agenda is confirmed noting that the order of the agenda will be flexible to accommodate external presenters.

3. Declarations of Interest

Cr O’Leary noted in relation to item 16 (*Petition from Netherville Retirement Village regarding Rates and Maintenance of Infrastructure*) that her mother was a resident of Netherville Retirement Village but that she did not believe she was conflicted in relation to the matter.

When Cr Pascoe joined the meeting (11.23am), he noted in relation to item 9 (*Contacts – Increase Approved Contract Sum and or Extend Term*) that he was a trustee in relation to contract 08060 (General Security Services to Council) but not a beneficiary. He did not believe he was conflicted in relation to this item.

4. Public Forum

No members of the public wished to speak.

5. Finance Committee Meeting Minutes - Open - 28 August 2018

Committee Members discussed the composition of minutes in general, specifically regarding what was covered in the discussion section. The Governance Manager advised that discussion in the minutes was kept at a high level due to subjectivity and materiality issues.

Resolved: (Crs Mallett/Casson)

That the Committee confirm the Open Minutes of the Finance Committee Meeting held on 28 August 2018 as a true and correct record.

Cr Macpherson joined the meeting (9.35am) during the discussion of the above item. He was present when the matter was voted on.

6. Chair's Report - 16 October 2018

The Chair took the report as read and responded to questions from Committee Members regarding the concerns raised in his report.

Action: *The CE noted that the issues raised in the Chairs report in relation to rates, UAGC and the impact on social housing would be discussed at a future Elected Member Briefing.*

Resolved: (Crs Mallett/Henry)

That the Finance Committee receives the report.

Cr O'Leary Dissenting.

7. New Zealand Local Government Funding Agency Limited (LGFA) - Annual Report 2018

Mark Butcher (LGFA Chief Executive) presented the report. He provided a summary of the LGFA's annual report and responded to questions from Committee Members concerning:

- Sector debt
- Uptake from councils
- How LGFA would work with Council Controlled Organisations
- Central Government for the sector
- Credit quality of the structure
- Housing Infrastructure Fund debt

Resolved: (Cr Mallett/Cr Taylor)

That the Finance Committee receives the NZ Local Government Funding Agency Ltd Annual Report.

8. Waikato Local Authority Shared Services (WLASS) Annual Report 30 June 2018

The Executive Director Special Projects introduced Kelvin French (WLASS Chief Executive). He noted that the annual report summary was available on the WLASS website. Mr French highlighted some of the key points in the report, being resourcing and representation in LASS. He and HCC staff responded to questions from Committee Members concerning:

- Aligned resource consent planning
- Consideration of climate change
- Impact of rising base product costs
- Digital strategy
- Development and process of broader by-in at a governance level

Action: Staff undertook to provide further information to Committee Members regarding a request for funding for additional WLASS resources at the 4 December 2018 Finance Committee meeting.

Resolved: (Cr Mallett/Deputy Mayor Gallagher)

That the Finance Committee receives the Waikato Local Authority Shared Services Annual Report.

Cr Hamilton left the meeting (11.02am) during the discussion of the above item. He was not present when the matter was voted on.

The meeting adjourned (11.06am – 11.23am)

Crs Pascoe joined the meeting following the above adjournment.

Cr Hamilton re-joined the meeting following the above adjournment.

Cr Pascoe noted in relation to item 9 (Contacts – Increase Approved Contract Sum and or Extend Term) that he was a trustee in relation to contract 08060 (General Security Services to Council) but not a beneficiary. He did not believe he was conflicted in relation to this item as noted in the Declarations of Interest.

9. Contract 07075, 08060, 09062A, 10093, 11022A, 12021A, 12073, 15066, 16412 - Increase Approved Contract Sum and or Extend Term

The Procurement Manager took the report as read and responded to questions from Committee Members concerning:

- Clarity of the report
- Terms and condition of various contracts

Resolved: (Crs Mallett/Macpherson)

That the Finance Committee:

- a) Approves the increase to the approved contract sum for the following contracts:
 - (i) Contract 09062A from \$1,170,000 to \$5,000,000
 - (ii) Contract 12073 from \$2,842,000 to \$3,220,000
 - (iii) Contract 15066 from \$3,310,000 to \$8,000,000
 - (iv) Contract 16412 from \$1,400,000 to \$4,200,000
- b) Approves the extension of contract term for the following contracts:
 - (i) Contract 07075 from 30 June 2017 to 30 June 2019
 - (ii) Contract 08060 from 31 January 2018 to 30 June 2019
 - (iii) Contract 09062A from 28 February 2017 to 30 June 2020
 - (iv) Contract 10093 from 30 June 2017 to 28 February 2020
 - (v) Contract 12021A from 29 March 2018 to 28 February 2020
 - (vi) Contract 12073 from 1 September 2018 to 28 February 2019
 - (vii) Contract 15066 from 29 June 2019 to 29 June 2022

10. Accessible Properties New Zealand Limited - Q3 and Q4 Management Accounts and Activity Report - Audited Financial Statements (Full Year 30 June 2018)

The Strategic Property Manager took the report as read and responded to questions from Committee Members concerning:

- Social housing fund/network
- Possibility of extension of repayment terms
- Waiting list times and turnover of tenancies for properties

Resolved: (Crs Mallett/Tooman)

That the Finance Committee receives the report.

16. Petition from Netherville Retirement Village Regarding Rates and Maintenance of Infrastructure

The Revenue Manager introduced the report, noting that the rates applied to Netherville Retirement Village are consistent with the 10 YP decisions. Staff noted that they had met with residents to discuss their concerns and residents were comfortable with the staff report and the recommendations. Staff responded to questions from Committee Members concerning:

- Bespoke rubbish and recycling arrangements
- Improvements that could be made to assist residents being aware/informed of the arrangements
- Consistency of development and consents across retirement villages in Hamilton.

Action: Staff undertook to provide further information to Committee Members regarding how retirement villages around Hamilton structured asset ownership including roading via a future Elected Member briefing.

Resolved: (Crs Mallett/Taylor)

That the Finance Committee:

- a) receives the report;
- b) notes that requests of the Council raised in the Netherville Retirement Village petition are inconsistent with the Council's 2018-28 10 Year Plan decisions and therefore staff are not recommending any changes to rates or maintenance responsibilities for Netherville Retirement Village; and
- c) notes that staff will continue to work with Netherville Retirement Village residents to improve their site rubbish and recycling collection services.

Cr Casson Dissenting.

11. Civic Financial Services Limited - Annual Report December 2017

The report was taken as read. The General Manager Corporate responded to questions from Committee Members concerning whether Council had received a dividend this year and the market value of shareholdings.

Resolved: (Crs Pascoe/Mallett)

That the Finance Committee receives the Civic Financial Services Limited Annual Report.

7. H3 Report Quarter 1 - 1 July to 30 September 2018

The General Manager Venues, Tourism and Major Events introduced the report. He noted an error in the report on page 108, where the financial table numbers in YTD column were incorrect but the totals were correct.

He responded to questions from Committee Members concerning:

- Impact of interest rates dropping
- Timing of overhead costs
- Recovery of capital costs through revenue
- Forecasts
- Financial figures and tables – clarification.
- Recycling facilities at Claudelands

Resolved: (Crs Mallett/Bunting)

That the Finance Committee receives the report.

Cr Southgate retired from the meeting (12.27pm) during the discussion of the above item. She was not present when the matter was voted on.

The meeting adjourned (12.37pm – 1.20pm)

Following the adjournment, the meeting went into a public excluded session.

20. Resolution to Exclude the Public

Resolved: (Crs Mallett/Bunting)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Finance Committee Meeting Minutes - Public Excluded - 28 August 2018) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Report on overdue debtors as at 30 September 2018 & Debt write-offs 2018/19) Official Information and Meetings Act 1987	

C3. Contract 17525 - Rototuna
Sports Park and Park Lane
Construction

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 prevent disclosure of a trade secret to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (b) (i) Section 7 (2) (h)

Deputy Mayor Gallagher, Crs Taylor, Macpherson, and Hamilton left the meeting during the above adjournment and were not present when the resolution to exclude the public was voted on.

The meeting went into a public excluded session at 1.20pm.

The meeting moved back into the open session at 1.50pm.

During the public excluded session, Deputy Mayor Gallagher, Crs Macpherson, Taylor, Hamilton and Southgate re-joined the meeting.

8. Waikato Innovation Growth Limited and Group - Annual Report 30 June 2018

Barry Harris (Waikato Innovation Growth Limited CE) and Stuart Gordon (Waikato Innovation Growth Limited Chair) introduced the report. They responded to questions from Committee Members concerning the nature and sustainability of businesses utilising facilities at the Innovation Park.

Resolved: (Crs Mallett/Southgate)

That the Finance Committee receives the Waikato Innovation Growth Limited (WIGL) Group Annual Report.

92. New 10-Year Plan Monitoring Report Structure

The Accounting Manager introduced the report, noting that the purpose was to explain proposed changes made to financial reporting to the Finance Committee.

He responded to questions from Committee Members regarding:

- Commentary and metrics regarding potential risks
- Inclusion of non-financial commentary on service performance
- How the reports help identify potential financial shortfalls

Resolved: (Cr Mallett/Maangai Takiari-Brame)

That the Finance Committee receives the report.

Cr Hamilton retired from the meeting (2.26pm) at the conclusion of the above item. He was present when the matter was voted on.

10. Waikato Regional Airport Limited (WRAL) - Annual Report June 2018

Mark Morgan (WRAL Chief Executive) provided a presentation summarising WRALs Annual Report. He responded to questions from Committee Members concerning:

- Forecasting
- Opportunities for freight and rail linkages
- Opportunities with hotel accommodation
- Changes to carparking payment options

The Committee commended WRAL on their performance this year.

Resolved: (Crs Mallett/Bunting)

That the Finance Committee receives the Waikato Regional Airport Ltd (WRAL) Annual Report.

Cr Southgate retired from the meeting (2.46pm) during the discussion of the above item. She was not present when the matter was voted on.

Cr Taylor left the meeting (2.51pm) during the discussion for the above item. He was not present when the matter was voted on.

13. Financial Strategy Monitoring Report

The Accounting Manager and the Finance Manager introduced the report. They responded to questions from Committee Members concerning the new financial reports. Committee Members were asked to feed back any suggestions relating to the new reports to the Finance Manager.

Resolved: (Crs Mallett/Pascoe)

That the Finance Committee receives the report.

11. Annual Monitoring Report August 2018

The Accounting Manager introduced the report, and advised that there were some corrections to the report that had been circulated to Committee Members and would be attached as an appendix to these minutes. It was also noted that brackets were missing from figures on page 51, note 3.

He noted that this report had been re-crafted in order to make it easier to understand. He summarised the results as outlined in the report.

Resolved: (Crs Mallett/Taylor)

That the Finance Committee receives the report.

Cr Macpherson retired from the meeting (4.08pm) during the discussion of the above item. He was not present when the matter was voted on.

12. Capital Portfolio Monitoring Report

The General Manager Development and the PMO Manager spoke to the report and noted the following corrections:

- Page 73, Paragraph 28 – should state budgeted not forecasted
- Page 73, Paragraph 29 – should state budgeted not forecasted.
- Page 73, Paragraph 34 – should state budget not forecast.
- Page 74, Paragraph 43 – should state Attachment 3 not 4.

They responded to questions from Committee Members concerning:

- Breakdown of 10-Year Plan capital work into 3 year portfolios
- Funded seismic work
- Definitions and categories in reports
- Timing and process of revaluation of assets.

Resolved: (Cr Mallett/Deputy Mayor Gallagher)

That the Finance Committee receives the report.

Cr Bunting retired from the meeting (4.52pm) during the discussion of the above item. He was not present when the matter was voted on.

An extension of time was moved at 4.45pm during the above item.

Resolved: (Crs Mallett/Casson)

That the meeting extend beyond 6 hours as per standing order 3.2.7.

The meeting was declared closed at 4.55pm.

Appendix One – Annual Monitoring Report August 2018

Corrections:

On page 44, paragraph 37, the date should be 2018 not 2016.

On page 48, the losses line in the Balancing the Books table is incorrect. The correct table is below.

LOCAL GOVERNMENT BALANCING THE BOOKS MEASURE FOR THE TWO MONTHS ENDED 31 AUGUST 2018

Note	Actual YTD	Budget YTD	Variance YTD favourable/ (unfavourable)	Annual budget	Annual Forecast	Actual August 2017
	\$000	\$000	\$000	\$000		\$000
Surplus/(deficit)	3,176	3,681	(505)	76,341	77,197	18,177
Adjustments for the Local Government Regulations measure						
Gains excluding gains on investment properties	501	-	501	-	-	(3,122)
Losses	(3,301)	-	(3,301)	-	-	-
Development and financial contributions	3,496	2,920	576	17,518	17,518	4,979
Vested assets	1,895	5,001	(3,106)	30,000	30,000	3,585
Total adjustments	2,591	7,921	(5,330)	47,518	47,518	5,442
LG Regulations balancing the books surplus/(deficit)	585	(4,240)	4,825	28,823	29,679	12,735

Council Report

Committee: Finance Committee **Date:** 04 December 2018
Author: Stephen Halliwell **Authoriser:** David Bryant
Position: Accounting Manager **Position:** General Manager Corporate
Report Name: 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 October 2018.

Staff Recommendation (*Recommendation to Council*)

- That the Finance Committee:
 - receives the report.
- That the Finance Committee recommends the Council:
 - approves the additional Te Awa Cycleway Remediation Project at a total cost of \$1.75M, funded from subsidy and other revenue;
 - approves the rephasing 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);
 - approves the additional renewal works on Seddon Park Lights of \$1.2M in 2018/19 and \$1.53M in 2019/20; 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 35 of this report.

Executive Summary

- This report is to be read in conjunction with the:
 - December 2018 Annual Monitoring Report; and
 - December 2018 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 Council can reduce the need to borrow to fund everyday expenses.
- Not borrowing to fund everyday expenses maintains the Council's borrowing capacity to fund investment in infrastructure.

6. For the first 3 years of the Plan there is very little margin for over-budget spending, be that operating or capital.
7. If there are negative variances from either the operating and/or capital budgets the Council will need to consider increasing revenue and/or reducing expenditure in other budgets.
8. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Background

9. Financial Strategy

10. The Financial Strategy (pages 67-71, 2018-28 10-Year Plan) is designed to:
 - a) Fund everyday expenses from everyday revenues,
 - b) keep rates affordable,
 - c) maintain service levels and assets,
 - d) fund borrowing from debt.
11. The key outcomes are:
 - e) Balancing the books after 3 years (2022/23).
 - f) Maintaining a Debt to Revenue Ratio of less than 230%.
 - g) Setting rates increases for existing ratepayers at 9.7% (2018/19) and 3.8% per annum thereafter for existing ratepayers.
12. The adopted 10-Year Plan Financial Strategy provides for \$3M unused debt capacity for the next 3 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.
13. **Significant Forecasting assumptions**
14. Any changes in significant forecasting assumptions (pages 72-81, 2018-28 10-Year Plan) will result in changes to the Financial Strategy outcomes.
15. The following forecasting assumptions directly impact the Financial Strategy. An adverse change would have a material impact.
 - a) Growth
 - i. Revenue budgets for rates, development contributions, building and resource consents are linked to growth assumptions based on the 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.
 - b) Interest on borrowing
 - ii. 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.
 - c) Inflation
 - iii. Inflation was forecast by 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.

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

Item 6

Financial Strategy Significant Forecast Adjustments

17. This report forecasts the debt to revenue measure and balancing the books measure compared with the 10-Year Plan budget.

18. 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.

19. All significant changes made since the 10-Year Plan and up to 16 October 2018 are listed in Attachment 1.

20. Significant forecasting adjustments since the 16 October 2018 Finance Committee meeting are:

Description	Authoriser
a. Library revenue adjustment 2018/19.	(Chief Executive)
b. Footpath new revenue 2018 – 2028.	(GM Development)
c. Thomas - Gordonton Road Project additional revenue - enhanced subsidy.	(GM Development)
d. Capital rephasing and deferrals from 2018/19 to future years.	(Council)
e. Increase capacity WW West Network (Western Interceptor Duplication) – capital reduction	(GM Development)
f. Te Awa Cycleway Remediation (new project).	(Council)
g. Seddon Park lights renewal (rescope).	(Council)

21. Library revenue adjustment 2018/19

Discussion										
<p>The Council considered library revenue options and as a result, invoicing for the Waikato contribution has stopped. Revenue to date has been allowed for, however, it is prudent to adjust the revenue for the balance of 2018/19. A shortfall of \$155,000 is forecast.</p> <p>This adjustment impacts the 2018/19 balancing the books result by increasing the deficit by \$163,000.</p> <p>No adjustment has been made to budgets from 2019/20 onwards as discussions are still ongoing as to the future of this sharing arrangement.</p>										
Financial Strategy Impact										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	(163)	(8)	(8)	(9)	(9)	(10)	(10)	(10)	(11)	(12)
Debt to revenue %	(0.15)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Net Debt \$(000)	(163)	(171)	(179)	(188)	(197)	(207)	(217)	(228)	(239)	(250)

Numbers in brackets represent an adverse outcome.

22. Footpath new revenue 2018 – 2028.

Discussion										
<p>The December 2018 Capital Portfolio Monitoring Report advised that NZTA have confirmed subsidy for the next three years. The 10-Year Plan budget had not budgeted for subsidy on footpath operating and capital expenditure based on previous funding practices. Consistent with the 10 Year Plan assumption on NZTA subsidy we have forecast this across the 10 years.</p> <p>Note that with all NZTA there is risk that subsidy is not available or not available at the rates that have been budgeted.</p> <p>This new revenue amounts to \$2.7M each year for the next three years and has a significant impact on the Financial Strategy metrics. By 2021 debt is reduced by nearly \$9.4M and there is a significant uplift in the debt to revenue ratio due to the 2.3 multiplier effect and in 2021 amounts to an additional \$16M in debt capacity.</p>										
Financial Strategy Impact										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	542	655	829	1,040	1,238	1,452	1,599	1,813	2,042	2,252
Debt to revenue %	2.63	3.64	5.35	6.02	6.97	8.25	8.86	9.36	10.08	11.02
Net Debt \$(000)	2,858	5,955	9,362	12,927	16,786	20,961	24,906	29,159	33,744	38,646

Numbers in brackets represent an adverse outcome.

23. Thomas - Gordonton Road Project additional revenue - enhanced subsidy.

Discussion										
<p>The December 2018 Capital Portfolio Monitoring Report advised that NZTA have confirmed an enhanced subsidy rate of 75.5% on the roundabout portion of this project, providing additional revenue of \$783,000.</p> <p>This additional revenue reduces borrowing in 2018/19 by \$822,000 (additional subsidy plus interest saving).</p>										
Financial Strategy Impact										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	40	41	43	45	47	49	50	53	55	58
Debt to revenue %	0.76	0.28	0.30	0.29	0.30	0.31	0.32	0.31	0.31	0.31
Net Debt \$(000)	822	863	906	950	997	1,046	1,097	1,150	1,205	1,263

Numbers in brackets represent an adverse outcome.

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

Discussion
<p>The December 2018 Capital Portfolio Monitoring Report advised a list of projects and requested these be transferred into the 2019/20 year. The 10-Year financial implications of the preferred option are shown below.</p> <p>The change in timing of spending reduces debt and interest costs in 2018/19, this benefit then removed in</p>

2019/20 when the projects are completed. There is a small permanent interest saving.

Financial Strategy Impact

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	1,147	11	12	12	13	13	14	14	15	16
Debt to revenue %	6.44	2.43	0.08	0.08	0.08	0.08	0.09	0.08	0.08	0.09
Net Debt \$(000)	23,647	235	247	259	272	285	299	314	329	345

Numbers in brackets represent an adverse outcome.

25. Increase capacity WW West Network (Western Interceptor Duplication) – Capital reduction

Discussion

The December 2018 Capital Portfolio Monitoring Report advised the increased capacity outcomes from projects to increase capacity in the Wastewater West Network and that these can be achieved for \$6.9M (uninflated) less than budgeted. This reduction is spread over two years (2018/19 and 2019/20).

The permanent removal of this debt has a significant impact on the Financial Strategy reducing debt in 2021 by nearly \$8M and increasing the debt to revenue ratio by 2.6%.

Financial Strategy Impact

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	41	357	375	465	485	505	516	538	560	584
Debt to revenue %	0.30	2.47	2.67	2.59	2.60	2.73	2.78	2.72	2.71	2.76
Net Debt \$(000)	841	7,598	7,973	8,366	8,778	9,211	9,655	10,121	10,609	11,121

Numbers in brackets represent an adverse outcome.

26. Te Awa Cycleway Remediation (new project).

Discussion

The December 2018 Capital Monitoring Report outlines a proposal to repair the slip blocking the Te Awa Cycleway. The 10-Year financial implications of the preferred option are shown below.

Adding this project has a small effect on the balancing of the books and reduces debt capacity in year three by nearly \$1M.

Financial Strategy Impact

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	(19)	(43)	(80)	(83)	(85)	(87)	(89)	(91)	(94)	(97)
Debt to revenue %	(0.14)	0.25	(0.32)	(0.31)	(0.31)	(0.33)	(0.34)	(0.33)	(0.33)	(0.33)

Net Debt \$(000)	(399)	(920)	(965)	(1,013)	(1,063)	(1,116)	(1,169)	(1,226)	(1,285)	(1,347)
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Numbers in brackets represent an adverse outcome.

27. Seddon Park lights renewal (rescope).

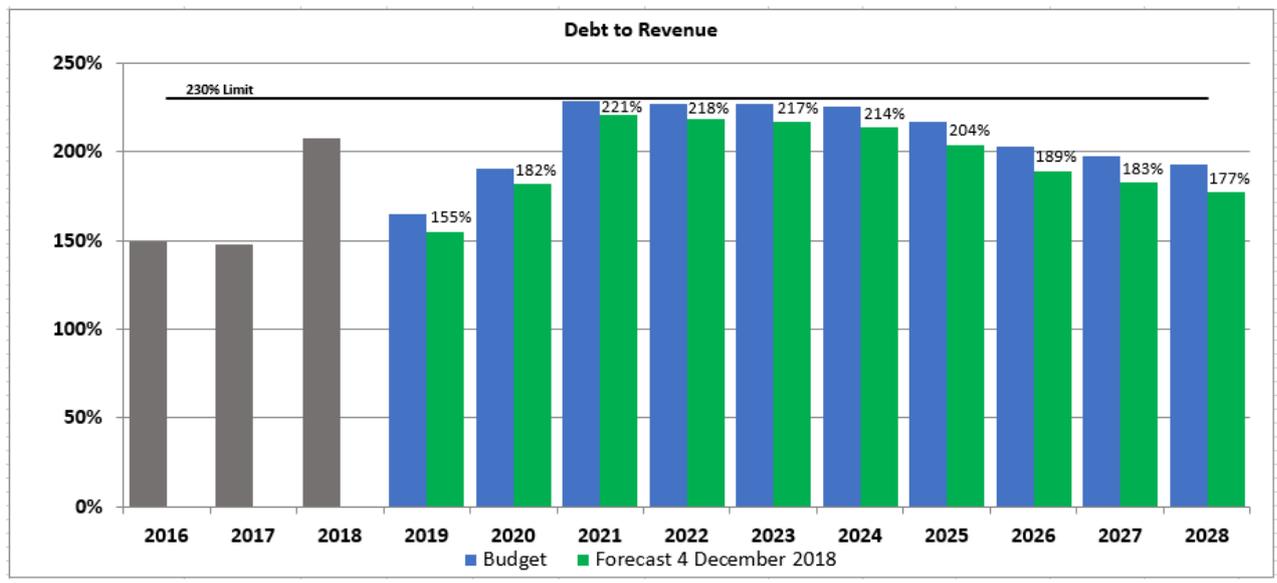
Discussion										
The December 2018 Capital Portfolio Monitoring Report outlines a proposal to increase the scope of the Seddon Park lights renewal. The 10-Year financial implications of the preferred option are shown below.										
Adding this project has a large effect on debt capacity reducing available capacity by \$3.1M in 2021.										
Financial Strategy Impact										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	(21)	(280)	(286)	(305)	(313)	(321)	(326)	(174)	(337)	(268)
Debt to revenue %	(0.46)	(0.97)	(1.05)	(1.02)	(1.03)	(1.08)	(1.10)	(1.04)	(1.04)	(1.04)
Net Debt \$(000)	(1,262)	(2,993)	(3,137)	(3,299)	(3,470)	(3,649)	(3,834)	(3,866)	(4,062)	(4,188)

Numbers in brackets represent an adverse outcome.

Financial Strategy Graphs

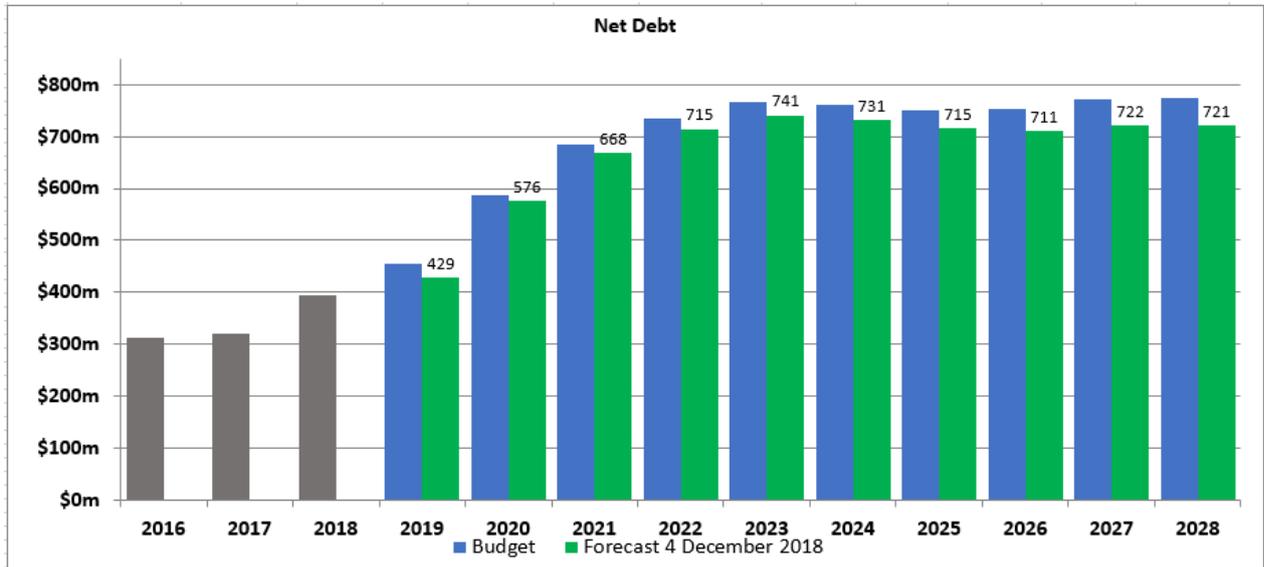
- 28. The following graphs show the 10-Year Plan budgets (in blue) and the total of all forecast changes up to 4 December 2018 (in green).
- 29. Forecast changes include matters contained in this agenda and subject to decision by the:
 - a) Finance Committee; or
 - b) Council.
- 30. The potential impact of the Financial Strategy risks is not adjusted for in these graphs.

31. Debt to Revenue



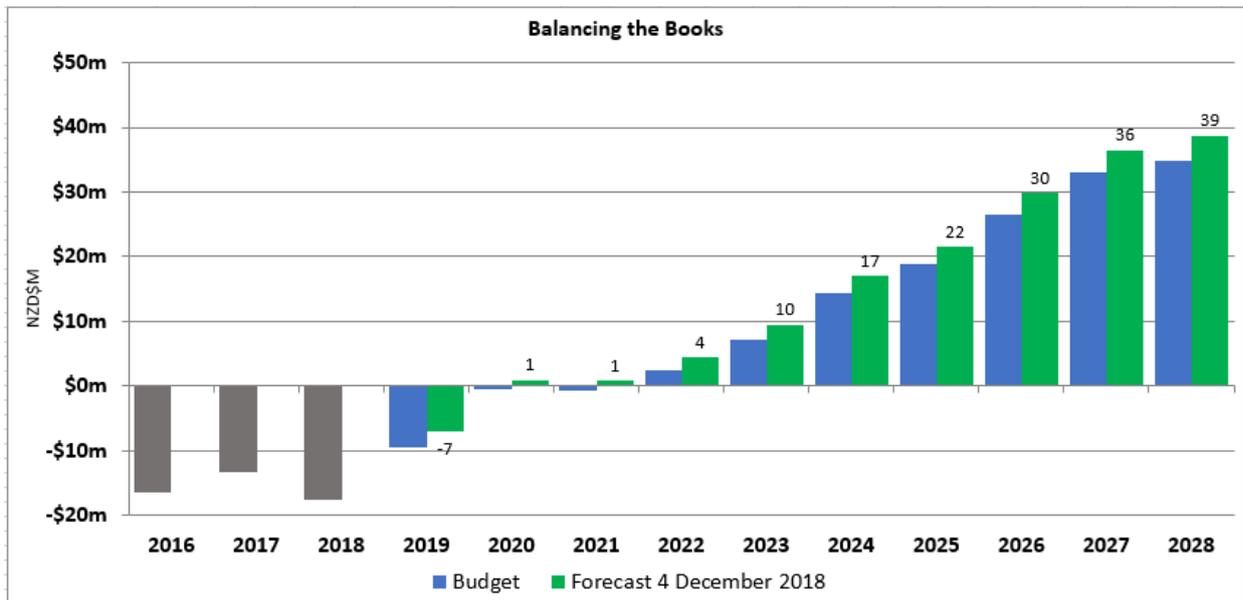
32. The Debt to Revenue graph shows that the forecast debt to revenue is improved significantly. This is impacted as a result of new revenue from the NZTA subsidy and the reduction in debt on the Wastewater West Network. At 2021 debt capacity has increased to nearly \$28M.

33. **Net Debt**



34. The Net Debt graph shows a decrease in net debt, with debt in 2028 being \$55M lower than previously forecast. Interest savings account for \$2.5M of this reduction.

35. **Balancing the Books**



36. The Balancing the Books graph shows a forecast deficit decrease in 2019 of \$2.4M. Increased rates growth previously forecast has the most significant impact over 10 years. Note the new footpath revenue is largely capital and excluded from the balancing the books calculation.

Options to Reinstate Budgeted Outcomes

37. 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.

38. A debt to revenue margin of \$28M on debt capacity in three years provides a small amount of resilience. This a big 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

39. The December 2018 Annual Monitoring Report lists emerging issues that could impact the balancing the books result and consequentially debt across the 10-Year Plan.
40. The December 2018 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.
41. Some of these issues are large and require an intervention so that the Financial Strategy limits continue to be achieved.

Other Matters

Legal and Policy Considerations

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

Cultural Considerations

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

Sustainability Considerations

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

Risks

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

Significance & Engagement Policy

Significance

46. 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

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

Attachments

Item 6

Attachment 1 - Register of Significant Forecasting Changes - 4 December .

Register of Significant Forecast Changes

The following significant forecasting changes have previously been approved.

BB= Balancing the books impact
 ND = Net Debt impact
 Numbers in brackets represent an adverse outcome

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

Accounting Result		
For the four months ended 31 October 2018		
YTD Actual	YTD Budget	YTD Variance
\$25.5M	\$14.3M	\$11.2M

8. The annual forecast has been adjusted to reflect the forecasting adjustments that are explained in paragraph 33 below.

Annual Accounting Result		
Annual Forecast	Annual Budget	Forecasting Variance
\$76.6M	\$76.3M	\$0.3M

Balancing the books result

9. The balancing the books result for the four months ended 31 October 2018 is \$3.8M. This is \$7.9M favourable against a year-to date budget of (\$4.2M).

Balancing the Books		
For the four months ended 31 October 2018		
YTD Actual	YTD Budget	YTD Variance
\$3.8M	\$(4.2M)	\$7.9M

Annual Balancing the Books Result		
Annual Forecast	Annual Budget	Forecasting Variance
\$(9.1M)	\$(9.4M)	\$0.3M

10. The Local Government balancing the books result for the four months ended 31 October 2018 is \$5.2M. This is \$6.8M favourable against a year-to date budget of (\$1.6M).

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 budget that are greater than \$0.1M are explained in each of the activity statements.

Operating revenue

15. Operating revenue YTD exceeds budget by \$2.3M.
16. Rates are \$0.4M favourable YTD, which is due to greater than expected growth.

17. Fees and user charges are \$2.4M favourable YTD, the majority of which arise in the following activities:

- a) Venues, Tourism and Major Events – \$0.4M favourable.
- b) Parks and Recreations – \$0.1M favourable.
- c) Planning and Development – \$1.0M favourable.
- d) Transport – \$0.5M favourable.

Refer to the activity statements for variance explanations.

18. Interest revenue is \$0.6M 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.

19. Other revenue is \$1.1M unfavourable YTD due to the HIF fair value benefit being budgeted in October 2018 but will incur in November 2018.

Expenses

20. Expenses are \$2.6M favourable YTD against budget.

21. Personnel costs are \$1.6M favourable YTD, the majority of which arise in the following activities:

- a) Venues, Tourism and Major Events – \$0.2M favourable.
- b) Visitors and Attractions – \$0.1M favourable.
- c) Parks and Recreation – \$0.1M favourable.
- d) Planning and Development – \$0.3M favourable.
- e) Wastewater – \$0.2M favourable.
- f) Transport – \$0.4M favourable.
- g) General vacancies across Council make up the remainder of the variance.
- h) The vacancy factor savings target has not yet been allocated to this expense classification (see paragraph 25).

22. Depreciation and amortisation is \$0.2M unfavourable. Water, wastewater and stormwater are \$1M unfavourable due to the impact of the three-waters asset revaluation, which resulted in higher than budgeted asset values. This is offset by favourable depreciation for Founders Theatre and Municipal Pool being impaired to a zero net book value in 2017/18 after the 2018-28 10-Year Plan depreciation budget had been set.

23. Operating and maintenance costs are \$1M favourable YTD, the majority of which arise in the following activities:

- a) Venues, Tourism and Major Events – \$0.2M favourable.
- b) Arts and Community – \$0.1M favourable.
- c) Parks and Recreation – \$0.4M favourable.
- d) General – \$0.3M favourable.

24. Professional costs are \$0.5M favourable due to these costs occurring later than budget.

25. Other costs are \$0.8M unfavourable. This classification includes the \$4M savings budget (including the vacancy factor). These savings will be reported to the committee in the Chief Executive Savings Report in February 2019. At this time, savings will be attributed to this budget.

Vested assets revenue

26. 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 not consistent month to month. Elevated levels of development activity equals more vested assets but timing is not easy to predict. \$12.7M of vested assets were received for the first 4 months of the financial year.
27. 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 four months ended 31 October 2018		
YTD Actual	YTD Budget	YTD Variance
\$12.7M	\$10.0M	\$2.7M

Asset class	YTD Actual \$000	Annual Budget \$000	Life Range (Years)	Estimated Annual Depreciation \$000
Wastewater	1,364	3,000	15-100	17
Stormwater	2,047	5,100	30-100	26
Water Supply	695	1,800	50-80	9
Roading	3,707	8,000	12-140	74
Parks and Recreation [#]	230	-	50	4
Land		12,100		-
Land – Under Roads	3,690	-		-
Land – Local Purpose Reserves [*]	44	-		-
Land – Recreation Reserves	859	-		-
Land – Restricted ⁺	18	-		-
Total	12,654	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.

28. 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

29. 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.
30. Systems and processes are being developed and implemented to record forecasting changes.

Forecasting adjustments 2018/19

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 following forecasting changes have been made as at 31 October 2018:

Changes to 2018/19 operating budgets approved by General Manager:

- a) Library revenue has reduced \$155,000 in 2018/19 as a result of the Waikato district Council contribution stopping.
- b) Transport operating subsidy has increased \$0.4M as a result of receiving new subsidy on footpath renewals.
- c) Transport capital subsidy (excluding renewals) has decreased \$2M as a result of three forecasting adjustments (more information on this item in the December 2018 Capital Portfolio Monitoring Report)

Changes to 2018/19 operating budgets recommended to Finance Committee:

- a) Capital rephasing and deferrals from 2018/19 to future years - \$1.2M Interest reduction.
- b) Te Awa cycleway remediation - repair the slip blocking the Te Awa cycleway - \$19K interest increase.
- c) Seddon Park Lights renewal - change of scope for budgeted renewal

Previously reported:

- a) Better than budgeted City rates revenue (General Manager approval).
- b) Deferred capex from 2017/18 to 2018/19 (Council decision).

Emerging Issues

33. The following emerging issues have been identified, which could have a financial impact on operating budgets in the current year and/or which could require forecasting adjustments to a future year.
34. The timing and value of these issues cannot be confirmed at this time:
 - a) Planning and Development fees and user charges revenue is \$1M favourable YTD. The Growth team are reviewing this to consider whether a forecasting adjustment would be appropriate. This will be advised in the February 2019 Annual Monitoring report.
 - b) The Council's depreciation budget is currently being reviewed to determine the impact of:
 - (i) Capital deferrals from 2017/18 to 2018/19.
 - (ii) Timing of the total capital programme.
 - c) Growth infrastructure funding shortfall (see separate agenda item). This item does not impact 2018/19 but could impact future years' operating income.

Emerging issues from previous report still under review:

- a) Waikato District Council payment for library access. The 2018/19 forecast budget has been reduced \$155K as a result of this contribution stopping. No adjustment has yet been made for the years 2019/20 onwards, pending the conclusion of discussions with Waikato District.

Debt and Treasury Management

Treasury Management

35. Council is fully compliant with all treasury policy measures as at 31 October 2018.
36. 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 October 2018 is shown in the table below.

Debt and Cash Investments			
As at 31 October 2018			
	YTD Actual	Annual Budget	Variance
External Debt	\$449M	\$510M	\$61M
Cash Investments	(\$107M)	(\$55M)	\$52M
Net Debt	\$342M	\$455M	\$113M

37. Net debt as at 31 October 2018 is \$113M lower than the annual budget due to the timing of the capital programme.

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 October 2018 our net unrealised loss on revaluation of interest rate swaps was \$1.9M and our liability balance was \$34.5M.

Significance & Engagement Policy

Significance

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

Attachments

Attachment 1 - Attachment 1 - Financial Statements October 2018

Attachment 2 - Attachment 2 - Everyday Revenue + Expense by Activity October 2018

Attachment 3 - Attachment 3 - Treasury Report 31 October 2018 .

**STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE FOUR MONTHS ENDED 31 OCTOBER 2018**

Attachment 1

YTD 2017/18		YTD Actual	YTD Approved Budget	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000		\$000	\$000	\$000	\$000	\$000	\$000
	Revenue						
	Operating revenue						
51,637	Rates	56,750	56,266	484	179,713	180,283	570
13,301	Fees and user charges	15,062	12,695	2,367	35,284	35,129	(155)
1,795	Subsidies and grants	2,302	2,281	21	7,120	7,524	404
1,415	Interest revenue	1,435	825	610	2,475	2,475	-
2,464	Other revenue	2,555	3,741	(1,186)	10,860	10,860	-
70,612	Total Operating revenue	78,104	75,808	2,296	235,452	236,271	819
	Capital revenue						
9,374	Development contributions	8,098	5,839	2,259	17,518	17,518	-
3,065	Capital revenue	7,155	4,776	2,379	44,840	42,798	(2,042)
11,586	Vested assets	12,655	9,999	2,656	30,000	30,000	-
24,025	Total Capital revenue	27,908	20,614	7,294	92,358	90,316	(2,042)
94,637	Total revenue	106,012	96,422	9,590	327,810	326,587	(1,223)
	Expenses						
24,928	Personnel costs	26,166	27,763	1,597	83,168	83,168	-
21,206	Depreciation and amortisation expense	23,041	22,822	(219)	68,473	68,216	257
6,925	Finance costs	6,639	6,947	308	22,010	20,777	1,233
11,709	Operating and maintenance costs	13,024	14,142	1,118	46,466	46,466	-
2,061	Professional costs	2,147	2,687	540	13,268	13,268	-
3,760	Administration costs	4,585	3,724	(861)	6,582	6,582	-
4,195	Property costs	3,953	4,115	162	12,067	12,067	-
74,784	Total expenses	79,555	82,200	2,645	252,034	250,544	1,490
19,853	Operating surplus/(deficit)	26,457	14,222	12,235	75,776	76,043	267
	Gains and losses						
(2,936)	Net gain/(loss) on revaluation of interest rate swaps	(1,932)	-	(1,932)	-	-	-
-	Gain on fair value of investment properties	-	47	(47)	565	565	-
(207)	Property, plant and equipment net gain/(loss)	958	-	958	-	-	-
(3,143)	Total gains and losses	(974)	47	(1,021)	565	565	
16,710	Total surplus/(deficit)	25,483	14,269	11,214	76,341	76,608	267

Refer to Activity Statements for variances against budget.

Attachment 1

Item 7

**BALANCING THE BOOKS RESULT
FOR THE FOUR MONTHS ENDED 31 OCTOBER 2018**

YTD 2017/18		YTD Actual	YTD Approved Budget	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000		\$000	\$000	\$000	\$000	\$000	\$000
16,710	Surplus/(deficit)	25,483	14,269	11,214	76,341	76,608	267
	Remove capital revenue						
(11,586)	Vested assets	(12,655)	(9,999)	(2,656)	(30,000)	(30,000)	-
(6,823)	Part of development and financial contributions	(5,621)	(3,795)	(1,826)	(11,387)	(11,387)	-
(450)	Capital subsidy (excluding subsidy on transport renewals)	(2,363)	(3,188)	825	(35,012)	(35,012)	-
(1,225)	Other capital contributions	(1,976)	(48)	(1,928)	(4,744)	(4,744)	-
-	Other items not considered everyday operating revenue	(54)	-	(54)	(4,233)	(4,233)	-
	Remove (gains)/losses						
3,143	All (gains)/losses	974	(47)	1,021	(565)	(565)	-
	Remove other expenses						
-	Other items not considered everyday operating expenses	-	(1,345)	1,345	197	197	-
(231)	Everyday surplus/(deficit)	3,788	(4,153)	7,941	(9,403)	(9,136)	267

**LOCAL GOVERNMENT BALANCING THE BOOKS MEASURE
FOR THE FOUR MONTHS ENDED 31 OCTOBER 2018**

YTD 2017/18		YTD Actual	YTD Approved Budget	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000		\$000	\$000	\$000	\$000	\$000	\$000
16,710	Surplus/(deficit)	25,483	14,269	11,214	76,341	76,608	267
	Adjustments for the Local Government Regulations measure						
(806)	Gains excluding gains on investment properties	(538)	-	(538)	-	-	-
3,949	Losses	1,002	-	1,002	-	-	-
(9,374)	Development and financial contributions	(8,098)	(5,839)	(2,259)	(17,518)	(17,518)	-
(11,586)	Vested assets	(12,655)	(9,999)	(2,656)	(30,000)	(30,000)	-
(17,817)	Total adjustments	(20,289)	(15,838)	(4,451)	(47,518)	(47,518)	-
(1,107)	LG Regulations balancing the books surplus/(deficit)	5,194	(1,569)	6,763	28,823	29,090	267

STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2018

Attachment 1

YTD 2017/18		Note	Actual	Annual Budget
\$000			\$000	\$000
Assets				
Current assets				
16,613	Cash and cash equivalents		36,199	49,500
47,863	Receivables	1	159,206	17,910
1,399	Prepayments		1,447	1,670
159	Inventory		126	160
66,040	Other financial assets	2	87,712	2,125
132,074	Total current assets		284,690	71,365
Non-current assets				
3,846,654	Property, plant and equipment		3,929,774	4,371,324
20,865	Intangible assets		19,819	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
28,889	- Other investments		6,400	5,500
44,741	Total other financial assets		16,223	14,478
	Investment in associates		7,430	7,430
597	Derivative financial instruments	4	682	
3,934,916	Total non-current assets		3,999,183	4,438,690
4,066,990	Total assets		4,283,873	4,510,055
Liabilities				
Current liabilities				
49,547	Payables and deferred revenue		159,514	33,250
6,579	Employee entitlements		6,986	6,420
1,194	Provisions		1,609	337
98,388	Borrowings	3	83,000	83,300
358	Derivative financial instruments	4	1,016	4,628
156,066	Total current liabilities		252,125	127,935
Non-current liabilities				
1,122	Employee entitlements		1,418	1,100
14,296	Provisions		15,100	24,413
315,389	Borrowings	3	366,438	427,194
33,324	Derivative financial instruments	4	34,220	19,025
364,131	Total non-current liabilities		417,176	471,732
520,197	Total liabilities		669,301	599,667
3,546,793	Net assets		3,614,572	3,910,388
Equity				
1,705,583	Accumulated funds		1,820,677	1,801,331
1,841,210	Other reserves		1,793,895	2,109,057
3,546,793	Total equity attributable to Hamilton City Council		3,614,572	3,910,388
3,546,793	Total equity		3,614,572	3,910,388

**NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2018**

Attachment 1

Note 1: Rates and debtors receivables

	Actual			Actual Oct-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	367	-	367	426	-	426
Government rebate	(988)	-	(988)	(991)	-	(991)
Council hardship	(192)	-	(192)	(196)	-	(196)
Other remissions	(5,977)	-	(5,977)	(3,364)	-	(3,364)
Rates receipts	(56,492)	(1,830)	(58,323)	(49,775)	(2,022)	(51,797)
Instalments still to invoice	102,137	-	102,137	-	-	-
Balance as at 30 June	138,737	1,489	140,226	33,918	1,280	35,198
Water by meter			1,173			1,254
Sundry debtors						
Debtors			2,647			2,989
Rentals			435			428
Rates rebates Internal Affairs			986			356
NZTA			2,680			1,061
H3 debtors			1,427			1,035
GST refund			-			-
			8,175			5,870
Debtor accruals			1,432			4,544
Parking			3,400			3,594
Provision for doubtful debts			(2,742)			(2,598)
Total Rates and debtors receivables			151,665			47,863

	Actual	Actual
	\$000	\$000
Sundry debtors ageing	as at 31 October 2018	as at 31 October 2017
Current	6,765	3,687
0-30 days	643	1,169
30-60 days	245	485
60-90 days	47	18
>90 days	475	511
	8,175	5,870

Note 2: Other financial assets - current

	Actual	Actual
	\$000	\$000
Term deposits	65,000	66,040
Loan investments	22,712	-
Total other financial assets - current	87,712	66,040

Note 3: Borrowings

	Actual	Annual	Actual
	\$000	budget	Oct-2017
Borrowings - current	83,000	83,300	98,388
Borrowings - non-current	366,438	427,194	315,389
Total external debt	449,438	510,494	413,777

Note 4: Derivative financial instruments

	Actual	Annual	Actual
	\$000	budget	Oct-2017
Interest rate Swaps (current asset)	-	-	-
Interest rate Swaps (non-current asset)	(682)	-	(597)
Interest rate Swaps (current liability)	1,016	4,628	358
Interest rate Swaps (non-current liability)	34,220	19,025	33,324
Total net derivative financial instrument liabilities	34,554	23,653	33,085

YTD 2017/18 \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance Fav/(Unfav) \$000	Annual Approved Budget \$000	Annual Forecast \$000	Annual Variance Fav/(Unfav) \$000
Everyday revenue						
0 Rates	0	0	0	0	0	0
9 Fees and user charges	8	9	(1)	27	27	0
0 Subsidies and grants	0	0	0	0	0	0
0 Interest revenue	0	0	0	0	0	0
0 Other revenue	0	0	0	0	0	0
9 Total everyday revenue	8	9	(1)	27	27	0
Everyday expenses						
68 Personnel costs	45	140	95	421	421	0
0 Depreciation and amortisation	0	0	0	0	0	0
0 Finance costs	0	0	0	0	0	0
5 Operating and maintenance costs	11	13	2	39	39	0
81 Professional costs	102	145	43	435	435	0
0 Property costs	0	0	0	0	0	0
415 Other costs	457	515	58	1,545	1,545	0
569 Total everyday expenses	615	813	198	2,440	2,440	0
(560) Everyday surplus/(deficit)*	(607)	(804)	197	(2,413)	(2,413)	0
(560) OPERATING SURPLUS/(DEFICIT)	(607)	(804)	197	(2,413)	(2,413)	0

* 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 budgets where they exceed \$100k.

