

Notice of Meeting:

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

Date