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 four months ended 31 October 2018

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
49 Rates	50	48	2	124	124	0
2,021 Fees and user charges	2,515	2,049	466	5,432	5,432	0
0 Subsidies and grants	0	0	0	0	0	0
267 Interest revenue	139	80	59	240	240	0
290 Other revenue	177	247	(70)	742	742	0
2,627 Total everyday revenue	2,881	2,424	457	6,538	6,538	0
Everyday expenses						
1,969 Personnel costs	1,892	2,102	210	6,268	6,268	0
1,553 Depreciation and amortisation	1,730	1,743	13	5,230	5,230	0
1,085 Finance costs	652	664	12	1,992	1,992	0
1,096 Operating and maintenance costs	1,252	1,382	130	4,332	4,332	0
55 Professional costs	107	89	(18)	318	318	0
503 Property costs	519	474	(45)	1,461	1,461	0
503 Other costs	544	686	142	1,882	1,882	0
6,764 Total everyday expenses	6,696	7,140	444	21,483	21,483	0
(4,137) Everyday surplus/(deficit)*	(3,815)	(4,716)	901	(14,945)	(14,945)	0
Capital revenue						
0 Capital contributions	0	0	0	100	100	0
0 Total capital revenue	0	0	0	100	100	0
(4,137) OPERATING SURPLUS/(DEFICIT)	(3,815)	(4,716)	901	(14,845)	(14,845)	0

* 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 budgets where they exceed \$100k.

Fees and user charges are \$466k 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 budgeted level of fees and charges relating to business events. Current indications are that we will be above budget at year end. The increased revenue offsets increased cost of sales explained below.

Personnel costs are \$210k favourable. This is due to vacancies across the group.

Operating and maintenance costs are \$130k favourable. Cost of sales are \$143k unfavourable due to increased events held as per fees and user charges explanation above. This is offset by maintenance being \$273k favourable due to the timing of works occurring.

Other costs are \$142k favourable. This is due to the timing of the event sponsorship payments to approved events but as this fund is fully committed by council resolution, it will be fully expended by year end.

VISITOR ATTRACTIONS

Hamilton Gardens | Waikato Museum | Hamilton Zoo

for the four months ended 31 October 2018

YTD 2017/18 \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance Fav/(Unfav) \$000	Annual Approved Budget \$000	Annual Forecast \$000	Annual Variance Fav/(Unfav) \$000
Everyday revenue						
199 Rates	210	201	9	595	595	0
865 Fees and user charges	953	876	77	2,872	2,872	0
19 Subsidies and grants	21	28	(7)	85	85	0
7 Interest revenue	13	7	6	22	22	0
35 Other revenue	39	47	(8)	141	141	0
1,125 Total everyday revenue	1,236	1,159	77	3,715	3,715	0
Everyday expenses						
2,447 Personnel costs	2,564	2,680	116	7,930	7,930	0
638 Depreciation and amortisation	661	721	60	2,163	2,163	0
48 Finance costs	59	60	1	180	180	0
595 Operating and maintenance costs	585	669	84	2,306	2,306	0
82 Professional costs	100	145	45	494	494	0
263 Property costs	254	311	57	951	951	0
178 Other costs	186	212	26	573	573	0
4,251 Total everyday expenses	4,409	4,798	389	14,597	14,597	0
(3,126) Everyday surplus/(deficit)*	(3,173)	(3,639)	466	(10,882)	(10,882)	0
Capital revenue						
456 Capital contributions	0	0	0	300	300	0
456 Total capital revenue	0	0	0	300	300	0
(2,670) OPERATING SURPLUS/(DEFICIT)	(3,173)	(3,639)	466	(10,582)	(10,582)	0

* 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 budgets where they exceed \$100k.

Personnel costs are \$116k favourable. This is due to staff vacancies at all three venues and the amended timeframe in which Zoo staff will undergo firearms training.

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
(4) Rates	(7)	(7)	0	(24)	(24)	0
196 Fees and user charges	182	195	(13)	588	433	(155)
0 Subsidies and grants	0	1	(1)	2	2	0
14 Interest revenue	0	0	0	0	0	0
45 Other revenue	13	22	(9)	66	66	0
251 Total everyday revenue	188	211	(23)	632	477	(155)
Everyday expenses						
1,787 Personnel costs	1,800	1,898	98	5,697	5,697	0
1,099 Depreciation and amortisation	857	1,121	264	3,364	3,364	0
57 Finance costs	1	1	0	4	4	0
91 Operating and maintenance costs	109	260	151	1,646	1,646	0
25 Professional costs	53	61	8	615	615	0
198 Property costs	227	254	27	764	764	0
710 Other costs	1,229	1,279	50	1,973	1,973	0
3,967 Total everyday expenses	4,276	4,874	598	14,063	14,063	0
(3,716) Everyday surplus/(deficit)*	(4,088)	(4,663)	575	(13,431)	(13,586)	(155)
(3,716) OPERATING SURPLUS/(DEFICIT)	(4,088)	(4,663)	575	(13,431)	(13,586)	(155)

* 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 budgets where they exceed \$100k.

Depreciation and amortisation is \$264k favourable. Founders Theatre was fully impaired in June 2018. As the asset has been written down to a zero book value there will be no depreciation expense during 2018/19. This occurred after the preparation of the 10-Year Plan and will be adjusted through the forecasting process.

Operating and maintenance costs are \$151k favourable. The majority of this variance is due to the Community Hall building maintenance work programme that is starting later than planned.

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
(23) Rates	(49)	(64)	15	(196)	(196)	0
2,347 Fees and user charges	2,083	1,970	113	6,534	6,534	0
53 Subsidies and grants	0	2	(2)	7	7	0
115 Interest revenue	163	94	69	282	282	0
59 Other revenue	78	110	(32)	330	330	0
2,551 Total everyday revenue	2,275	2,112	163	6,957	6,957	0
Everyday expenses						
3,660 Personnel costs	3,805	3,951	146	11,850	11,850	0
1,689 Depreciation and amortisation	1,838	1,966	128	5,898	5,898	0
523 Finance costs	767	781	14	2,344	2,344	0
1,189 Operating and maintenance costs	1,422	1,880	458	6,893	6,893	0
196 Professional costs	184	152	(32)	529	529	0
464 Property costs	332	416	84	1,212	1,212	0
247 Other costs	310	373	63	920	920	0
(1) Internal capital recoveries	(8)	0	8	0	0	0
7,967 Total everyday expenses	8,650	9,519	869	29,646	29,646	0
(5,416) Everyday surplus/(deficit)*	(6,375)	(7,407)	1,032	(22,689)	(22,689)	0
Capital revenue						
12 Capital contributions	8	0	8	300	300	0
13 Total capital revenue	8	0	8	300	300	0
(5,403) OPERATING SURPLUS/(DEFICIT)	(6,367)	(7,407)	1,040	(22,389)	(22,389)	0

* 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 budgets where they exceed \$100k.

Fees and user charges are \$113k favourable. The majority of this variance is due to additional work requested of City Parks by the Infrastructure Alliance, which will offset increased costs. Cemetery revenue is also higher than budget due to a high number cremations and cemetery plots sales.

Personnel costs are \$146k favourable. The majority of this variance is due to the impact of the closure of Waterworld to complete the capital upgrade of the facility. City Parks salaries are also favourable due to staff vacancies and costs are expected to increase when vacant positions have been recruited.

Depreciation and amortisation is \$128k favourable. The variances attributed to the Waterworld facility upgrade which has been completed and have yet to be capitalised. The variance will reduce as time progresses.

Operating and maintenance costs are \$458k favourable. The programme of works for park assets tracks below budget but is expected to be on track at year end. City Parks tree maintenance work is expected to increase as the parks dry out.

YTD 2017/18	YTD Actual	YTD Budget	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
1,472 Fees and user charges	1,318	1,332	(14)	2,139	2,139	0
0 Subsidies and grants	0	0	0	0	0	0
2 Interest revenue	0	0	0	0	0	0
6 Other revenue	6	10	(4)	31	31	0
1,480 Total everyday revenue	1,324	1,342	(18)	2,170	2,170	0
Everyday expenses						
1,120 Personnel costs	1,195	1,189	(6)	3,568	3,568	0
27 Depreciation and amortisation	23	58	35	173	173	0
8 Finance costs	0	0	0	0	0	0
232 Operating and maintenance costs	313	338	25	1,176	1,176	0
59 Professional costs	52	70	18	211	211	0
35 Property costs	24	25	1	53	53	0
48 Other costs	56	33	(23)	107	107	0
1,529 Total everyday expenses	1,661	1,713	52	5,288	5,288	0
(49) Everyday surplus/(deficit)*	(337)	(371)	34	(3,118)	(3,118)	0
(49) OPERATING SURPLUS/(DEFICIT)	(337)	(371)	34	(3,118)	(3,118)	0

* 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 budgets where they exceed \$100k.

There are no significant variances to explain.

YTD 2017/18 \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance Fav/(Unfav) \$000	Annual Approved Budget \$000	Annual Forecast \$000	Annual Variance Fav/(Unfav) \$000
Everyday revenue						
0 Rates	0	0	0	0	0	0
2,890 Fees and user charges	4,082	3,084	998	9,253	9,253	0
0 Subsidies and grants	0	0	0	0	0	0
104 Interest revenue	52	30	22	90	90	0
1 Other revenue	1	0	1	0	0	0
2,995 Total everyday revenue	4,135	3,114	1,021	9,343	9,343	0
Everyday expenses						
2,689 Personnel costs	2,711	2,973	262	8,929	8,929	0
2 Depreciation and amortisation	1	1	0	4	4	0
417 Finance costs	245	250	5	749	749	0
73 Operating and maintenance costs	55	119	64	358	358	0
630 Professional costs	531	606	75	2,055	2,055	0
10 Property costs	10	7	(3)	21	21	0
385 Other costs	395	478	83	1,000	1,000	0
(32) Internal capital recoveries	(45)	0	45	0	0	0
4,174 Total everyday expenses	3,903	4,434	531	13,116	13,116	0
(1,179) Everyday surplus/(deficit)*	232	(1,320)	1,552	(3,773)	(3,773)	0
(1,179) OPERATING SURPLUS/(DEFICIT)	232	(1,320)	1,552	(3,773)	(3,773)	0

* 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 budgets where they exceed \$100k

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

Fees and user charges are \$998k favourable. The majority of this variance is due to higher than budgeted activity for building consents. The Growth team are reviewing this to consider whether a forecasting adjustment would be appropriate. This will be advised in the February 2019 monitoring report.

Personnel costs are \$262k favourable. This variance is largely due to vacancies in the Building Control Unit which are present due to a national skills shortage. There are also several vacancies in the Planning Guidance team and they are in the process of reviewing their vacancies before commencing the recruitment process.

WATER SUPPLY
Water Treatment | Water Storage | Water Distribution
for the four months ended 31 October 2018

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
2,579 Rates	2,852	2,705	147	8,107	8,107	0
(18) Fees and user charges	(22)	(85)	63	(215)	(215)	0
0 Subsidies and grants	0	0	0	0	0	0
178 Interest revenue	284	163	121	489	489	0
0 Other revenue	0	0	0	0	0	0
2,739 Total everyday revenue	3,114	2,783	331	8,381	8,381	0
Everyday expenses						
1,170 Personnel costs	1,283	1,374	91	4,152	4,152	0
2,343 Depreciation and amortisation	2,796	2,554	(242)	7,662	7,662	0
1,145 Finance costs	1,331	1,356	25	4,068	4,068	0
1,276 Operating and maintenance costs	942	964	22	3,448	3,448	0
55 Professional costs	88	80	(8)	745	745	0
567 Property costs	594	609	15	1,754	1,754	0
20 Other costs	29	27	(2)	82	82	0
(579) Internal capital recoveries	(518)	(498)	20	(1,494)	(1,494)	0
5,997 Total everyday expenses	6,545	6,466	(79)	20,417	20,417	0
(3,258) Everyday surplus/(deficit)*	(3,431)	(3,683)	252	(12,036)	(12,036)	0
Capital revenue						
214 Capital contributions	386	16	370	50	50	0
214 Total capital revenue	386	16	370	50	50	0
(3,044) OPERATING SURPLUS/(DEFICIT)	(3,045)	(3,667)	622	(11,986)	(11,986)	0

* 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 budgets where they exceed \$100k.

Rates are \$147k favourable. Water by meter revenue is favourable due to a higher than anticipated level of water use year to date.

Interest revenue is \$121k favourable. This is due to term deposits being greater than budget.

Depreciation and amortisation is \$242k 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 as explained in the emerging issues in the annual monitoring report.

Capital contributions are \$370k favourable. Contributions towards new water connections exceed budget due to higher than budgeted applications. This revenue will offset capital installation costs.

YTD 2017/18 \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance Fav/(Unfav) \$000	Annual Approved Budget \$000	Annual Forecast \$000	Annual Variance Fav/(Unfav) \$000
Everyday revenue						
(15) Rates	(1)	(14)	13	(41)	(41)	0
1,620 Fees and user charges	1,954	1,870	84	4,466	4,466	0
0 Subsidies and grants	0	0	0	0	0	0
227 Interest revenue	320	184	136	551	551	0
0 Other revenue	0	0	0	0	0	0
1,832 Total everyday revenue	2,273	2,040	233	4,976	4,976	0
Everyday expenses						
1,363 Personnel costs	1,446	1,637	191	4,941	4,941	0
3,036 Depreciation and amortisation	3,848	3,259	(589)	9,778	9,778	0
1,121 Finance costs	1,499	1,527	28	4,581	4,581	0
1,587 Operating and maintenance costs	1,996	2,043	47	6,463	6,463	0
9 Professional costs	120	110	(10)	742	742	0
757 Property costs	641	714	73	2,087	2,087	0
36 Other costs	45	49	4	149	149	0
(474) Internal capital recoveries	(432)	(428)	4	(1,283)	(1,283)	0
7,435 Total everyday expenses	9,163	8,911	(252)	27,458	27,458	0
(5,603) Everyday surplus/(deficit)*	(6,890)	(6,871)	(19)	(22,482)	(22,482)	0
Capital revenue						
336 Capital contributions	410	16	394	50	50	0
336 Total capital revenue	410	16	394	50	50	0
(5,267) OPERATING SURPLUS/(DEFICIT)	(6,480)	(6,855)	375	(22,432)	(22,432)	0

* 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 budgets where they exceed \$100k.

Interest Revenue is \$136k favourable. This is due to term deposits being greater than budget.

Personnel costs are \$191k favourable. This is predominantly due to short term vacancies within the City Waters team.

Depreciation and amortisation is \$589k 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 as explained in the emerging issues in the annual monitoring report.

Capital contributions \$394k favourable. Contributions towards new wastewater connections exceed budget due to higher than budgeted applications. This revenue will offset capital installation costs.

for the four months ended 31 October 2018

YTD 2017/18	YTD Actual	YTD Budget	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
93 Fees and user charges	125	67	58	202	202	0
0 Subsidies and grants	0	0	0	0	0	0
21 Interest revenue	88	50	38	151	151	0
0 Other revenue	0	0	0	0	0	0
114 Total everyday revenue	213	117	96	352	352	0
Everyday expenses						
859 Personnel costs	936	1,006	70	3,047	3,047	0
2,721 Depreciation and amortisation	3,181	2,925	(256)	8,776	8,776	0
159 Finance costs	410	417	7	1,252	1,252	0
237 Operating and maintenance costs	309	248	(61)	765	765	0
86 Professional costs	26	91	65	294	294	0
107 Property costs	124	130	6	392	392	0
13 Other costs	19	15	(4)	48	48	0
(436) Internal capital recoveries	(365)	(320)	45	(961)	(961)	0
3,746 Total everyday expenses	4,640	4,512	(128)	13,613	13,613	0
(3,632) Everyday surplus/(deficit)*	(4,427)	(4,395)	(32)	(13,261)	(13,261)	0
Capital revenue						
146 Capital contributions	198	16	182	64	64	0
146 Total capital revenue	198	16	182	64	64	0
(3,486) OPERATING SURPLUS/(DEFICIT)	(4,229)	(4,379)	150	(13,197)	(13,197)	0

* 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 budgets where they exceed \$100k.

Depreciation and amortisation is \$256k unfavourable. This is due to a higher than expected increase in the total value of water assets from the recent asset revaluation. This will be reviewed in as part of the depreciation forecast as explained in the annual monitoring report.

Capital contributions are \$182k favourable. Contributions towards new stormwater connections exceed budget due to higher than budgeted applications. This revenue will offset capital installation costs.

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
1,634 Rates	(7)	(14)	7	(9)	(9)	0
1,491 Fees and user charges	1,562	1,034	528	3,080	3,080	0
1,429 Subsidies and grants	1,972	1,968	4	6,460	6,864	404
470 Interest revenue	370	213	157	638	638	0
881 Other revenue	1,048	822	226	2,520	2,520	0
1,390 Plus NZTA capital subsidy on renewals	2,815	1,540	1,275	5,084	7,400	2,316
7,295 Total everyday revenue	7,760	5,563	2,197	17,773	20,493	2,720
Everyday expenses						
1,474 Personnel costs	1,710	2,072	362	6,219	6,219	0
6,093 Depreciation and amortisation	6,181	6,217	36	18,652	18,652	0
2,513 Finance costs	1,737	1,768	31	5,306	5,306	0
3,202 Operating and maintenance costs	4,025	3,909	(116)	12,269	12,269	0
124 Professional costs	165	381	216	1,322	1,322	0
908 Property costs	820	825	5	2,325	2,325	0
276 Other costs	410	273	(137)	772	772	0
(209) Internal capital recoveries	(440)	(561)	(121)	(1,683)	(1,683)	0
14,381 Total everyday expenses	14,608	14,884	276	45,182	45,182	0
(7,086) Everyday surplus/(deficit)*	(6,848)	(9,321)	2,473	(27,409)	(24,689)	2,720
Capital revenue						
62 Capital contributions	975	0	975	3,880	3,880	0
1,840 NZTA capital subsidy	5,178	4,728	450	40,096	38,054	(2,042)
(1,390) Less NZTA capital subsidy on renewals	(2,815)	(1,540)	(1,275)	(5,084)	(7,400)	(2,316)
512 Total capital revenue	3,338	3,188	150	38,892	34,534	(4,358)
(6,574) OPERATING SURPLUS/(DEFICIT)	(3,510)	(6,133)	2,623	11,483	9,845	(1,638)

* 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 budgets where they exceed \$100k.
<p>Fees and user charges are \$528k favourable. This is mainly due to increased external recoveries for costs added to on-street parking infringements (relating to earlier periods), State Highways maintenance, notices for road closures. This increased revenue offsets increased expenditure in other costs below. Off-street car park revenue is also up 31% on budget, though at a similar level as this time last year.</p> <p>Interest revenue is \$157k favourable. This is due to term deposits being greater than budget.</p> <p>Other revenue is \$226k favourable. Parking infringement notices and traffic infringement notices revenue have been consistently greater than budget.</p> <p>NZTA capital subsidy on renewals is \$1,275k favourable. This is due to receiving new subsidy on footpath renewals and the LED renewal programme 85% subsidy rate has been extended into 2018/19. These increases are expected to be offset by programmes where subsidy was anticipated (budgeted) and will not be received. These will be adjusted through the forecasting process.</p> <p>Personnel costs are \$362k 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 yet appointed, as well as existing vacant roles. Until recruitment, unfilled positions will contribute to the vacancy savings allocation.</p> <p>Operating and maintenance costs are \$116k unfavourable. This is largely due to the recent incorporation of the level crossing programme at the request of KiwiRail; it is therefore unbudgeted but is eligible for NZTA subsidy.</p> <p>Professional costs are \$216k favourable. This is a timing issue as it has taken longer to engage consultants than what was budgeted. This will be adjusted through the forecasting process.</p> <p>Other costs are \$137k unfavourable. These are Ministry of Justice court fees and the level reflects the increase in parking and traffic infringements.</p> <p>Internal capital recoveries are \$121k unfavourable. Timecost recoveries are down on expectations, largely due to staff vacancies.</p> <p>Capital contributions are \$975k favourable. This is due to the 43.4% State Highways contribution from NZTA for the Ring Road/Cobham Drive interchange being budgeted to be received in May 2019 but it is being accrued based on actual costs for the project. This will be adjusted through the forecasting process.</p> <p>NZTA capital subsidy (excluding renewals) is \$825k unfavourable. (Total capital subsidy is \$450k favourable, of which \$1,275k relates to subsidy on renewals as explained above, therefore subsidy on capital is \$825k unfavourable.) This is mainly due to lower spend on NZTA subsidised components of Peacockes Stage 2, which is still in the early stages.</p>

RUBBISH AND RECYCLING

Refuse Collection | Waste Minimisation | Landfill Site Management

for the four months ended 31 October 2018

YTD 2017/18 \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance Fav/(Unfav) \$000	Annual Approved Budget \$000	Annual Forecast \$000	Annual Variance Fav/(Unfav) \$000
Everyday revenue						
0 Rates	0	0	0	0	0	0
(68) Fees and user charges	(34)	(21)	(13)	(64)	(64)	0
294 Subsidies and grants	308	283	25	566	566	0
8 Interest revenue	7	4	3	12	12	0
198 Other revenue	203	222	(19)	445	445	0
432 Total everyday revenue	484	488	(4)	959	959	0
Everyday expenses						
450 Personnel costs	506	520	14	1,595	1,595	0
112 Depreciation and amortisation	212	145	(67)	436	436	0
41 Finance costs	32	33	1	1,267	1,267	0
1,634 Operating and maintenance costs	1,729	1,741	12	5,317	5,317	0
135 Professional costs	46	73	27	247	247	0
16 Property costs	88	23	(65)	68	68	0
20 Other costs	6	6	0	(1,486)	(1,486)	0
(76) Internal capital recoveries	(33)	(36)	(3)	(108)	(108)	0
2,332 Total everyday expenses	2,586	2,505	(81)	7,336	7,336	0
(1,900) Everyday surplus/(deficit)*	(2,102)	(2,017)	(85)	(6,377)	(6,377)	0
(1,900) OPERATING SURPLUS/(DEFICIT)	(2,102)	(2,017)	(85)	(6,377)	(6,377)	0

* 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 budgets where they exceed \$100k.

There are no significant variances to explain.

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
(103) Rates	(126)	(126)	0	(265)	(265)	0
382 Fees and user charges	336	314	22	969	969	0
0 Subsidies and grants	0	0	0	0	0	0
1 Interest revenue	0	0	0	0	0	0
744 Other revenue	840	749	91	2,247	2,247	0
1,024 Total everyday revenue	1,050	937	113	2,951	2,951	0
Everyday expenses						
5,871 Personnel costs	6,275	6,218	(57)	18,552	18,552	0
1,892 Depreciation and amortisation	1,712	2,112	400	6,337	6,337	0
23 Finance costs	21	23	2	70	70	0
230 Operating and maintenance costs	277	311	34	928	928	0
526 Professional costs	571	685	114	5,262	5,262	0
367 Property costs	320	326	6	979	979	0
2,909 Other costs	2,789	3,028	239	8,890	8,890	0
(157) Internal capital recoveries	(159)	(114)	45	(343)	(343)	0
11,661 Total everyday expenses	11,806	12,589	783	40,675	40,675	0
(10,637) Everyday surplus/(deficit)*	(10,756)	(11,652)	896	(37,724)	(37,724)	0
(10,637) OPERATING SURPLUS/(DEFICIT)	(10,756)	(11,652)	896	(37,724)	(37,724)	0

* 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 budgets where they exceed \$100k

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

Depreciation and amortisation is \$400k favourable. The favourable result from capital projects not completed for capitalisation at the expected and budgeted timeframe is currently being reassessed to identify correct phasing and/or savings.

Professional costs are \$114k favourable. Market research and Information Services projects will start later than budgeted.

Other costs are \$239k favourable. This is due to support and license expenses occurring later than budgeted.

GENERAL
for the four months ended 31 October 2018

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Approved Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Everyday revenue						
0 Rates	53,828	53,537	291	171,423	171,993	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
0 Other revenue	150	1,511	(1,361)	4,337	4,337	0
0 Plus NZTA capital subsidy on renewals	0	0	0	0	0	0
0 Less DC interest	2,477	2,044	433	6,131	6,131	0
0 Less HIF fair value benefit	(54)	(1,411)	1,357	(4,233)	(4,233)	0
0 Total everyday revenue	56,401	55,681	720	177,658	178,228	570
Everyday expenses						
0 Personnel costs	0	0	0	0	0	0
0 Depreciation and amortisation	0	0	0	0	(257)	257
0 Finance costs	(116)	66	182	197	(1,036)	1,233
0 Operating and maintenance costs	113	303	190	526	526	0
0 Professional costs	0	0	0	0	0	0
0 Property costs	0	0	0	0	0	0
0 Other costs	0	(1,333)	(1,333)	(4,000)	(4,000)	0
0 Less HIF discounting	0	(66)	(66)	(197)	(197)	0
0 Total everyday expenses	(3)	(1,030)	(1,027)	(3,474)	(4,964)	1,490
0 Everyday surplus/(deficit)*	56,404	56,711	(307)	181,132	183,192	2,060
Capital revenue						
0 Development contributions	8,097	5,839	2,258	17,518	17,518	0
0 Less DC interest (everyday revenue section)	(2,477)	(2,044)	(433)	(6,131)	(6,131)	0
0 Vested assets	12,655	9,999	2,656	30,000	30,000	0
0 Total capital revenue	18,275	13,794	4,481	41,387	41,387	0
0 HIF fair value and discounting adjustment	0	0	0	4,036	4,036	0
0 OPERATING SURPLUS/(DEFICIT)	74,679	70,505	4,174	226,555	228,615	2,060

* 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 budgets where they exceed \$100k.

Rates are \$291k favourable. This is due to achieving higher than expected growth, as detailed in the Financial Strategy Monitoring Report. Rates are expected to be \$0.57M favourable at year end as shown in the annual forecast.

Other revenue is \$1,361k unfavourable. This budget is for the HIF fair value benefit, which we budgeted to occur quarterly. We received our first HIF drawdown on 8 October 2018 and therefore the HIF fair value benefit will be recorded in October. We will rephase this budget through the annual forecast.

GENERAL
for the four months ended 31 October 2018

DC interest is \$433k 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.

HIF fair value benefit is \$1,357k favourable. See explanation above for other revenue.

Finance costs are \$182k favourable. This is due to lower than budgeted debt.

Operating and maintenance costs are \$190k favourable. This is due to the Waikato District boundary change payment occurring later than budgeted. This will be adjusted through the forecasting process.

Other costs are \$1,333k unfavourable. This budget is for the efficiency savings. These savings will be reported in the Chief Executive Savings Report in February 2019.

Development contributions are \$2,258k favourable. Council have experienced high growth activity in the first quarter of the financial year, which has meant higher than expected DC revenue.

Vested assets are \$2,656k favourable. 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.

Item 7

Attachment 2

Attachment 3
TREASURY REPORT
 for the fourth month ended 31 October 2018

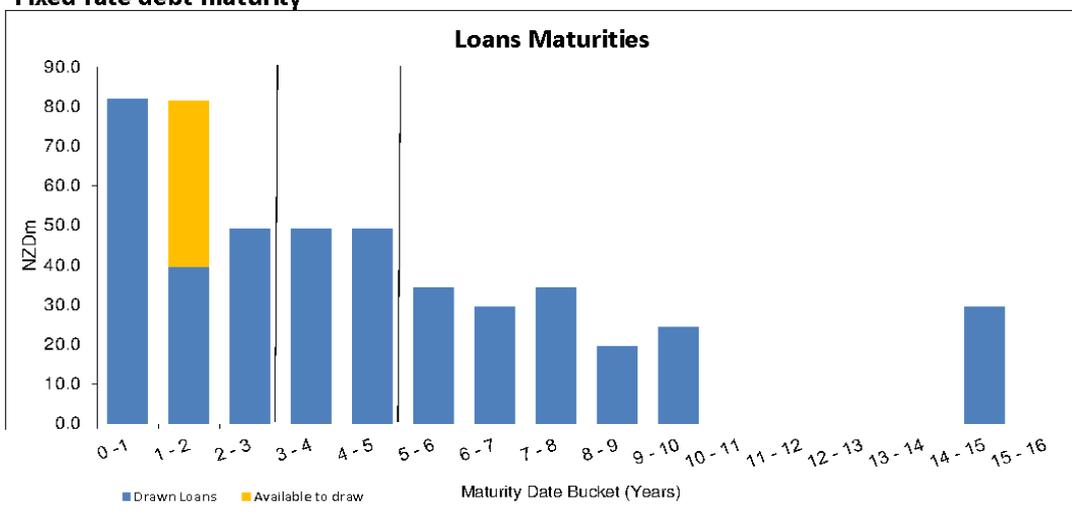
Policy Compliance

	Policy	Result @ 31-Oct-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%	121%
Counterparty credit risk	maximum	\$75m per bank	achieved

Comments on policy breaches

There are no breaches of policy.

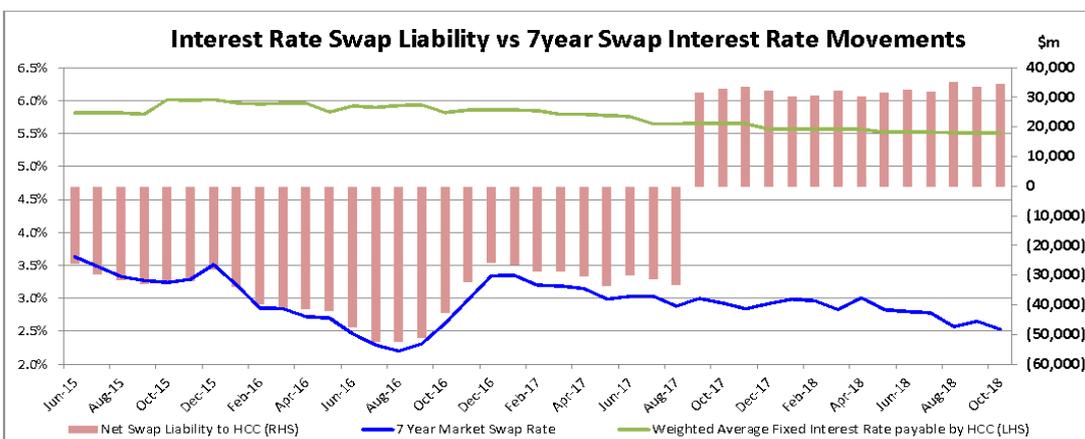
Fixed rate debt maturity



Debt and Cash Investments

	Result @ 31-Oct-18	Budget @ 30-Jun-19	Variance Fav. / (Unfav.)
External debt	449,438	510,494	61,056
less Cash investments	(107,580)	(55,000)	52,580
Net debt	341,858	455,494	113,636

Gross cost of funds (12 month rolling average) 4.85% 4.31% -0.54%



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 rates decrease, the swap liability increases. Recent months have seen swap interest rates decrease, causing an increase in HCC's liability.

Definitions:

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

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

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

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

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

Cash investments - This is the total of all amounts in our bank account (General & 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 - This shows our actual interest expense over average debt.

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

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

Council Report

Item 8

Committee: Finance Committee

Date: 04 December 2018

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 four-months ending 31 October 2018.

Staff Recommendation

2. That the Finance Committee:
 - a) receives the report; and
 - 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.

Executive Summary

3. This report is to be read in conjunction with the:
 - a) December 2018 Annual Monitoring Report; and
 - b) December 2018 Financial Strategy Report
4. Work continues to deliver the largest ever capital portfolio for Hamilton City Council with a 3-year portfolio totalling \$772M.
5. Out of 13 major project starts planned for this financial year, 9 starts have already been achieved and 3 are either under negotiation or the works are out to tender allowing an imminent start.
6. The new approach to capital delivery and reporting is providing more reliable expenditure and revenue forecast information, resulting in early identification of a number of deferrals for Council's consideration.

7. The Western Wastewater project awarded last month was significantly under budget due to innovative scoping and procurement, and the budget savings of \$7.2M are declared as a reduction to debt.
8. The new organisational approach to capital delivery is allowing more support across the organisation for successful delivery, while also providing more opportunity for disciplined scope and value engineering conversations.

Highlights from Programme Reports

9. **Rototuna Programme**

- Rototuna Community Facilities options and feasibility study are underway to determine the location of the library, community facilities, town square, parking as well as the nature of any aquatic facilities and potential funding mechanisms.
- The Rototuna Sports Park and Park Lane works will commence mid November 2018.

10. **Rotokauri Programme**

- Planning for the Zoo and Waiwhakareke development project is underway and concept design is commencing.
- Discussions are in progress with major developers about the future development of Rotokauri.

11. **Ruakura Programme**

- This programme is well advanced and on-track.
- The programme is well aligned with development timing and meeting the key benefits of enabling growth.

12. **Renewals & Compliance Programme**

- Recently completed significant asset renewals and compliance works have included;
 - Waterworld major refurbishment
 - Excite and Artspost Gallery flooring
 - Claudelands barn roof renewal
 - Water treatment plant seismic strengthening
 - Fairfield park sports field renewal
 - Galloway park sports field renewal

13. **Citywide Waters**

- Physical works have commenced on the Wastewater Treatment Plant Upgrade.
- A capital reduction of \$7.2M over 2 years has been identified on the Western Wastewater Interceptor Duplication project.

14. **Citywide Community**

- The Hamilton Gardens revenue has been confirmed for 2018/19 and the majority of the 2019/20. The funding strategy for future years is being reviewed with the Hamilton Gardens Trust.
- The Ferrybank Jetty is on track from completion by 30 June 2019.

15. **Transport Improvement Programme**

- NZTA are engaging positively in this programme. There is significant strategic planning and business case development required this financial year to be able to deliver the capital programme for the next 3 years.

16. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Capital Portfolio Report

17. See Attachment 1 for the portfolio summary and programme reports.

18. See Attachment 2 for the capital expenditure by activity report.

19. A key performance goal this financial year was to commence 13 physical work starts through tendering and award of significant contracts. Year to date we have achieved 9 of the 13 project starts as follows.

Contract	Awarded to	Value and Term
Rototuna Sports Park & Park	TIC Contracting	\$6M over 2 years
North City Road Upgrade	Schick Construction (through Development Agreement)	\$2M- this year
Thomas/Gordonton Intersection	Infrastructure Alliance	\$2.5M – this year
Wairere Drive Extension	Fulton Hogan Ltd	\$36M over 2 years
Pukete 3 WWTP Upgrade	Downer NZ	\$28M over 2 years
Wastewater & Stormwater Renewals	HEB Construction	\$20M over 3 years
Wastewater Western Interceptor	Connell Contractors	\$14M over 2 years
Watermain Renewals	Waipa Civil	\$15M over 3 years
Ruakura Far Eastern Wastewater Interceptor	West Construction (through Development Agreement)	\$2.5M over 2 years

20. The status of the remaining 4 projects follows.

Contract	Status	Estimate and Term
Ruakura Reservoir	currently out to tender	\$14M over 2 years
Transport Network Minor Improvements	currently out to tender	\$10M over 3 years
Borman Road Western Extension	Under negotiation	\$1.5M
Hillsborough Wastewater Pump Station Upgrade	Due to Tender 4 th quarter	\$5M

Capital Expenditure to end of October 2018

21. For the purposes of this Capital Portfolio Monitoring report there are 3 main types of capital budget movements that will impact on the forecasted total spend for this financial year. They are;

- ***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.

Item 8

- **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.
- **Reduction** – this is for the recording of efficiencies and capital savings that can be attributed to the capital savings target.

22. The current capital portfolio expenditure position at the end of October 2018 shows that we are \$7.2M behind budget (refer Attachment 1). The reasons for this are;

- Phasing of the Peacocke Programme budget had spending occurring early in the year. Contracts are now awarded and the active procurement of property is underway. Overall the programme is expected to be on time and budget for the financial year.
- Rephasing deferrals and Delay deferrals have been forecasted to more accurately reflect the expected spending for this financial year.
- Apart from the signalled changes to the forecasts, the programmes are expected to be on track for delivery this financial year.

23. The forecasted capital expenditure for 30/06/19 is made up as follows;

2018-19 Capital Expenditure Budget (including deferrals from 2017-18)	\$ 254.8M
Forecasted <u>rephasing deferrals</u>	(\$ 18.0M)
Forecasted <u>delay deferrals</u>	(\$ 8.1M)
Capital expenditure <u>reduction</u> forecasted in 2018/19	(\$ 0.8M)
Total forecasted capital expenditure 2018-19	\$ 227.8M

24. Rephasing Deferrals- (from 2018/19 to 2019/20)

Programme	Project	Amount	Explanation
Ruakura	Ruakura Reservoir and Bulk mains	\$2.0M	Alignment with contractors construction schedule.
City Wide - Waters	Pukete Wastewater Treatment Plant	\$7.0M	Alignment with contractors construction schedule.
City Wide - Waters	Hillsborough Pump Station Upgrade	\$3.3M	Delays in design due to unexpected complexities. Construction to be undertaken next financial year instead of phased over 2 years.
Transport Improvement	Ring Road	\$5.7M	Alignment with contractors construction schedule.
TOTAL Forecasted Rephasing Deferrals		\$18.0M	

25. Delay Deferrals- (from 2018/19 to 2019/20)

Programme	Project	Amount	Explanation
Rototuna	Borman/Horsham Urban Upgrade	\$0.6M	This project requires a business case to be developed in conjunction with NZTA. Deferral is required due to construction not being undertaken this financial year.
Rototuna	Rototuna Neighbourhood Park	\$1.1M	This deferral is related to the land requirements and the inability to secure land at this stage due to third party dependency.
Rotokauri	Rotokauri Central Swale	\$1.3M	This deferral is for land purchase. We have been unable to secure the land

			required for the Rotokauri Central Swale Designation to date.
Ruakura	Chedworth Trunk Watermain Upsizing	\$0.5M	This deferral is due to the delays in the developers programme. This is a third-party dependency.
Transport Improvement	Biking Plan School Link	\$1.8M	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	Tasman Road Upgrade & Rotokauri Rail Platform	\$1.7M	This deferral is in relation to the construction period for these projects which is expected to commence in 2019/20. The outcome of the rail business case will be known in December 2018.
Transport Improvement	Gordonton Road Corridor	\$1.2M	This deferral is signalled for the Gordonton Corridor as we face difficulties in securing the required land from third parties.
TOTAL Forecasted Deferrals		\$8.1M	

26. Reductions

Programme	Project	2018/19	2019/20	Explanation
City Wide - Waters	Western Wastewater Interceptor Duplication	\$0.8M	\$6.4M	A total reduction in capital expenditure of \$7.2M is expected over the next 2 years for the Western Wastewater Interceptor Duplication. This reduction in capital expenditure has been achieved through the development of a strategic business case to prioritise and align projects to get the best outcomes. There was also significant consideration given to the appropriate procurement model to ensure that innovation and value for money is achieved.

Revenue to end of October 2018

27. At the end of October 2018 the capital revenue result was \$2.4M favourable. This is a result of the following main factors:

- An increase in waters connections revenue – this is directly offset against expenditure.
- An increase in the revenue received from NZTA in relation to the transport programme due to work being completed ahead of schedule.
- An increase in footpath renewals revenue.

28. The forecasted revenue to 30/06/19 is made up as follows;

2018-19 revenue budget	\$44.8M
Deferrals/phasing revenue forecast	(\$3.1M)
Additional revenue forecasted in 2018/19	\$4.2M
Total forecasted revenue 2018-19	

	\$45.9M
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29. The deferred/rephased revenue is attributed to the following projects;

Programme	Project	Amount	Explanation
Transport Improvement	Biking Plan School Link	\$0.9M	This is related to the Biking Plan School Link deferral.
Transport Improvement	Gordonton Corridor	\$0.6M	This is related to the Gordonton Corridor deferral.
Transport Improvement	Tasman Road Upgrade & Rotokauri Rail Platform	\$0.3M	This is related to the Tasman Road Upgrade & Rotokauri Rail Platform deferral.
Transport Improvement	Ring Road	\$1.3M	This is related to the Ring Road rephasing.
TOTAL Forecasted Revenue Deferrals/Rephasing		\$3.1M	

30. The additional revenue identified is related to the following projects;

Programme	Project	Amount	Explanation
Renewals & Compliance	Footpath Renewals	\$2.3M	Additional \$25M from NZTA to be received over the next 10 years for footpath renewals.
Ruakura	Trunk Water Network	\$0.2M	Early completion of the trunk water network which is subject to development cost share in accordance with the Ruakura Private Development Agreement. This revenue was not budgeted.
City Wide - Waters	Customer Service Connections	\$0.9M	Revenue related to customer service connections. This is demand driven and directly offset by expenditure
Transport Improvement	Thomas Gordonton Intersection	\$0.8M	An additional \$0.8M has been successfully secured from NZTA TEFAR funding for the Thomas Gordonton Intersection.
TOTAL Additional Revenue		\$4.2M	

Renewals and Compliance Programme

31. The purpose of the programme is to ensure that we are looking after our existing assets and investing in necessary compliance works to keep operating our assets.
32. To give clearer assurance that the current assets are being renewed adequately, the programme is now being reported in categories of 'Renewal' and 'Compliance' (refer Attachment 1).
33. As is normally the case with implementing programmes of renewal investments, there are regular changes that need to be made in priority of spend. Changes that are impacting the prioritisation of the programme are due to;
- Delivery challenges with some projects due to timing availability of professional services (investigation and design) and physical works contractors.
 - High priority issues that have arisen that weren't anticipated in the development of the 10-Year Plan renewal budget (such as Seddon Park Lights).
 - Delivery of the planned renewal for a different cost (either more or less) than the funding provision made in the 10-Year Plan.
34. New management disciplines through steering groups of senior staff is providing oversight and constructive challenging of the various renewals and compliance programmes. This is a key function of the Asset Management Centre of Excellence and any changes to renewal

programmes are being managed through steering group processes. Where changes are significant, these are being escalated and appropriate approval gained. In some instances, this will include elected member decisions.

35. Work is underway for the validating, detailed planning and scoping for next year's programme.

Work in Progress (WIP)

36. The WIP balance has been increasing due to:
- High rate of capital spend with increased 2018/19 capital budgets
 - 3 waters assets not being capitalized during the period as a revaluation has been undertaken and has just been finalized. This will now allow capitalisation of 3 waters assets to restart. Council has a management practice and a system limitation that while a revaluation is being processed and confirmed that no additions or disposals are made to the asset database for the category of asset that is being revalued.
37. The proportion of WIP that has a status of either being 'in use and being processed' or 'outstanding' has been decreasing over recent months. At the end of October 2018, 21% of the \$125M on the Work in Progress balance was either 'in use and being processed' or 'outstanding'. This proportion of the balance has been decreasing since July 2018 when 31% of WIP had this status.
38. Capitalisation of new assets is occurring at a faster rate than was the case with capitalisation in 2017/18 financial year. While there is an annual pattern to capitalisation activity (starting slow and finishing the financial year with significant capitalisations), staff are focusing on trying to capitalise at a steadier rate throughout the entire year. A more consistent pattern for capitalisation throughout the year will assist with processing the large number of assets from the increased capital expenditure and growth activity (vested assets).
39. Even though there has been an improvement in the proportion of the WIP balance with a 'current' status, further management focus is being placed on capitalisation of WIP. There has been a recent Internal Audit report by PWC to the Audit and Risk Committee on this area. The report has included several observations and recommendations. Management are implementing recommended initiatives to improve organisational performance with capitalisation of new assets. These initiatives include improvements to information systems, processes and education of staff and contractors. Where necessary additional resource will be utilized to further improve performance of capitalisation.

Risk

40. Robust risk management is a key part of the management of our projects, programmes and portfolio. The project and programme risks are identified and managed by programme steering groups and the discussions are not replicated here.
41. It is more appropriate for this report to consider the Portfolio risks as follows.
42. ***Market pricing and capacity***
43. The market pricing of work required for the capital portfolio is identified as a risk due to the impact it could have on the affordability of the portfolio and our ability to deliver the full portfolio.
44. We are attempting to mitigate this risk by going to the market as early as possible with our contracts and maintaining close relationships with our consultants and contractors to understand the market drivers.
45. To date this hasn't emerged as a significant risk for the City. Adequate resourcing to develop and approve NZ Transport Agency business cases is an emerging issue however. The General

Manager Development is involved in productive discussions with the Agency who understand this is an issue and are taking steps to resolve it.

46. **Health & safety on physical works**

47. Health and safety is a major focus and priority for the whole of the capital portfolio in relation to workers and public safety. We are constantly reviewing our processes to ensure that the right controls and monitoring is in place.

48. **External factors which result in changes to strategic direction**

49. The changes to the strategic direction of our projects and programmes are a result of the dynamic environment in which we operate.

50. Our programmes and projects must be able to respond to these changing needs and so ensuring that we are connected to key information about potential changes is important.

51. This is particularly relevant for the growth dependent projects.

52. **Capital Revenue Risk**

53. The following table shows the budgeted source of capital revenue for 2018/19;

Capital Revenue Budget Source Breakdown		
	2018/19	%
NZTA Capital Subsidy	\$40.1 M	89%
State Highway Contribution - NZTA	\$3.9 M	9%
Other Revenue	\$0.9 M	2%
TOTAL	\$44.8 M	

54. As shown above, 98% of capital revenue is sourced from the NZ Transport Agency.

55. The State Highway Contribution is for the Ring Road project and is budgeted to be received in May 2019.

56. There is significant work underway with the NZ Transport Agency on strategic planning and business case development to support the delivery of projects both this year and in future years.

57. At present there is still a significant amount of uncertainty and risk in achieving this revenue as approval processes are still underway.

58. Budgets for the 10 Year Plan were set with the optimistic assumption that all projects in the transport improvement programme would attract 51% subsidy, along with some of the other larger growth-related transport projects. Since the 10-Year Plan was finalised policy has emerged that provides an enhanced subsidy of 75.5% possible for some projects. A condition of receiving this enhanced subsidy is that it needs to be spent on additional transport projects. The Development Group will be looking to offset any enhanced subsidy received with projects that do not obtain any subsidy as a first priority.

59. **Third party dependencies which impact on the ability to deliver**

60. Third party dependencies, particularly around land acquisition and development timing, largely impact on our ability to deliver the capital portfolio.

61. Communication and stakeholder engagement and management are our most important tools for obtaining the right outcomes for the portfolio.

Emerging Issues

62. **Seismic Assessments**

63. A number of seismic assessments are currently being undertaken on selected Council buildings. This is giving effect to Councils Policy on Seismic Performance of Council buildings. While there have yet to be any new seismic works confirmed at this stage, this is possible over the coming months as assessments are completed. These works are not funded in the 10-Year Plan.

64. **Arthur Porter Drive**

65. The Arthur Porter Drive carriageway is failing much sooner than expected, requiring a renewal intervention over the next 3 years which is not currently budgeted. The additional footpath revenue provides an offset opportunity to manage this unexpected issue particularly given that both asset types have the NZTA as an investment partner.

66. It is proposed that a report for Arthur Porter Drive will go to the Growth and Infrastructure Committee in February 2019, once the intervention work has been designed and costed and any liability issues are understood, noting that the work is a vested asset.

67. **Hamilton to Auckland Corridor**

68. An opportunity exists to reprioritise some projects (e.g. Rotokauri transport designation or Ruakura Road upgrade) to align with the Hamilton to Auckland Corridor Programme. Any opportunities will be reported to Growth and Infrastructure in early 2019.

Insights

69. The LASS Professional Services Panel (PSP) expires August 2019. Work is underway to retender this in conjunction with LASS. Further thinking is going into the establishment of a contract panel to improve efficiency and extract value for money.

Council Decisions Required

70. From time to time issues will be raised that require a Council decision to vary the 10-Year Capital Plan. Any Council decision will generally relate to;

- A new project request; or
- A significant issue; or
- A cost increase that exceeds the Chief Executive delegation

71. It is intended that this report describes the issues and sets out the options for Council, but that the decision is made as part of the Financial Strategy Monitoring report in order for Council to understand the impact of any cumulative operational and capital decisions on the financial strategy.

72. This report describes a new project request, supported by a business case, titled *Te Awa Cycleway Remediation*.

73. This report describes an asset renewal project that is significant but can be managed within the renewals and compliance programme without any request for additional funding in the 3 year period. The project is the *Seddon Park Lights Replacement*.

74. There are no capital project cost increases requiring a Council decision for this reporting period.

75. **Te Awa Cycleway Remediation**

76. This is an unplanned and unfunded project and the recommended option will cost \$1.75M.

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77. This project relates to remediating the Claudelands Bridge to London Street section of the Te Awa cycleway on the western side of the Waikato River that has been closed since April 2017.
78. Five different options have been considered in the business case (Attachment 3).
79. The recommended option (Option 5) allows for the reopening of the Te Awa Cycleway through an engineered timber pole retaining wall and soil nailing solution which will also protect the Pa site above the wall and the Historic Kiln site below the wall.
80. Staff have considered all funding options and propose a funding plan that results in a small increase cost to the 10-year Plan.
81. The NZ Transport Agency has created the opportunity for Councils to apply for an increased subsidy of 75.5% financial subsidy for selected projects instead of the normal 51% subsidy, freeing up local funding share.
82. A condition of receiving this enhanced subsidy is that the freed up local share is reinvested back into a new transport project that will be substantially completed within the 3-year period to 2020/21.
83. Council has been allocated enhanced subsidy for the Thomas/Gordonton Intersection project and the freed up local share (\$783,000) substantially equates to the local share required for the Te Awa Cycleway remediation.
84. The funding plan includes;
 - Seeking a 51% funding Subsidy from the NZ Transport Agency- (\$892,500)
 - Re-investing the programmed local share saved through received an enhanced 75.5% NZ Transport Agency subsidy on the Thomas/Gordonton Intersection project (\$783,000)
 - New local share (\$74,500)
85. Committee approval is sought for approval in principle to Option 5 of the business case subject to the NZ Transport Agency approving the funding plan, noting that their approval cannot be gained until an application has been made. The recommendation for approval will be requested in the Financial Strategy Report.
86. The financial information follows;

Type of Costs	2018/19		2019/20		Total
	Approved budget	Forecast	Approved budget	Forecast	
Capital Expenditure					
Te Awa Cycleway	\$0	\$380	\$0	\$1,370	\$1,750
Total Capex	\$0	\$380	\$0	\$1,370	\$1,750
Operating Expenditure					2018-28
Interest					\$489
Depreciation					\$280
Consequential Opex					\$0
Total Opex					\$769

89. Seddon Park Sports Lighting

90. A priority for Council is to look after its existing assets and this is being managed through the Renewals and Compliance Programme (Attachment 1). It is our intent to manage all of Councils assets within the 3-year funding allocated to this programme without any increase to the allocated funding.
91. The priorities for renewal of assets is dynamic given that in addition to programming, asset condition is taken into account prior to asset renewal. This means that some asset renewals can be deferred if the assets are in better condition than expected and some assets will need to be bought forward because the condition is worse than expected or the asset has failed.
92. Most of the time we would not seek Committee approval to change priorities, noting that we will provide assurance through our reporting that all programmed assets in the different activity areas are being adequately managed. From time to time however there will be significant issues relating to an individual asset, such as cost or some element of discretion that can be applied by Council as to whether to proceed with renewal or not.
93. The business case for the Seddon Park Lights is attached as Attachment 4.
94. The purpose of the business case is to seek approval for the full replacement of the sports lights and associated light towers at Seddon Park to maintain the venues status as a high quality international cricket ground.
95. The renewal of light fittings and minor refurbishment work to the poles and headframes was provided for in the 2018-28 LTP with an estimated budget of \$2.0M. However, subsequent investigations identified the foundations, poles and headframes all have varying and significant structural issues that will cause the budget to be exceeded.
96. This issue is coming to Committee for a decision because it is significant and there is an option to not replace the lights, although taking this option has some consequences in regard to our obligations to Northern Districts Cricket to maintain this facility to an international cricket standard.
97. If Council chose to not proceed with the light replacement, staff advice would be to remove the structures due to safety concerns and this would cost an estimated \$1.0M. This is Option 7 in the business case and it is not recommended.
98. The reason for the work is that the current lights are at the end of their lives and are costing a lot to maintain. The extensive investigations we have undertaken have indicated that there are safety concerns which are best managed by renewal of the light heads, towers and foundations as well.
99. The lights also have a current performance level of 2,000 lux on the wicket which falls well short of the current 3,000 lux required for international Cricket.
100. The business case considers 9 different options but this report focuses on three of those options.
101. In order to understand the decisions required it is useful to consider the project in two conversations. The first conversation relates to the 4 sets of light replacements including head frames and the second conversation to the 4 towers and foundations.
102. The first option (Option 9 in the business case) is to carry on with existing situation and just fix the lights when they fail which is proving to be expensive. We also now know, because as part of the project we took one of the light heads down, that significant work will be required to repair the heads which are in much worse condition than we expected. The cost to repair each of the remaining 3 light heads so they will be safe is \$400k giving a total of \$1.2M. This is not a

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satisfactory long-term solution and the issue will need to be dealt with as part of the next 10-Year Plan.

- 103. The second option (Option 3 in Business case) is to replace the lights with new High Intensity Discharge (HID) lights and the third option (Option 1 in the business case) is to replace them with LED light fittings. We have been to tender on these options and we have high confidence in the pricing. If we put up new lights it would be costlier to put them on the old frames which need repairing and they will not last as long as new frames.
- 104. All options to put up new lights have new frames. This will trigger the requirement for a building consent which means that the integrity of the towers and foundations will need to be considered.
- 105. HID Lights; To achieve the minimum lux level LOS will require in total 302 new lights which is only 6 more than what exists now.
- 106. LED Lights; To achieve the minimum lux level LOS will require in total 352 new lights which is 56 more than what exists now.
- 107. The cost summary just to replace the lights, assuming that the towers and foundations need no work, are as follows, including allowances for design and enabling work.

Options- LIGHTS and HEADS ONLY	Capital Cost	Comment
<u>Option 9</u> - defer replace lights	\$1.2M	This option will allow a decision to be deferred until 2012-31 10-Year Plan but operational costs are high. Full replacement required year 5 Does not meet the required LOS Health and safety issues
<u>Option 3</u> -replace lights with HID	\$3.2M	This option has a \$50k/year operational maintenance cost. Assume minimum 15 Years life This option meets the required LOS Building consent required
<u>Option 1</u> - replace lights with LED	\$3.4M	This option, due to tender offer, has no operational maintenance cost for 15 years. This option meets the required LOS and has some added benefit in relation to colour for TV Building consent required

- 108. On the basis that we need to meet the required LOS and If we did not have to consider the towers and foundations staff would recommend Option 1. It has a marginal extra capital cost but the savings from the 15-year maintenance tender offer means it is superior.
- 109. From the table above it can be seen that just to replace the lights to meet the required LOS would result in the budget being exceed by \$1.2M to \$1.4M, depending on the light fitting choice.

- 110. We need now to consider the towers and foundations. The additional detailed investigation work we have done looking at the lights has indicated that the tower and foundations designs are marginal. They are over 15 years through their design life and sometime soon would need to be replaced.
- 111. For Option 9 (defer lights), some minor strengthening of the towers will be required (which is happening now). The advice we have received indicates that we will need to have a management plan put in place for extreme wind events. Deferring the decision has a high health and safety risk with the activity that will be required to replace individual lights.
- 112. For Option 3 (HID lights) there are 2 sub-options; 3A (HID Lights-refurbish towers) is to carry out minimum strengthening works on the towers only and option 3B (HID Lights-new towers) is to replace the towers and foundations. Both options trigger a building consent requirement.
- 113. The towers and foundations are over 15 years through their design life however and sometime soon would need to be replaced. We estimate that a full replacement will be needed in 10 Years time.
- 114. The towers and foundations summary is as follows;

Options- Towers and Foundations	Cost	Comment
<u>Option 9-</u> (defer) Not do any work on towers and Foundations	\$0.0M	This option will allow a decision to be deferred until 2012-31 10-Year Plan Extreme Wind Management Plan required Health and safety issues Full replacement required in year 5
<u>Option 3A-</u> (HID) Minimal strengthening works on Towers only	\$0.4M	Extreme Wind Management Plan required Building consent required Full replacement required in year 10
<u>Option 3B-</u> (HID) New Towers and new Foundations	\$1.3M	No Extreme Wind Management Plan required Building consent required 30 year life
<u>Option 1-</u> (LED) New Towers and new Foundations	\$1.3M	No Extreme Wind Management Plan required Building consent required 30 year life

- 115. The purpose of the 2 tables was to show that that the cost increases are not just driven by the condition of the towers.
- 116. In order to assist with the decision making we have undertaken a 15 year whole of life cost analysis of the options presented. The analysis looks at the maintenance costs of each option, and the time point when replacement will be required of the various components.
- 117. The combined summary of the options is as follows;

Options- Seddon Park Lights	Cost	Comment
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<p><u>Option 9</u>- not replace lights</p> <p>Not do any work on towers and Foundations</p> <p><i><u>Whole of Life; \$6.6M</u></i></p>	<p>\$1.2M</p>	<p>This option will allow a decision to be deferred until 2012-31 10-Year Plan</p> <p>Extreme Wind Management Plan required</p> <p>Full replacements required in year 5</p> <p>High maintenance costs in first 5 year period</p> <p>NOT RECOMMENDED</p>
<p><u>Option 3A</u>-replace lights with HID</p> <p>Minimal strengthening works on Towers only</p> <p><i><u>Whole of Life; \$7.8M</u></i></p>	<p>\$3.6M</p>	<p>Extreme Wind Management Plan required</p> <p>Full replacement towers and foundations required in year 10</p> <p>\$50k/year maintenance costs</p> <p>NOT RECOMMENDED</p>
<p><u>Option 3B</u>-replace lights with HID</p> <p>New Towers and new Foundations</p> <p><i><u>Whole of Life; \$6.1M</u></i></p>	<p>\$4.5M</p>	<p>No Extreme Wind Management Plan required</p> <p>30 year life towers and foundations</p> <p>\$50k/year maintenance costs</p>
<p><u>Option 1</u>- replace lights with LED</p> <p>New Towers and new Foundations</p> <p><i><u>Whole of Life; \$5.2M</u></i></p>	<p>\$4.7M</p>	<p>No Extreme Wind Management Plan required</p> <p>30 year life towers and foundations</p> <p>No maintenance costs for 15 years</p> <p>Energy efficiencies (marginal)</p>

118. The cost of the preferred option (Option 1) is forecast at \$4.7M. This is only marginally more costly than Option 3B to use HID lights but it has the best whole of life cost of all of the options due mainly to the tender offer in place to secure 15 years no cost maintenance.
119. The recommendation for approval will be requested in the Financial Strategy Report. This report has assumed that additional funding of \$2.7M is provided in order to see the modelled effects on the financial strategy.
120. Staff recommendation is to approve Option 1 and to request staff to manage this within the existing 3 -year Renewal and Compliance programme budgets. The next 10-Year Plan in 2021-31 provides an opportunity to reassess all of the renewal budgets but staff are confident that managing this within existing budgets will have no significant impact on looking after all of council’s assets.
121. An additional \$1.1M has been identified through the reprioritisation of H3 renewals and compliance budgets this financial year that can be reprioritised. A further \$1.6M will be sourced through the reprioritisation of the renewals programme in 2018/19 and 2019/20.

Legal and Policy Considerations

122. Staff confirm that the recommendations in this report comply with the Council’s legal and policy requirements.
123. legal implications relating to the Heads of Agreement held with Northern Districts Cricket, these will be discussed and advised on through the public excluded session due to their commercial sensitivity.

Cultural Considerations

124. A review of our project planning framework is planned to ensure that projects are assessed appropriately against the Waikato-Tainui Environmental Management Plan.

Significance & Engagement Policy

Significance

125. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance. The projects and programmes proposed were decided through the 10-Year Plan.

Engagement

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

Attachments

Attachment 1 - Portfolio Summary Report as at 31 Oct 18 -FINAL

Attachment 2 - Capital Expenditure Summary by Activity October 2018 v1

Attachment 3 - Te Awa Cycle Way Remediation Business Case 2018-11-23

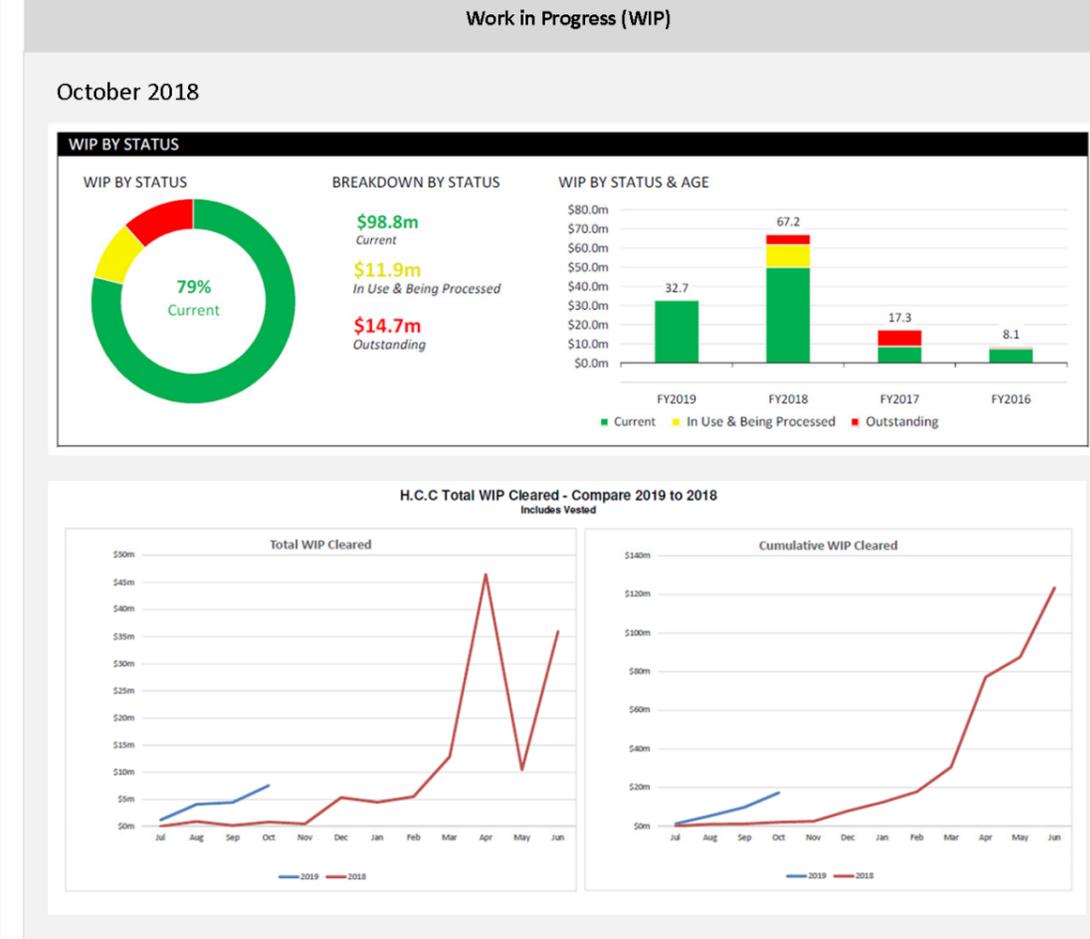
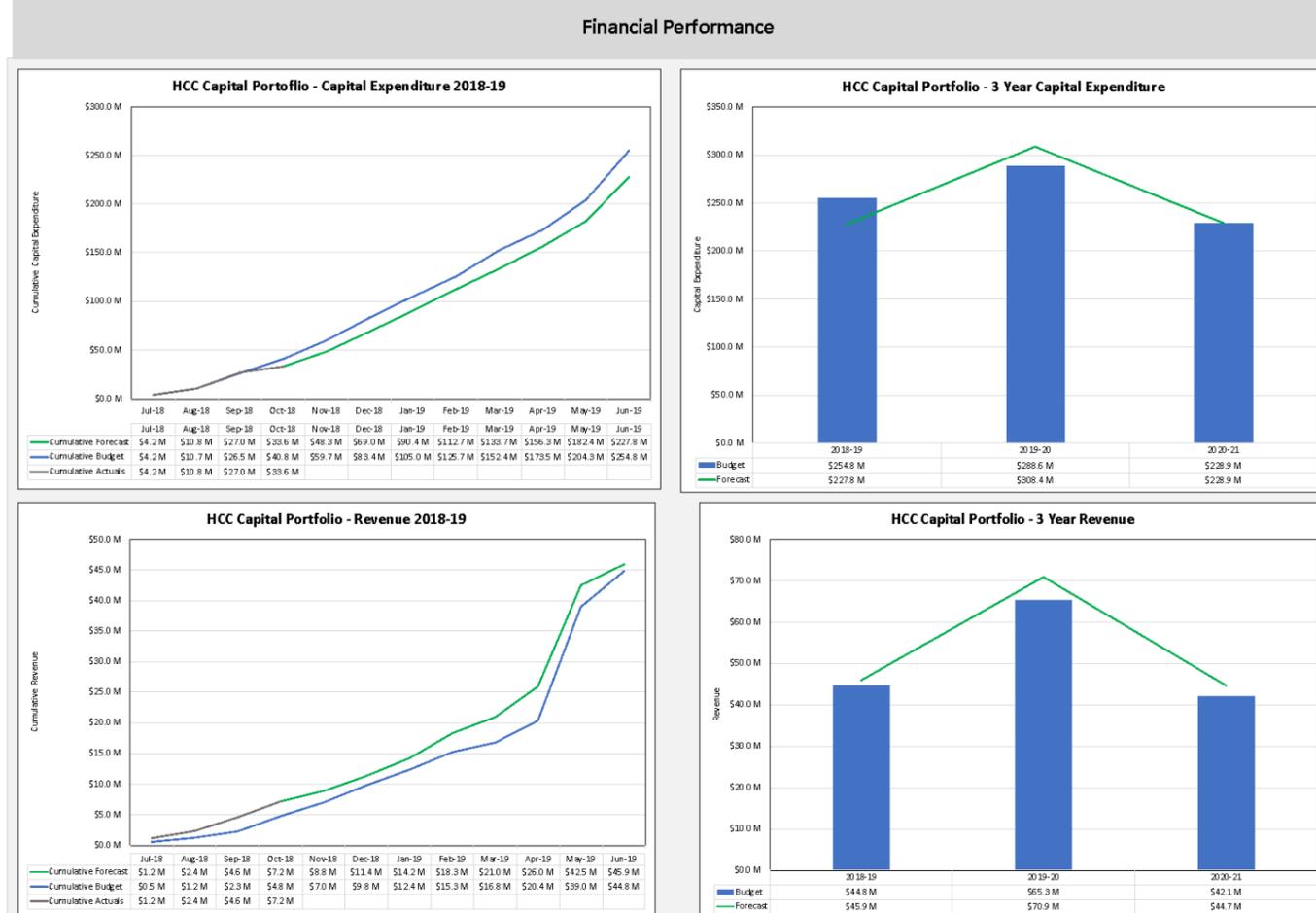
Attachment 4 - Full Business Case - Seddon Park Sports Lighting .

Hamilton City Council Capital Portfolio Report

Portfolio Status				
	Last Month Status	Current Month	Forecast Next Month	Comments
Scope	G	G	G	Scoping issues related to the specific projects are being worked through as part of the business case processes.
Time	G	G	G	On track.
Cost	G	G	G	A total of \$26.2M of deferrals is forecast from 2018/19 to 2019/20. A capital reduction is forecast for \$0.8M in relation to the Western Interceptor project.
Revenue	G	G	G	The revenue is ahead of budget YTD. There is \$3.1M of revenue forecast for deferrals in line with the movement of expenditure and \$4.2M of additional revenue (not budgeted) forecast for this financial year. There is still some risk around achieving all the revenue budgeted this year as it is not yet approved. We are working closely with NZTA through the approval processes.

Green: Portfolio is on track for delivery against scope, time and cost.	Amber: Portfolio is off track but there is a plan to get it back on track.	Red: Portfolio is off track and requires intervention.
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Portfolio Commentary/Highlights	
<ul style="list-style-type: none"> Summary of forecasted capital expenditure; <ul style="list-style-type: none"> Approved 2018-19 capital expenditure budget: \$254.8M Forecasted rephasing of capital with no impact on delivery dates: \$18.0M Deferrals forecasted: \$8.1M Capital expenditure reduction forecasted: \$0.8M Total forecasted capital expenditure 2018-19: \$227.8M Summary of forecasted capital revenue; <ul style="list-style-type: none"> Approved 2018-19 capital revenue budget: \$44.8M Deferrals/rephasing forecasted: \$3.1M Additional revenue forecasted: \$4.2M Total forecasted capital revenue 2018-19: \$45.9M 	
<ul style="list-style-type: none"> The rephasing signaled above are the result of a majority of the physical works contracts having been awarded and the need to align the forecast to the construction programmes. This explanation has been used when there is no impact on the project end date. The deferrals above will result in the movement of project end dates and are due to delays to construction and a number of third party dependencies which are impacting on the programme and resulting in the need to defer to future years. There are 13 major contracts to be awarded this financial year; <ul style="list-style-type: none"> - 9 of the major contracts are awarded - 2 contracts are out to tender - 1 contract is in negotiation - 1 contract is due to go to the market in early 2019. There is still risk around the ability to achieve all of the revenue above as the majority of this revenue is dependent on NZTA subsidy which has not yet been approved. We are working closely with NZTA through these approval processes 	



Total Capital Expenditure – As at 31 October 2018													
Programme	Status	Capex YTD Actual	Capex YTD Budget	Variance Fav/(Unfav)	Capex Annual Budget	Capex Annual Forecast	2018/19 Rephasing of budget across financial years	2018/19 Deferrals	2018/19 Capital Expenditure Reduction	2019/20 Capital Expenditure Reduction	2020/21 Capital Expenditure Reduction	Capex 3 Year Budget	Commentary
Renewals & Compliance		\$17.1 M	\$17.6 M	\$0.5 M	\$78.6 M	\$78.6 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$209.1 M	No changes
Rototuna		\$0.3 M	\$1.5 M	\$1.2 M	\$25.3 M	\$23.6 M	\$0.0 M	\$1.7 M	\$0.0 M	\$0.0 M	\$0.0 M	\$69.4 M	A deferral of \$0.6M is forecast for the Borman/Horsham Urban Upgrade allowing for business case development the financial year and construction in following years. A deferral of \$1.1M for the Rototuna Neighbourhood Park has been signalled due to a third party dependency on developers and the inability to secure land at this stage.
Rotokauri		\$0.7 M	\$1.5 M	\$0.7 M	\$11.7 M	\$10.4 M	\$0.0 M	\$1.3 M	\$0.0 M	\$0.0 M	\$0.0 M	\$30.9 M	Financial deferral of \$1.3M signalled due to third party dependency to secure land purchase. While we will continue to pursue the requirements, we have been unsuccessful to date in securing the land required for the Rotokauri Central Swale Designation.
Peacocke		\$1.7 M	\$4.0 M	\$2.3 M	\$38.4 M	\$38.4 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$178.0 M	No changes
Ruakura		\$1.6 M	\$1.7 M	\$0.1 M	\$15.6 M	\$15.1 M	\$2.0 M	\$0.5 M	\$0.0 M	\$0.0 M	\$0.0 M	\$37.5 M	A \$2M rephasing has been forecast to align with the construction schedule for the Ruakura Reservoir and Bulkmain. A \$0.5M deferral is signalled for the Chedworth Trunk Watermain Upsizing due to delays in developers programme.
City Wide - Waters		\$1.5 M	\$1.8 M	\$0.4 M	\$34.5 M	\$33.7 M	\$10.3 M	\$0.0 M	\$0.8 M	\$6.4 M	\$0.0 M	\$103.8 M	A \$3.3M rephasing for Hillsborough Pump Station Upgrade has been signalled due to delays in the design as a result of unexpected complexities. As a result, construction will be undertaken next financial year instead of phased over the 2 years. A \$7M rephasing for the Pukete Wastewater Treatment Plant has been forecast in accordance with the contractually committed construction programme. There will be no impact on the end date. A reduction in capital expenditure has been signalled for the Western Interceptor Duplication of \$7.2M over 2 years. This reduction has been realised through the development of a strategic programme business case to prioritise and align projects to get the best outcomes and through the procurement process of using a design and construct contract to provide innovative solutions and value for money.
City Wide - Community		\$6.8 M	\$7.4 M	\$0.5 M	\$11.8 M	\$11.8 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$19.2 M	No changes
Transport Improvement		\$4.0 M	\$5.6 M	\$1.6 M	\$39.0 M	\$34.3 M	\$5.7 M	\$4.7 M	\$0.0 M	\$0.0 M	\$0.0 M	\$124.3 M	A \$1.8M deferral has been signalled for the Biking Plan School link project as the construction works have been forecast to 2019/20 was we continue to engage positively with NZTA on the Business Case. A \$1.7M deferral has been signalled for the Tasman Road Upgrade and Rotokauri Rail Platform as construction is anticipated next financial year following the approval of the business case in December. A \$5.7M rephasing is forecast for the Ring Road following delays from the Rights of First Refusal process and to align with the construction schedule now that the contractor has been appointed. The end date will not be impacted. A \$1.2M deferral is signalled for the Gordonton Corridor as we face difficulties in securing the required land from third parties.
Portfolio Total		\$33.6 M	\$41.0 M	\$7.4 M	\$254.8 M	\$245.9 M	\$18.0 M	\$8.1 M	\$0.8 M	\$6.4 M	\$0.0 M	\$772.2 M	A total of \$18M of rephasing deferrals has been forecast across financial years to align with the contractor programmes for physical works projects. This will not result in any impact on the project end dates. A total of \$8.1M of delayed deferrals is forecast from 2018/19 to 2019/20. A total reduction of capital expenditure of \$7.2M over 2 years has been achieved from the Western Wastewater Interceptor Duplication project through a well developed strategic programme and smart procurement.

Total Revenue – As at 31 October 2018

Programme	Status	Revenue YTD Actual	Revenue YTD Budget	Revenue YTD Variance Fav/-Unfav	Revenue Annual Budget	Revenue Annual Forecast	2018/19 Deferrals	2018/19 Additional Revenue	2019/20 Additional Revenue	2020/21 Additional Revenue	Revenue 3 Year Budget	Commentary
Renewals & Compliance		\$2.7 M	\$1.6 M	\$1.1 M	\$5.5 M	\$7.8 M	\$0.0 M	\$2.3 M	\$2.4 M	\$2.6 M	\$20.5 M	The additional revenue is for new revenue that will be received from NZTA for footpath renewals. This will achieve an additional \$25M over the next 10 years.
Rototuna		\$0.0 M	\$0.0 M	\$0.0 M	\$5.1 M	\$5.1 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$8.2 M	No change
Rotokauri		\$0.0 M	\$0.0 M	\$0.0 M	\$0.4 M	\$0.4 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$4.8 M	No change
Peacocke		\$0.8 M	\$1.4 M	(\$0.6)M	\$11.2 M	\$11.2 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$43.7 M	No change
Ruakura		\$0.0 M	\$0.0 M	\$0.0 M	\$0.2 M	\$0.3 M	\$0.0 M	\$0.2 M	\$0.0 M	\$0.0 M	\$2.9 M	Forecasting additional revenue of \$0.15M 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. This revenue was not budgeted.
City Wide - Waters		\$1.0 M	\$0.0 M	\$0.9 M	\$0.2 M	\$1.1 M	\$0.0 M	\$0.9 M	\$0.0 M	\$0.0 M	\$1.0 M	The additional revenue in 2018/19 is for the revenue related to customer service connections. This is demand driven and directly offset by expenditure.
City Wide - Community		\$0.0 M	\$0.0 M	\$0.0 M	\$0.6 M	\$0.6 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$4.4 M	No change
Transport Improvement		\$2.7 M	\$1.7 M	\$1.0 M	\$21.7 M	\$19.4 M	\$3.1 M	\$0.8 M	\$0.0 M	\$0.0 M	\$66.7 M	The following deferrals are forecast for the Transport Improvement Programme revenue; - \$0.9M for the Biking Plan School Link - \$0.6M for the Gordonton Corridor land purchase - \$0.3M for the Rotokauri rail platform - \$1.3M for the Ring Road An additional \$0.8M has been successfully secured from NZTA TEFAR funding for the Thomas Gordonton Intersection.
Portfolio Total		\$7.2 M	\$4.8 M	\$2.4 M	\$44.8 M	\$45.9 M	\$3.1 M	\$4.2 M	\$2.4 M	\$2.6 M	\$152.3 M	

Rototuna Programme Capital Report

Attachment 1

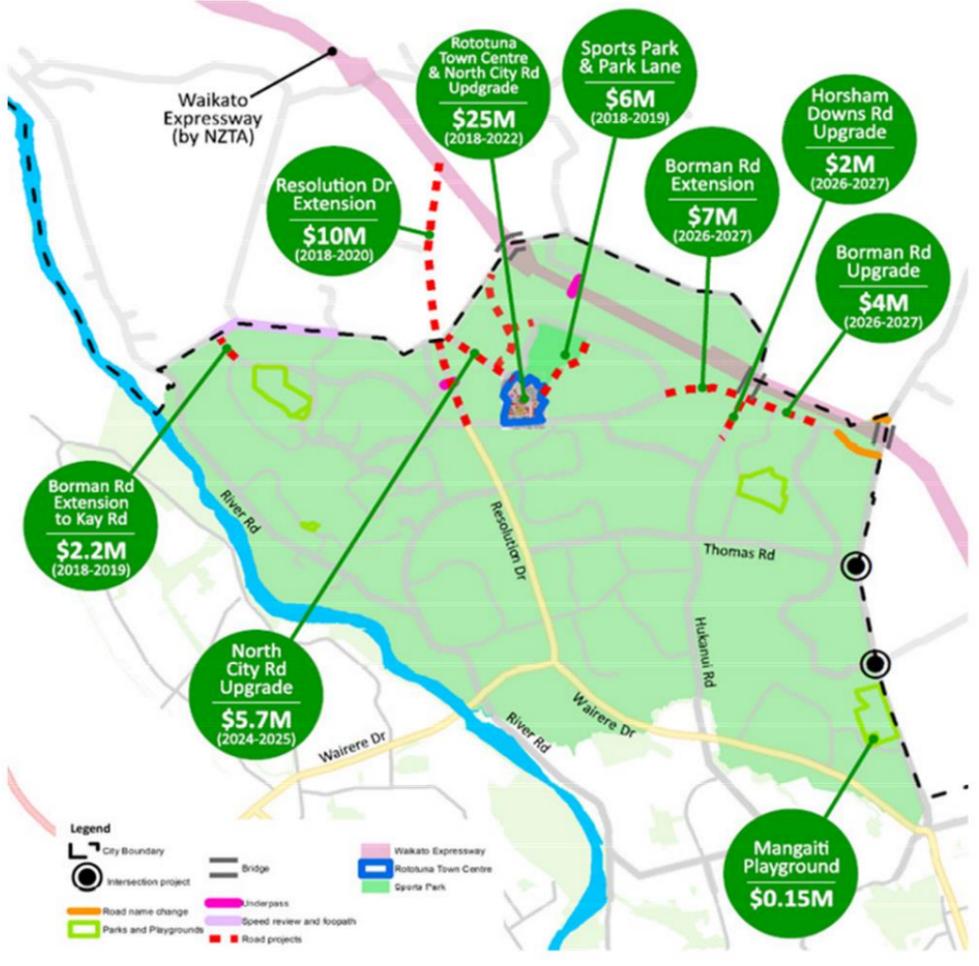
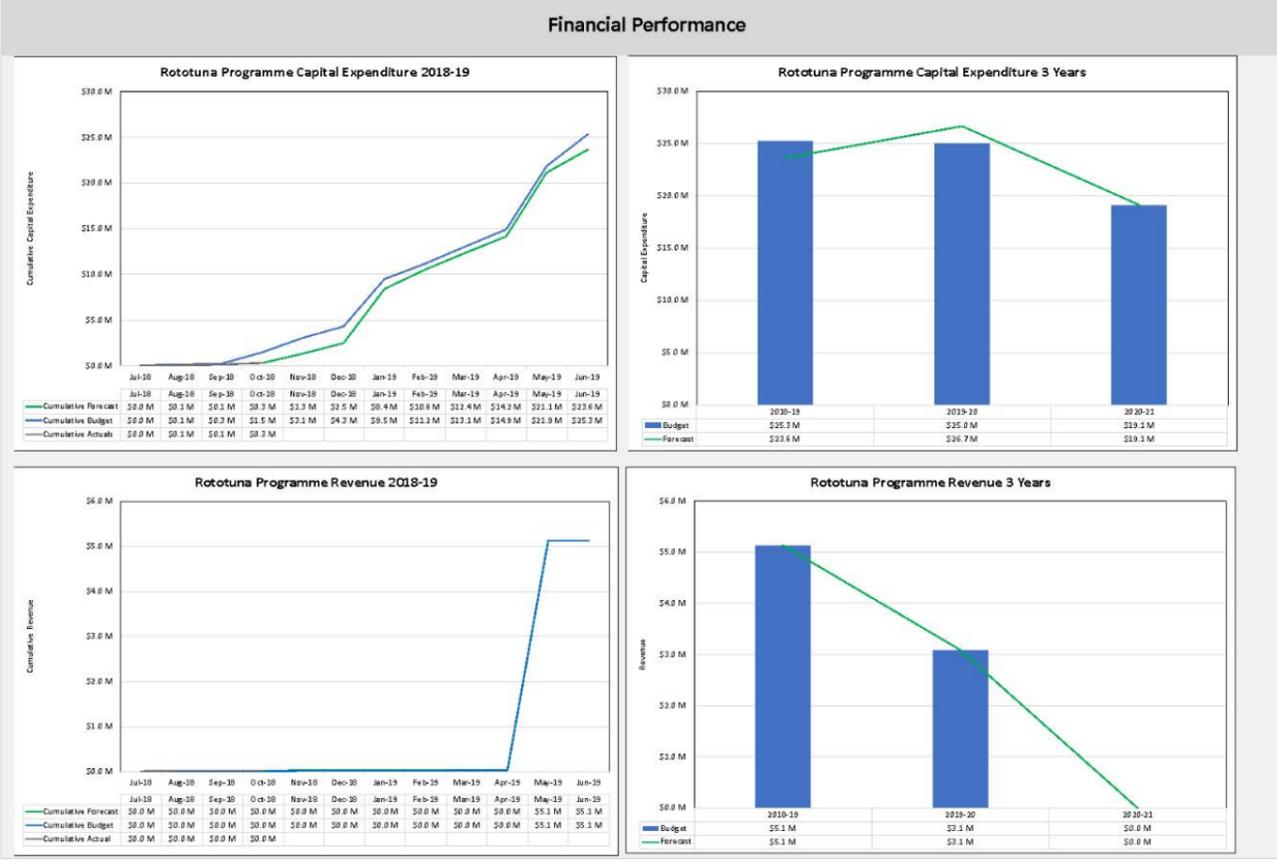
Programme Status				
	Last Month Status	Current Month	Forecast Next Month	Comments
Scope	G	G	G	On track
Time	G	G	G	On track
Cost	G	G	G	A deferral of \$1.1m has been signaled due to a third party dependency on land purchase for neighbourhood parks. The use of this funding for the purchase of a neighbourhood park is reliant on the developer progressing a resource consent for this relevant area. A deferral of \$0.6M is forecast for the Borman/Horsham Urban Upgrade allowing for business case development this financial year and construction in following years.
Revenue	G	G	G	The primary revenue for the Rototuna Programme is made up NZTA subsidies for Resolution Drive which is being delivered by NZTA and will be invoiced as a lump sum in May 2019 (revenue graph reflects this expenditure profile).

- Programme Outcome:**
Ko te aaeinga 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.
- The Rototuna Sports Park and Park Lane physical works contract has been awarded and works will commence mid November. \$5.8M contract awarded to TIC Contracting who has partnered with Pemberton Civil to undertake the work.
 - Borman West/Kay Intersection is on track for completion in early 2019, prior to the opening of the new Te Ao Marama Primary School on the corner of Borman and Harepuke Drive.
 - Thomas/Gordonton Road Intersection upgrade works are underway and is on track for completion by the end of 2018.
 - Resolution Drive construction is underway under the Expressway Alliance with NZTA. Expected completion is 2020 in line with the Expressway opening.
 - Work is underway with schools (primary & secondary) in the Rototuna area to co-ordinate access to schools in alignment with the works staging of the programme.
 - Rototuna Community Facilities options and feasibility study are underway to determine the location of the library, community facilities, town square, parking, as well as nature of any aquatic facilities and potential funding mechanisms. Next council briefing will be 29 November 2018.
 - Contract for North City Road Corridor – Borman to Kay has been tendered via developers. Risk to project timing due to cost share with development works and alignment with development timing.
 - Early scoping and NZTA Business Case development is about to commence for the Borman/Horsham Urban Upgrade.

Item 8

Definitions:

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



Note: Some of the projects listed above are not delivered as part of this programme but due to their location are noted in the map above.

Rotokauri Programme Capital Report

Programme Status

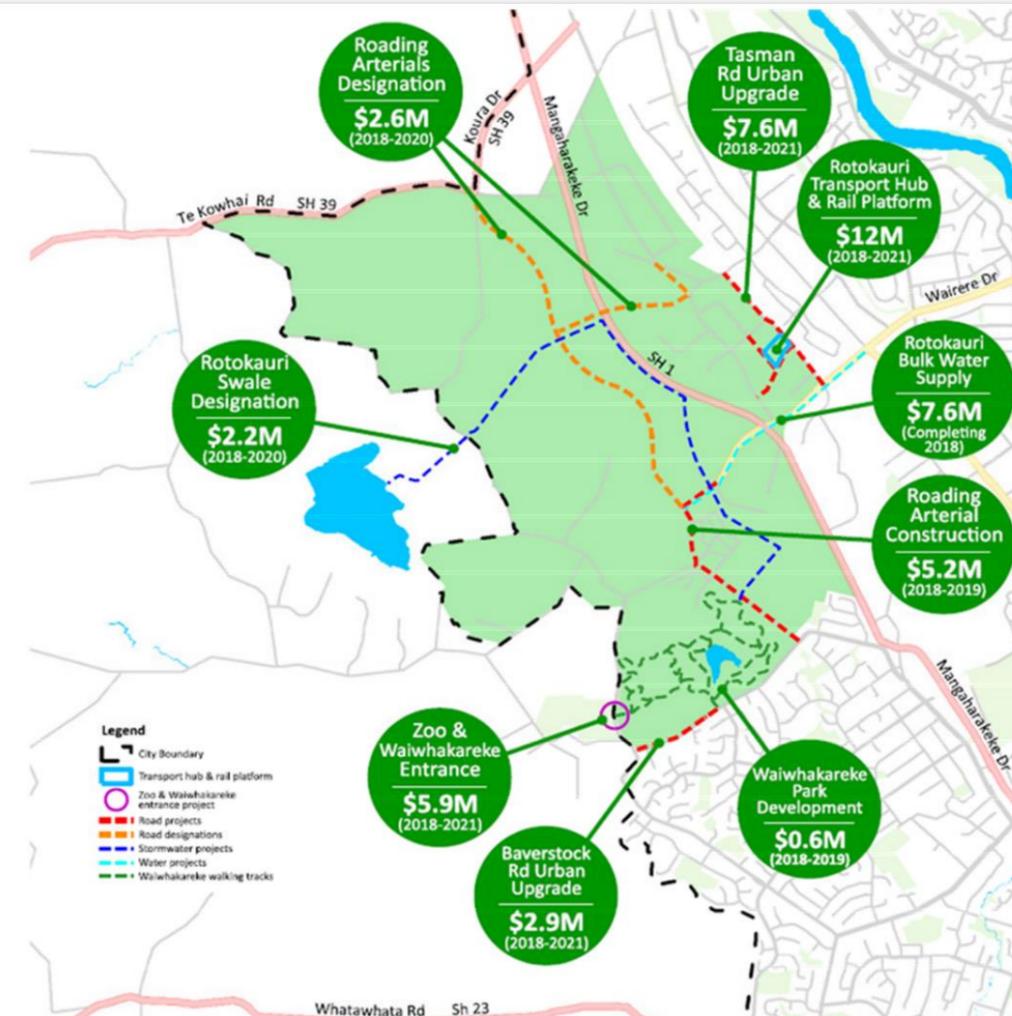
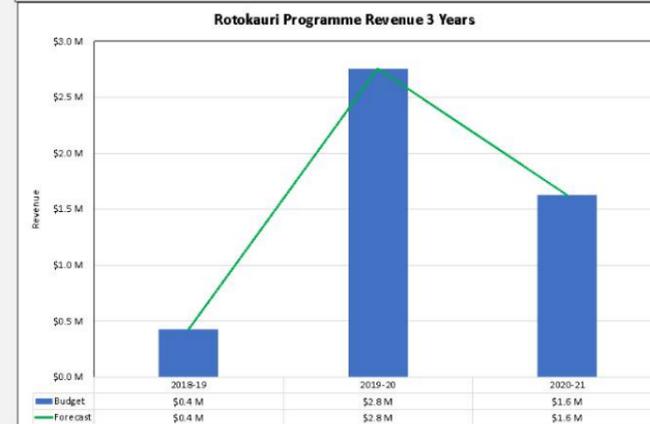
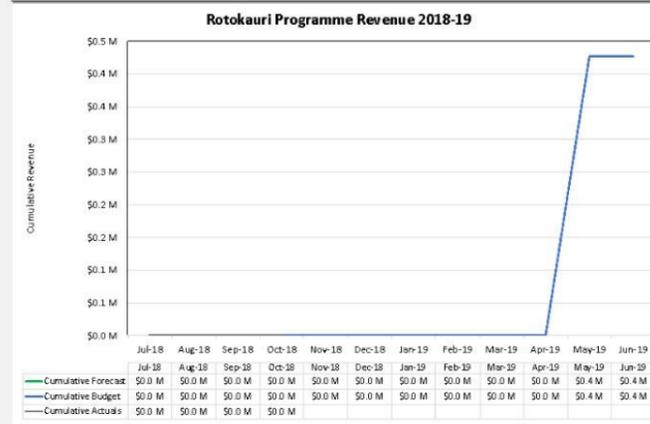
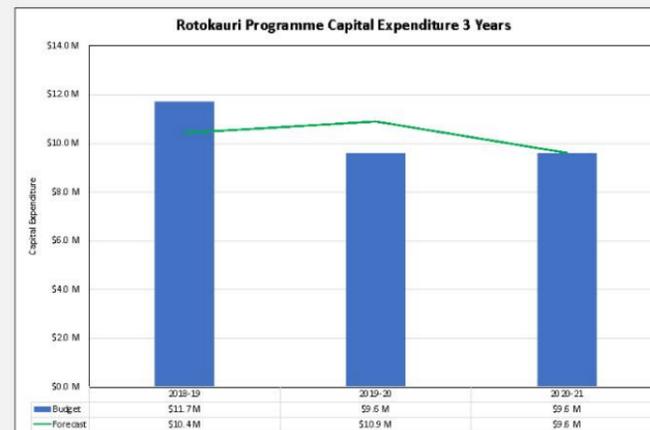
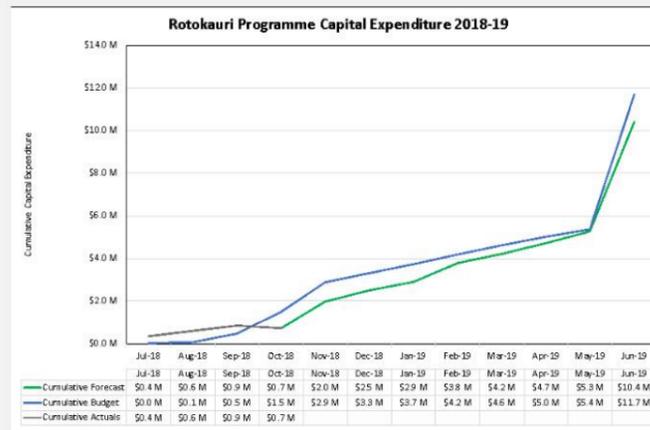
	Last Month Status	Current Month	Forecast Next Month	Comments
Scope	A	A	A	This programme contains some large areas of uncertainty in regards to scope due to the large dependency on developer timing and requirements.
Time	A	A	A	Timing of programme is largely dependent on developer timing.
Cost	A	A	A	\$1.275m deferral indicated for this financial year for the Rotokauri Central Swale due to third party dependencies for land purchase.
Revenue	A	A	A	The revenue for 2018-19 is for the budgeted NZTA subsidies associated with the arterial designations in the Rotokauri area. The increase in revenue in 2019-20 is the budgeted external revenue for the Zoo and Waiwhakareke Entrance and anticipated NZTA subsidies for minor arterials in the Rotokauri area. The 2020-21 revenue is for the budgeted external revenue for the Zoo and Waiwhakareke Entrance.

Programme Outcome:

Ko te aaheinga 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.

- Discussions are in progress with major developers about the future development of Rotokauri.
- The \$6m Rotokauri bulk water supply project is now complete.
- Planning for the Zoo and Lake Waiwhakareke development project is underway and the concept design phase is commencing.
- Transportation priorities and forecasts are still to be defined, some scope clarity still required.
- Concept develop of Rotokauri Greenway for strategic stormwater management in the Rotokauri area is well advanced. Following recent public consultation on this project, it is planned to lodge a designation to protect the land required for the greenway prior to Christmas, subject to discussions with developers.

Financial Performance



Note: Some of the projects listed above are not delivered as part of this programme but due to their location are noted in the map above.

Ruakura Programme Capital Report

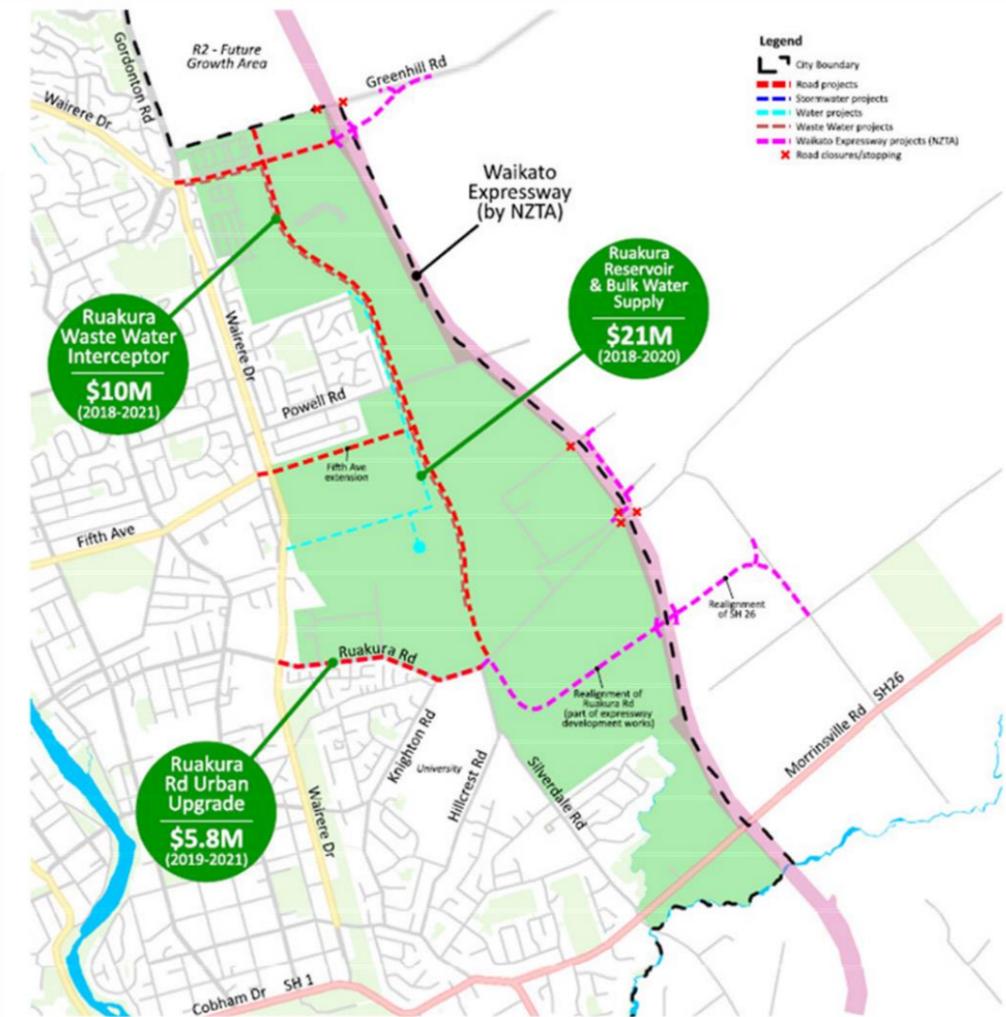
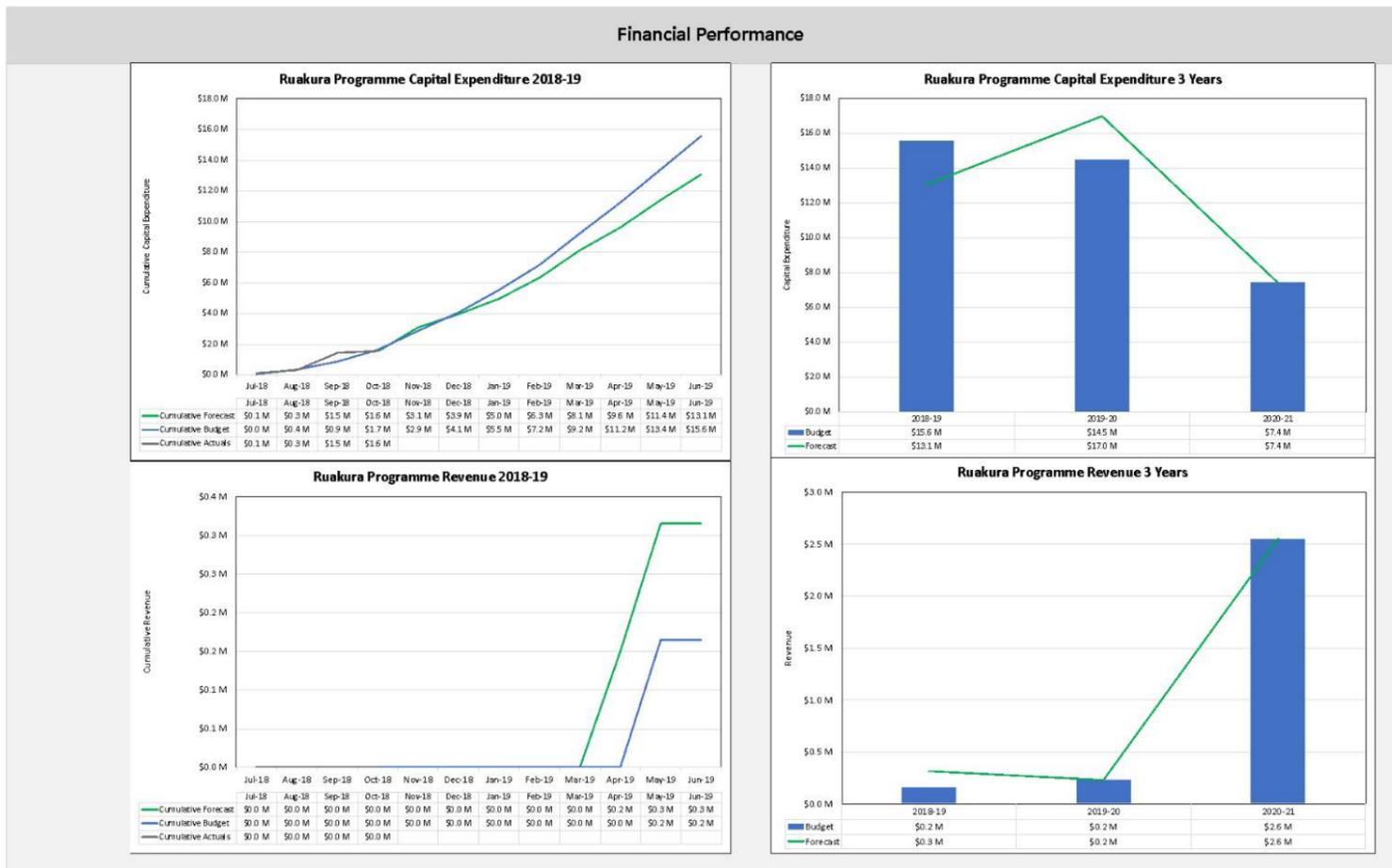
Attachment 1

Programme Status				
	Last Month Status	Previous Month	Current Month	Comments
Scope	G	G	G	On track
Time	G	G	G	On track
Cost	G	G	G	Deferral of \$2.5m signalled for Ruakura Reservoir and Bulk mains project to align with construction schedule.
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.

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.

- This programme is well advanced and on-track. The programme is well aligned with development timing and meeting key benefits of enabling growth.
- Bulk water main installation has commenced, on track for completion in early 2019.
- Reservoir final detailed design is currently being progressed and the tender is currently out to market.
- Wastewater installation is contractually committed and due to commence in November at upsized 1050dia – Via developers (Chedworth Properties Ltd).
- Point of Entry assessment for Spine Rd & Ruakura Rd urban upgrade submitted to NZTA to commence Business Case & subsidy application process.

Item 8



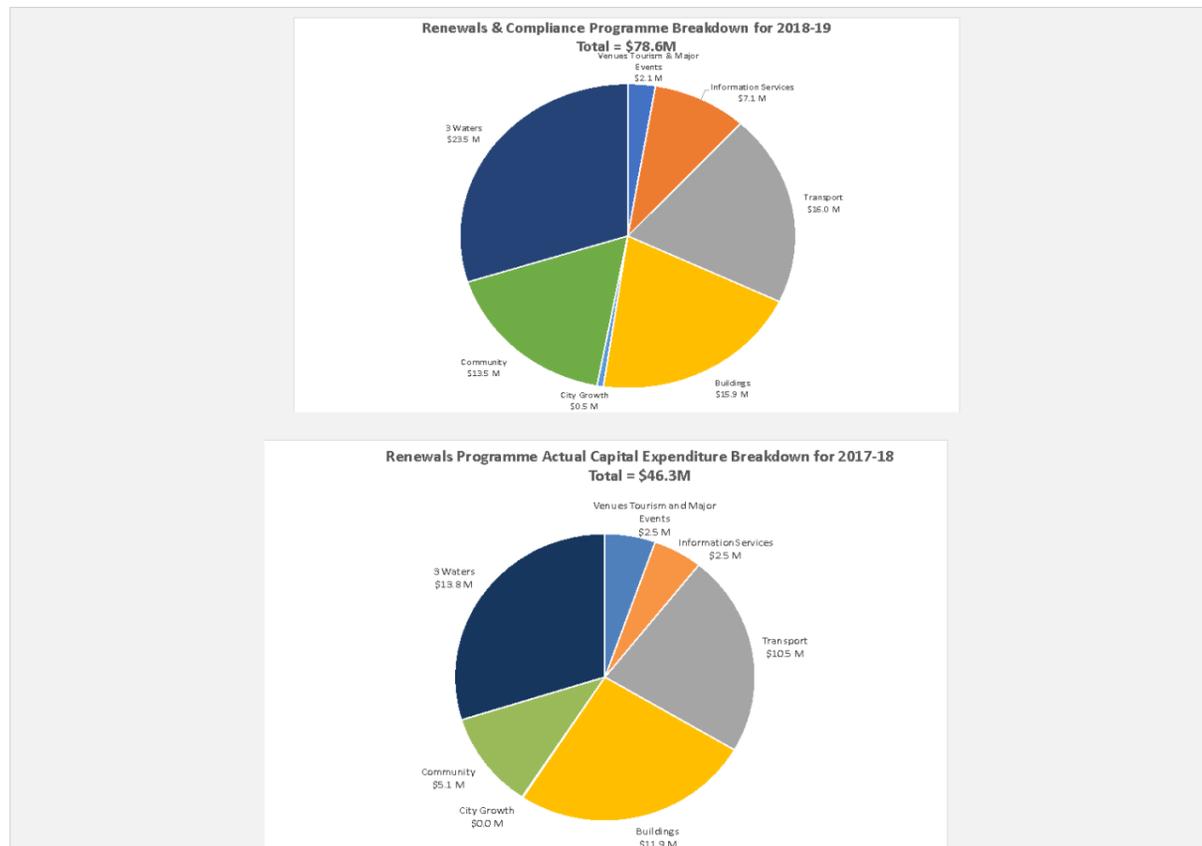
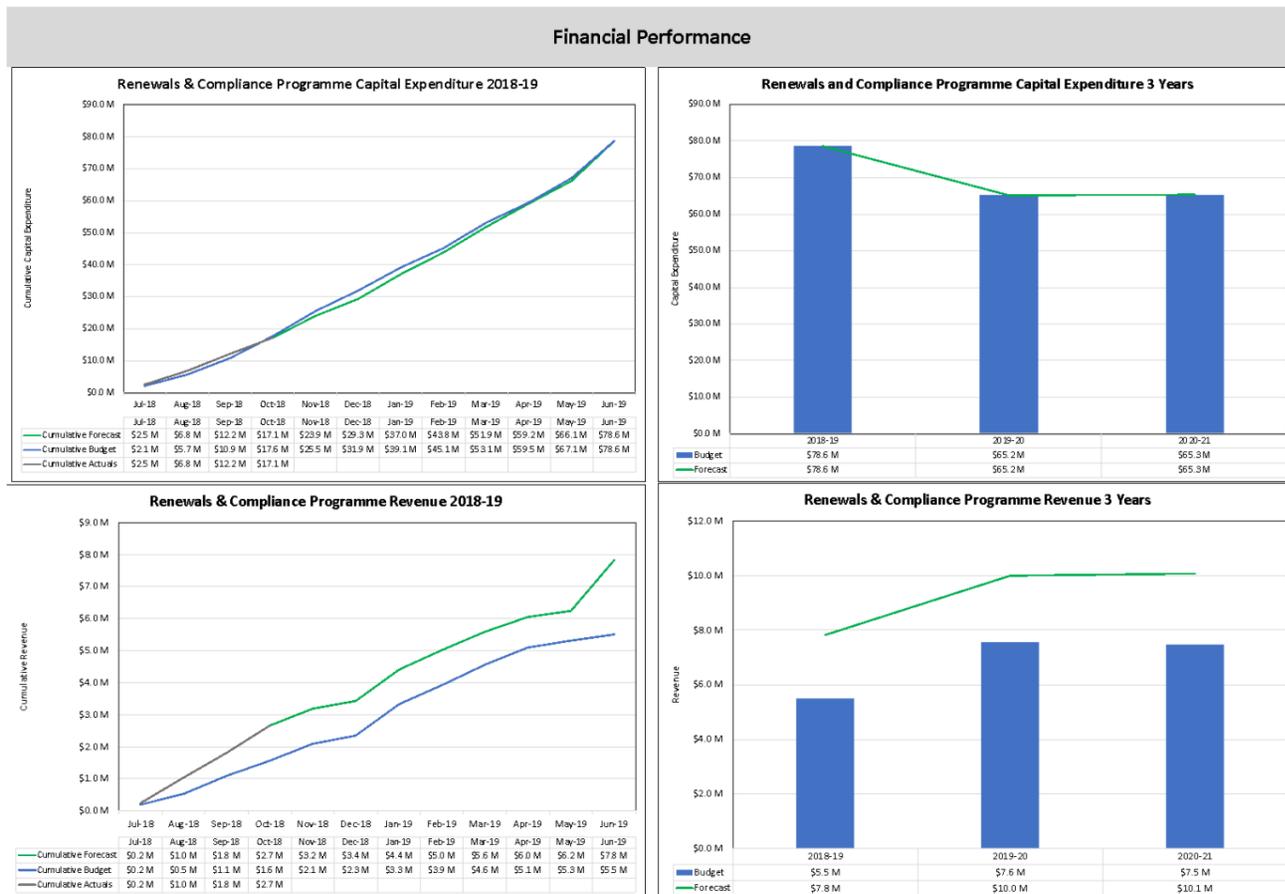
Note: Some of the projects listed above are not delivered as part of this programme but due to their location are noted in the map above.

Renewals & Compliance Programme Capital Report



Programme Status				
	Last Month Status	Previous Month	Current Month	Comments
Scope	G	G	G	On track.
Time	G	G	G	On track
Cost	G	G	G	The programme has good momentum with good planning and practices allowing a solid delivery programme. Some areas are ahead of their budgeted positions but still on track to deliver to total budget at year end.
Revenue	G	G	G	The programme revenue is ahead of budget. This is due to the transport programme delivering ahead of schedule and therefore receiving the NZTA subsidy ahead of what was budgeted. The additional footpath revenue from NZTA is also contributing to the favourable position.

- 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.
- Early planning and procurement is contributing to the 2018/19 renewals and compliance programme being on track for delivery of \$79.5M this financial year.
 - Recently completed significant community asset renewal and compliance works have included:
 - Waterworld major refurbishment
 - Excite and ArtsPost Gallery Flooring
 - Claudelands barn roof renewal
 - Water treatment Plant seismic strengthening
 - Fairfield park sports field renewal
 - Galloway park sports field renewal
 - In next couple of months work will include:
 - Waterworld façade soffit replacement
 - Toilets and changing rooms at Hillcrest Park and Swarbrick Park
 - Zoo enclosure renewals for Giraffe, Lemurs, parrots, Tamarin
 - Frankton Railway Institute Hall
 - Hamilton Amateur Radio club roof replacement
 - Renewals of transportation, water and wastewater network assets are occurring throughout the city. The programmes are ahead of the original planned schedule and on budget and track for full delivery.
 - Waters and transportation actual expenditure is ahead of budget due to early planning and procurement of several large renewals / programmes for the 2018/19 financial year.
 - H3 is awaiting Council decision on business case for Replacement of Seddon Park Lights. If agreed to proceed, this decision will impact the renewals and compliance programme for H3 and Facilities.
 - The Crematorium building renewal is starting November 2018 and is expected to be completed in first quarter 2019/20.
 - Additional revenue has been secured for the footpath renewals programme than that which was forecasted in the 1-Year Plan. This will achieve \$25M additional revenue over the next 10 years – based on our planned renewal investment in the 10-Year Plan.



Renewals & Compliance Programme Capital Report



As at 31 October 2018

Attachment 1

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Renewals Programme	2018/19 YTD Actuals	2018/19 YTD Budget	2018/19 YTD Variance	2018/19 Total Budget	2018/19 Forecast to Financial Year End	2018/19 Variance
City Growth	\$0.0 M	\$0.0 M	\$0.0 M	\$0.1 M	\$0.1 M	\$0.0 M
3 Waters	\$5.7 M	\$3.6 M	(\$2.2)M	\$16.2 M	\$16.2 M	\$0.0 M
Community	\$3.7 M	\$3.6 M	(\$0.1)M	\$10.0 M	\$10.0 M	\$0.0 M
Facilities	\$1.3 M	\$3.5 M	\$2.3 M	\$13.2 M	\$13.2 M	\$0.0 M
Information Services	\$0.3 M	\$0.5 M	\$0.2 M	\$7.1 M	\$7.1 M	\$0.0 M
Venues, Tourism & Major Events	\$0.3 M	\$0.1 M	(\$0.2)M	\$1.6 M	\$1.6 M	\$0.0 M
Transport	\$4.7 M	\$4.1 M	(\$0.6)M	\$15.4 M	\$15.4 M	\$0.0 M
Grand Total	\$16.1 M	\$15.4 M	(\$0.6)M	\$63.6 M	\$63.6 M	\$0.0 M

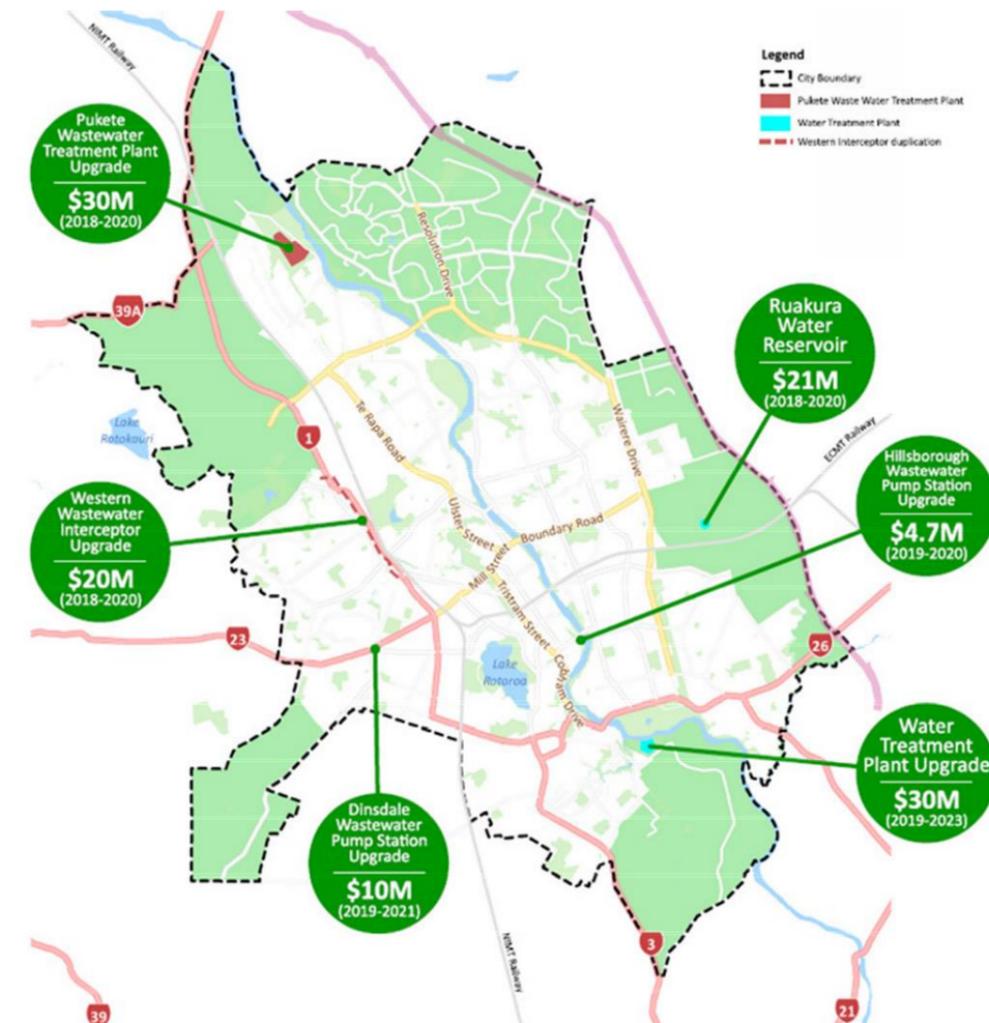
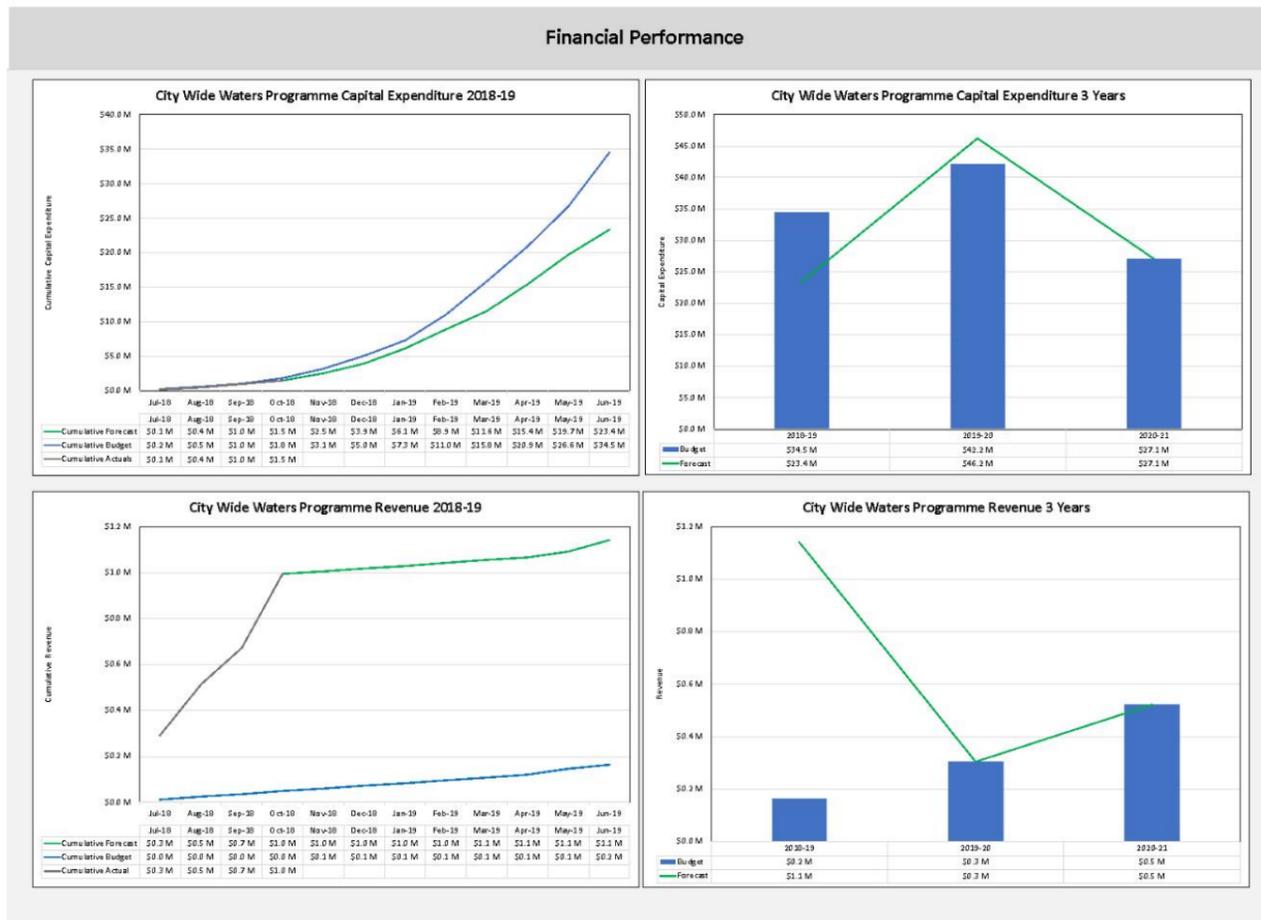
Compliance Programme	2018/19 YTD Actuals	2018/19 YTD Budget	2018/19 YTD Variance	2018/19 Total Budget	2018/19 Forecast to Financial Year End	2018/19 Variance
City Growth	\$0.0 M	\$0.1 M	\$0.1 M	\$0.4 M	\$0.4 M	\$0.0 M
3 Waters	\$0.9 M	\$1.2 M	\$0.4 M	\$7.3 M	\$7.3 M	\$0.0 M
Community	\$0.1 M	\$0.3 M	\$0.2 M	\$3.5 M	\$3.5 M	\$0.0 M
Facilities	\$0.0 M	\$0.5 M	\$0.4 M	\$2.7 M	\$2.7 M	\$0.0 M
Information Services	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M
Venues, Tourism & Major Events	\$0.0 M	\$0.0 M	\$0.0 M	\$0.5 M	\$0.5 M	\$0.0 M
Transport	\$0.0 M	\$0.1 M	\$0.1 M	\$0.6 M	\$0.6 M	\$0.0 M
Grand Total	\$1.0 M	\$2.2 M	\$1.1 M	\$15.0 M	\$15.0 M	\$0.0 M

Citywide Waters Programme Capital Report

Programme Status				
	Last Month Status	Current Month	Forecast Next Month	Comments
Scope	G	A	A	Scopes of the water, wastewater and stormwater network strategic upgrade sub-programmes have been informed by the respective master plans, however further definition and confirmation of preferred options and programmes is still being developed. It is proposed this will be addressed by preparing sub-programme plans, which will better define and clarify the objectives, scope, budget and timeframes for the projects within these programmes.
Time	G	G	G	
Cost	G	G	G	Forecasted rephasing of \$10.3m signaled for this programme resulting in moving of spending from Year 1 to Year 2. A \$3.3m rephasing has been signaled for the Hillsborough Pump Station Upgrade. Construction to be completed over 1 year instead of phased over 2 years. A \$7.0m rephasing has been signaled for the Pukete Wastewater Treatment Plant Upgrade to align with the contractors works schedule. Project remains on track for completion by 30 June 2020.
Revenue	G	G	G	Revenue for this programme is for water connections. This is demand driven and offset by expenditure.

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

- Wastewater Treatment Plant Upgrade Contract recently awarded, Physical works are now underway.
- Western Interceptor Duplication physical works contract Recently awarded to Connell Contractors. Market pricing has identified a likely forecast financial saving of \$7M which will likely be realised in year 2. This saving will contribute towards councils financial efficiency targets.
- Water network zone implementation planning is progressing



Citywide Community Programme Capital Report

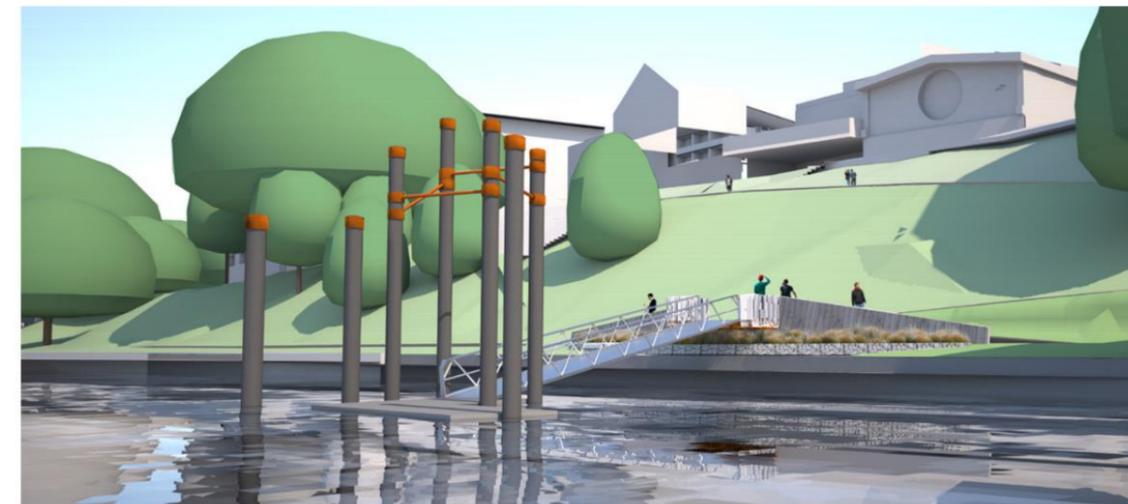
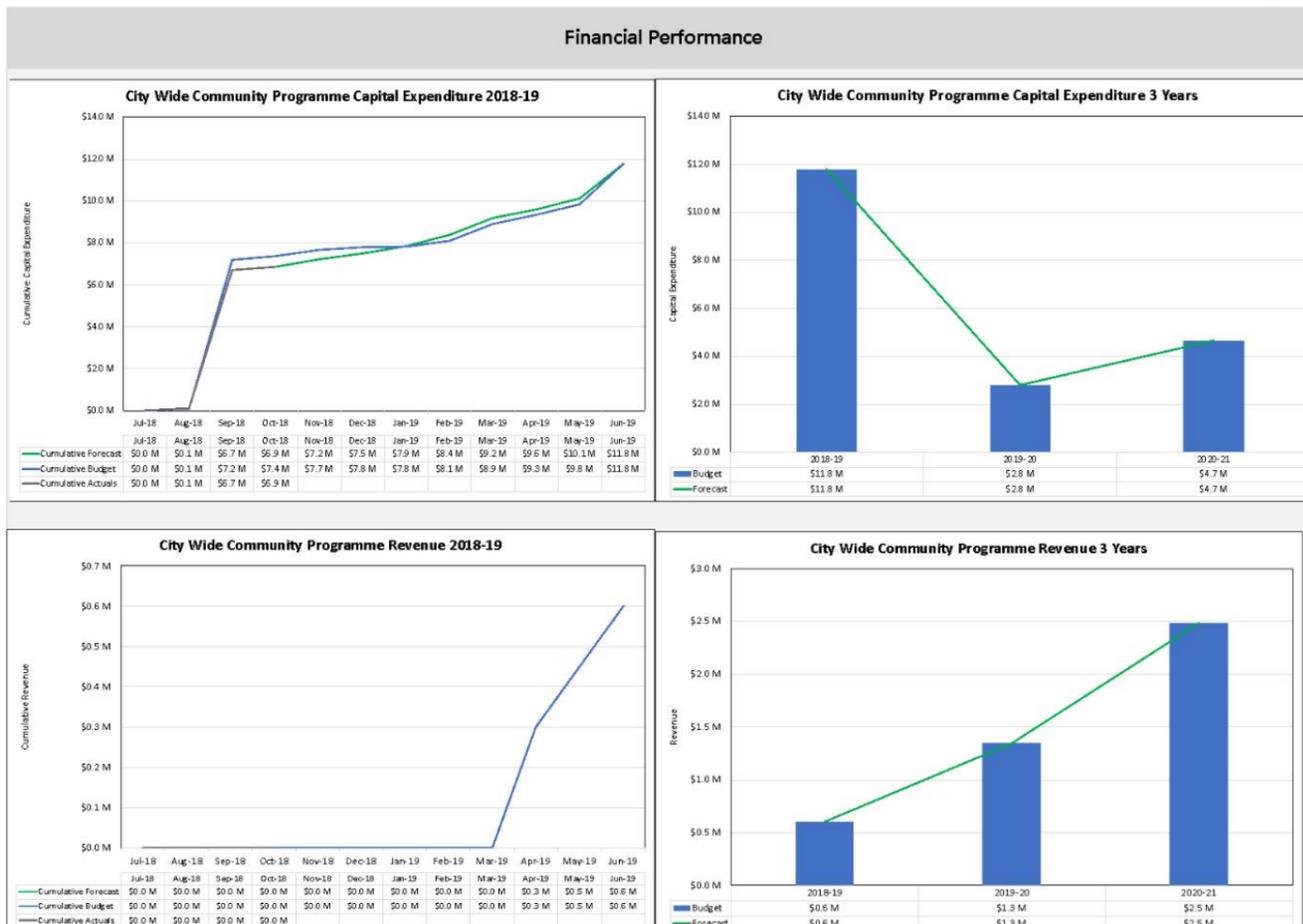
Attachment 1

Item 8

Programme Status				
	Last Month Status	Previous Month	Current Month	Comments
Scope	G	G	G	Currently in planning stages for Stage 1 of new development of Hamilton Gardens. Resource consent is currently with Tainui for review. Tender stage is planned for February 2019 but is dependent on resource and building consent process. VOTR Boardwalk has been placed on hold. If revenue for Playground Improvement Programme is not achieved then scope of programme will need to be reassessed.
Time	G	G	G	The Hamilton Gardens specialist contractor working on Picturesque and Surrealist Gardens is currently working for Peter Jackson which has delayed some works. Hoping to complete this work by Christmas 2018 but this will depend on availability.
Cost	G	G	G	On track.
Revenue	G	G	G	The Hamilton Gardens revenue of \$300k for 2018/19 has been confirmed. \$102k of the Playground Improvement Programme revenue has been confirmed and applications for the remaining \$192k have been submitted. The outcome of these applications will be known in December 2018.

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

- 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.
- The Mansfield Garden was opened to fantastic reviews on 12 November 2018.
- 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.
- The playground improvement programme revenue is not yet confirmed for 18/19. Funding applications have been submitted and the outcomes will be known in December 2018. The future playground improvement programme will be taken to the Community and Services Committee for approval in December 2018.
- Settlement for the Central City Park properties was completed in September 2018.
- Clyde Park Cricket Blocks are on track for completion at the end of November 2018.



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



Artists impression of the proposed Baroque Theatre Garden



Photo of Mansfield Garden

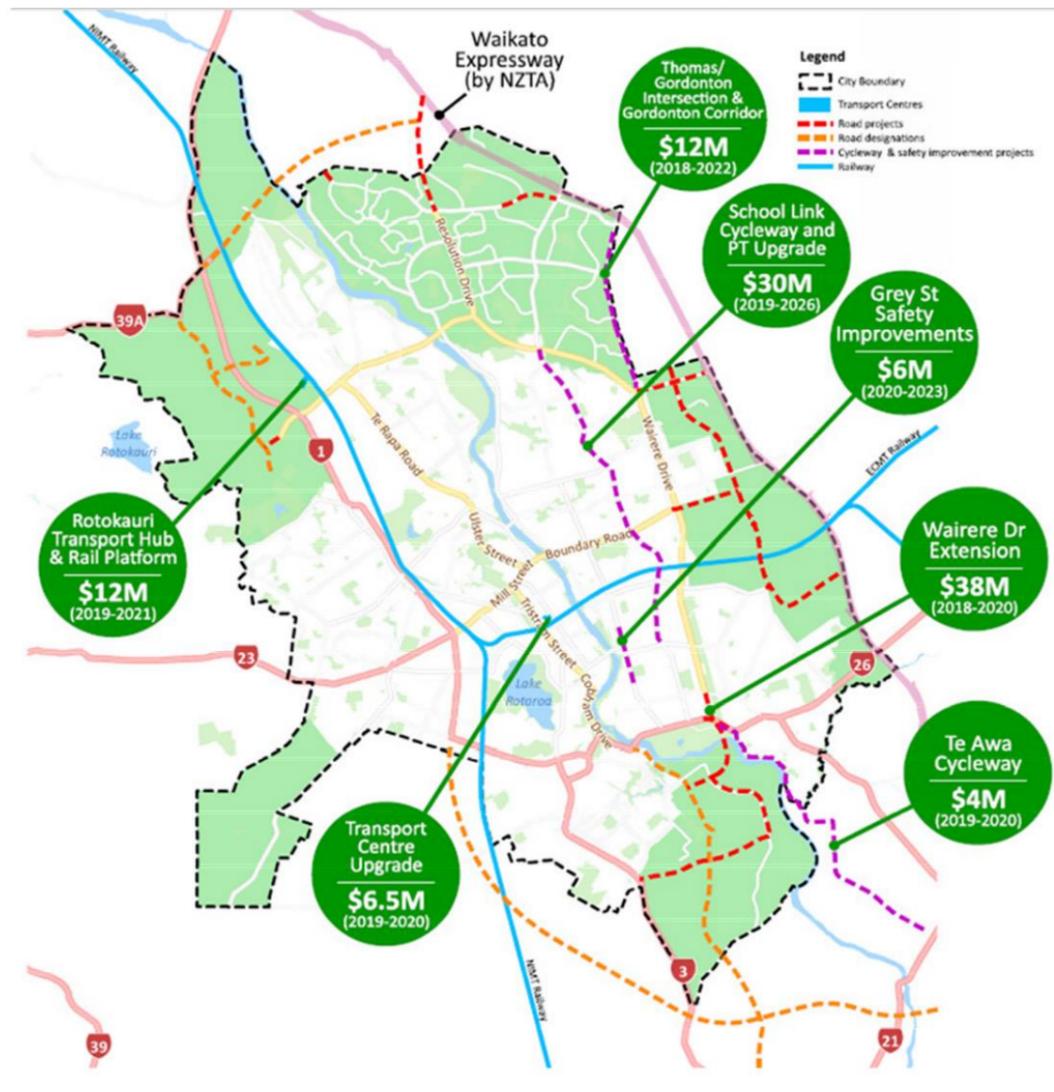
Transport Improvement Programme Capital Report



Programme Status				
	Last Month Status	Current Month	Forecast Next Month	Comments
Scope	A	A	A	The projects scopes 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.
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	Rephasing of \$5.7M is forecast for the Ring Road to align with the construction schedule. A total of \$4.7M has been signaled for deferral related to the following projects; - \$1.8M for the Biking Plan School Link Project as we continue to work with NZTA on the business case. Construction for this project will be deferred to 2019-20. - \$1.7M 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. - \$1.2M deferrals is signaled for the Gordonton Corridor due to difficulties in securing land.
Revenue	A	A	A	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 the 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 rephasing/deferrals, \$3.1M has been forecast out of 2018-19 and into 2019-20 to align with the expected works programmes.

Programme Outcome:
Kia tika ano te hanga rori maa;
 - Ahienga whakatupu
 - Whakapai atu haumarū, me
 - Whakawhaanui atu ngā koowhiringa waka
 Delivering a balanced transport system through;
 - Enabling growth
 - Improving safety, and
 - Improving transport choice

- NZTA are engaging positively in this programme. There is significant strategic planning and business case development required 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.
- School link public transport and cycleway business case development is underway with a planned completion and approval date of 30 June 2019.
- Te Awa Cycleway design is underway and construction is on track for next year as budgeted.
- Wairere Drive Extension physical works have commenced. Overall project is on track.
- Thomas/Gordonton intersection upgrade is underway.
- The Rotokauri Transport Hub Project is subject to the business case for the rail services from Hamilton to Auckland. If the business case for rail is approved the Rail Platform and associated infrastructure will be required to be in place by early 2020. Land procurement is on track to be settled by the end of 2018. An offer of service is being developed for the full design including the Tasman Road urban upgrade.
- The Transport Centre Upgrade is subject to a business case and work is commencing on this in coming months.



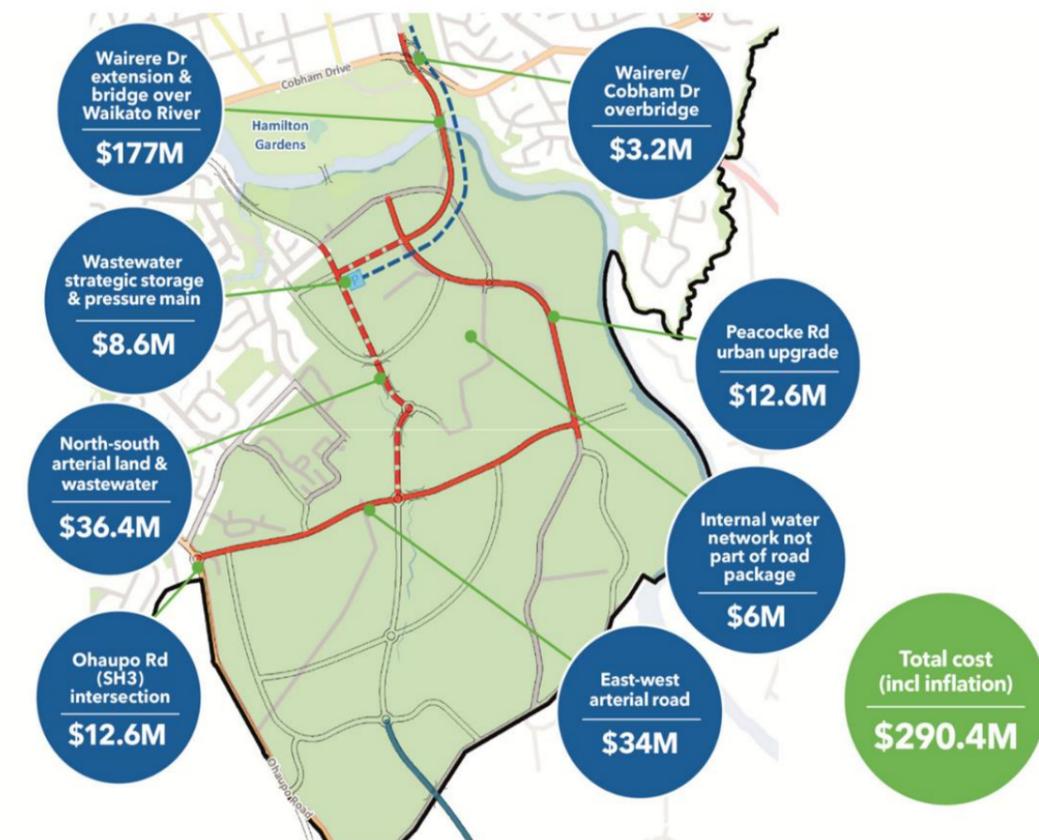
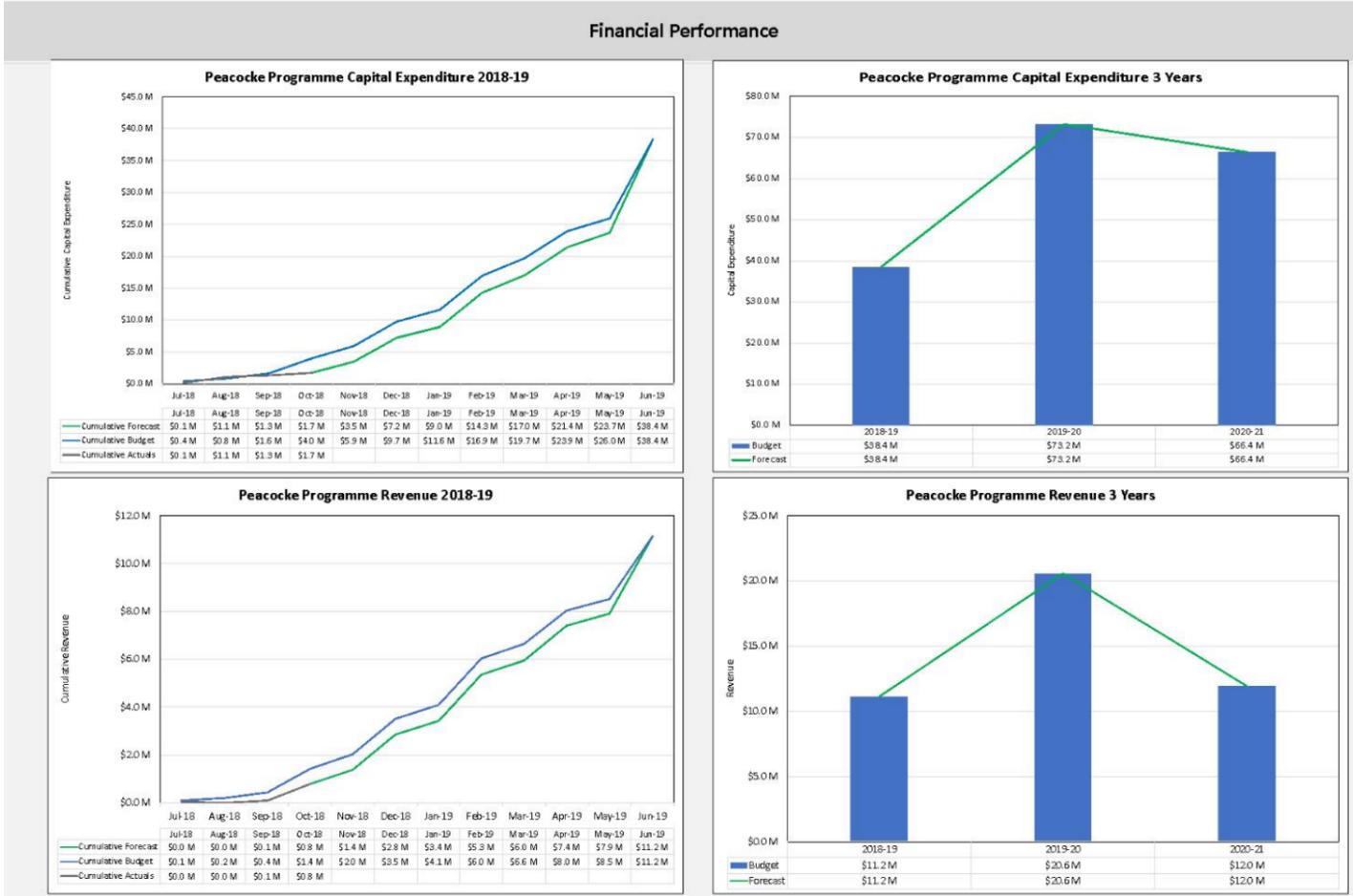
Peacocke Programme Capital Report

Attachment 1

Item 8

Programme Status				
	Last Month Status	Previous Month	Current Month	Comments
Scope	G	G	G	On track
Time	G	G	G	On track
Cost	G	G	G	- The YTD spending includes the purchase of a property. - Contract amounts are in line with budgeted amounts. - There is upward pressure on land prices.
Revenue	G	G	G	NZTA subsidy is the only source of revenue 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.
- Project managers have been appointed for the delivery of the capital infrastructure programme.
 - We have engaged with the professional services market and have awarded an instruction for service for the initial transport design and investigation requirements including the Waikato River Bridge.
 - The contract for the investigation and design of the strategic wastewater infrastructure has been awarded.
 - We have commenced negotiations with 2 active developers to enter into a commercial agreement for the provision of co-ordinated delivery of transport and waters infrastructure.
 - Risk and project plans have been reviewed and updated.
 - The first drawdown for enabling works costs to 30 June 2018 (total \$267k) has been paid. This included \$91k of NZTA subsidy. The second drawdown for quarter 1 of the 18/19 FY to 30 Sep 2018 (\$1.124mk) has been submitted to the Min of Housing & Urban Development for processing. This included \$564k of NZTA Subsidy.
 - Construction tenders have closed and a preferred tenderer has been identified for Wairere to Cobham Drive Interchange.
 - Rights of first refusal with Waikato Tainui have been agreed.
 - A property agent has been appointed and is actively acquiring land for transport and wastewater services.
 - We have contacted all available property owners.
 - We are working with developers to ensure good open space outcomes.
 - We are establishing relationships with key partners and stakeholders. For example, Ministry of Education who are investigating schooling locations in the area.



CAPITAL EXPENDITURE
for the four months ended 31 October 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	371	371	(1)	1,135	0	1,135	0	0
CE10006 - Library asset renewal	R	92	92	0	121	0	121	0	0
CE10007 - Library building asset renewal programme	R	0	20	19	343	0	343	0	0
CE19015 - Libraries Facilitation Plan	LOS	6	30	24	80	0	80	0	0
Total libraries		469	512	43	1,679	0	1,679	0	0
Theatres									
CE10013 - Technical services equipment renewals	R	104	61	(43)	386	0	386	0	0
Total Theatres		104	61	(43)	386	0	386	0	0
Community Development									
CE19070 - Community Facilities Building Renewals	R	10	49	39	49	0	49	0	0
Total Community Development		10	49	39	49	0	49	0	0
TOTAL ARTS AND COMMUNITY		583	622	39	2,114	0	2,114	0	0
VENUES, TOURISM AND MAJOR EVENTS									
CE10041 - Claudelands plant and equipment	R	118	0	(118)	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)	57	57	330	0	330	0	0
CE10044 - Turf services plant and equipment	R	16	0	(16)	52	0	52	0	0
CE10046 - Seddon Park property renewals	R	0	2	2	60	160	220	0	0
CE10047 - Waikato Stadium property renewals	R	34	0	(34)	33	0	33	0	0
CE10048 - Stadia building renewals	R	258	364	106	3,070	0	3,070	0	(100)
CE10049 - Claudelands building renewals	R	80	272	193	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	143	143	970	0	970	0	0
TOTAL VENUES, TOURISM AND MAJOR EVENTS		506	839	332	5,244	412	5,656	0	(100)
PARKS AND RECREATION									
Pools									
CE10001 - Aquatic facilities building renewals	R	2,848	2,562	(286)	442	3,911	4,353	0	0
CE10003 - Waterworld operational asset renewals	R	256	287	31	734	0	734	0	0
CE10004 - Gallagher Aquatic Centre operational asset renewal	R	21	94	73	185	0	185	0	0
Total Pools		3,125	2,943	(182)	1,361	3,911	5,272	0	0
Cemeteries and Crematorium									
CE10021 - Building renewals cemeteries	R	121	193	72	1,679	318	1,997	0	0
CE10022 - Renewal of crematorium assets	R	0	0	0	21	24	45	0	0
CE10023 - Hamilton Park east and west cemeteries renewals	R	0	0	0	53	0	53	0	0
CE19001 - Hamilton Park Cemetery Accessible Toilet Block	LOS	(3)	107	110	427	28	455	0	0
CE15024 - Hamilton Park cemetery, burial and ash lawn extension	G	0	0	0	75	0	75	0	0
Total Cemeteries and Crematorium		118	300	182	2,255	370	2,625	0	0
Community Parks									
CE10029 - Toilet and changing room renewals	R	0	63	63	104	0	104	0	0
CE10030 - Building renewals parks and open spaces	R	2	30	28	83	0	83	0	0
CE10032 - Parks and open spaces assets and playgrounds renewals (R)	R	12	7	(5)	1,349	0	1,349	(7)	0
CE19004 - Destination Parks Renewals	R	0	0	0	977	0	977	0	0
CE15036 - Playground development programme	LOS	1	0	(1)	900	0	900	0	(300)
CE16001 - Victoria On The River Development	LOS	0	50	50	0	0	0	0	0
CE17004 - River Plan	LOS	6,635	7,000	365	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	40	22	177	0	177	0	0
CE19014 - Waiwhakareke Natural Heritage Park Development	LOS	0	100	100	710	0	710	0	0
CE19022 - Alternative Weed Control	LOS	0	10	10	20	0	20	0	0
CE15033 - Land Purchase future Reserves	G	0	0	0	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		6,673	7,304	631	14,905	1,503	16,408	(7)	(300)
Sports Parks									
CE10031 - Sports area renewals	R	65	18	(47)	473	0	473	0	0
CE19003 - Parks Toilets Development/Upgrade	LOS	20	253	233	1,052	0	1,052	0	0
CE15035 - Rototuna Park Development	G	10	1	(9)	3,862	69	3,931	0	0
CE19005 - Sports Park Development (G)		39	0	(39)	0	0	0	0	0
Total Sports Parks		134	272	138	5,387	69	5,456	0	0
TOTAL PARKS AND RECREATION		10,049	10,819	770	23,909	5,853	29,762	(7)	(300)
VISITOR ATTRACTIONS									
Hamilton Gardens									
CE10026 - Hamilton Gardens renewals	R	0	225	225	210	15	225	0	0
CE10028 - Hamilton Gardens building renewals	R	42	40	(2)	50	0	50	0	0
CE19023 - Hamilton Gardens Development	LOS	157	310	153	1,900	486	2,386	0	(300)
Total Hamilton Gardens		199	575	375	2,160	501	2,661	0	(300)

Hamilton Zoo									
CE10015 - Zoo animal enclosure renewals	R	0	25	25	388	0	388	0	0
CE10016 - Zoo building renewals	R	13	0	(13)	33	0	33	0	0
CE10017 - Property renewals	R	1	26	25	49	0	49	0	0
CE10020 - Zoo animal replacement	R	0	0	(0)	60	0	60	0	0
CE19021 - Water and Stormwater Reticulation	R	14	0	(14)	845	0	845	0	0
CE19019 - Zoo Safety Improvements	LOS	102	207	105	1,710	57	1,767	0	0
CE19020 - Hamilton Zoo Improvement programme	LOS	0	0	0	75	0	75	0	0
CE19030 - Zoo and Waiwhakareke Entrance Precinct	LOS	0	60	60	250	0	250	0	0
Total Hamilton Zoo		129	318	188	3,409	57	3,466	0	0
Waikato Museum									
CE10008 - Museum asset renewal	R	66	12	(54)	110	0	110	0	0
CE19028 Collection Acquisition Fund	R	10	10	0	50	0	50	0	0
CE10010 - Public art support fund	R	12	14	2	30	58	88	0	0
CE10011 - Museum activity building renewals	R	78	45	(33)	589	41	630	0	0
CE10009 - ArtsPost earthquake strengthening	LOS	0	0	0	800	0	800	0	0
Total Waikato Museum		166	81	(84)	1,579	99	1,678	0	0
TOTAL VISITOR ATTRACTIONS		494	973	479	7,148	657	7,805	0	(300)
SAFETY									
CE10037 - CCTV renewals	R	0	0	0	50	0	50	0	0
TOTAL SAFETY		0	0	0	50	0	50	0	0
RUBBISH AND RECYCLING									
CE10054 - Replacement of closed landfill assets	R	9	15	6	519	0	519	0	0
CE10056 - Replacement of RTS & HOC assets	R	47	0	(47)	342	0	342	0	0
CE15055 - Closed landfill management	LOS	5	0	(5)	90	0	90	0	0
TOTAL RUBBISH AND RECYCLING		60	15	(45)	951	0	951	0	0
STORMWATER									
CE10058 - Replacement of stormwater assets	R	96	85	(11)	516	397	913	0	0
CE15067 - Comprehensive stormwater consent implementation	LOS	23	30	7	30	0	30	0	0
CE19026 - Erosion Control Works	LOS	0	84	84	1,306	0	1,306	0	(14)
CE15059 - Rototuna stormwater infrastructure	G	8	15	7	4,532	0	4,532	0	0
CE15060 - Rotokauri stormwater infrastructure stage 1	G	115	175	60	900	1,275	2,175	0	0
CE15062 - Peacocke stormwater infrastructure stage 1	G	0	26	26	998	0	998	0	0
CE15063 - Peacocke stormwater infrastructure stage 2	G	0	5	5	2,334	0	2,334	0	0
CE15064 - Stormwater pipe upgrade - growth	G	0	20	20	150	0	150	0	0
CE15066 - Existing network improvements in new areas	G	50	25	(25)	105	0	105	(88)	0
CE15068 - Stormwater customer connections to the network	G	172	16	(156)	50	0	50	(110)	(50)
CE15162 - Integrated catchment management plan	G	196	394	198	920	558	1,478	0	0
TOTAL STORMWATER		660	875	215	11,841	2,230	14,071	(198)	(64)
TRANSPORT									
Parking Management									
CE10069 - Resurfacing off street carparks	R	0	0	0	25	0	25	0	0
CE10070 - Replacement of parking enforcement equipment	R	6	83	77	188	83	271	0	0
CE10071 - Parking building renewal	R	23	427	404	408	279	687	0	0
Total Parking Management		29	510	481	621	362	983	0	0
Transport Network									
CE10072 - Replacement of footpath	R	1,323	1,025	(298)	4,552	0	4,552	(667)	0
CE10074 - Replacement of drainage (kerb and channel)	R	752	522	(230)	1,531	0	1,531	(397)	(662)
CE10075 - Replacement of road base	R	102	250	148	1,192	0	1,192	(54)	(611)
CE10076 - Road resurfacing	R	1,376	1,638	262	4,986	0	4,986	(726)	(2,542)
CE10077 - Replacement of bridges and culverts	R	79	85	6	1,245	0	1,245	(42)	(625)
CE10080 - Replacement of lighting	R	758	425	(333)	1,185	0	1,185	(636)	(381)
CE10081 - Replacement of traffic equipment	R	310	112	(197)	365	0	365	(163)	(262)
CE10098 - Building and property renewals	R	55	168	113	252	0	252	3	0
CE15085 - Minor improvements to transport network	LOS	333	667	334	2,000	0	2,000	(176)	(1,020)
CE15086 - Bus stop infrastructure	LOS	9	217	207	650	0	650	(5)	(332)
CE19052 - Intersection Safety Upgrade Programme	LOS	0	25	25	310	0	310	0	(157)
CE19054 - Bridge Safety Improvements	LOS	0	13	13	130	0	130	0	(66)
CE19062 - Bridge Resilience Programme	LOS	0	40	40	500	0	500	0	(255)
CE19064 - Transport Centre Rejuvenation	LOS	7	317	309	950	0	950	0	(485)
CE15087 - Network upgrades to allow new development	G	16	10	(6)	175	0	175	0	0
CE15088 - Roading upgrades and development in Peacocke stage 1	G	123	434	310	3,868	0	3,868	(63)	(1,973)
CE15089 - Roading upgrades and development in Peacocke stage 2	G	1,530	3,116	1,586	20,638	468	21,106	(718)	(9,181)
CE15090 - Roading upgrades and development in Rotokauri stage 1	G	39	445	406	8,247	0	8,247	0	(426)
CE15092 - Roading upgrades and development in Rototuna	G	910	1,804	894	15,284	3,206	18,490	(626)	(9,570)
CE15093 - Roading upgrades and development in Ruakura	G	18	35	17	325	0	325	0	(165)
CE15095 - Integrated transport initiatives	G	460	500	40	1,500	0	1,500	(241)	(765)
CE19057 - Biking Plan Implementation	G	89	565	476	3,750	0	3,750	0	(1,913)
CE19058 - Mass Transit	G	15	120	105	6,750	0	6,750	0	(3,442)
CE19037 - Hamilton Transport Model	G	0	0	0	50	0	50	0	0
CE19036 - Ring Road	G	2,241	2,672	432	12,122	3,931	16,053	(1,642)	(8,760)
CE19038 - Rotokauri rail platform	G	0	5	5	750	0	750	0	(383)
Total Transport Network		10,544	15,209	4,665	93,307	7,605	100,912	(6,153)	(43,976)
TOTAL TRANSPORT		10,574	15,719	5,145	93,928	7,967	101,895	(6,153)	(43,976)
WASTEWATER									
Wastewater Reticulation									
CE10100 - Replacement of wastewater pump stations	R	370	275	(95)	1,058	0	1,058	0	0
CE10101 - Replacement of wastewater assets	R	1,944	1,243	(701)	3,036	0	3,036	0	0
CE15103 - Increase capacity of wastewater pump stations	LOS	41	15	(26)	323	500	823	0	0

CE15104 - Wastewater pipe upgrade - growth	G	0	50	50	300	0	300	0	0
CE15105 - Increase capacity of wastewater network - Rototuna	G	0	5	5	312	0	312	0	0
CE15106 - Wastewater network upgrades to allow development	G	36	15	(21)	80	0	80	11	0
CE15107 - Increase capacity of network in Rotokauri stage 1	G	0	0	(0)	681	0	681	0	0
CE15109 - Increase capacity of network in Peacocke stage 1	G	0	95	95	189	0	189	0	0
CE19040 - Increase capacity network Peacocke Stage 2	G	32	238	206	4,090	0	4,090	0	0
CE15111 - Increase capacity of network throughout the city	G	44	200	156	0	250	250	0	0
Total Wastewater Reticulation		2,468	2,136	(332)	10,069	750	10,819	11	0
Wastewater Treatment Plant									
CE15160 - Wastewater model	R	0	0	0	70	0	70	0	0
CE10115 - Replacement of wastewater treatment plant assets	R	196	471	275	2,632	1,105	3,737	0	0
CE19029 - Wastewater Seismic Strengthening	LOS	606	0	(606)	100	297	397	0	0
CE15120 - Wastewater treatment plant compliance	LOS	114	215	101	1,657	0	1,657	0	0
CE15161 - Wastewater Master Plan	G	44	27	(17)	150	0	150	0	0
CE15117 - Upgrade wastewater treatment plant (Pukete 3)	G	242	900	658	10,000	5,232	15,232	0	0
CE15121 - Wastewater customer connections to the network	G	371	16	(355)	50	0	50	(421)	(50)
CE19041 - Increase capacity WW Far East Network	G	247	65	(182)	2,000	2,065	4,065	0	0
CE19042 - Increase capacity WW South Network	G	0	50	50	3,300	0	3,300	0	0
CE19043 - Increase capacity WW West Network	G	117	143	26	6,963	535	7,498	0	0
CE19044 - Increase capacity WW East Network	G	0	30	30	250	0	250	0	0
CE19050 - Increase capacity WW Central Network	G	5	35	30	3,664	0	3,664	0	0
Total Wastewater Treatment Plant		1,943	1,952	9	30,836	9,234	40,070	(421)	(50)
TOTAL WASTEWATER		4,411	4,088	(323)	40,905	9,984	50,889	(410)	(50)
WATER SUPPLY									
Water Reticulation									
CE10123 - Replacement of watermains	R	2,179	627	(1,552)	2,744	0	2,744	0	0
CE10124 - Replacement of water meters, valves and hydrants	R	291	245	(46)	1,135	0	1,135	0	0
CE10145 - Tools of trade renewals	R	8	0	(8)	50	0	50	0	0
CE15133 - Water demand management - network water loss	LOS	1	80	79	500	0	500	0	0
CE15126 - Upgrade or build new watermains in Rototuna	G	148	104	(44)	1,625	0	1,625	0	0
CE15127 - Water pipe upgrade - growth	G	0	50	50	300	0	300	0	0
CE15128 - Upgrade/build new watermains in Rotokauri stage 1	G	565	525	(40)	576	500	1,076	0	0
CE16004 - Eastern Bulk Main Slip	G	32	46	14	800	247	1,047	0	0
CE19046 - Upgrade/Build New Watermains - Peacockes Stage 2	G	0	10	10	163	0	163	0	0
CE15132 - Water network upgrades to allow new development	G	0	15	15	80	0	80	(110)	0
CE15134 - Water demand management - Pukete reservoir zone	G	0	0	0	135	0	135	0	0
CE15135 - Upgrade/build distribution watermains in Peacocke	G	0	30	30	85	0	85	0	0
CE15137 - Water demand management - Newcastle reservoir zone	G	2	0	(2)	50	0	50	0	0
Total Water Reticulation		3,226	1,732	(1,494)	8,243	747	8,990	(110)	0
Water Treatment Plant									
CE10138 - Replacement of treatment plant and reservoir assets	R	572	597	25	2,101	68	2,169	0	0
CE15158 - Water model	R	10	0	(10)	60	339	399	0	0
CE15139 - Water treatment plant compliance - minor upgrades	LOS	30	765	734	1,610	0	1,610	0	0
CE15141 - Water demand management - Hillcrest reservoir zone	G	2	0	(2)	1,119	0	1,119	0	0
CE15144 - Upgrade water treatment plant	G	12	50	38	1,900	910	2,810	0	0
CE15146 - Water customer connections	G	156	16	(140)	50	0	50	(277)	(50)
CE15148 - Upgrade or build new watermains in Ruakura	G	0	25	25	500	0	500	0	0
CE15159 - Water master plan	G	8	11	3	150	0	150	0	0
CE19045 - Ruakura Reservoir & Associated Bulk Mains	G	1,289	1,525	236	9,698	976	10,674	0	0
CE19049 - Water Demand Management - Fairfield Reservoir Zone	G	30	0	(30)	514	0	514	0	0
Total Water Treatment Plant		2,111	2,989	878	17,702	2,293	19,995	(277)	(50)
TOTAL WATER SUPPLY		5,336	4,720	(616)	25,945	3,040	28,985	(386)	(50)
OVERHEAD AND SUPPORT UNITS									
Facilities									
CE10151 - Renewals program	R	105	593	488	1,651	0	1,651	0	0
CE19034 - Key Control Project	R	15	0	(15)	44	0	44	0	0
CE10158 - Replacement of fleet vehicles	R	514	1,134	620	3,401	0	3,401	0	0
Total Facilities		634	1,727	1,093	5,096	0	5,096	0	0
Information Services									
CE10152 - Network and infrastructure	R	1	69	68	968	549	1,517	0	0
CE10153 - Core business applications	R	148	181	33	775	325	1,100	0	0
CE10154 - Minor applications	R	0	0	0	25	0	25	0	0
CE10156 - Lease funding of equipment	R	87	81	(7)	1,287	0	1,287	0	0
CE15155 - Mobility and eservices	R	31	156	125	355	529	884	0	0
CE19024 - IS Major Upgrades	R	34	188	153	1,898	0	1,898	0	0
CE15157 - Authority replacement	R	0	170	170	0	425	425	0	0
Total Information Services		302	844	542	5,308	1,828	7,136	0	0
Customer Services									
CE19025 - Smart Hamilton Initiatives	LOS	0	84	84	250	0	250	0	0
CE17001 - Customer Services Projects	LOS	0	20	20	0	100	100	0	0
Total Customer Services		0	104	104	250	100	350	0	0
Strategic Property									
CE10053 - Tenancy inducement renewals	R	0	24	24	75	0	75	0	0
Total Strategic Property		0	24	24	75	0	75	0	0
TOTAL OVERHEADS AND SUPPORT UNITS		937	2,699	1,762	10,729	1,928	12,657	0	0
TOTAL COUNCIL		33,611	41,370	7,758	222,764	32,071	254,835	(7,153)	(44,840)

Hamilton City Council Business Case

Business Case name: Te Awa Cycle
Way Remediation

Trim document number: D-2837871



Hamilton City Council
Te kaunihera o Kirikiriroa

Business Case Name: Te Awa Cycleway Remediation

Risk Rating: High

Review / Approval Summary

Reviewed By Project Sponsor _____ Maria Barrie _____ Date _____
(Name / Signature of individual)

Reviewed By Business Owner _____ Annette Richards _____ Date _____
(Name / Signature of individual)

Reviewed By Capital Investment Board _____ Date _____
(Name / Signature of individual)

SLT Decision (choose from list) Choose an item.

Council / Committee Meeting (circle one) Finance Date ____ 3 Dec 2018 _____

Resolution (adopted following Council/Committee consideration)

1.0 Strategic Case

Current Situation	<p>Kirikiroa path is located on the western side (true left) bank of the Waikato river and forms part of the Te Awa Cycle way through Hamilton's Central Business District. Since late 2016 the area has been unstable with the path showing visible signs of movement and in April 2017 this section was completely closed between Claudelands bridge and London Street</p> <p>Te Awa is envisaged as a true community asset: easy, accessible, multi-purpose & free.</p> <p>The Te Awa cycle/ walkway enables commuters in the Waikato surrounds, especially those in close proximity to Cambridge and Hamilton, to be able to cycle to work and to events, enabling exercise to be integrated into their daily lives and easing congestion and pollution.</p> <p>Part of the Te Awa ride is to bring people to the River and educate them about the River through communication strategies. The ride will be the catalyst for educating the community about the degraded state of the River.</p> <p>There are significant positive economic benefits from the development of Te Awa which helps to sell the region as a vibrant and important tourism destination, potentially bringing an increase of over \$19m annually in tourism expenditure.</p> <p>300,000: People on average are using the trail each year</p>
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	Elected Members are expecting a report to the December Finance committee meeting outlining repair options and funding options to enable the path to reopen.	
Objectives	To enable the reopening of the Te Awa Cycle Way by 30 June 2020.	
Strategy Alignment	<ul style="list-style-type: none"> - To improve the wellbeing of Hamiltonians - To help build a more vibrant, attractive and prosperous city Reopening the Te Awa Cycle Way will help improve Hamiltonians wellbeing and attract more visitors to Hamilton City.	
Benefits	Benefit	Measure
	Accessible and safe to use cycle way / walkway	<ul style="list-style-type: none"> - Walkway re-opened - Increase usage of walkway - Te Awa Cycleway has uninterrupted access - Reduced number of complaints
	Remediation of slip	<ul style="list-style-type: none"> - Reduced current and future repair and maintenance requirements - Reduced risk of incidents in the future - Preferred option is a long-term solution and future proofs the site
	Mitigate the likelihood of future slips in the area	<ul style="list-style-type: none"> - Reduced incidents of slips in the area - Reduced closure of walkways
	Long term protection of the Pa site and Kiln Site	<ul style="list-style-type: none"> - No subsidence underneath the site
Deliverables	<ul style="list-style-type: none"> - Remediation of current slip and mitigation of likelihood of future slips - Repair and re-opening of cycle way / walkway - Te Awa Cycle Way resilience and enhancement 	
In Scope	<ul style="list-style-type: none"> - Kirikiriroa slip and direct area that is affected, 200m section of the path - Design - Drainage - Water tables, aligned with drainage management requirements - Repair of retaining wall at south end of Kirikiriroa - Reinstatement of walkway – base coarse, surfacing and edging - Reinstatement of Te Awa cycle way – base coarse, surfacing and edging - Resource consent, Building consent - NZ Heritage Authority application - Internal project management - Engineer to contract - New retaining wall - Landscaping of site - Balustrade installation - NZTA funding application 	
Out of Scope	<ul style="list-style-type: none"> - Other slips - Other drainage work 	

Risks and Mitigations	Risks	Mitigations
	Unknown site conditions resulting in extra works and cost	<ul style="list-style-type: none"> - Site assessments - Include time and cost contingency
	Weather events lead to further failure resulting in increased size and scope of works	<ul style="list-style-type: none"> - Include time and cost contingency - Complete works as early as possible and monitor weather
	Preferred option doesn't last as long as anticipated resulting in further investments required into the area	<ul style="list-style-type: none"> - Seek engineering advice and report - Previous remediations have been successful- use approach in line with HCC practices
	Discovery of archaeological findings resulting in requirement for change to remediation methodology with impact on time and cost	<ul style="list-style-type: none"> - Include time and cost contingency - Undergo archaeological assessment as early as possible
	Public trying to access walkway during construction resulting in serious injury	<ul style="list-style-type: none"> - Site Management Plan - Communications to public - Health & Safety audits - Internal project management
	Lack of contractor availability resulting in increased cost and time delays	<ul style="list-style-type: none"> - Early contractor engagement - Project Management Plan
	Risk to relationship with iwi with proposed construction and authority application.	<ul style="list-style-type: none"> - Good and transparent communications - Stakeholder Management and key relationship management
	Reputational Risk as the path has been closed for some time	<ul style="list-style-type: none"> - Good and Transparent communications - Regular updates - Information signage, with clear messaging

2.0 Options Analysis (Economic Case)

Option Description	Details
Option 1: Status Quo -Do nothing	<p>No capital investment to remediate the slip resulting in the public not being able to access the cycle way / walkway.</p> <p>Advantages:</p> <ul style="list-style-type: none"> - No cost up front <p>Disadvantages:</p> <ul style="list-style-type: none"> - Well used popular part of the walkway, being a key component of the Te Awa Cycle way, remains closed impacting on the use of the cycle way / walkway. - Rapid failure likelihood is increased due to the creeping failure being allowed to continue. This will most likely to be associated with a rainfall or earthquake event. - Damage and cost to repair a rapid failure is unknown, however costs are likely to be higher than remediation options. - Aecom consider that this site is at high risk of rapid failure of the unstable fill at some time in the future if remedial works are not undertaken.

	<p>Capital Cost estimate: \$0 Consequential Opex : No additional funding, managed within existing budgets</p>
<p>Option 2: No engineering works, minor repairs to the path. Erect signage 'Do not stop, enter at own risk, Slope unstable". Close during severe weather events.</p>	<p>This option involves repairing the paths with no other remediation. Signage to alert path users to the risk of the path slipping.</p> <p>Advantages:</p> <ul style="list-style-type: none"> - Path reopens - Lowest cost option except do nothing <p>Disadvantages:</p> <ul style="list-style-type: none"> - Risk of instability from slow moving failure not addressed - Rapid failure likelihood is increased due to the creeping failure being allowed to continue. This will most likely to be associated with a rainfall or earthquake event. - Damage and cost to repair a rapid failure is unknown, however costs are likely to be higher than remediation options. - Aecom consider that this site is at high risk of rapid failure of the unstable fill at some time in the future if remedial works are not undertaken. - Risk of liability to council should a rapid failure occur. * - Risk of un-forecast weather events resulting in the path remaining open - Ongoing operational cost in engineers fees to monitor the site and assess safety following rainfall events. - Path subject to closure at short notice. <p>*Tomkins Wake have assessed this option and provided an opinion on Councils liability and risk.</p> <p>As this site presents a known risk to council through the engineers reports and subsequent closure, HCC remain fully liable and at risk if catastrophic failure occurs. There is also health and safety risk and liability under the HSE act (amended) should any staff maintaining the site be present during a failure.</p> <p>Capital Cost estimate: \$0 Consequential Opex (Monitoring of slip) :\$10,000, additional costs</p>
<p>Option3: Minor engineering works to reduce path width and minor path repairs. Close during severe weather events.</p>	<p>This option involves installing a wooden edge (small retaining wall) in the middle of the path that's beyond the known slip area and reducing the width of the path to 1.5 metres for the whole length of the slip area, which is 20 metres in length. The reduced path would not be part of the affected slip area, to aid stabilisation during weather events.</p> <p>Advantages:</p> <ul style="list-style-type: none"> - Path reopens with dismount section for cyclists of 20 metres. - Provides a level path access for users - Low cost <p>Disadvantages:</p> <ul style="list-style-type: none"> - Risk of instability from slow moving failure not addressed - Rapid failure likelihood is increased due to the creeping failure being allowed to continue. This will most likely to be associated with a rainfall or

	<p>earthquake event.</p> <ul style="list-style-type: none"> - Damage and cost to repair a rapid failure is unknown, however costs are likely to be higher than remediation options. - Aecom consider that this site is at high risk of rapid failure of the unstable fill at some time in the future if remedial works are not undertaken. - Risk of liability to council should a rapid failure occur (as per option 2) - Risk of un-forecast weather events resulting in the path remaining open - Ongoing operational cost in engineer's fees to monitor the site and assess safety following rainfall events. - Path subject to closure at short notice. <p>Capital Cost estimate: \$100,000 Consequential Opex (monitoring of slip): \$10,000, additional costs</p>
<p>Option4: Detour the path above the slip site and through the Pa site.</p>	<p>This option involves constructing a new path along the top of the pa site and re-joining the river path way once past the slip site.</p> <p>Advantages:</p> <ul style="list-style-type: none"> - New path allows uninterrupted access - Lower cost than soil nailing and retaining wall - Opportunity to work with partner iwi and tell the story of the PA site <p>Disadvantages:</p> <ul style="list-style-type: none"> - Risk of instability from slow moving failure at the lower level not addressed making site maintenance problematic - Risk of global failures at the lower level not addressed – a large scale failure event could affect the stability of the Pa site above. - Does not attract funding from NZTA <p>Capital Cost estimate: \$500,000 Consequential Opex: \$ No additional funding, managed within existing budgets</p>
<p>Option 5: Engineered Timber Pole retaining wall and soil nailing on the slope below.</p>	<p>This option is an engineered solution to protect the land above the retaining wall and would hold the land below the wall in place. 70-week project period, this includes design, tender, testing, consenting and construction (refer attachment 2).</p> <p>Advantages:</p> <ul style="list-style-type: none"> - Stops the slow-moving failure through engineered solution to increase the stability of the slope - Risk around global failures would be addressed - Can apply for NZTA funding of 51% of the project cost - Increasing resilience, enhanced offering for cyclists - 50 year life - Protects the Pa site above the wall and Historic Kiln site below the wall - Allows for enhancement of the site through landscaping, improved base and surfacing of the walkway / cycle way and installation of new balustrades <p>Disadvantages:</p> <ul style="list-style-type: none"> - Higher cost option - Soil nails would extend under Kirikiriroa Pa site.

	<p>**Capital cost estimate: \$1,750,000 NZTA funding \$892,500* HCC unbudgeted \$857,500 Consequential Opex: \$ No additional funding, managed within existing budgets <i>**2 Financial years impacted TBC once we understand financial implications on capital programme.</i></p>
<p>Preferred Option: Option 5</p> <p>Engineered Timber Pole retaining wall and soil nailing on the slope below.</p>	<p>An engineering solution that would future proof the site and allow the river path to remain open long term.</p> <p>The approach is consistent with previous HCC solutions on similar failures such as Bryce Street Slip.</p> <p>This option would reduce the risk to council and protect Kirikiriroa Pa site above the wall and protect the Historic Kiln site below the wall.</p> <p>An application to NZTA for a subsidy of 51% of the project cost.</p> <p>**Capital cost estimate: \$1,750,000 NZTA funding \$892,500* HCC unbudgeted \$857,500 Consequential Opex: \$0</p>

3.0 Preferred Option (Commercial & Financial Case)

3.1 Commercial Case

	Details	
Internal Resource Requirements	Project Manager, staff.	
External Resource Requirements	Engineer, Contractor, consultant.	
	Work Package	Procurement Process
Procurement Requirements	<ul style="list-style-type: none"> - Consenting, authority, design - Construction of Engineered Timber Pole retaining wall and soil nailing. 	<ul style="list-style-type: none"> - PSP Panel appointment - Tender

3.2 Financial Analysis

Payback period (year)	
Asset lifecycle (years)	50
Expected date that asset will be operational	2020

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Project Cost						
Capital Expenditure	\$380,000	\$1,370,000				\$1,750,000
Operating Expenditure	\$0					\$0
Consequential Opex	No Additional	No Additional				\$0
Revenue						
NZTA Funding		\$892,500				\$892,500

Additional Funding Sources:

Funding Source	Amount
Unbudgeted capital expenditure	\$857,500
NZTA funding	\$892,500

4.0 Implementation (Management Case)

4.1 Stakeholder Engagement

Stakeholder	Project Interest	Collaboration to Date
Iwi	Pa Site	Attending Meetings and advising of progress on slip assessments, requesting approval to undertake minor works on pa site to aid slip assessments, attending meeting to discuss option of detour through PA site. Discussed hard engineering option/s from start of investigations. Have had a positive response to the proposed hard options.
Heritage NZ	Heritage site- authority application required	Sian Keith is aware for the project, has been involved with minor works on Pa site and the investigation of the Kiln site
Waikato Regional Council	Potential collaboration around funding opportunities?	No additional funding approved though discussion with the Central Zone Catchment Manager
Neighbouring properties	Cycle way, impact of works	Signage, General Communications
Public	Closure of the cycle way / walkway	Signage, general communications
HCC staff	Closure of walkway / cycle way, health and safety	Key staff have been engaged
Councillors	Briefing	Have been provided info through council meetings
Contractor	Early contractor engagement	Cost estimates, design,

		deliverability of project
Aecom	Design, investigation	Engaged to provide reports and advice
Tomkins Wake	Legal Advice	Opinion

Include the notes from working group consultation in an appendix.

4.2 Project Structure

Insert the Project Structure Diagram here.

Role	Name	Department
Sponsor	Maria Barrie	Parks and Recreation
Business Owner	Annette Richards	Open Spaces and Facilities
Project Manager	Zeke Fiske	Open Spaces and Facilities

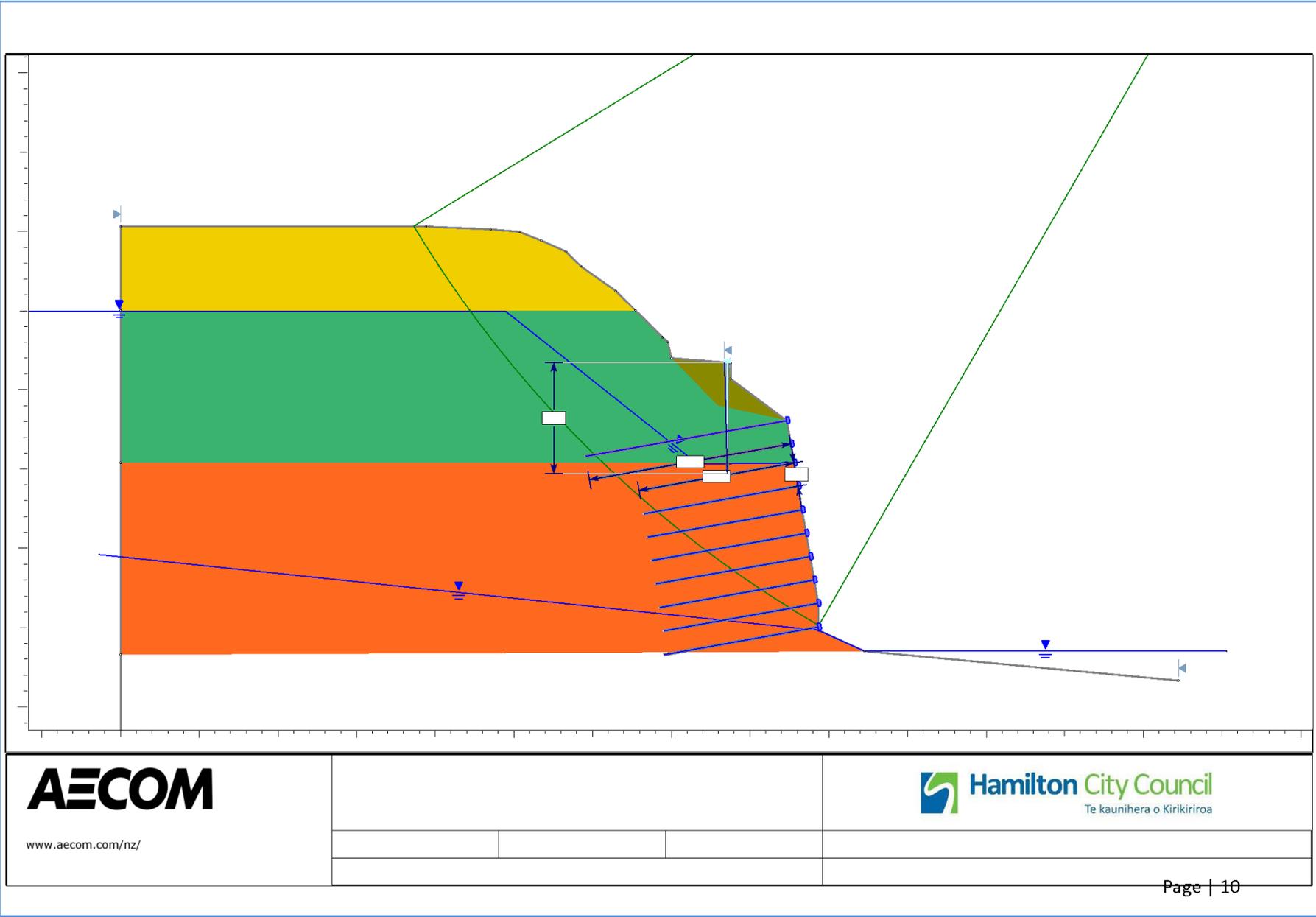
4.3 Key Project Milestones

Time line assumes approval from the finance committee 4 December 2018

Phasing	Estimated timing	Estimated Cost
Engagement of Confirmation of process	Nov 2018 – Dec 2018	
Appoint Engineer to Contract	Dec 2018	
Consenting, Survey, Detailed design, Consultation, NZ Heritage Authority, Testing	Dec 2018 – May 2019	Year 1 - \$380,000
Tender	May 2019	
Award Contract	July 2019	
Construction, Start – Completion	July 2019 – June 2020	Year 2 - \$1,370,000

Attachment 1

- Cross Section of Engineered Wall and Soil nails
- Aerial photo of site





After block confirms the design and drafting of this project have been prepared and checked in accordance with the AECOM quality assurance system to ISO 9001:2000.

PROJECT	
CLIENT	
	
CONSULTANT	
AECOM 121 Rostrevor Street Hamilton 3204 +04 7 834 8980 tel +04 7 834 8 www.aecom.com	
REGISTRATION	
FOR INFORMATION	
PROJECT MANAGEMENT INIT	
DESIGNER	CHECKED
ISSUE/REVISION	

Attachment 2 – Estimated project timings

Project element	Programme timing
Contract signed for detailed design	Week 1
Preliminary and booking subcontractors	Week 1 and 2
Preliminary site investigation (NES)	Weeks 2 to 6
Survey and soil nail testing	Weeks 4 to 8
Detailed design and engineering documentation	Weeks 9 to 15
Consultation	Weeks 1 to 15
Archaeological report	Weeks 13 to 17
Planning report	Weeks 13 to 17
Consenting processing	Weeks 18 to 26
Quantity surveying	Weeks 15 to 19
Tendering and evaluation	Weeks 26 to 34
Construction	Weeks 34 to 68

Hamilton City Council Full Business Case

Business Case: Seddon Park Sports
Lighting Renewal

Trim document number: D-2821919

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Summary

Business Case Name: Seddon Park Sports Lighting Renewal

Risk Rating: High

PIF No. (From LTP i.e. CE123456): CE10048

1.1 Executive Summary

Seddon Park is a dedicated cricket only venue located in the heart of Hamilton that has developed a strong reputation as a world class international venue. The ground regularly hosts around 3-5 international fixtures each year along with a full schedule of domestic games and community cricket activity.

The purpose of this business case is to seek approval for the full replacement of the sports lights and associated light towers at Seddon Park to maintain the venues status as a high quality international cricket ground that continues to attract matches to Hamilton.

The sports lights were installed at Seddon Park for the 2000/01 season as part of the Twin Stadia development. The lights comprise of 296 light fittings suspended from four light towers spread around the ground. The light towers are approximately 45 metres in height and the light fittings are fitted with old metal halide (or High-intensity Discharge - HID) lamps. These light fittings are past the end of their useful life and while the majority of the fittings have been refurbished to keep them in operation for the coming season they are at the point of failure and urgently need to be replaced.

Northern Districts Cricket (NDC) are the primary user of the venue under a Heads of Agreement (HoA) with Council after gifting the facility to Council as part of the redevelopment of the ground in 2000/01. Under this agreement Council is obligated to maintain the facility to an international cricket standard.

The renewal of light fittings and minor refurbishment work to the poles and headframes was provided for in the 2018-28 LTP (\$2.0m). However, subsequent investigations identified the foundations, poles and headframes all have varying and significant structural issues and have reached the end of their life and now require full replacement.

The issues found include:

- Water ingress into the tower headframes has caused internal corrosion, which has weakened the structure
- The poles are in three sections, with spliced joints. These joints have a life of 25 years, and are showing signs of corrosion and weakness
- The engineers have raised concern regarding the tower foundations, including the size, limited reinforcement and hold down bolts that present a potential risk of failure

The engineers have carried out extensive investigation and have recommended either a comprehensive refurbishment of the existing structure or full replacement, with full replacement proving to be the most cost-effective option.

Staff considered numerous capital renewal options ranging from doing nothing, to full replacement. These options have been considered in terms of cost and risk. The option recommended to Council is to replace now, across 2018/19 and 2019/20 financial years. The benefits for this option are:

- Reduced maintenance, the proposal is for an inclusive design build and maintain contract for 15 years
- Lighting guaranteed to meet requirements
- Removal of the existing towers mitigates the risk of them failing in an extreme wind event
- Reduced operational health and safety risk as the new design will allow contractors to use a crane and bucket to access the lights rather than the current ladder and platform access
- Reduced energy costs due to the use of energy efficient LED light fittings

An alternative option could be to delay replacement and carry out ongoing reactive maintenance until funding can be allocated through the 2021-31 10 Year Plan to carry out the full replacement. This option will require approximately \$600k of unfunded operating expenditure to carry out remedial works on the head frames plus approximately \$200k annually over four years to continue maintaining the failing lights and the structural elements of the towers. In addition, \$400k of capital costs already incurred for design and investigative work would need to be reclassified as operating expenditure. In total it is estimated that there would be approximately \$1.6m of additional unbudgeted operating expenditure over four years.

This option carries much greater operational risk when compared to option 1 due to:

- Light failures may see games relocated away from Hamilton until full replacement is obtained and they may then be difficult to attract back
- All works will require working at heights. Staff will ensure that qualified and experienced practitioners are employed to carry out the work, however Council still holds responsibility
- There is a higher level of risk that the towers could fail in an extreme wind event

Funding Options

Replacement Option Funding

The cost of the project is forecast at \$4.7m and, with \$3.1m available funding in the current year (\$2.0m original budget and \$1.1m of identified savings in the H3 renewals and compliance budget), a further \$1.6m will be sourced by reprioritising projects within Councils 2018/19 and 2019/20 renewal programme.

	2018/19	2019/20	2020/2021	2021/22	2022/2023
Capital Expenditure	\$3.1m	\$1.6m	-	-	-
Operating Expenditure	\$192k	\$28k	\$28k	\$38k	\$38k

Delayed Option Funding

Unbudgeted operating expenditure of approximately \$1.9m would be incurred including:

- Reactive maintenance of approximately \$100k each year until replacement
- Strengthening of three head frames, one off cost of \$1.2m (FY19/20)
- Reclassifying \$400k of capital cost as operating expenditure (FY18/19)

	2018/19	2019/20	2020/2021	2021/22	2022/2023	2023/24
Capital Expenditure	-	-	-	-	\$3.1m	\$1.6m
Operating Expenditure – unbudgeted	\$400k	\$1.29m	\$105k	\$115k	-	-
Operating Expenditure – budgeted	\$192k	\$31k	\$31k	\$31k	\$31k	\$31k

Recommended Option

Full replacement now (Option 1) is recommended as it has the lowest risk and life cycle cost. This includes replacing all the light tower components including: the light fittings with current LED technology; and, the foundations, poles and headframes with new compliant structural components.

This will ensure that the light towers are safe and structurally compliant, meet cricket requirements and allow Council to meet its contractual obligations to NDC. This in turn will ensure Seddon Park remains competitive in attracting international cricket fixtures and continues to provide ongoing economic and social benefits to the city.

Review / Approval Summary	
Reviewed By Business Owner  Chad Hooker	Date 2 Nov 2018
Reviewed By GM  Sean Murray	Date 2 Nov 2018
Reviewed By CIB Capital Investment Board – Approved at meeting 7 November 2018 CIB Decision (choose from list) Approved	
Council / Committee Meeting (circle one) Finance Date 4 Dec 2018 Resolution (adopted following Council/Committee consideration)	

2.0 Strategic Case

2.1 Current Position

Background

Seddon Park is part of the West Town Belt on the fringe of the Hamilton CBD and has operated as a first-class cricket ground since 1956 and hosted its first international cricket match in 1981. In total it has hosted 65 men's full international fixtures across all three forms of the game (24 test matches, 33 one day internationals and 8 Twenty20 games) including hosting matches as part of the 1992 and 2015 Cricket World Cups. International games regularly attract crowds of 3,500 and 10,500. A further five full men's and women's international matches plus a NZ A game are scheduled for the upcoming season. In maintaining the lights, we expect to continue to secure a similar number of matches in the future. This includes the potential to host games in the Women's Cricket World Cup being hosted in New Zealand in 2021.

The venue is also the home ground of Northern Districts Cricket (NDC) whose premier teams, the Northern Knights and Northern Spirit, play at the ground. The ground and associated facilities also support and host a range of community cricket activity including age group teams, club finals, other representative matches, corporate cricket matches and junior cricket on Friday nights. While these community uses of the grounds do not normally use the sports lights, they benefit significantly from the international status of the venue.

Seddon Park was redeveloped in 2000/01 as part of the Twin Stadia redevelopment of both Seddon Park and FMG Stadium Waikato. The redevelopment included the addition of four light towers supporting a total of 296 HID light fittings installed to allow day/night cricket matches to be played at the venue. At the time this was a high-quality solution for sports lighting.

The sports lights are used for most one day and T20 internationals, some domestic T20 matches (especially those that are televised) and the advent of day/night test matches sees an opportunity for test cricket to be played under lights in the future. Should the lights not be fit for purpose then the number of international and televised games allocated to Hamilton would be expected to drop. By comparison Dunedin as a similar sized city with a dedicated cricket facility without lights has been allocated only one international fixture in the upcoming cricket season.

Contractual Obligations

At the time the ground was redeveloped all assets were gifted to Council by NDC and the Stadium Trust Board to own and operate under a HoA. That HoA and any subsequent variations is still in effect today with a final expiry date of 2031, along with an obligation to sign a new lease with NDC beyond this.

Under the HoA Council has eight specific obligations, of which the two most relevant ones in this situation are:

"To maintain the park to a high standard throughout its economic life in order to maximise its appeal to sponsors, event and fixture organisers and the public."

"To provide a high-quality facility that promotes sport and cultural entertainment together with other community activities associated with the use of a multi-purpose outdoor stadium for international, national, regional and local use."

We have sought legal advice regarding the renewal of the sports lighting and Tompkins Wake have confirmed our obligation to maintain the lighting to a high standard as part of the facility. Should we not renew the lights then we would be in breach of our contract with NDC. It is recommended that Council satisfies its obligations under the HoA and renews the sports lighting.

Deterioration of the Sports Lighting

The HID lamps have an average life of around 3,000 hours of running time and need to be replaced approximately every five years based on the average use at Seddon Park. The fittings were cleaned and re-lamped in 2010 and again in 2014 prior to the 2015 Cricket World Cup.

The condition of the light fittings is surveyed regularly as part of the ongoing maintenance programme at the ground. In 2016 the lamps began to show 'fogging' on the lenses that indicates moisture entering the light fittings. This is a known aging issue with the current light fitting. However, given the age of them, this issue is well outside the warranty period.

Lamp surveys have continued regularly since then, identifying that the fogging has continued to escalate. During FY2017/18, approximately 70% of the fittings were refurbished at a cost of \$207k allowing us to manage the lights through to their scheduled renewal in 2018/19. This additional maintenance cost has previously been reported to Council in recent H3 Quarterly Reports. Monitoring of the most recent attempts to repair the light fittings suggests that the repairs are proving ineffective with some fittings needing further remedial work. Effectively we are now at the point where, despite our best efforts, we have run the lights to the point of failure.

The same light fittings are installed at FMG Stadium Waikato (although these were installed slightly later in 2002, and an extra level of lighting was then installed in 2011) and they are also now starting to show early signs of the same issues.

2018-28 10-Year Plan Budget

The LTP renewal and compliance budget includes \$2.0m in the 2018/19 financial year for the replacement of the existing light fittings. This budget allowed \$900k for the purchase of new light fittings with the balance allocated for installation and minor remedial work on the existing tower structures.

This was in addition to ongoing maintenance programmes over the past 15 years where all required maintenance was carried out. This has included cleaning and re-lamping the light fittings as well as regular condition assessments, painting of the poles and headframes and ongoing electrical maintenance.

Structural Components

In addition to the light fittings there is a need to consider the light towers upon which the light fittings are mounted. There are four of these located around the ground that are vertically erected to 45 metres above the playing surface and include headframes that the lights are attached to that are angled down towards the field of play. Each tower currently supports up to 81 lighting fittings in total weighing approximately 1.4 tonnes per light tower plus the weight of the headframe.

These towers can experience heavy wind loads due to the weight and wind loading of the lights that effectively act as a sail. The foundation of each tower is critical, and these are made up of reinforced concrete slabs that the poles are bolted in to.

Structural Legacy Issues

Due diligence on replacing the lights began in the 2017/18 year when HCC engaged BECA to provide structural engineering support. This process was required to determine whether the existing light towers and foundations were adequate to hold the new light fittings and to ensure compliance with changes in legislation, specifically the Building Act (2004) and its subsequent amendments. This due diligence highlighted several legacy issues at Seddon Park.

There are three key structural components that need to be addressed and these each suffer from different but significant issues, in particular:

- The headframes have rusted on the inside of the headframe and this has reduced the strength of them to the point where they cannot be retained beyond the short term. This was only discovered earlier this year when we took down one of the headframes to check its condition. It was impossible to see inside this component until it was unbolted and lifted down with a crane.
- The poles have door openings in them that are weak points in the structure. These could either be strengthened or replaced.
- The foundations have limited reinforcing and the type of concrete used has some structural limitations discovered since the construction of the light towers in 2000/01 and would not be used in this type of application today. While condition assessments had been undertaken on these the underlying risks were not discovered until the original design was assessed by an engineer. More detailed geotechnical investigations than originally conducted have also identified poor underlying ground conditions under two of the towers that could be subject to liquefaction in the event of an earthquake.

A full structural assessment (appendix 1), peer reviewed by Aecom confirmed the following legacy issues:

- The foundations are shallow and under reinforced.
- The hold down bolts into the foundations and bolt splice details are under strength.
- The tower door openings in the poles (at ground level and at 15m above ground level) represent a very high risk from wind loading.
- Geotechnical advice (Beca 2018) indicates that two of the foundations are sensitive to liquefaction in a seismic event.
- The bolted connection between the headframe and the tower as well as existing platforms and ladders all have significant corrosion.
- Access for operations and maintenance requires climbing the tower regularly.

While Beca have identified that there is no significant seismic risk, other than from potential liquefaction underneath two of the towers, the existing light towers represent a high risk in extreme wind conditions. This relates to the understrength foundations, structural weakness in the poles and corrosion to the headframes. Beca have advised that these issues need to be addressed as part of the lighting upgrade within the next twelve months.

While the original life expectancy of the poles and foundations was 50 years the issues identified above mean that these will need to replace sooner than originally expected.

Under the Health and Safety at Work Act 2015, there is a requirement for asset owners to take all reasonable practicable steps to remove or mitigate health and safety risks. The Beca report highlights the existing light towers represent increased risk to people in and around the ground and gives Council twelve months to implement an appropriate risk mitigation strategy. In the interim some remedial work has been completed to address the highest priority structural concerns.

2.2 Objectives

The objective of this project is to replace the existing sports lighting at Seddon Park with a fit for purpose solution that:

- Promotes the venue as a high-quality facility suitable for events, particularly international cricket
- Satisfies Council's obligations under its contractual agreement with NDC
- Meets structural compliance requirements to ensure safety for those in and around the ground
- Is safe to maintain, particularly around managing working at height
- Meets International Cricket Council (ICC) lighting standards
- Can be completed outside of the cricket season to maximise the use of the ground

2.3 Strategy Alignment

What strategy does the project align to?	Describe how the initiative aligns to each of the indicated strategies.
HCC's Infrastructure Strategy	The infrastructure strategy and associated Asset Management Plan provide a level of service of a high quality international cricket ground. The project is to consider the options for the continued provision of the stated level of service.
HCC Strategic Imperative: A City that Embraces Growth	Ensuring that our facilities are fit for purpose allows us to meet the demands of the Hamilton residents for now and in the future. By hosting international events we attract visitors to Hamilton that deliver an economic benefit. Continuing to present Hamilton in a good light to worldwide television audiences helps to promote the city as a great place to visit, live and do business.
HCC Strategic Imperative: Build a Great River City	By providing quality event venues we contribute to the vibrancy of the city and improve the wellbeing of Hamiltonians.
H3 Strategic Purpose – 'To Attract and Deliver Exceptional Event Experiences'	Ensuring Seddon Park is fit for purposes allows us to continue to attract cricket events and provide a quality experience to hirers, broadcasters and fans.
Sport Waikato's Regional Facilities Plan	The Regional Facilities Plan identifies Seddon Park as the premiere cricket facility in the region.

2.4 Benefits

The benefits of this project have been classified as either business benefits or community/customer value benefits. Some of the benefits, particularly the community/customer value benefits will not be realised until after the project is completed. For each option, the benefits should be assessed under section 3. Options Analysis.

Benefit	Description of Benefit	How it will be assessed
a) Maintain or reduce operational costs	The ongoing operational costs are reduced and/or there is increased certainty of the operational spend	Variation to 10 Year Plan budget
b) Maintain capital spend within financial strategy parameters	The capital expenditure spend is within the proposed financial strategy parameters (amount and timing) or alternative programmes of capital spend provided to keep within the financial strategy parameters	Variation to the debt levels in the 10 Year Plan
c) Reduce Health and Safety risk	The risk of staff, contractors and public being harmed by the failure of the asset. (Note 1.)	Risk assessment
d) Reduce legal challenge risk	The risk of non-compliance with current contractual arrangements (Note 2.)	Risk assessment (legal)
e) Maintain/Improve the reputation of Council	Council has a commitment to the community to maintain the assets to the level of service as stated in the 10 Year Plan. A change in the level of service will impact on the communities' perception of Councils ability to manage its assets.	Change in level of service
f) Maintain/improve the reputation of Hamilton as a great place to live, work and visit	One of our community outcomes is for Hamilton to be a great place to live, work and play. The provision of community infrastructure impacts on the communities' perception of this. (Note 3)	Community perception

Note 1:

Health and Safety

Under the Health and Safety at Work Act 2015, there is a requirement for asset owners to take all reasonable practicable steps to remove or mitigate health and safety risks. The Beca report highlights the existing light towers represent increased risk to people in and around the ground.

Note 2.

Contractual Obligations

Council has a contracted obligation to maintain the lighting as part of the facility. Should we not renew the lights then we would be in breach of our contract with NDC.

Note 3.

Economic Benefit

Cricket is a driver of economic activity to Hamilton. Teams, officials and broadcasters visit Hamilton because of the cricket events held at Seddon Park and all contribute to the local economy through accommodation, hospitality and retail spend. This is in addition to fans that travel both domestically and internationally to attend matches in Hamilton. With

Auckland lacking a dedicated cricket venue this has seen less games allocated to Auckland and more fans travelling to Hamilton to attend games.

Further economic impact is created through direct spending at each event through goods and services provided for matches (e.g. temporary infrastructure, signage, catering, security, traffic management etc).

An economic impact report prepared by PWC on the 2015 Cricket World Cup (Hamilton hosted three matches) showed that the event boosted New Zealand's GDP by \$110m. A \$25m increase to GDP was shared across Hamilton, Napier, Nelson and Dunedin along with 90,000 bed nights. The event had a global television audience of 1.56 billion.

Social Benefit

Cricket is New Zealand's number one summer sport and is widely followed. NDC is comprised of 6 district associations across the top half of the North Island (excluding Auckland), 512 club and business house teams and 753 secondary and primary school teams.

Having games played in Hamilton allows players and fans to access the sport. This in turn helps to promote healthy and active lifestyles. The ground is used at a community cricket level through activities like junior cricket being played on the ground on Friday nights and this gives children the opportunity to connect with sport in a high-quality environment.

Hosting games also contributes significantly to civic pride by allowing Hamilton to be showcased on the world stage in a positive light. Seddon Park is known around the world as a high-quality boutique cricket ground and this project will help to enhance that reputation.

Cricket is widely watched across New Zealand and regularly attracts strong viewership. In addition to that there is the opportunity to reach an international audience. For example when India tour New Zealand in Jan-Feb next year, including two double headers in Hamilton, the broadcast is expected to reach an Indian audience of 96m.

2.5 Scope

The scope is considered in relation to the execution of the option:

In Scope:	Out of Scope:
<ul style="list-style-type: none"> ▪ Review of existing resource consent ▪ Structural consulting work ▪ Detailed design ▪ Legal review of contracts ▪ Pre-investigation work including removal/reinstatement of one headframe ▪ Geotechnical investigations ▪ Stakeholder engagement ▪ Tender and procurement ▪ New Light Fittings ▪ Installation of new light fittings ▪ Structurally sound Light Towers 	<ul style="list-style-type: none"> ▪ Electrical generators ▪ Turf work due to changes in lighting configuration ▪ Replacement of high voltage electrical transformers and switchgear ▪ Weather station ▪ Obtaining a new resource consent ▪ Managing any potential claim from NDC in the event of not meeting contractual obligations

<ul style="list-style-type: none"> including the foundations, poles and headframes – replaced or refurbished ▪ Generator connection to each light tower ▪ Warranty on new equipment ▪ Lighting control system ▪ Quality assurance on supplied equipment ▪ Testing and commissioning ▪ Communications plan 	
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2.6 Risks

The scope is considered in relation to the execution of the option:

Risk Description	Mitigation	Owner
Not meeting project timeframes impacting upon ability to host events	Investigative work completed Early contractor engagement Regular communication with contractors Long lead items identified Detailed construction timeframes identified	Mark James
Cost over-run	Finance support – H3 and Finance Timely financial project reporting Clearly defined project scope Agreed maximum price contract Comprehensive warranty	Irene James
Health and safety risks particularly around working at heights and heavy machinery	Safety in design workshop completed Detailed construction management plan Health & safety plan Isolation of work areas Permit to work process Site audits Close project management	Mark James
Lighting design and/or products supplied not meeting required specifications	Engagement of an experienced supplier Review of lighting design by Beca Structural design peer reviewed Independent certification of key materials	Mark James
Changes of internal staffing	Clear roles & responsibilities Engaging technical consultants Back up to Project Manager Project team working collaboratively Project oversight & support Effective governance structure	Emily Botje
Contractor unavailability or lacking experience	Comprehensive tender process Early contractor engagement Consultant engagement	Mark James
Reputational risk of not completing the project on time and on budget	Detailed procurement planning Early contractor engagement Communications plan Regular project reporting Engagement with stakeholders	Chad Hooker

Damage to venue caused by contractors working on the project	Detailed construction management plan Contractors insurance in place	Mark James
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The full risk register is attached in appendix 2.

2.7 Constraints

Constraints are considered in relation to the execution of the project:

Funding constraints to implement the best solution

- Council has a constrained capital programme and advance funding for asset renewal put this under pressure.

Cricket Timeline

- Fitting the project around the cricket season limits when work can be undertaken. Work will be scheduled to start immediately after the upcoming cricket season.

Weather conditions

- Operating at height in an outdoor environment over the winter months presents additional operational challenges. Starting work immediately at the end of the cricket season gives the best opportunity to minimise the effect of poor weather.

Limited Supplier Pool

- There are only a handful of suppliers that deliver international standard sports lighting solutions available. This has been mitigated by early engagement with world leading suppliers and a public tender process that has identified a preferred supplier.

Cricket Lighting Requirements

- The new lighting is being designed to comply as closely as possible to the ICC Lighting Specification.

Existing Site Layout and Conditions

- There are key elements of the venue that cannot be changed such as the field of play and buildings located around the ground. Geotechnical investigations have also identified substandard ground conditions in some areas. Any new lighting towers will need to be located to address the existing layout.

Resource Consent

- The existing Resource Consent allows for four lighting towers to a height of 45m above the playing surface and the location of the towers can be adjusted slightly as required. The proposed design will comply with the existing resource consent conditions. The existing consent also addresses light spill and the use of LED light fittings allows more control over the light direction that will ensure an improvement in this regard compared with the existing HID light fittings.

2.8 Dependencies

Constraints are considered in relation to the execution of the project:

Name of other project/work	Dependencies
Resource consent	Not expected as would only apply if a new consent were required for a significantly different layout or more light towers
Building consent	Required before work can begin
Council approval	Council approval is required due to the advance funding required
Funding availability	Councils renewals and improvement will need to be reprioritised.
Lead time of delivery	Towers and light fittings to be shipped from the USA

2.9 Assumptions

The project estimates and plans are based on the following assumptions:

- The 2019/20 cricket season is scheduled in a similar way to previous years
- The ICC lighting standards do not change
- Approval will be received in time for the new equipment to be ordered by mid-December to allow for delivery on time
- Any maintenance required on the electrical high voltage network equipment at Seddon Park does not form part of this project

3.0 Options Analysis (Economic Case)

3.1 Requirements

The following requirements were identified by stakeholders at the facilitated options workshop:

Core Requirements:
<p>Full renewal of the Seddon Park sports lighting, including:</p> <ul style="list-style-type: none"> ▪ Lighting design ▪ New light fittings (LED or HID) ▪ Lighting control system ▪ Installation and associated electrical work ▪ Structurally sound poles/headframes/foundations ▪ H&S – design/installation/operation/removal ▪ Generator connections ▪ Warranty of new components for 15 years ▪ Supplier has proven experience in delivery of the type of lighting offered
Desirable Requirements:
<ul style="list-style-type: none"> ▪ Crowd experience lighting ▪ Weather station
Optional Requirements:
<ul style="list-style-type: none"> ▪ Coloured lighting

3.2 Options Analysis

A full list of potential options has been considered and this long list of options (below) has been assessed against project requirements and benefits.

No	Option	Capital Cost	Benefit Assessment						Recommendation
			Maintain or reduce operational costs	Maintain capital spend within financial strategy parameters	Reduce Health and Safety risk	Reduce legal challenge risk	Maintain/improve the reputation of Council	Maintain/improve the reputation of Hamilton as a great place to live, work and visit	
Options maintaining the service level by the renewal of the light fittings and light towers									
1	<u>LED on 4 New Towers adjacent to existing locations</u>	\$4.73m	Yes, the new light fittings, electrical components, poles and headframes will be supplied under a comprehensive 15 year warranty that places the liability for all maintenance upon the supplier.	Yes, although the capital cost is greater than budgeted in the 10 Year Plan, other projects can be reprioritised to find the additional capital funding	Yes, the electrical components will be located at ground level to reduce the need to work at heights. LED lights require much less maintenance. Maintenance of new lights would be undertaken by crane.	Yes, the proposed lights meet the ICC requirements for lighting for night games	Yes, the asset is renewed as planned. Alternative options for providing the level of service have been considered. The components of the asset have been replaced with lights that provide better functionality.	Yes, the ground will remain open and provide opportunities for Hamiltonians and visitors to enjoy both local, national and international events.	Viable
2	<u>LED on Refurbished Towers on same locations</u>	\$4.78m	The LED lights will provide energy efficiency savings. LED lights have instant no, requiring less run time.						Viable

No	Option	Capital Cost	Benefit Assessment						Recommendation
			Maintain or reduce operational costs	Maintain capital spend within financial strategy parameters	Reduce Health and Safety risk	Reduce legal challenge risk	Maintain/improve the reputation of Council	Maintain/improve the reputation of Hamilton as a great place to live, work and visit	
3	<u>HID on 4 New Towers adjacent to existing locations</u>	\$4.47m	No, HID is outdated lighting technology and the cost to maintain is higher. The operational cost of HID will continue at the same levels. HID lamps take 10-15 minutes to warm up and reach the required light level.		No, the electrical components still require significant work at heights to maintain.	Yes, the proposed lights meet the ICC requirements for lighting for night games	Yes, the asset is renewed as planned.	Yes, the ground will remain open and provide opportunities for Hamiltonians and visitors to enjoy both local, national and international events.	Viable
4	<u>HID on Refurbished Towers on the same location</u>	\$4.51m							Viable

No	Option	Capital Cost	Benefit Assessment						Recommendation
			Maintain or reduce operational costs	Maintain capital spend within financial strategy parameters	Reduce Health and Safety risk	Reduce legal challenge risk	Maintain/improve the reputation of Council	Maintain/improve the reputation of Hamilton as a great place to live, work and visit	
Options that enhance the service level by replacing light fittings and expanding the number of light towers									
5	LED on 5 New Towers in different locations	\$6.3m	A new resource consent would be required for these options.	No, as the additional capital expenditure cannot be funded within the financial strategy	Yes, the electrical components will be located at ground level to reduce the need to work at heights. LED lights require much less maintenance. Maintenance of new lights would be undertaken by crane.	Yes, the proposed lights meet the ICC requirements for lighting for night games	Alternative options for providing the level of service have been considered.	Yes, the ground will remain open and provide opportunities for Hamiltonians and visitors to enjoy both local, national and international events.	Viable but not preferred
6	LED on 6 New Towers in different locations	\$7.0m							Viable but not preferred

No	Option	Capital Cost	Benefit Assessment						Recommendation
			Maintain or reduce operational costs	Maintain capital spend within financial strategy parameters	Reduce Health and Safety risk	Reduce legal challenge risk	Maintain/improve the reputation of Council	Maintain/improve the reputation of Hamilton as a great place to live, work and visit	
Option that reduces the service level by removing the light fittings and light towers									
7	<u>No Light Towers</u> <ul style="list-style-type: none"> Remove light towers from venue completely. No sports lighting provided. 	\$1.0m*	Yes, as costs for operation and maintenance would be reduced	Yes, as the cost for removal would be lower than the capital replacement cost	Yes, as the removal of the lights and towers removes the H&S risk	No, as it would breach the contractual obligations and creates risk of legal claim	No, as will incur negative feedback from ratepayers and media in regard to Councils maintenance of assets and service levels	No, as significant reduction in international cricket matches	Not preferred
Option that attempts to maintain the Service Level by keeping the existing lights on refurbished light towers									
8	<u>Existing Lights on Refurbished Towers</u> <ul style="list-style-type: none"> Maintain existing HID light fittings. Refurbish & strengthen existing foundations, poles & headframes to minimum requirements. Towers same locations. 	\$2.2m	No, as very high maintenance costs to maintain existing failing light fittings.	Yes, as the capital budget is moved from replacement of light fittings to replacement of light towers.	No, as increased maintenance working at heights will be required.	No, as the lights might fail which would be a breach of the contractual obligations and creates risk of legal claim	No, as failure of lights may result in games being cancelled and/or relocated.	No, as the low quality of the lights may lead to a significant reduction in international cricket matches	Not preferred

No	Option	Capital Cost	Benefit Assessment						Recommendation
			Maintain or reduce operational costs	Maintain capital spend within financial strategy parameters	Reduce Health and Safety risk	Reduce legal challenge risk	Maintain/improve the reputation of Council	Maintain/improve the reputation of Hamilton as a great place to live, work and visit	
Option to do nothing - Do not renew the lights or the light towers									
9	<p><u>Do Nothing</u></p> <ul style="list-style-type: none"> • Run existing light fittings and light towers to failure. • Towers same positions. 	\$1.5m*	No, as very high maintenance costs required on light fittings and light towers.	Yes, as no capital spend	<p>No, as potential tower failure will create H&S risk to public and staff.</p> <p>Potential noncompliance as asset owner</p>	No, as the lights might fail which would be a breach of the contractual obligations and creates risk of legal claim	No, as failure of lights and towers may result in ground and surrounding areas being closed and games being cancelled and/or relocated.	No, as the low quality of the lights may lead to a significant reduction in international cricket matches	Not preferred

Summary of Capital Options

While the capital cost of the do nothing and do-little options (Options 5, 6 and 9) are less, they do not address Council’s requirements to meet Council’s contractual obligations and/or not addressing significant health and safety risks from aging infrastructure. These options will see fewer international games held in Hamilton and the reputation of the venue and the city will be negatively impacted.

*Not included in the estimated cost for these options is any potential legal claim from NDC, if this were to be factored in then the costs of these options could be significantly higher. Therefore, these options are not preferable.

Options 7 and 8 are also not considered preferable as they add extra light towers compared with the existing set-up. While satisfying all criteria with more evenly spread light output, these options would require a new resource consent that would add extra cost and time to the project and there is a risk that a consent may not be achieved with increased residential intensification around the venue. Extra towers would also see the layout of the towers in

completely new locations that would need to be worked around the existing site layout. Given these factors and the additional cost of extra towers these options have not been considered viable.

That leaves Options 1-4 as the only options that meet Council's requirements. These options are effectively about making two key decisions: Firstly, whether to move to the newer LED light fittings or stick with the older HID technology; and then whether to refurbish the existing poles and headframes or install new ones. In either of these later scenarios new or refurbished foundations are also required.

Short Term Risk Assessment

Under Options 1-6 and 8 (and potentially Option 7 depending on timing), Council would accept a higher level of risk in keeping the existing towers operational. Based on advice from Beca, Management are comfortable with this course of action for the 2018/19 season only, on the basis that:

- The towers have performed satisfactorily for eighteen years and there is a low likelihood that the towers will be affected by a extreme wind event in the short term
- The tower doors have been welded shut to help maintain pole strength
- Minor repair work has been completed on the worst affected tower headframe
- The towers will continue to be closely monitored until they can be removed
- A contingency plan is in place to manage access around the towers during any extreme wind event
- A plan is in place to fully address all legacy structural issues immediately at the end of the coming cricket season (April 2019) by removing the existing light towers

Intensive monitoring and reactive maintenance of the existing light fittings will also be required to ensure the lights remain operational for the coming cricket season. While the exact costs of the remedial work and maintenance are uncertain it is estimated that this will be around \$165k over the coming summer.

Delayed Funding Option

A further option considered was a variation on Option 9 – the Do Nothing scenario above, whereby ongoing reactive maintenance could be carried out until such time as the project could be included within the 2021-31 Ten Year Plan.

Under this option the following maintenance costs are estimated:

Head frame remedial works (including removal & reinstatement) FY19/20	\$1.2m
Reactive maintenance of existing fittings and towers FY19/20	\$90k
Reactive maintenance of existing fittings and towers FY20/21	\$105k
Reactive maintenance of existing fittings and towers FY21/22*	\$115k
Total Additional Operating Costs (over three years)	\$1.51m

**Assumes that approval to commence work could not be given until approval of the 2021-31 Ten Year Plan in mid-2021, at which stage tendering, procurement and ordering could commence. That would not leave enough time for new light towers to be installed for the 2021/22 cricket season and the existing lights would need to be maintained for a further year.*

This would also see costs already incurred on this project for design fees and investigative work of approximately \$400k of sunk costs being reclassified to operating costs. This would bring the additional unbudgeted operating costs (over three years) to \$1.9m. There is also a high risk that despite additional maintenance on the light fittings, a complete failure occur, impacting our contractual obligations resulting in games being relocated away from Hamilton.

The project would also require re-tendering in FY21/22, with the extensive work already undertaken by staff in planning and preparation requiring rework, accounting for lighting technology changes and response to any changes in the building code and engineering best practice. As a result, the cost of the project could become considerably higher allowing for construction cost escalation.

Further to this, the existing budget specifically allocated of \$3.1m in the current financial year would be re allocated to other projects in FY18/19, or treated as a surplus and as such the gross budget for the exercise in 21/22 would require a new full allocation through the new LTP process.

However, the biggest issue around this option is that it would require Council to accept a higher level of risk from the structural legacy issues associated with the existing towers over a much longer timeframe. Management strongly recommend against this option due to elevated risk status during this time and the additional costs expected to be incurred.

Viable Capital Options

As the viable options, Options 1-4 were reviewed in further detail to identify the option that is most likely to maximise value for money:

- Option 1: LED on New Towers
- Option 2: LED on Refurbished Towers
- Option 3: HID on New Towers
- Option 4: HID on Refurbished Towers

The following matrix is based on investigation and comparison of the options and financial analysis. Rating is based on how it meets intended project objectives.

	Option 1: LED on New Towers	Option 2: LED on Refurbished Towers	Option 3: HID on New Towers	Option 4: HID on Refurbished Towers
Overall Rating	Good	Adequate	Poor	Poor
Value for Money	Good	Adequate	Adequate	Poor
Capital Cost	Adequate	Adequate	Good	Good
Consequential Opex Costs	Excellent <i>Warranty covers all light maintenance costs for 15 years</i>	Good <i>Warranty covers all light maintenance costs for 15 years Potential need to replace towers sooner</i>	Poor <i>HID lamps require regular maintenance</i>	Poor <i>HID lamps require regular maintenance Potential need to replace towers sooner</i>
Ease of Implementation	Adequate <i>Contractor provides turn key solution</i>	Poor <i>Contractor provides turn key lighting solution Uncertainty around level of work required to refurbish existing infrastructure</i>	Adequate <i>Contractor provides turn key solution</i>	Poor <i>Contractor provides turn key lighting solution Uncertainty around level of work required to refurbish existing infrastructure</i>
Procurement principles & options	Excellent <i>Request for Tender</i>	Good <i>Request for Tender</i>	Excellent <i>Request for Tender</i>	Good <i>Request for Tender</i>
Addresses risks/issues	Excellent	Good	Adequate	Poor

Whole of life cost	Good	Adequate	Adequate	Adequate
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Council's Procurement team has worked closely with the Project Team and to date we have engaged a Preferred Supplier to assist us with fully understanding the project and the likely costs involved. This was based on a full tender process where six of the world's leading sports lighting suppliers presented. This tender process along with working closely with consulting firm Beca on the structural issues allowed a full picture of the project and an in-depth understanding of current sports lighting technology and options.

The Preferred Supplier is Musco, which are based in the USA and has an office in Sydney. They have completed hundreds of HID and LED sports lighting installations in stadia around the world including LED sports lighting upgrades at several international cricket grounds such as St George's Park in South Africa, the Bay Oval in Mt Maunganui and county cricket grounds in the United Kingdom.

Musco have the required experience and capability to deliver a full turnkey solution. They also offer a comprehensive 15-year warranty on their LED solution that covers all supplied components. It is also based on lighting levels on the pitch, rather than just replacement of faulty parts. This includes all maintenance during that 15-year period.

3.3 Recommendation

The recommendation is to proceed now with Option 1: LED on New Towers to replace the existing sports lighting at Seddon Park with a fit for purpose solution that:

- Promotes the venue as a high-quality facility suitable for events, particularly international cricket
- Satisfies Council's obligations under its contractual agreement with NDC
- Meets structural compliance requirements to ensure safety for those in and around the ground
- Is safe and cost-effective to maintain, particularly around managing working at height
- Meets International Cricket Council (ICC) lighting standards
- Can be completed outside of the cricket season to maximise the use of the ground

4.0 Preferred Option (Commercial & Financial Case)

4.1 Resource Requirements

Option 1 is the preferred option and the early appointment of Musco as a preferred supplier along with the early engagement with Beca means that the project can be delivered before the 2019/2020 cricket season - subject to approval by Council by early December. The project team is comprised of staff from within H3 and the Facilities Team who will work closely with contractors to deliver this project.

HCC electrical supplier Waikato Electrical Services will be engaged to manage the removal of the existing light fittings and tower structures. The existing foundations do not need to be removed and will be left in place. It is proposed that the construction of the new foundations be completed by the main lighting contractor, Musco.

Internal Resources

Resources Required	Period Required	FTE Required
Facilities (Project Manager, Project Team Leader)	October 2018 – August 2019	Existing Staff
H3 Staff (Project team)	October 2018 – August 2019	Existing Staff
Capital Delivery Team	As required	Existing Staff

External Resources

Work Package	Type of Resource Required e.g. consultant, contractor etc.	Estimated Value of Work
Beca	Consulting – Design Fees	\$310k
Waikato Electrical Services (TBC)	Contractor – Removal of existing light fittings	\$690k
Musco Lighting Australia Pty Ltd	Contractor – Lighting Supplier Light fittings & full tower infrastructure	\$3.67m
Quality Assurance	Consultant – Materials testing and independent lux level survey	\$65k

4.2 Procurement Strategy

Work Package	Procurement Process e.g. tender, LASS, RFP, RFQ etc
Light fittings and structural components	Tender - completed
Removal of existing light towers	Use existing HCC contractor
Quality assurance consultants	Direct appointment

4.3 Financial Analysis

The preferred option will require advance funding in addition to the available funding of \$3.1m (original budget of \$2.0m allocated within the LTP and H3 savings of \$1.1m). While the light fittings component is on budget, the extra costs have been driven by the unexpected need to replace the light tower structural elements earlier than anticipated. However, the preferred option significantly minimises long term operating costs through energy efficient light fittings and

a comprehensive warranty that covers almost all maintenance. The advance funding requirement of \$1.6m will be funded by reprioritisation within the wider Council capital budget.

There is no incremental revenue from this project as we are replacing an existing asset and any revenue has already been factored into the LTP budget.

The following assumptions around operating costs have been made in determining these initial estimates:

- Electricity savings of 10% on current electricity costs have been assumed by changing to LED
- Ongoing maintenance costs of \$10k per year (from year 3) have been allowed for any items not provided by Musco and covered under warranty (data cabling, power infrastructure etc)

Refer to 15 year lifecycle cost – graph. Details in appendix 3.

As part of Council’s normal asset re-valuation process the full light tower asset was recently re-valued down and as such has been almost fully depreciated. This means there is no need to write-off any significant remaining value of the asset. This re-valuation took place after the LTP budgets were set. While provision was made within the LTP for the replacement of the light fittings this financial year, the renewal of the poles, headframes and foundations was much further out in the programme. This explains why the timing for the budgeted renewal of the asset does not match the depreciation schedule for it.

Preferred Option: Option 1

Project Cost \$000	2018/19	2019/20	2020/2021	Years 4-10	Total
Capital Expenditure	\$3,200,000	\$1,530,000	-	-	\$4,730,000

Projected 10-Year financial performance	2018/19	2019/20	2020/2021	Years 4-10	Total
Ongoing operational expenditure	\$192,000	\$28,000	\$28,000	\$266,000	\$514,000
Existing Operating Budget	\$192,000	\$31,000	\$31,000	\$409,000	\$663,000
Ongoing operational savings	-	\$3,000	\$3,000	\$143,000	\$149,000
Depreciation* & amortisation	-	\$222,000	\$222,000	\$1,554,000	\$1,998,000
Total expense:	\$192,000	\$250,000	\$250,000	\$1,820,000	\$2,512,000
Operational revenue **	-	\$10,500	\$10,500	\$73,500	\$94,500
Capital revenue	-	-	-	-	-
Total revenue:	-	\$10,500	\$10,500	\$73,500	\$94,500
Operating deficit/(surplus)	\$192,000	\$239,500	\$239,500	\$1,746,500	\$2,417,500

*Depreciation is a non-cash expense and does not impact upon Council debt capacity.

** Operational Revenue is electricity cost recovery related to games on charged to NDC.

Cash Flows (\$)	2018/19	2019/20	2020/2021	Years 4-10	Total
Cash outflow	\$3,392,000	\$1,558,000	\$28,000	\$266,000	\$5,244,000
Cash inflow	-	\$10,500	\$10,500	\$73,500	\$94,500
Asset lifecycle (years)	15 years – light fittings and headframes 30 years – foundations and poles				

4.4 Contingency

Within the project cost a contingency has been allowed for. For all Musco works where we have received pricing a contingency of 10% has been allowed. Following a robust tender process, a high level of certainty exists around the costs reducing the contingency requirements.

For all non Musco work (removal of the existing light towers), a contingency of 30% has been allowed. This is due to more uncertainty existing in this area of the project. This contingency could be used in the event a risk requires mitigation or converts to an issue.

Contingency can be required by the Project Manager with approval from the Business Owner and Project Sponsor.

4.5 Funding Sources

It is proposed that the additional funding required is sought from the following sources:

Funding Source	Amount
HCC Capital Funding – Existing Seddon Park Capital budget	\$2.0m
H3 Capital – Renewals and Compliance Programme Savings	\$1.1m
HCC Capital – Reprioritisation of Renewals and Compliance Programme	\$1.6m

Council has accepted responsibility for the replacement of the light towers and budgeted for this in its LTP. NDC pay towards the maintenance of the ground under their HoA and are not obligated to pay in addition to this. NZC do not fund venue improvements at any venue across the country.

Council policy does not allow applications for funding from community funders that generate revenue from gaming activity. There are limited other community funders available that contribute significantly towards capital projects and not normally for the renewal of existing assets.

Council does have the rights for naming rights sponsorship at the venue and has investigated this in recent times. However, nothing has been forthcoming at this stage. As the replacement of an existing asset the renewed lights add no further opportunity for commercial sponsorship. Further opportunities in this regard will be explored as the opportunity arises.

4.6 Affordability

The proposed **whole of life cost** of the project is \$5.4m over the **15 years** of the expected lifetime of the contract. This whole of life costs includes \$4.7m of capital expenditure and \$700k of operational expenditure. Of that \$2.0m of the capex cost is budgeted in FY18/19, along with \$1.1m in H3 renewal savings and all the operating expenditure is covered within existing budgets.

While the initial capital expenditure requires advanced funding of \$1.6m this will be managed through reprioritisation of Council's wider capital renewals and compliance programme.

The Project and Programme Sponsors have signified their agreement to the level of funding required.

5.0 Implementation (Management Case)

5.1 Stakeholder Engagement

5.1.1 Engagement with key stakeholders to date

Stakeholder	Evidence of Collaboration	Agreed Outcome
Elected Members NDC	Updates in H3 Quarterly Reports and Councillor Briefings. Regular updates	Business case to be presented Working towards renewal
NZC	Participated in original tender panel Regular updates	Working towards renewal

5.1.2 Planned Engagement with key stakeholders

Stakeholder	Project Interest	Stakeholder Approach – Engage, Partner, Monitor, Inform
Elected Members NDC NZC Media Community Neighbours	Levels of Service and Project funding Key stakeholder & contracted party Key stakeholder Reporting on project and funding Interest in project and funding Impact upon neighbours	Engage Partner Partner Inform Inform Inform

5.2 Project Structure

Role	Name
Project Sponsor	Sean Murray – General Manager Venues, Tourism & Major Events
Capital Portfolio Sponsor	Chris Allen – General Manager, Development
Business Owner	Chad Hooker – H3 Director of Operations
Project Manager	Mark James – Project Manager - Facilities
Project Team	Irene James – H3 Director of Finance and Commercial
Project Team	Ben Slatter – H3 Venue Manager Seddon Park
Project Team	James Hurst – Projects Team Leader – Facilities
Contractor	Musco – Lighting Supplier
Contractor	WES – HCC Electrical Contractor
Consultant	Beca – Structural and Technical Consultant

5.3 Implementation Plan

It is not possible to complete the project before the current cricket seasons international games begin in January 2019 due to timing constraints. The current implementation plan involves maintaining the current lights to an acceptable level for the upcoming cricket season (December 2018 to April 2019). This will involve an estimated outlay of \$192k of maintenance expenditure to be covered and closely managed through existing maintenance budgets.

Work will then commence at the end of the cricket season and run from approximately April to August 2019. Although early structural works could start during the latter part of the cricket season to ensure that the light tower structures will have foundations and services in place. An order for the lights, headframes and poles needs to be placed by 10 December to ensure the project can be completed on time.

The lights, headframes and poles are expected to arrive from the USA in early May 2019. Once a delivery date is confirmed, the removal of the existing light towers and fittings be programmed.

The headframes and LED light fittings are pre-set and aimed in the factory, they will be installed in the correct positions and will require minimal work to install.

5.3.1 Key Project Milestones

Proposed Key Milestones	Estimated Timing
Business case completed	1/11/18
Business case presented to CIB	7/11/18
Business case presented to Council for approval	4/12/18
Lights ordered (20-week lead time)	10/12/18
Structure design (Foundations and services)	20/1/19
Building Consent	28/2/19
Commence work on site	1/4/19
Foundations and services complete	31/5/19
Lights installed and operational	31/8/19
New cricket season starts (approx.)	1/10/19

5.3.2 Project Deliverables

Key project deliverables include:

- A turn key lighting solution that meets ICC broadcast lighting requirements
- Infrastructure that complies with The Building Act 2004 and Health and Safety at Work Act 2015
- All venue contractual obligations are met
- Resource consent conditions are met

Appendix 1 – Full Structural Assessment

Memorandum

To: Mark James **Date:** 23 July 2018
From: Chris Twaddle **Our Ref:** 5493781
Copy: James Hurst, Laurie Cook
Subject: Seddon Park Lighting Summary - Legacy Issues and Project Process

Introduction

Hamilton City Council (HCC) has engaged Beca Limited (Beca) to providing Lighting and Structural engineering support as part of the 2018 Seddon Park lighting upgrade. As part of this review we observed a number of issues with the existing light towers (from visual inspection of the records), such that we recommended that HCC assess the structural performance in detail of the towers. This assessment formed part of HCC's due diligence prior to investing significantly in a full lighting upgrade to the towers. For further information on this report, refer to Beca report titled "Seddon Park Light Towers – Structural Assessment" Revision C, dated 26/06/2018.

The existing four light towers are a 2001 design (by others), they are generally 50m tall and they illuminate the Park for night cricket matches.

Light Tower Legacy Issues

The result of the structural assessment are generally as follows:

- The tower door openings (at ground level and at 15m above ground level) represented a very high risk from wind loading.
- Hold down bolt and bolt splice details were poor and sensitive to wind loading.
- Foundations were under reinforced.
- Geotechnical advice from a current investigation (Beca 2018) indicated that two of the foundations are sensitive to liquefaction in a seismic event.
- Safe access for operations and maintenance requires climbing the tower regularly.
- The bolted connection between the headframe and the tower, existing platforms and ladders have significant corrosion that should be addressed as part of a lighting replacement.
- The Beca 2018 structural assessment was peer reviewed by Aecom.

As part of the lighting upgrade, we propose that the above issues be mitigated as part of the lighting upgrade.

We note that if the structural improvements are not completed then the legacy structural risk issues are still present.

Legislative Requirements

The Building Act 2004 (BA2004) is the primary legislation that covers building structures in New Zealand. Within the BA2004 and the more current Earthquake Prone Buildings Amendment Act of 2017 (EPBAA2017), there is specific reference to risk associated with existing structures relative to earthquake actions and how they should be considered, however there is no reference to wind actions and the need to look at existing structures relative to them.

Memorandum

The above will likely be due to the risks presented to building structures relative to wind actions being generally unchanged in recent decades.

However, structures such as the Seddon Park Light Towers represent increased wind risk relative to New Towers with or without new lighting due to the detailing present rather than due to the changes in wind load.

Under the Health and Safety at Work Act 2015, there is a requirement for asset owners who are PCBU's (Persons in Control of Business or Undertaking) to take all reasonable practicable steps to remove or mitigate health and safety risks to affected parties (including other PCBU's). The Towers current lighting or with amended lighting, represent increased risk to nearby parties covered under this legislation. This should be considered as part of a considered risk assessment to identify appropriate controls (such as the structural improvements to the towers).

Proposed Project Process

Given the HCC aim to have new (LED) lighting operational by January 2019 for International cricket championship (ICC) day-night match then the following general process philosophy will be a pragmatic way forward:

- 1 The head frames (the top 10m of the light poles) are removed for the lighting upgrade (lighting tender in progress for this).
- 2 Structural modification of the Headframes or replacement by the tenderers to occur at this time. Note the clean separation of the new head frame to the legacy tower at the bolted headframe connection.
- 3 While head frames are removed, new foundations are constructed for the P2 and P4 light poles (the foundations sensitive to liquefaction). Existing towers to be then relocated to these positions. Note this step is likely to be much more costly if the light fittings and headframes are still in position.
- 4 All towers to have mast head pieces refitted (new or modified existing). Cabling reinstated.
- 5 All mandors to be welded shut to address the largest legacy issue in the light towers. Noting that this is at least partially temporary works.
- 6 At this stage the structural risk to the light towers with new lights has been at least mitigated **to some degree** from the previous existing arrangements by following all previous steps. 
- 7 The ODI's go ahead. On the building consent rational that the new scenario is not worse than the existing lighting and it has been mitigated to a degree and is in the process of the wind related risk being managed as per a new tower.
- 8 After the cricket season the subsequent structural improvements should be completed, noting that the balance of works can be addressed while the tower is in service.

The assumption behind the above process is that HCC wish to get the lighting in place and functional as soon as possible while taking practical steps to mitigate the wind related structural risk. Noting however, that there will remain a legacy risk until all structural improvements are complete. Subject to general instruction to proceed being given to the HCC project team the above steps will each need to be considered in more detail.

The intent of this memo is to assist in communicating the legacy structural issues internally in HCC and to note a feasible project process that progressively reduces risk while minimising ICC commitment risk as much as is practicable. And to confirm that HCC are clear about how to progress with the works.

If there are any further queries regarding the content of this memo, please do not hesitate to contact us or seek a full copy of the supporting Beca reports.

Memorandum

Regards,

Chris Twaddle

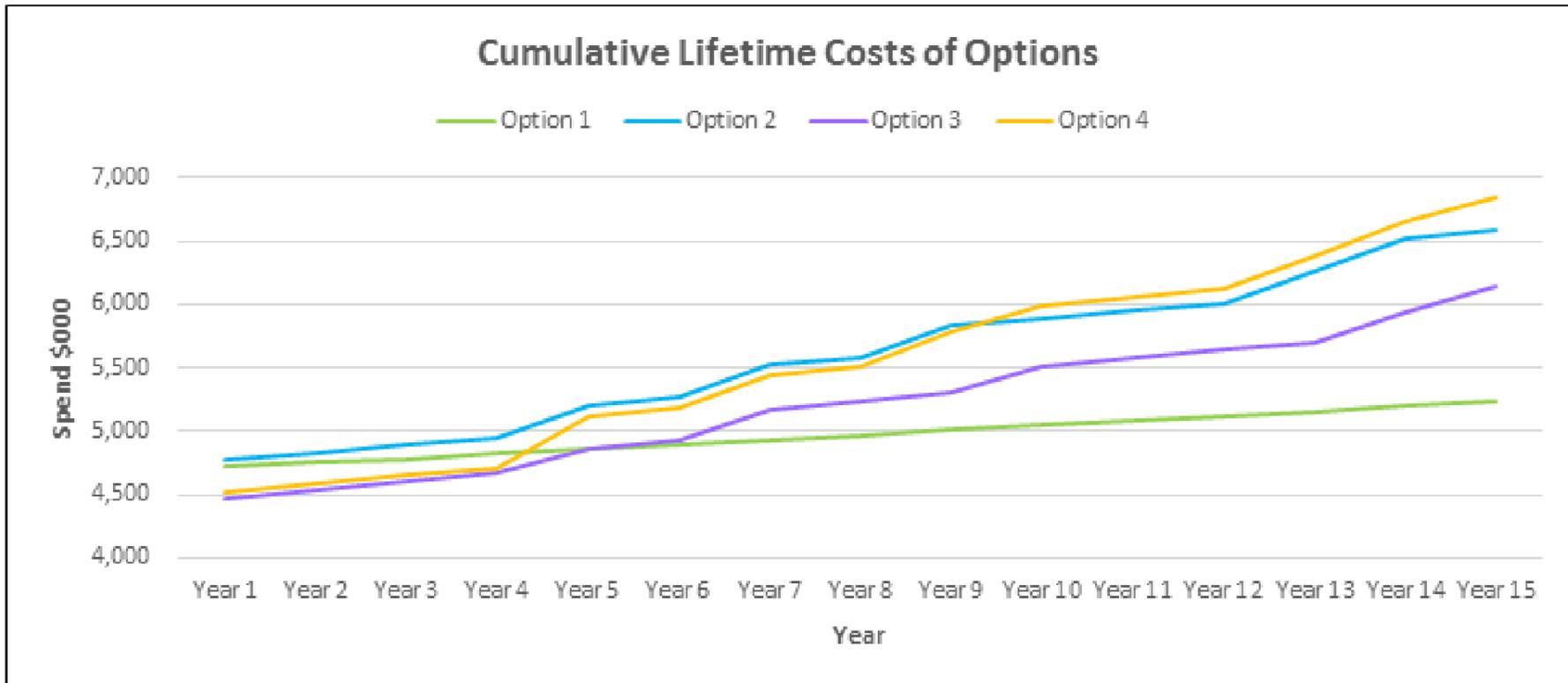
Associate - Building Structures

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Draft

Appendix 3 – Cumulative Lifetime Costs of Options



Item 9

8. This arises because average DCs in Peacocke in the 2016/17 DC Policy are \$17K per lot compared to \$45K in the 2018/19 DC Policy. If Council elected not to assess development contributions on lodgement of subdivision consent, but instead, for example, lodgement of building consent or application for service connection it may prevent the funding gap materialising. However, this would affect timing of DC receipts.
9. The large majority of these comprise the 867 lot Amberfield subdivision lodged with the Council on 15 June 2018, immediately prior to the adoption of the new DC policy.
10. In Rotokauri, the funding gap relates to subdivision consents lodged containing 590 residential lots. Quantifying the funding gap is more difficult here than in Peacocke but is estimated to be in the order of \$10M over the 10-Year Plan period.
11. No material funding gap was identified in the city's other greenfield growth cells.
12. Staff have identified the Peacocke growth cell as requiring immediate attention - the Rotokauri funding gap can be addressed in the future.
13. The growth-related portion of infrastructure is initially funded by Council from debt (including HIF debt) and DCs were to repay this debt. Staff are investigating options for recovering the funding shortfall by looking at funding options to repay this debt. Funding options to consider are provided in LGA s103 and s207A and these are:
 - General rates
 - Targeted rates
 - Lump sum contributions
 - Fees and charges
 - Investment income
 - Proceeds from the sale of assets
 - Development contributions
 - Financial contributions
 - Grants and subsidies
 - Private developer agreements
 - Or any other source.
14. A report will be prepared for the 21 February 2019 Council meeting. This timing allows for consideration on whether an Annual Plan change is required and whether there are any consultation requirements as a result of the options identified and preferred by the Council.
15. Staff consider the matters in this report to this stage have low level of significance and that the recommendations comply with the Council's legal requirements.

Background

16. To meet projected growth demands, the city needs an extra 12,500 houses over the next 10 years. The Council's role is to provide new strategic infrastructure such as roads, pipes and parks to enable this. The 2018-28 10-Year Plan saw a substantial increase in investment across the city, including the development of the Peacocke growth cell.
17. The transition between the 2016/17 and the 2018/19 DC policies reflects this substantial increase in capital expenditure with a corresponding increase to DCs levies. Most likely, developers were aware of the upcoming increase in DCs prior to the 2018/19 Policy becoming operative.
18. Some developers lodged their consents immediately prior to 1 July 2018 and, subsequently, were assessed under the 2016/17 DC Policy as opposed to the 2018/19 DC Policy. The effect of

this for the developer was to attract substantially lower DCs. For the Council, this meant less DC revenue to fund the growth-related capital expenditure budgeted in the 10-Year Plan. Unmitigated, this will have a significant impact on the Financial Strategy and delivery of growth infrastructure.

19. This issue, at the scale observed, has not happened before at a transition between DC policies. Developers were heavily incentivised to lodge consents by 30 June 2018 due to the quantum of the impending increase in DC charges, leading to an amplified and unusually large funding gap.
20. "Funding gap" for the purposes of this report means the loss of anticipated future DC revenue across greenfield lots within subdivision consents lodged in the last quarter of the 2018 June financial year. The quantum is calculated by taking the difference between a DC charge under the 2018-19 DC Policy and a DC charge under the 2016/17 DC Policy, summed for all relevant lots. This is not a perfect measure because some consents would have been lodged irrespective of the impending policy change, but on investigation of the data, it is apparent that many consents lodged in that last quarter were large and the timing was intentional.
21. Typically, changes in developer behaviour due to policy transitions are within allowances in the DC model. In this case however, because of the scale, staff believe it would be inequitable to spread the funding gap across future development. Rather, it should be recognised as a funding gap and addressed and funded separately, and the DC model adjusted accordingly.
22. At a Council Briefing on 13 September 2018, staff discussed the funding gap and were directed to investigate options for recovery. This report seeks Finance Committee approval to proceed further to bring a proposal to the Council in 21 February 2019.

Discussion

23. Staff have identified the Peacocke growth cell as requiring immediate attention to investigate funding gap recovery ahead of Rotokauri Stage 1.
24. DCs assessed under the 2016/17 Policy did not include the large majority of Peacocke Stage 2 infrastructure, which is funded in the 2018-28 10-Year Plan, including the bridge, arterial roading, bulk wastewater, and the sports park. This capital investment starts early in the 10-Year Plan.
25. The funding gap relating to growth infrastructure is estimated to be \$20M to \$25M (excl. GST) across sub-division consents lodged containing 906 residential lots in Peacocke, with DC receipts anticipated over a number of years, starting in 2021.
26. This arises because average DCs in Peacocke in the 2016/17 DC Policy are \$17K per lot compared to \$45K in the 2018/19 DC Policy. If Council elected not to assess development contributions on lodgement of subdivision consent, but instead, for example, lodgement of building consent or application for service connection it may prevent the funding gap materialising. However, this would affect timing of DC receipts.
27. The large majority of these lots comprise the 867 lot Amberfield subdivision, lodged with Council immediately prior to the adoption of the new DC policy on 15 June 2018.
28. Council is currently involved in private developer negotiations relating principally to infrastructure provision with representatives of the Amberfield development.
29. Total capital expenditure in Peacocke relating to the funding gap is approximately \$250M of which the identified growth portion is anticipated in Council's budgets for recovery through DCs.
30. The government HIF loan relates to Peacocke, and Council may need to repay HIF loans with interest-bearing debt at an earlier time than expected.

31. Development is predicted to occur in Peacocke sooner and faster than other greenfield areas of the city, and on that basis the funding gap will materialise earlier and with greater financial impact than other growth cells.
32. A greater share of the funding gap is likely fall on those who purchase individual lots to live on i.e. 'Mums and Dads' in catchments where development is expected to occur sooner and faster.
33. The vision for the Peacocke Programme is to enable the development of an attractive and sustainable community in the Peacocke area.
34. In Rotokauri, the funding gap relates to subdivision consents lodged containing 590 residential lots. Quantifying the funding gap in Rotokauri is more difficult than Peacocke but is estimated to be of the order of \$10M over the 10-Year Plan period.
35. The difficulty in quantifying the Rotokauri funding gap is due to several factors:
 - A deferred financial effect because development will start later and occur over a substantially longer period of time than in Peacocke.
 - Development in Rotokauri has largely stalled due to the existing significant stormwater management challenges and high DCs, leading to lower-than-forecast DC receipts in Rotokauri going forward.
 - As a consequence, Rotokauri Stage 1 is likely to develop later and at a slower rate than in Peacocke, allowing the Council more time to consider its funding options there.
36. This paper recommends investigations continue with a view to bringing a proposal to the Council on 21 February 2019 with a preferred funding source or sources and proposed implementation plan. Reporting to the Council on this date provides an opportunity to include any approved new funding source in the 2019/20 Annual Plan.

Options

37. **Option 1: Do nothing**
38. By doing nothing, staff would be obliged to recommend a forecast adjustment in the DC model and consequently the Financial Strategy model. This adjustment would have a significant adverse impact on Council's Financial Strategy limits. Council would need to respond to stay within the 10-Year Plan Financial Strategy Limits and this may require Council to pass these costs on to existing ratepayers to fund the revenue shortfall.
39. **Option 2: Investigate options for mitigating the funding gap**
40. Staff investigate options for mitigating the impact of the funding gap and prepare a report with recommendations for Council to consider on 21 February 2019.
41. This option will require staff time and incur legal and technical support costs.

Financial Considerations

42. This project will be funded through existing budgets. If successful in finding a suitable funding gap mitigation option, the financial benefits would significantly exceed the costs of the investigation.

Legal and Policy Considerations

43. Council is required in particular to address LGA s103 and s207A in considering the funding sources for its activities.
44. Staff have taken preliminary verbal legal advice regarding Council's funding gap options.

Cultural Considerations

45. Staff have identified no cultural interests to be considered at this point. However, during any subsequent investigations into growth infrastructure funding, staff will have an open mind to consider any potential cultural implications.

Risks

46. The risk associated with a decision to investigate the options to mitigate the funding gap is minimal.
47. A decision to select Option 1 puts the Financial Strategy at risk and interventions may be required to maintain the budget within the 10-Year Plan Financial Strategy limits.
48. Some of the potential funding options could carry legal risks. These will be identified during the investigation and reported to Council as part of the recommendations on 21 February 2019. Legal advice will be sought as part of the investigation to ensure legal risks of options are identified early and mitigated.

Significance & Engagement Policy

Significance

49. 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

50. Given the low level of significance determined, the engagement level is low. No engagement is required.
51. While a decision on this paper itself is assessed to have a low level of significance, community engagement is likely to be required prior to adopting a new or modified funding mechanism to address the funding gap.

Attachments

There are no attachments for this report.

Council Report

Committee:	Finance Committee	Date:	04 December 2018
Author:	Katy Nudd	Authoriser:	Sean Hickey
Position:	Business Planning Analyst	Position:	General Manager Strategy and Communications
Report Name:	Non-Financial Organisational Performance Reporting Quarter One 2018-28 10-Year Plan		

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee of the Quarter 1 (July-September 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

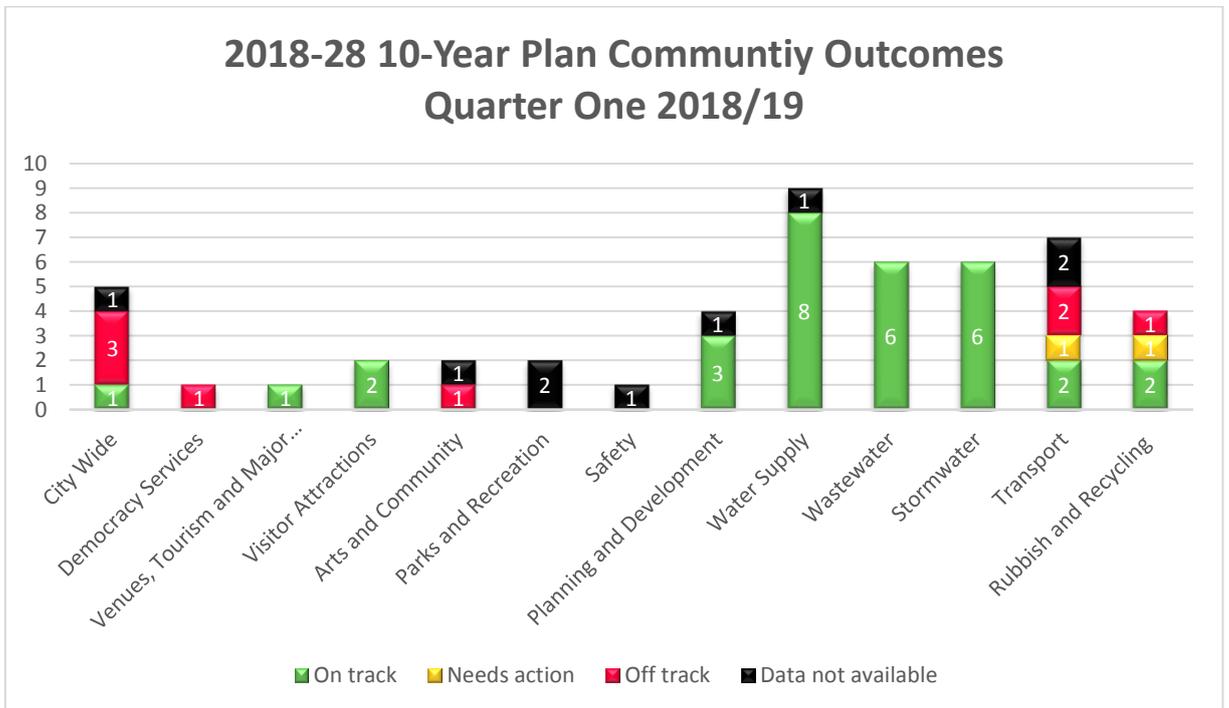
2. Staff consider the matter has a low significance and that the recommendations comply with the Council's legal requirements.

Background

3. The 10-Year Plan 2018-28 was adopted in June 2018. It sets out the outcomes we aim to deliver for our community, through 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.
4. 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.
5. In addition to the non-financial performance indicators, the key highlights and challenges for each activity are being captured in the organisational performance indicators system. These will be reported to Council alongside the non-financial performance indicators.

Discussion

6. This is the first non-financial performance indicator report for 2018-19 year (year 1 of the 10-Year Plan). 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.
7. Each performance indicator is assigned a status. Status options are: ‘on track’ (green), ‘needs action’ (orange), ‘off track’ (red) and ‘data not available’ (Black).
8. In summary there are 50 outcome performance indicators. The progress as at the end of quarter one (July – September 2018) is:
 - 31 (62%) on track to achieve the annual target (Green);
 - 2 (4%) need corrective action to get back on track (Orange);
 - 8 (16%) are off track (Red); and
 - 9 (18%) have no data available due to them being annual or bi-annual measures (Black).
9. A summary of the progress of each 10-Year Plan Activity is shown in the below graph.



Attachments

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

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:

What we are Measuring	Target	Actual Performance	Forecast Year End Position
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.	75% of resident think Hamilton is a great place to live. 	There is no change expected as the next Quality of Life survey will be in 2020. 
	Maintain or increase on the 60% of residents are proud of how Hamilton looks and feels.	53% of residents are proud of how Hamilton looks and feels. 	There is no change expected as the next Quality of Life survey will be in 2020. 
<p>Since the last survey in 2016, less of our community think Hamilton is a great place to live and have pride in how Hamilton looks and feels. More of the community have become unsure with an increase in those who picked 'neither agree nor disagree' as their response. There has been no increase in those that think Hamilton is a worse place to live or those that have less pride in our city. The reasons given for a lower perception of our city were more noticed traffic and congestion, increased crime rate and the high cost of living. Projects in the 10-Year Plan will continue to address these issues.</p>			
What we are Measuring	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 2.0% over the 12 months to June 2018. 	Hamilton's GDP growth is expected to be in line with national forecasted GDP growth of 3%. 
<p>The slightly below average performance for both the Waikato region and the national economy is due to two reasons:</p> <ol style="list-style-type: none"> 1. Hamilton City has expanded quickly over the past five years meaning that marginal percentage gains are more difficult to achieve. 2. National economic growth has been driven up mostly by sharp commodity price increases over the past year, benefitting growth results for more provincial areas rather than cities. <p>The Treasury's Budget Economic & Fiscal Update (BEFU) June 2018 has the national economic forecasted GDP growth at 3% a year on average until 2021. We expect Hamilton to be in line with the national growth.</p>			

What we are Measuring	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 30 September 2018, our net debt to revenue ratio was 140%. 	We expect to remain within the Financial Strategy limit. 
	The ratio is below the forecast limit as we have received higher than budgeted revenue and incurred lower debt as we are only commencing the financial year and the capital programme expected to pick up during the part of the financial year.		
What we are Measuring	Target	Actual Performance	Forecast Year End Position
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.	Implementaion of the Customer Point of Service Survey is underway and we expect to be able to establish a baseline within the next 6 months. 	

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:

What we are Measuring	Target	Actual Performance	Forecast Year End Position
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.	25% of residents think we make decisions that are in the best interests of the city. 	There is no change expected as the next Quality of Life survey will be in 2020. 
Since the last survey in 2016, less of our community has confidence in council decision making. The Council has made some hard decisions over the last two years, generating a level of public discussion which is likely to have significantly affected people's view of Council.			

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

Our aspiration	Highlights
We want to provide open and effective city governance and opportunities for people to be involved in shaping our city.	Hamilton City Council approved the appointment of five Maangai Maaori positions (external appointees) as committee members on the Council's Growth and Infrastructure Committee, Community, Services and Education Committee, Finance Committee and the Regulatory and Hearings Committee. We also completed a Representation Review as required under the Local Electoral Act 2001 (LEA) to determine the arrangements by which Hamilton voters will choose their elected representatives at the 2019 elections. Subject to any appeals to the Local Government Commission, Council's decision is to retain the current representation arrangements – an East ward and a West ward, 12 councillors (6 in each ward) plus the Mayor elected at large, and no community boards.
We want to continue to meet constitutional and legislative requirements to ensure our meeting and other governance processes comply with the relevant statutory frameworks.	All Council and Council Committee open decisions were made available to the public on the Council website within five days of the meeting. 100 percent of information requests under the Local Government Official Information and Meetings Act (LGOIMA) are responded to within 20 working days.

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:

What we are Measuring	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.	As at 30 September 2018, 114,449 people attended events. 	We expect to exceed the target with a forecast of 584,000 attendees. 
<p>H3 Venues hosted a wide variety of events in quarter one. This is traditionally a busy time for the business. The number of events, hire days and attendance at H3 venues was higher than quarter one 2017/18.</p> <p>The new forecast of 584,000 attendees is based on the H3 Venue bookings in the system which indicate estimated attendance of 472,000 (based on forecast attendees entered and a cancellation probability factored in) and the additional attendees (112,000) forecasted on expected future bookings which have been modelled off historical data and may adjust throughout the year.</p>			

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

Our aspiration	Highlights
We want to continue to deliver events that support local business opportunities, stimulate our economy and promote our city.	We attracted and delivered 368 events in total spread across various event types - business events, exhibitions, performance and sports.
Venues, Tourism and Major Events is about showcasing and leveraging Hamilton's event venues, visitor attractions and services.	In 2018/19, 11 events were approved to receive funding from the Event Sponsorship Fund totalling \$312,000. In quarter one the New Zealand National Bridge Congress was held.

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:

What we are Measuring	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.	Visitation to the enclosed gardens has increased by over 16,700 up on last year to 85,246. 	Based on last year's visitation of 434,000 to the enclosed gardens we are on track to establish a strong baseline. 
Increased visitation at peak times is starting to put pressure on the current infrastructure of café, toilets, and traffic management. This was evidenced with the Tulip Festival which brought a large number of visitors to the Gardens. The opening of the Mansfield Garden is likely keep visitation number high. A review of the Hamilton Gardens Management Plan is required to identify how best to manage pressures caused by increase visitation.			
	At least 250,00 visitations to the Waikato Museum and Hamilton Zoo. Waikato Museum 136,955 Hamilton Zoo 132,805.	The combined visitation for the Hamilton Zoo and Museum is 66,848 which is 17.3% above the quarterly target of 57,000. This breaks down to; Hamilton Zoo – 32,872 Waikato Museum – 33,976. 	The target for the year is expected to be exceeded. 
The Museum had a strong result with a particularly busy school holiday, with the holiday programme with 180 of the 200 spaces booked, achieving 90% occupancy. Other successes exhibitions this quarter have included the History of Fashion exhibitions.			
A strong marketing and visitor engagement strategy at Hamilton Zoo has contributed to the achievement of the visitor numbers. Social media is being used to engage with our followers and promote the Zoo. Events such as Too Taatau Tuakiri to celebrate Te Wiki o Te Reo Maaori, World Chimp Day and Dads Go Free - Father's Day promotion provided a fresh reason to visit the Zoo.			

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

Our aspiration	Highlights
<p>We want Hamiltonians to have high-quality attractions they are proud of and want to visit again and again because they always offer something new and interesting.</p>	<p>Hamilton Gardens carried out 14 guided tours with over 80 participants between July-September 2018. 164 booked events were held at Hamilton Gardens. Many of the events were community focused with a small number of corporate events taking place.</p> <p>The Waikato Museum installed 12 new exhibitions to encourage repeat visitation. The Culture Club held three performances which averaged 80 people per performance. 44 Public Programmes were held between July-September 2018 with 1,832 people attending.</p> <p>2,596 students from 64 schools benefited from the Zoo's education programme this quarter. An increase of 76.4% on 2017/18 quarter 1 results (1472). 30 schools are low-decile schools from the Waikato and Coromandel region who received funding through the Warehouse Zoofari initiative (1048 students).</p>
<p>We want even more national and international visitors to make a point of coming to our city and contributing to our economy because they hear about the unique experiences and stories we have here.</p>	<p>The most notable attraction event was the Tulip Festival at the Hamilton Gardens with the over 10,000 visitors during the weekend of the Tulip Festival.</p> <p>Hamilton Gardens have a strong social media following with over 3,500 international Facebook followers. When asked 35% of visitors said Hamilton Gardens was one of their main reasons for coming to Hamilton.</p> <p>In September the results of the Creative New Zealand Audience Atlas were released. This showed that Waikato Museum's market penetration has increased significantly since the Audience Atlas research was first completed in 2011. An estimated 126,000 adults in the Waikato culture market are in Waikato Museum's current audience, an increase of 54%.</p> <p>Hamilton Zoo is continuing to grow its social media bases with over 12,000 followers with over 1,600 from outside New Zealand. Hamilton Zoo has further built on its international reputation with the transfer of Kembali a Sumatran tiger to Adelaide Zoo, and this story featured on Australia's 9 News. The successful breeding of six Whio ducklings also featured in national media.</p>

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:

What we are Measuring	Target	Actual Performance	Forecast Year End Position
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.	Implementaion of the Customer Point of Service Survey is underway and we expect to be able to establish a baseline within the next 6 months. 	
What we are Measuring	Target	Actual Performance	Forecast Year End Position
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.	49% of the residents feel a sense of community with others in their neighbourhood. 	There is no change expected as the next Quality of Life survey will be in 2020. 
Just under half of our community believe they have a sense of community with people in their neighbourhood. Nevertheless, 7 out of 10 people commented they have had positive contact with people in their neighbourhood over the previous 12 months. We will continue to provide support and services to help groups helping families across the city. Over the next six months we will be analysing the results of our Community Profiles collected during April 2018, to build a greater understanding of community connections. We will be sharing this information with our key community stakeholders, so we can work together on outcomes that improve the cultural and social networks of Hamiltonians.			

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

Our aspiration	Highlights
Community facilities and development assistance help make sure Hamilton has strong communities that support each other and are proud to call Hamilton home.	69 projects have been supported by the Community and Social Development team. Community advisors provide support to the projects by assisting with the planning of the project, facilitating access to resources or delivering parts of the project.
Libraries and other community hubs are important spaces for community development to happen.	Visitation to the libraries has increased by 7% up on the last year with 215,321 physical visits to the six library sites. There has been the addition of 10,423 new items added to the collection and 2071 new eBooks. The introduction of a Mandarin language story time has been well received with 113 attending the first event. The story time has been initiated and supported by the community. The libraries increased the number of events by 5.7% which resulted in a 21% increase in event attendees. The return of Matariki in the City event brought 700 attendees to the Central library to celebrate Maaori New Year taking part and experiencing cultural performances, kite making and arts and craft activities.

Our aspiration	Highlights
We want arts and culture to be accessible to our residents and visitors and to be a point of interest for our visitors.	The reopening of the Central Library on 9 th July was a celebrated success with 2215 visitors during the opening day. The reopening of Central Library has increased number of visitors to the city centre and library customers have regained access to collections and heritage material.
We want to support our local artists.	We have been working with local artists to support the application and installation of the Matariki Sculpture next to the Museum. The art work is due to be unveiled in November 2018.

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:

What we are Measuring	Target	Actual Performance	Forecast Year End Position
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. 	
What we are Measuring	Target	Actual Performance	Forecast Year End Position
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.	Implementaion of the Customer Point of Service Survey is underway and we expect to be able to establish a baseline within the next 6 months. 	

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

Our aspiration	Highlights
We want to provide activities and spaces that enhance the quality of life for our residents and visitors and keep Hamilton beautiful.	<p>During Quarter 1 there were 1,200 students participating in Aquatic Education, each student attends multiple sessions, with the total number of sessions being 4,950. Funding has been approved by Water Safety New Zealand to provide more classes for students through schools to attend Aqua Education classes.</p> <p>In partnership with Swimming New Zealand two Gateway Programmes were offered – Youth Swim Teaching Award and Youth Education in Leadership and Lifeguarding Programme. Across the two programmes 18 students received 30 NCEA credits and an opportunity for employment.</p> <p>The winter sports season finished in September with four major codes having used 34 different sport parks across the city.</p> <p>The Playgrounds of the Future Plan is being reviewed, and the Sport and Recreation Strategy (Play Strategy) developed.</p>
We want to preserve indigenous flora and fauna, natural ecosystems and landscapes and to protect our lakes and rivers and meet our legal obligations for the preservation and management of reserve land.	<p>Council's Community Planting Coordinator, Gerald Kelly was awarded a Service to Volunteering in Wellington.</p> <p>Since July we have planted over 13,000 native plants. Over 1,200 people have supported Hamilton's biodiversity by volunteering, activities including, weeding, pest plant removal, litter collection and planting.</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:

What we are Measuring	Target	Actual Performance	Forecast Year End Position
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. 	
	The last Perception of Safety Survey completed in July 2018 and the result was 83% of central city users felt very or reasonably safe in the daytime. This data was included in the 2017/18 Annual Report and 2015-25 Ten Year Plan. We also monitor resident's perception of safety in the Quality of Life survey, surveying across the whole community not just those in the central city. The Quality of Life result was that 90% of people felt safe in the city centre during the day, an increase from 81% in 2016. The Quality of Life survey also asked the perception of safety in the city centre after dark. The result 36% of people felt safe in the city centre after dark, an increase from 28% in 2016.		

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

Highlights

In the three months from July to September 2018:

- 97% of all known dogs registered this year
- 97.5% of dog control requests responded to in under 60 minutes
- 99.5% of graffiti removal requests acted on in under 2 working days
- 97.5% work complaints responded to in less than 30 minutes

In the last quarter, Council participated in a regional Civil Defence event adding to our readiness for emergency situations.

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:

What we are Measuring	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 3.8 years of capacity of residential land zoned and supplied with development infrastructure in place. 	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.	Bi-Annual Measure. Results will be available in January 2019. 	
	Council is working to ensure there is a plentiful supply of land for development so that availability is not limited by delays in land 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.		
What we are Measuring	Target	Actual Performance	Forecast Year End Position
If consents are processed in a timely fashion. <i>"Average processing days" is the average number of working days used in processing consents, which excludes all stop clock days.</i>	On average it will take 18 days to process a Building consent.	The average processing days for the July to September 2018 was 17.12 days. 547 building consents were processed. 	It is expected the processing days average can be maintained at 18 or below. 
	The 547 building consents in the July to September 2018 quarter showed an increase of 58 on the same period last year.		
	On average it will take 18 days to process a non-notified land use and subdivision resource consents.	The average processing days for the July to September 2018 was 17.6 days. 225 consents were processed. 	It is expected the processing days average can be maintained at 18 or below. 
For the quarter ending September 30 th we processed a total of 225 consents. In total 63 applicants requested or agreed to extensions of time for their consents to be processed which related to the huge influx of consents that were received on the back of the DC Policy change. We are reviewing how we process consents and trialling new ways of doing things to align ourselves with being best in business and delivering a high-performance service.			

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

Highlights

Hamilton continues to grow at pace, with our population having increased by 2.35% in the last year and new dwellings projected to increase by 2.57%. Our increasing population is driving continued growth in development which shows itself as increased demand for our resource and building consent services. We continue to deliver these services within statutory timeframes.

Work to deliver the lead infrastructure for the Peacocke Community is on track and the city has approved four SHA's with the Te Karearea SHA being gazetted and its qualifying consent approved. All of these developments will add to the availability of land for the city.

Longer term projects including the Hamilton to Auckland corridor plan aim to secure a direction for growth doors to the region and Hamilton City will be a major beneficiary of this.

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:

What we are Measuring	Target	Actual Performance	Forecast Year End Position
If the water we supply meets the New Zealand Drinking Water Standards. To	Compliance with the drinking water standards for (a) bacteria.	Assessment in August 2018 rated Hamilton City Council as being fully compliant for the 2017/18 year. 	Based on an internal assessment annual compliance is expected to be achieved. 
	Water quality complies with the drinking water standards for (b) protozoa.	Assessment in August 2018 rated Hamilton City Council as being fully compliant for the 2017/18 year. 	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.			
What we are Measuring	Target	Actual Performance	Forecast Year End Position
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>We use the Water New Zealand Loss Guidelines to calculate how much water is lost from the water network.</i> 	
What we are Measuring	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 consumption is 324 litres per resident per day. 	It is expected the annual average water consumption per resident per day will be below 400 litres. 
	Water consumption is tracking at the expected level for this time of year and the historical trend is that the level of water consumption will increase over the warmer summer period.		

What we are Measuring	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 quarter result is 0.59%.	It is expected the annual target of less than 5 complaints per 1,000 will be achieved.
	The complaints can relate to drinking water clarity, taste, odour, pressure, continuity of supply and about our response to any of these issues. A total of 35 complaints were received. 24 of these related to water outages caused by shutdowns or valves being closed. 9 were related to low water pressure, again associated with valves being closed. 2 complaints related to the colour of water which is was the result of entrained air in the supply.		
What we are Measuring	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 July – September 2018 result was 34 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 July – September 2018 result was 1.8 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 July – September 2018 result was 3 days.	It is expected the median attendance time will be maintained below 5 business 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 July – September 2018 result was 4 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

The annual drinking water survey conducted by the Ministry of Health was completed and we achieved compliance against the standard. The shift of the City Delivery's focus to be operational maintenance has resulted in better customer responses and outcomes

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:

What we are Measuring	Target	Actual Performance	Forecast Year End Position
How well the network operates.	No more than 0.2 overflows per 1,000 connections in dry weather.	The July – September 2018 result was 0.57% 	It is expected the annual target will be achieved. 
	A total of 33 events occurred. The majority of these were the result of blockages in the network. As a result there was a targeted educational exercise carried out in the affected areas to improve awareness on what should be flushed into the wastewater network. Ongoing education initiatives are planned to continue.		
What we are Measuring	Target	Actual Performance	Forecast Year End Position
If we are operating within our resource consent conditions.	No more than one abatement notices, issued for spillage from the wastewater system.	Council has complied with all resources consents. 	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 resources consents. 	It is expected compliance will continue to be achieved. 
What we are Measuring	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 July – September 2018 result was 4.49% 	It is expected the annual target will be achieved. 
	262 complaints received of which 156 were related to sewer overflows or blockages, 7 were related to odour issues and 99 were general complaints. Most of the reported overflows were due to blockages within the sewer network rather than system incapacity.		
What we are Measuring	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 July – September 2018 result was 39 minutes. 	It is expected the median attendance time will be maintained below 60 minutes. 

	<p>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.</p>	<p>The July – September 2018 result was 2.2 hours.</p> 	<p>It is expected the median resolution time will be maintained below 5 hours.</p> 
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We have been working on delivering the aspirations we stated in the 10-Year Plan as demonstrated by the following highlights.

Highlights

The shift of the City Delivery’s focus to be operational maintenance has resulted in better customer responses and outcomes.

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:

What we are Measuring	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 have occurred in the July – September 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 of habitable floors has occurred in the July – September 2018. 	It is expected that the target will be achieved. 
What we are Measuring	Target	Actual Performance	Forecast Year End Position
If we are operating within our resource consent conditions.	No more than one abatement notices, related to the management of the stormwater system.	Council has complied with all resources consents. 	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 resources consents. 	It is expected compliance will continue to be achieved. 
What we are Measuring	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.	No flooding events occurred this quarter hence no response time has been recorded. 	It is expected the median response time will be maintained below 60 minutes. 
What we are Measuring	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 July – September 2018 result was 0.83% . 	It is expected the annual target will be achieved. 
	A total of 49 complaints were received, which is slightly higher than the same period in 2017. The higher number reflects an increased number of complaints being received in relation to issues with service connections and blocked catchpits. Only one complaint regarding the flooding on a property was received and this related to an accumulation of water in a garden area.		

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

Highlights

The shift of the City Delivery's focus to be operational maintenance has resulted in better customer responses and outcomes.

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:

What we are Measuring	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% percentage of extra time taken for vehicles to travel key routes in the city during peak travel times compared to non-peak.	Data is collected on a bi-annual basis. The next result will be available for the Quarter Two Report. 	
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. 	
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 the July – September 2018 is 15 consisting of 2 deaths and 13 serious injuries 	It is expected the annual result may be higher than 2017/18. 
		Year end result is likely to be higher than last year based on the quarter 1 result being higher than 2017/18 quarter 1 result (12). However, recent petrol price increases could see a decrease in vehicle use and potentially crash numbers. The total result for 2017/18 was 56 consisting of 4 deaths and 52 serious injuries.	
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 result for the July – September 2018 was 85%. 	End of year target is expected to be achieved due to surfacing 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.		
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 result for the July – September 2018 was 0.21%. 	End of year target is expected to be achieved as per the programme of work. 
	All resurfacing work completed was Thin Asphaltic Concrete. The chipseal season, which is the major part of our programme, will start from Jan 2019.		

What we are Measuring	Target	Actual Performance	Forecast Year End Position
The percentage of footpaths that meet the service level.	At least 97% percentage of footpaths that fall within the service standard for the condition of footpaths as set out in the Transport Activity Management Plan.	The result for the July – September 2018 was 96%. 	End of year target is expected to be achieved due to increased footpath programme. 
	The length of footpath(with greater than 5 faults/100m) has reduced to 40.57km from last quarter's 43.33km.		
What we are Measuring	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 result for the July – September 2018 was 99.62%. 	The annual target is expected to be achieved. 
	Of the 1327 service requests received 5 were not responded to in five working days. The most common request types related to street light faults, damaged or missing street signs, and requests for road sweeping.		

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

Highlights

The vigilant footpath inspector role (scooter man) has been successful, with not only standard and conditions of footpaths across the city being assessed, but also identifying water leaks and service cover faults. This has been an effective and innovative way of utilising resources. The results of these inspections will be used to prioritise footpath rehabilitation and maintenance work

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:

What we are Measuring	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 result for the July – September 2018 was 27.3%. 	We do not expect to achieved the annual target. 
	Waste audits have identified that there is a still a large volume of recyclable material being discarded in rubbish bags. Improvements in the level of material recycled are expected following the implementation of behaviour change and education programmes (online media, billboards and targeted campaigns) starting in August 2018 to raise public awareness around what can and cannot be recycled.		
What we are Measuring	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 result for the July – September 2018 was 3,641 tonnes. 	The annual target is expected to be achieved. 
	This measure is affected by seasonality, with higher levels of waste diverted from landfill to the Hamilton Organic Centre expected through the spring and summer months. In conjunction with a public behavioural change and educational campaign running from August 2018, we expect an increased level of waste diversion and the annual target to be achieved.		
What we are Measuring	Target	Actual Performance	Forecast Year End Position
How often our rubbish is not collected.	Zero of weeks where there are more than 20 complaints about uncollected kerbside rubbish and recycling.	There have been no weeks of more than 20 complaints of uncollected recycling 	The annual target is expected to be achieved. 
What we are Measuring	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.	All cusomters complaints were resolved within 24 hours. 	The annual target is expected to be achieved. 

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

Highlights

The focus for this quarter were media campaigns which included illegal dumping; correct paper recycling focussing on non-recyclable pizza boxes; how to present your recycling and the student campaign with a focus on how to move from your flat and remove all rubbish correctly. We had positive feedback and high social media engagement for all of these campaigns.

10. Three sections were transferred from the Treasury Management Policy where they referred explicitly to Council's responsibility as distinct from Management's.
 - Paragraph 2 outlines Council's Governance responsibilities in respect to Investment and Liability Management.
 - Paragraphs 52 – 58 sets a framework for security over external borrowings
 - Paragraphs 75 – 79 enables and provides guidelines for Council to act as guarantor and/or to enter into financial arrangements with community organisations.
11. The Financial Strategy in the 2018-28 Long Term Plan included aligning HCC borrowing limits/ratios with those set by the Local Government Funding Agency. Paragraphs 47-49 were updated to reflect this, and associated definitions were also amended.
12. In 2017/18 Council successfully gained access to the Government's Housing Infrastructure Fund (HIF). Central Government was added as a Borrowing Mechanism in Paragraph 59.
13. Paragraph 69 was amended to create consistency with LGFA lending rules. Two new points (e & f) were added. These points have become more relevant as Council's borrowing and borrowing forecasts increase.

Other matters

Legal and Policy Considerations

14. Approval of this proposal ensures that Council investment and liability management practices are compliant with current guidelines and legislation and are consistent with the Financial Strategy defined in the 2018-28 10-Year Plan.

Risks

15. The revision of the Investment and Liability Management Policy has been reviewed and confirmed as appropriate by PWC in their capacity as our independent Treasury Advisors.

Significance

16. 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

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

Attachments

Attachment 1 - Investment and Liability Management Policy 2018 Final Changes

Attachment 2 - Investment and Liability Management Policy 2018 Final Clean .

Old Policy

INVESTMENT AND LIABILITY Management POLICY

Purpose and Scope

1. It is a requirement of the Local Government Act 2002 for council to adopt an investment policy and a liability management policy. The purpose of the Investment and Liability Management Policy is to provide the framework under which council operates investment and borrowing activities. This policy supports council's financial strategy and Revenue and Financing Policy, and is linked to the Treasury Management Policy which provides more detail for the day-to-day management of the treasury function.

INVESTMENT Policy

Objectives

2. In its financial investment activity, Council's primary objective when investing is the protection of its investment capital and that a prudent approach to risk/return is always applied within the confines of this policy. Accordingly, only approved creditworthy counterparties are acceptable.

The Council will act effectively and appropriately to:

- a. Protect the Council's investments.
- b. Ensure the investments benefit the Council's ratepayers.
- c. Maintain a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements.

Policy

- 3. The Council's general policy on investments is that:
 - a. The Council may hold financial, property, forestry, and equity investments if there are strategic, commercial, economic, or other valid reasons (e.g. where it is the most appropriate way to administer a Council function).
 - b. The Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.
 - c. The Council will review its policies on holding investments at least once every three years.

Acquisition and Disposal of Investments

4. With the exception of financial investments, new investments are acquired if an opportunity arises and approval is given by Council, based on advice and recommendations from Council officers. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.

New Policy

INVESTMENT AND LIABILITY Management POLICY

Purpose and Scope

1. To comply with the Local Government Act 2002 in terms of a legislative requirement to adopt an investment policy and a liability management policy. To provide the framework under which council operates investment and borrowing activities. This policy supports council's financial strategy and Revenue and Financing Policy and is linked to the Treasury Management Policy which provides more detail for the day-to-day management of the treasury function.

GOVERNANCE RESPONSIBILITIES

- 2. The Council is responsible for:
 - a. Approving the financial strategy in the 10-Year Plan and Annual Plans
 - b. Approving new debt in the 10-year Plan, Annual Plans and specific council resolutions
 - c. Ensuring that a Treasury Management Policy is adopted as a management policy
 - d. Approval for one-off transactions falling outside Policy
 - e. Approve the appointment of the Trustee to the Debenture Trust Deed

INVESTMENT Policy

Principle

3. The council will, when investing, ensure the protection of its investment capital and that a prudent approach to risk/return is always applied within the confines of this policy. Only approved creditworthy counterparties are acceptable.

The Council will act effectively and appropriately to:

- a. Protect the Council's investments.
- b. Ensure the investments benefit the Council's ratepayers.
- c. Maintain a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements.

Policy

- 4. The Council's general policy on investments is that:
 - a. The Council may hold financial, property, forestry, and equity investments if there are strategic, commercial, economic, or other valid reasons (e.g. where it is the most appropriate way to administer a Council function).
 - b. The Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.
 - c. The Council will review its policies on holding investments at least once every three years.

Acquisition and Disposal of Investments

5. With the exception of financial investments, new investments are acquired if an opportunity arises and approval is given by the Council.

Key:	
New addition	
Deleted	
Reason	

Readability & clarity change

Transferred from the treasury management guidelines as it is a governance matter

Readability & clarity change

Readability & clarity change

5. The authority to acquire financial investments is delegated to the **Chief Financial Officer (CFO)**.

6. Proceeds from the sale of assets or investments will in the first instance be used to repay outstanding borrowings unless otherwise specifically authorised by Council. The exception to this is in relation to the sale of endowment properties where any surplus cash is held in the Municipal Endowment Fund to be used to reinvest on behalf of the fund. If assets are subject to legislative restrictions, the proceeds are used in accordance with the provisions of the appropriate legislation.

**Investment Mix
Equity Investments**

7. Equity investments, including investments held in Council Controlled Organisations (CCO), Council Controlled Trading Organisations (CCTO) and other shareholdings.

8. Council maintains equity investments and other minor shareholdings. Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the 10-Year Plan. Equity investments may be held where Council considers there to be strategic community value.

9. Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment and their stated philosophy on investments.

10. Any purchase or disposition of equity investments requires Council approval. Council may also

11. Dividends received from CCOs/CCTOs and unlisted companies **not controlled by Council** are used firstly to repay debt in relation to that investment, and then used to reduce other Council debt unless otherwise directed by Council.

12. Any dividends received, and/or profit or loss arising from the sale of these investments must be recorded in accordance with appropriate accounting standards. Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then utilised to reduce other Council debt. Council recognises that there are risks associated with holding equity investments and to minimise these risks Council, through the relevant Council committee, monitors the performance of its equity investments on a twice yearly basis to ensure that the stated objectives are being achieved.

Council seeks professional advice regarding its equity investments when it considers this appropriate.

New Zealand Local Government Funding Agency limited investment

13. Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.

14. The Council's objective in making any such investment will be to:

- a. Obtain a return on the investment.
- b. Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a

6. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.

7. The authority to acquire financial investments is delegated to the **General Manager Corporate (GMC)**.

8. Proceeds from the sale of assets or investments will in the first instance be used to repay outstanding borrowings unless otherwise specifically authorised by Council. The exception to this is in relation to the sale of endowment properties where any surplus cash is held in the Municipal Endowment Fund to be used to reinvest on behalf of the fund.

9. If assets are subject to legislative restrictions, the proceeds are used in accordance with the provisions of the appropriate legislation.

**Investment Mix
Equity Investments**

10. Equity investments, include investments held in Council Controlled Organisations (CCO), Council Controlled Trading Organisations (CCTO) and other shareholdings.

11. Council maintains equity investments and other minor shareholdings. Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the 10-Year Plan. Equity investments may be held where Council considers there to be strategic community value.

12. Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment and their stated philosophy on investments.

13. Any purchase or disposition of equity investments requires Council approval. Council may also acquire

14. Dividends received from CCOs/CCTOs and unlisted companies are used firstly to repay debt in relation to that investment, and then used to reduce other Council debt unless otherwise directed by Council.

15. Any dividends received, and/or profit or loss arising from the sale of these investments must be recorded in accordance with appropriate accounting standards.

16. Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then utilised to reduce other Council debt.

17. Council recognises that there are risks associated with holding equity investments and to minimise these risks Council, through the relevant Council committee, monitors the performance of its equity investments on a twice yearly basis to ensure that the stated objectives are being achieved. Professional advice regarding Council's equity investments is obtained when appropriate.

New Zealand Local Government Funding Agency limited investment

18. Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment to:

- a. Obtain a return on the investment.
- b. Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of

Readability & clarity change

This is as per the delegations responsibilities

Readability & clarity change

c. Because of these dual objectives, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. In connection with the investment, Council subscribes for uncalled capital in the LGFA and is a Guarantor.

Property investments

- 15. Council **owns** property investments for strategic and commercial purposes.
- 16. Council reviews ownership through assessing the benefits, including financial returns, in comparison to other arrangements that could deliver similar results.
- 17. Surpluses generated from property investments are treated as income in the related Council activity.
- 18. Property disposals are managed to ensure compliance with statutory requirements and where appropriate consultation with the community.
- 19. Property purchases are supported by registered valuations and, where appropriate, a full business case analysis. Council will not purchase properties on a speculative basis.

Financial investments

- 20. Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in Counterparty credit risk of this policy (section 48-52). Credit ratings are monitored and any changes are reported to Council.
- 21. Council may invest in approved financial instruments as set out in the Treasury Management Policy. These investments are aligned with Council's objective of investing in high credit quality and highly liquid assets.
- 22. Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due. Council prudently manages liquid financial investments as follows:
 - a. Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections.
 - b. Council may choose to hold specific reserves in cash and direct what happens to that investment income. In effect the income from financial investments will be an interest income stream into general funds. Interest is paid to reserves from general funds.
 - c. Financial investments do not include shares.

Reserve funds

23. Liquid assets are required to be held against reserve funds.

Trust funds

24. Where Council hold funds as a trustee, or manages funds for a trust, then such funds must be invested on the terms provided within the trust. If the trust's investment policy is not specified then this Policy should apply.

Loan Advances

25. Council may provide advances to CCOs, CCTOs, charitable trusts and community organisations for strategic and commercial purposes. New loan advances **are** by Council resolution only. Council **does not** lend money, **or** provide any other financial accommodation, to a CCO or CCTO on terms and conditions that are more favourable than those that would apply if Council were borrowing the money or obtaining the financial accommodation.

c. Because of these dual objectives, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. In connection with the investment, Council subscribes for uncalled capital in the LGFA and is a Guarantor.

Property investments

- 19. Council **will purchase** property investments for strategic and commercial purposes.
- 20. Council **will** review ownership through assessing the benefits, including financial returns, in comparison to other arrangements that could deliver similar results.
- 21. Surpluses generated from property investments are treated as income in the related Council activity.
- 22. **The Council will ensure** property disposals are managed to ensure compliance with statutory requirements and where appropriate consultation with the community.
- 23. **The Council will ensure** property purchases are supported by registered valuations and, where appropriate, a full business case analysis.
- 24. **The** Council will not purchase properties on a speculative basis.

Financial investments

- 25. Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in Counterparty credit risk of this policy (section 48-52). Credit ratings are monitored and any changes are reported to Council.
- 26. Council may invest in approved financial instruments as set out in the Treasury Management Policy. These investments are aligned with Council's objective of investing in high credit quality and highly liquid assets.
- 27. Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due.
- 28. The Council prudently manages liquid financial investments as follows:
 - a. Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections.
 - b. Council may choose to hold specific reserves in cash and direct what happens to that investment income. In effect the income from financial investments will be an interest income stream into general funds. Interest is paid to reserves from general funds.
 - c. Financial investments do not include shares.

Reserve funds

29. Liquid assets are required to be held against reserve funds.

Trust funds

- 30. Where Council hold funds as a trustee, or manages funds for a trust, then such funds must be invested on the terms provided within the trust.
- 31. **Where** the trust's investment policy is not specified then this Policy should apply.

Loan Advances

32. Council may provide advances to CCOs, CCTOs, charitable trusts and community organisations for strategic and commercial purposes.

Readability & clarity change

Readability & clarity change

Readability & clarity change

Readability & clarity change

26. Advances to charitable trusts, and community organisations do not have to be on a fully commercial basis. Where advances are made to charitable trusts and community organisations at below Council's cost of borrowing, the additional cost is treated as an annual grant to the organisation.

27. Council reviews performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.

Investment management and reporting procedures

28. Council's investments are managed on a regular basis, with sufficient minimum immediate cash reserves and a cash buffer maintained. To best manage funding gaps, Council's financial investment maturities are matched with Council's forecast cash flow requirements.

29. The performance of Council investments is regularly reviewed to ensure Council's strategic objectives are being met. Both performance and policy compliance are reviewed through regular reporting.
30. Details on the performance of investments are reported to Council, or the appropriate Council Committee, on a regular basis.

31. Monitoring of equity and property investments involves reviewing quarterly reports, annual reports, strategic plans, and statements of corporate intent. Members of these entities may be invited to attend and present to the appropriate Council Committee.

32. Monitoring of cash and other investments form part of the regular financial reporting to

LIABILITY MANAGEMENT POLICY

Introduction

33. Council's liabilities comprise of borrowings (external/internal) and various other liabilities. Council maintains external borrowings in order to:

- a. Raise specific debt associated with projects and capital expenditures.
- b. Fund the balance sheet as a whole, including working capital requirements.
- c. Fund assets whose useful lives extend over several generations of ratepayers.

34. Borrowing provides a basis to achieve inter-generational equity by aligning long-term assets with long-term funding sources, and ensure that the costs are met by those ratepayers benefiting from the investment.

Borrowing Limits

33. New loan advances must be made by Council Resolution only. The Council will not lend money, provide any other financial accommodation, to a CCO or CTO on terms and conditions that are more favourable than those that would apply if Council were borrowing the money or obtaining the financial accommodation. (subject to the exemption as per Section 9 of the Local Government Borrowing Act 2011, lending and financial accommodation provided to the Local Government Funding Agency).

34. Advances to charitable trusts, and community organisations from the Council do not have to be on a fully commercial basis.

35. Where the Council makes advances are made to charitable trusts and community organisations at below Council's cost of borrowing, the additional cost is treated as an annual grant to the organisation.

36. Council will review performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.

Investment management and reporting procedures

37. Council's investments are managed on a regular basis, with sufficient minimum immediate cash reserves and a cash buffer maintained.

38. To best manage funding gaps, Council's financial investment maturities are matched with Council's forecast cash flow requirements.

39. The performance of Council investments is regularly reviewed to ensure Council's strategic objectives are being met. Both performance and policy compliance are reviewed through regular reporting.

40. Details on the performance of investments will be reported to Council, or the appropriate Council Committee, on a regular basis.

41. Monitoring of equity and property investments involves reviewing quarterly reports, annual reports, strategic plans, and statements of corporate intent. Members of these entities may be invited to attend and present to the appropriate Council Committee.

42. Monitoring of cash and other investments form part of the regular financial reporting to Council and

LIABILITY MANAGEMENT POLICY

Introduction

43. The Council's liabilities will comprise of borrowings (external) and various other liabilities.

44. Council maintains external borrowings in order to:
a. Raise specific debt associated with projects and capital expenditures.

b. Fund assets where their useful lives extend over several generations of ratepayers.

- c. Fund investments in CCOs,
- d. Provide funding to CCOs,
- e. Fund working capital requirements.

45. Borrowing provides a basis to achieve inter-generational equity by aligning long-term assets with long-term funding sources, and ensure that the costs are met by those ratepayers benefiting from the investment.

46. Borrowing is undertaken at a whole of Council level. That is, borrowing is made as and when it is required to fund the capital and operational activities of the Council.

Borrowing Limits

Legislative reference added for completeness

Readability & clarity change

Internal borrowing is not a liability therefore has been deleted
Readability & clarity change

Replaced by point 46

Reference to CCO and working capital/operating added for completeness

Provides clarity compared to old policies bullet point under 33.b

35. Council has set borrowing limits as part of adopting the 10-Year Plan. Council is also required to meet borrowing limits set by the Local Government Funding Agency (LGFA). Debt will be managed within both sets of limits.

Item	Borrowing Limits	
	HCC	LGFA
Total Overall Debt / Total Revenue	<250%	-
Net Debt / Total Revenue	-	<250%
Net Interest on External Debt / Total Revenue	<20%	<20%
Net Interest on External Debt / Annual Rate Income	-	<25%
Total Overall Debt as a multiple of cash flow	<15	-
Liquidity ratio	>110%	>110%

a. **Total revenue for Hamilton City Council** is defined as total revenue less vested assets, capital subsidies, gains and development contributions.

b. **Total revenue for Local Government Funding Agency** is defined as total revenue less vested assets, gains and development contributions.

c. **Total overall debt** (is defined as total external debt less cash and cash equivalents, plus reserves required to be held in cash).

d. **Net debt** (is defined as total external debt less liquid financial assets and investments).

e. **Liquidity** (is defined as external term debt plus committed bank facilities and liquid investments, divided by current external debt).

f. **Net interest on external debt** (is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period).

g. **Annual rate income** (is total rates including targeted water rates).

36. Financial covenants are measured on Council only, not the consolidated group.

37. Disaster recovery requirements are to be met through the liquidity ratio and available debt capacity.

47. The Council's Financial Strategy, adopted as part of the 10-Year Plan, includes borrowing limits which take account of the planning assumptions and circumstances of the City at the time the plan is adopted. The borrowing limits in this policy are the prudential limits which the Council's funders (including LGFA) and credit rating providers deem to appropriate for the City.

48. These limits are higher than the 10-Year Plan limits with the gap available for the Council to manage any unplanned events.

49. The Council will manage its debt with the following limits:

Item	Limit
Net External Debt / Total Revenue	<250%
Net Interest on External Debt / Total Revenue	<20%
Net Interest on External Debt / Annual Rate Income	<30%
Liquidity ratio	>110%

a. **Total revenue** is defined as total revenue less vested assets, gains and development contributions.

b. **Total external debt** is all gross debt held externally by council.

c. **Net external debt** is defined as total external debt less liquid funds and investments.

d. **Liquidity** is defined as external term debt plus committed external borrowing and liquid funds, divided by current external debt.

e. **Liquid funds** are defined as being:

- Overnight bank cash deposits
- Wholesale/retail bank term deposits no greater than 30 days
- Bank issued RCD's less than 91 days

- Wholesale/ retail bank term deposits linked to pre-funding of maturity of term debt exposures.

f. The liquidity ratio excludes encumbered cash investments, such as cash held within special / reserve funds.

g. **Net interest on external debt** is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period.

h. **Annual rate income** is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 (including volumetric water charges levied) together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

50. Financial covenants are measured on Council only, not the consolidated group.

51. Disaster recovery requirements are to be met through the liquidity ratio and available debt capacity.

Security

52. The Council's external borrowings and interest rate management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed.

53. Where appropriate the Council may seek project financing, which may have a charge over the project or a specific asset(s) rather than rates.

54. The Council's utilisation of special funds, reserve funds, internal borrowing of special funds/reserve funds and other funds will be on an unsecured basis.

55. Under a Debenture Trust Deed, The Council's borrowing is secured by a floating charge over all the Council rates levied under the Local Government Rating Act.

56. The security offered by Council ranks equally or pari passu with other lenders.

Points 47 - 49 (new policy) replace point 35 (old policy). Provides more clarity around prudential limits

Table simplified to one column (removes distinction between LGFA & HCC as we now use the same basis of definitions) and provides approved funding benchmarks

Definitions updated to reflect changes in table as above and to reflect the alignment of HCC with the LGFA measures

Moved from treasury management guidelines as it provides clarity on Councils

Borrowing mechanisms

38. Council is able to externally borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, Local Government Funding Agency (LGFA), accessing the short and long-term wholesale/retail debt capital markets directly or indirectly, or internal borrowing of reserve funds. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the following is taken into account:

- a. Available terms from banks, LGFA, debt capital markets and loan stock issuance.
- b. Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- c. Prevailing interest rates and margins relative to term for loan stock issuance, LGFA, debt capital markets and bank borrowing.
- d. The market's outlook on future interest rate movements as well as its own.
- e. Legal documentation and financial covenants considerations.
- f. For internally funded projects, to ensure that finance terms for those projects are at least as equitable with those terms from external borrowing.
- g. Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

39. Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA, and financial institutions/brokers.

Debt repayment

40. The funds from all asset sales, operating surpluses, grants and subsidies will be applied to specific projects or the reduction of debt and/or a reduction in borrowing requirements, unless the Council specifically directs that the funds will be put to another use.

41. Debt will be repaid as it falls due in accordance with the applicable borrowing arrangement. Subject to the appropriate approval and debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

42. Council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.

Interest rate risk

43. Risk recognition

57. From time to time, and with the Council approval, debt may be undertaken on an unsecured basis, or security may be offered by providing a charge over one or more of Council's assets.

58. The Councils physical assets will be charged only where:

- a. There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. project finance)
- b. Council considers a charge over physical assets to be appropriate
- c. Any pledging of physical assets complies with the terms and conditions contained within the security arrangement

Borrowing mechanisms

59. Council may externally borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, Local Government Funding Agency (LGFA), Central Government Agencies (e.g. Housing Infrastructure Fund (HIF)) accessing the short and long-term wholesale/retail debt capital markets directly or indirectly, or internal borrowing of reserve funds.

60. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the following is taken into account:

- a. Available terms from lenders.
- b. Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- c. Prevailing interest rates and margins relative to term for loan stock issuance, LGFA, debt capital markets and bank borrowing.
- d. The market's outlook on future interest rate and credit margin movements as well as its own.
- e. Legal documentation and financial covenants together with security and credit rating considerations.
- f. For internally funded projects, to ensure that finance terms for those projects are at least as equitable with those terms from external borrowing.
- g. Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

61. The Council's ability to readily attract cost effective borrowing will be determined by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA, credit rating agencies and financial institutions/brokers.

Debt repayment

62. The funds from all asset sales, operating surpluses, grants and subsidies will be applied to specific projects or the reduction of debt and/or a reduction in borrowing requirements, unless the Council specifically directs that the funds will be put to another use.

63. Debt will be repaid as it falls due in accordance with the applicable borrowing arrangement.

64. Subject to the appropriate approval and debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

65. Council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.

Interest rate risk

66. Risk recognition

security

HIF added in

Readability & clarity change

Readability & clarity change

Readability & clarity change

Readability & clarity change

Split to improve readability & clarity

a. Interest rate risk is the risk that funding costs (due to adverse movements in market wholesale interest rates) will materially exceed or fall short of projections included in the 10-Year Plan or Annual Plan so as to adversely impact revenue projections, cost control and capital investment decisions/returns/feasibilities.

b. The **primary objective** of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing/hedging of interest costs. Certainty around interest costs is to be achieved through the active management of underlying interest rate exposures.

44. Interest rate risk control limits

a. Exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's net external debt should be within the following fixed/floating interest rate risk control limit.

b. Net external debt is defined as total external debt less liquid financial assets and investments. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to ensure compliance with the Policy minimums and maximums.

Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)		
Debt Period Ending	Minimum Fixed	Maximum Fixed
Current	50%	95%
Year 1	45%	95%
Year 2	40%	90%
Year 3	35%	85%
Year 4	30%	80%
Year 5	25%	75%
Year 6	15%	70%
Year 7	5%	65%
Year 8	0%	60%
Year 9	0%	55%
Year 10	0%	50%
Year 11	0%	45%
Year 12	0%	40%
Year 13	0%	35%
Year 14	0%	30%
Year 15	0%	25%

c. A fixed rate maturity profile that is outside the above limits, but self corrects in less than 90 days is not in breach of this Policy. However, maintaining a maturity profile outside of the above limits beyond 90 days requires specific approval by Council.

- Fixed Rate is defined as an interest rate repricing date beyond **three** months.
- Floating Rate is defined as an interest rate repricing within **three** months.
- The percentages are calculated on the rolling projected net debt level calculated by management (signed off by the **Chief Financial Officer**).
- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Any interest rate swaps with a maturity beyond **12** years must be approved by the Chief Executive through a specific approval.
- Hedging outside the above risk parameters must be approved by Council.

Liquidity risk/funding risk

45. Risk recognition

a. Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of cash, short-term financial investments, loans and bank facilities. Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.

a. Interest rate risk is the risk that funding costs (due to adverse movements in market wholesale interest rates) will materially exceed or fall short of projections included in the 10-Year Plan or Annual Plan so as to adversely impact revenue projections, cost control and capital investment decisions/returns/feasibilities.

b. The **Council will ensure** interest rate risk management to reduce uncertainty relating to interest rate movements through fixing/hedging of interest costs. Certainty around interest costs is to be achieved through the active management of underlying interest rate exposures.

69. Interest rate risk control limits

a. **The** exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's net external debt should be within the following fixed/floating interest rate risk control limit.

b. **The Council's net** external debt will allow for pre-hedging in advance of projected physical drawdown of new debt.

c. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to ensure compliance with the Policy minimums and maximums **as per the following table:**

Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)			
Debt Period Ending	Minimum Fixed	Maximum Fixed	
Current	50%	95%	
Year 1	45%	95%	
Year 2	40%	90%	
Year 3	35%	85%	
Year 4	30%	80%	
Year 5	25%	75%	
Year 6	15%	70%	
Year 7	5%	65%	
Year 8	0%	60%	
Year 9	0%	55%	
Year 10	0%	50%	
Year 11	0%	45%	
Year 12	0%	40%	
Year 13	0%	35%	
Year 14	0%	30%	
Year 15	0%	25%	

d. A fixed rate maturity profile that is outside the above limits, but self corrects in less than 90 days is not in breach of this Policy.

e. **Maintaining** a maturity profile outside of the above limits beyond 90 days requires Council **resolution**.

- Fixed Rate is defined as an interest rate repricing date beyond **twelve** months.
- Floating Rate is defined as an interest rate repricing within **twelve** months.
- The percentages are calculated on the rolling projected net debt level calculated by management (signed off by the **GMC**).
- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Any interest rate swaps with a maturity beyond **15** years must be approved by the Chief Executive through a specific approval.
- Hedging outside the above risk parameters must be approved by Council.

Liquidity risk/funding risk

68. Risk recognition

a. Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of cash, short-term financial investments, loans and bank facilities. Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.

Readability & clarity change

Definition deleted as it is already included in s49c.

Split to improve readability.

Readability & clarity change

Readability & clarity change

Aligns with the above table

Aligns with the above table

This is as per the delegations responsibilities

Aligns with the above table

b. The management of Council's funding risks is important as several risk factors can arise to cause an adverse movement in borrowing margins, term availability and general flexibility including:

- Local Government risk is priced to a higher fee and margin level.
- Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to Council experiences its own financial/exposure difficulties resulting in Council not being able to manage their debt portfolio as optimally as desired.
- New Zealand investment community experiences a substantial "over supply" of Council investment assets.
- Financial market shocks from domestic or global events.

c. A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

46. Liquidity/funding risk control limits

- External term loans and committed debt facilities together with available liquid investments must be maintained at an amount of 110% over existing external debt.
- Council has the ability to pre-fund up to 18 months' forecast debt requirements including re-financings.
- The CFO has the discretionary authority to re-finance existing external debt on more favourable terms. Such action is to be reported to the Chief Executive and the appropriate Council Committee at the earliest opportunity.

d. The maturity profile of the total committed funding in respect to all external debt / loans and committed debt facilities, is to be controlled by the following system:

Period	Minimum %	Maximum %
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	40%

47. A maturity schedule outside these limits will require specific Council approval.

Counterparty credit risk

48. Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.

49. Credit risk will be regularly reviewed by the appropriate Council Committee. Treasury related transactions would only be entered into with organisations specifically approved by the Council.

b. The Council will manage funding risks where there may be adverse movement in borrowing margins, term availability and general flexibility including:

- Local Government risk is priced to a higher fee and margin level.
- Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to Council experiences its own financial/exposure difficulties resulting in Council not being able to manage their debt portfolio as optimally as desired.
- New Zealand investment community experiences a substantial "over supply" of Council investment assets.
- Financial market shocks from domestic or global events.

c. A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

69. Liquidity/funding risk control limits

- The Council will ensure liquid funds, term debt and committed debt facilities must be maintained at an amount exceeding 110% of existing external debt.
- The GMC has the discretionary authority to re-finance existing external debt on more favourable terms.
- Such action is to be reported to the Chief Executive and the appropriate Council Committee at the earliest opportunity.
- The maturity profile of the total committed funding in respect to all external debt / loans and committed debt facilities, is to be controlled by the following system:

Period	Minimum %	Maximum %
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	15%	60%

e. A funding maturity profile that is outside the above risk parameters but self corrects within 90-days is not in breach of this policy. However, maintaining a maturity profile that is outside the above risk parameters for a period greater than 90-days requires specific approval by the Council.

f. To minimise concentration risk the LGFA require that no more than the greater of NZD \$100 million or 33% of the Councils borrowings from the LGFA will mature in any 12-month period.

g. The Council has the ability to pre-fund up to 18 months forecast debt requirements including re-financings. Debt refinancing that has been pre-funded will remain included within the funding maturity profile until the maturity date.

Counterparty credit risk

70. Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.

71. Credit risk will be regularly reviewed by the appropriate Council Committee. Treasury related transactions would only be entered into with organisations specifically approved by the (CE).

Readability & clarity change

Readability & clarity change

Readability & clarity change

Deleted as it is already in s55f

Delegated Authority

Readability & clarity change

To allow greater long term funding due to debt being intergenerational and current favourable markets presenting long term benefits to the ratepayer as per PWC treasury advice

Expanded to provide clarity and to create consistency with LGFA rules

Delegated Authority

50. Counterparties and limits can only be approved on the basis of long-term Standard & Poor's (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A and above and/or short term rating of A-1 or above.
 51. Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.
 52. The following matrix guide will determine limits:

Counterparty/Issuer	Minimum S&P long term / short term credit rating	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited
Local Government Funding Agency (LGFA)	N/A	Unlimited
NZ Registered Bank	AA- / A-1	75
NZ Registered Bank	A /A-1	30

REFERENCES
 Section 102 of the Local Government Act 2002

72. Counterparties and limits can only be approved on the basis of long-term Standard & Poor's (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A and above and/or short term rating of A-1 or above.
 73. Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.
 74. The following matrix guide will determine limits:

Counterparty/Issuer	Minimum S&P long term / short term credit rating	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited
Local Government Funding Agency (LGFA)	N/A	Unlimited
NZ Registered Bank	AA- / A-1	75
NZ Registered Bank	A /A-1	30

Guarantees/contingent liabilities and other financial arrangements
 75. The Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, trusts, or business units, when the purposes of the loan are in line with Council's strategic objectives.
 76. When resolving to act as a guarantor, Council will ensure appropriate processes are implemented to review and monitor the performance of guarantee.
 77. The Council is not allowed to guarantee loans to Council-controlled trading organisations under Section 62 of the Local Government Act.
 78. Other financial arrangements may include community loans and advances.
 79. Conditions to financial arrangements, conditions will be set by the Council when the arrangement is approved.

REFERENCES
 Section 102, 104, 105, 112 to 122 and Schedule 7 Clause 32 of the Local Government Act 2002

Transferred from the treasury management guidelines as it is a governance matter

Legislation updated for completeness

INVESTMENT AND LIABILITY MANAGEMENT POLICY

Purpose and Scope

1. To comply with the Local Government Act 2002 in terms of a legislative requirement to adopt an investment policy and a liability management policy.

To provide the framework under which council operates investment and borrowing activities.

This policy supports council's financial strategy and Revenue and Financing Policy and is linked to the Treasury Management Policy which provides more detail for the day-to-day management of the treasury function.

2. The Council is responsible for:
 - a. Approving the financial strategy in the 10-Year Plan and Annual Plans
 - b. Approving new debt in the 10-year Plan, Annual Plans and specific council resolutions
 - c. Ensuring that a Treasury Management Policy is adopted as a management policy
 - d. Approval for one-off transactions falling outside Policy
 - e. Approve the appointment of the Trustee to the Debenture Trust Deed

INVESTMENT POLICY

Principles

3. The council will, when investing, ensure the protection of its investment capital and that a prudent approach to risk/return is always applied within the confines of this policy. Only approved creditworthy counterparties are acceptable.

The Council will act effectively and appropriately to:

- a. Protect the Council's investments.
- b. Ensure the investments benefit the Council's ratepayers.
- c. Maintain a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements.

Policy

4. The Council's general policy on investments is that:
 - a. The Council may hold financial, property, forestry, and equity investments if there are strategic, commercial, economic, or other valid reasons (e.g. where it is the most appropriate way to administer a Council function).
 - b. The Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.
 - c. The Council will review its policies on holding investments at least once every three years.

Acquisition and Disposal of Investments

5. With the exception of financial investments, new investments are acquired if an opportunity arises and approval is given by the Council.
6. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.
7. The authority to acquire financial investments is delegated to the General Manager Corporate (GMC).
8. Proceeds from the sale of assets or investments will in the first instance be used to repay outstanding borrowings unless otherwise specifically authorised by Council. The exception to this is in relation to the sale of endowment properties where any surplus cash is held in the Municipal Endowment Fund to be used to reinvest on behalf of the fund.
9. If assets are subject to legislative restrictions, the proceeds are used in accordance with the provisions of the appropriate legislation.

Investment Mix

Equity Investments

10. Equity investments, include investments held in Council Controlled Organisations (CCO), Council Controlled Trading Organisations (CCTO) and other shareholdings.
11. Council maintains equity investments and other minor shareholdings. Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the 10-Year Plan. Equity investments may be held where Council considers there to be strategic community value.
12. Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment and their stated philosophy on investments.
13. Any purchase or disposition of equity investments requires Council approval. Council may also acquire shares that are gifted or are a result of restructuring.
14. Dividends received from CCOs/CCTOs and unlisted companies are used firstly to repay debt in relation to that investment, and then used to reduce other Council debt unless otherwise directed by Council.
15. Any dividends received, and/or profit or loss arising from the sale of these investments must be recorded in accordance with appropriate accounting standards.
16. Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then utilised to reduce other Council debt.
17. Council recognises that there are risks associated with holding equity investments and to minimise these risks Council, through the relevant Council committee, monitors the performance of its equity investments on a twice yearly basis to ensure that the stated

objectives are being achieved. Professional advice regarding Council's equity investments is obtained when appropriate.

New Zealand Local Government Funding Agency limited investment

18. Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment to:
 - a. Obtain a return on the investment.
 - b. Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council.
 - c. Because of these dual objectives, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. In connection with the investment, Council subscribes for uncalled capital in the LGFA and is a Guarantor.

Property investments

19. Council will purchase property investments for strategic and commercial purposes.
20. Council will review ownership through assessing the benefits, including financial returns, in comparison to other arrangements that could deliver similar results.
21. Surpluses generated from property investments are treated as income in the related Council activity.
22. The Council will ensure property disposals are managed to ensure compliance with statutory requirements and where appropriate consultation with the community.
23. The Council will ensure property purchases are supported by registered valuations and, where appropriate, a full business case analysis.
24. The Council will not purchase properties on a speculative basis.

Financial investments

25. Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in Counterparty credit risk of this policy (para. 70-74). Credit ratings are monitored and any changes are reported to Council..
26. Council may invest in approved financial instruments as set out in the Treasury Management Policy. These investments are aligned with Council's objective of investing in high credit quality and highly liquid assets.
27. Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due.
28. The Council prudently manages liquid financial investments as follows:
 - a. Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections.
 - b. Council may choose to hold specific reserves in cash and direct what happens to that investment income. In effect the income from financial investments will be an interest income stream into general funds. Interest is paid to reserves from general funds.

- c. Financial investments do not include shares.

Reserve funds

29. Liquid assets are required to be held against reserve funds.

Trust funds

30. Where Council hold funds as a trustee, or manages funds for a trust, then such funds must be invested on the terms provided within the trust.
31. Where the trust's investment policy is not specified then this Policy should apply.

Loan Advances

32. Council may provide advances to CCOs, CCTOs, charitable trusts and community organisations for strategic and commercial purposes.
33. New loan advances must be made by Council Resolution only. The Council will not lend money, provide any other financial accommodation, to a CCO or CCTO on terms and conditions that are more favourable than those that would apply if Council were borrowing the money or obtaining the financial accommodation. (subject to the exemption as per Section 9 of the Local Government Borrowing Act 2011, lending and financial accommodation provided to the Local Government Funding Agency).
34. Advances to charitable trusts, and community organisations from the Council do not have to be on a fully commercial basis.
35. Where the Council makes advances are made to charitable trusts and community organisations at below Council's cost of borrowing, the additional cost is treated as an annual grant to the organisation.
36. Council will review performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.

Investment management and reporting procedures

37. Council's investments are managed on a regular basis, with sufficient minimum immediate cash reserves and a cash buffer maintained.
38. To best manage funding gaps, Council's financial investment maturities are matched with Council's forecast cash flow requirements.
39. The performance of Council investments is regularly reviewed to ensure Council's strategic objectives are being met. Both performance and policy compliance are reviewed through regular reporting.
40. Details on the performance of investments will be reported to Council, or the appropriate Council Committee, on a regular basis.
41. Monitoring of equity and property investments involves reviewing quarterly reports, annual reports, strategic plans, and statements of corporate intent. Members of these entities may be invited to attend and present to the appropriate Council Committee.

- 42. Monitoring of cash and other investments form part of the regular financial reporting to Council and appropriate Council Committees.

LIABILITY MANAGEMENT POLICY

Introduction

- 43. The Council’s liabilities will comprise of borrowings (external) and various other liabilities.
- 44. Council maintains external borrowings in order to:
 - a. Raise specific debt associated with projects and capital expenditures.
 - b. Fund the balance sheet as a whole, including working capital requirements.
 - c. Fund assets where their useful lives extend over several generations of ratepayers.
 - d. Fund investments in CCOs,
 - e. Provide funding to CCOs,
 - f. Fund working capital requirements.
- 45. Borrowing provides a basis to achieve inter-generational equity by aligning long-term assets with long-term funding sources, and ensure that the costs are met by those ratepayers benefiting from the investment.
- 46. Borrowing is undertaken at a whole of Council level. That is, borrowing is made as and when it is required to fund the capital and operational activities of the Council.

Borrowing Limits

- 47. The Council’s Financial Strategy, adopted as part of the 10-Year Plan, includes borrowing limits which take account of the planning assumptions and circumstances of the City at the time the plan is adopted. The borrowing limits in this policy are the prudential limits which the Council’s funders (including LGFA) and credit rating providers deem to appropriate for the City.
- 48. These limits are higher than the 10-Year Plan limits with the gap available for the Council to manage any unplanned events.
- 49. The Council will manage its debt with the following limits:

Item	Limit
Net External Debt / Total Revenue	<250%
Net Interest on External Debt / Total Revenue	<20%
Net Interest on External Debt / Annual Rate Income	<30%
Liquidity ratio	>110%

- a. **Total revenue** is defined as total revenue less vested assets, gains and development contributions.
- b. **Total external debt** is all gross debt held externally by council.
- c. **Net external debt** is defined as total external debt less liquid funds and investments.

- d. **Liquidity** is defined as external term debt plus committed external borrowing and liquid funds, divided by current external debt.
- e. **Liquid funds** are defined as being:
 - Overnight bank cash deposits
 - Wholesale/retail bank term deposits no greater than 30 days
 - Bank issued RCD's less than 91 days
 - Wholesale/ retail bank term deposits linked to pre-funding of maturity of term debt exposures.
- f. The liquidity ratio excludes encumbered cash investments, such as cash held within special / reserve funds.
- g. **Net interest on external debt** is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period.
- h. **Annual rate income** is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 (including volumetric water charges levied) together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

50. Financial covenants are measured on Council only, not the consolidated group.

51. Disaster recovery requirements are to be met through the liquidity ratio and available debt capacity.

Security

- 52. The Council's external borrowings and interest rate management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed.
- 53. Where appropriate the Council may seek project financing, which may have a charge over the project or a specific asset(s) rather than rates.
- 54. The Council's utilisation of special funds, reserve funds, internal borrowing of special funds/reserve funds and other funds will be on an unsecured basis.
- 55. Under a Debenture Trust Deed, The Council's borrowing is secured by a floating charge over all the Council rates levied under the Local Government Rating Act.
- 56. The security offered by Council ranks equally or pari passu with other lenders.
- 57. From time to time, and with the Council approval, debt may be undertaken on an unsecured basis, or security may be offered by providing a charge over one or more of Council's assets.
- 58. The Councils physical assets will be charged only where:
 - a. There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. project finance)
 - b. Council considers a charge over physical assets to be appropriate
 - c. Any pledging of physical assets complies with the terms and conditions contained within the security arrangement

Borrowing mechanisms

- 59. Council may externally borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, Local Government Funding Agency (LGFA), Central Government Agencies (eg. Housing

Infrastructure Fund (HIF)) accessing the short and long-term wholesale/retail debt capital markets directly or indirectly, or internal borrowing of reserve funds.

60. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the following is taken into account:
- a. Available terms from lenders.
 - b. Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
 - c. Prevailing interest rates and margins relative to term for loan stock issuance, LGFA, debt capital markets and bank borrowing.
 - d. The market's outlook on future interest rate and credit margin movements as well as its own.
 - e. Legal documentation and financial covenants together with security and credit rating considerations.
 - f. For internally funded projects, to ensure that finance terms for those projects are at least as equitable with those terms from external borrowing.
 - g. Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.
61. The Council's ability to readily attract cost effective borrowing will be determined by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA, credit rating agencies and financial institutions/brokers.

Debt repayment

62. The funds from all asset sales, operating surpluses, grants and subsidies will be applied to specific projects or the reduction of debt and/or a reduction in borrowing requirements, unless the Council specifically directs that the funds will be put to another use.
63. Debt will be repaid as it falls due in accordance with the applicable borrowing arrangement.
64. Subject to the appropriate approval and debt limits, a loan may be rolled over or re-negotiated as and when appropriate.
65. Council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.

Interest rate risk

66. Risk recognition
- a. Interest rate risk is the risk that funding costs (due to adverse movements in market wholesale interest rates) will materially exceed or fall short of projections included in the 10-Year Plan or Annual Plan so as to adversely impact revenue projections, cost control and capital investment decisions/returns/feasibilities.
 - b. The Council will ensure interest rate risk management to reduce uncertainty relating to interest rate movements through fixing/hedging of interest costs. Certainty around interest costs is to be achieved through the active management of underlying interest rate exposures.

67. Interest rate risk control limits

- a. The exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's net external debt should be within the following fixed/floating interest rate risk control limit.
- b. The Council's net external debt will allow for pre-hedging in advance of projected physical drawdown of new debt.
- c. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to ensure compliance with the Policy minimums and maximums as per the following table:

Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)		
Debt Period Ending	Minimum Fixed	Maximum Fixed
Current	50%	95%
Year 1	45%	95%
Year 2	40%	90%
Year 3	35%	85%
Year 4	30%	80%
Year 5	25%	75%
Year 6	15%	70%
Year 7	5%	65%
Year 8	0%	60%
Year 9	0%	55%
Year 10	0%	50%
Year 11	0%	45%
Year 12	0%	40%
Year 13	0%	35%
Year 14	0%	30%
Year 15	0%	25%

- d. A fixed rate maturity profile that is outside the above limits, but self corrects in less than 90 days is not in breach of this Policy.
- e. Maintaining a maturity profile outside of the above limits beyond 90 days requires Council resolution.
 - Fixed Rate is defined as an interest rate repricing date beyond twelve months.

- Floating Rate is defined as an interest rate repricing within twelve months.
- The percentages are calculated on the rolling projected net debt level calculated by management (signed off by the GMC).
- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Any interest rate swaps with a maturity beyond 15 years must be approved by the Chief Executive through a specific approval.
- Hedging outside the above risk parameters must be approved by Council.

Liquidity risk/funding risk

68. Risk recognition

- a. Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of cash, short-term financial investments, loans and bank facilities. Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.
- b. The Council will manage funding risks where there may be adverse movement in borrowing margins, term availability and general flexibility including:
 - Local Government risk is priced to a higher fee and margin level.
 - Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
 - A large individual lender to Council experiences its own financial/exposure difficulties resulting in Council not being able to manage their debt portfolio as optimally as desired.
 - New Zealand investment community experiences a substantial "over supply" of Council investment assets.
 - Financial market shocks from domestic or global events.
- c. A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

69. Liquidity/funding risk control limits

- a. The Council will ensure liquid funds, term debt and committed debt facilities must be maintained at an amount exceeding 110% of existing external debt.
- b. The GMC has the discretionary authority to re-finance existing external debt on more favourable terms.
- c. Such action is to be reported to the Chief Executive and the appropriate Council Committee at the earliest opportunity.
- d. The maturity profile of the total committed funding in respect to all external debt / loans and committed debt facilities, is to be controlled by the following system:

Period	Minimum %	Maximum %
0 to 3 years	15%	60%

3 to 5 years	15%	60%
5 years plus	15%	60%

- e. A funding maturity profile that is outside the above risk parameters but self corrects within 90-days is not in breach of this policy. However, maintaining a maturity profile that is outside the above risk parameters for a period greater than 90-days requires specific approval by the Council.
- f. To minimise concentration risk the LGFA require that no more than the greater of NZD \$100 million or 33% of the Councils borrowings from the LGFA will mature in any 12-month period.
- g. The Council has the ability to pre-fund up to 18 months forecast debt requirements including re-financings. Debt refinancing that has been pre-funded will remain included within the funding maturity profile until the maturity date.

Counterparty credit risk

- 70. Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.
- 71. Credit risk will be regularly reviewed by the appropriate Council Committee. Treasury related transactions would only be entered into with organisations specifically approved by the (CE).
- 72. Counterparties and limits can only be approved on the basis of long-term Standard & Poor's (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A and above and/or short term rating of A-1 or above.
- 73. Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.
- 74. The following matrix guide will determine limits:

Counterparty/Issuer	Minimum S&P long term / short term credit rating	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited
Local Government Funding Agency (LGFA)	N/A	Unlimited
NZ Registered Bank	AA- / A-1	75.0
NZ Registered Bank	A /A-1	30.0

Guarantees/contingent liabilities and other financial arrangements

75. The Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, trusts, or business units, when the purposes of the loan are in line with Council's strategic objectives.
76. When resolving to act as a guarantor, Council will ensure appropriate processes are implemented to review and monitor the performance of guarantee.
77. The Council is not allowed to guarantee loans to Council-controlled trading organisations under Section 62 of the Local Government Act.
78. Other financial arrangements may include community loans and advances.
79. Conditions to financial arrangements, conditions will be set by the Council when the arrangement is approved.

Monitoring and Implementation

80. Implementation of this policy will be monitored by the General Manager Corporate.
81. This policy will be reviewed, at the request of the Council, in response to any relevant legislative amendment, or every three years (whichever comes first)

REFERENCES

- Section 102, 104, 105, 112 to 122 and Schedule 7 Clause 32 of the Local Government Act 2002

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 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)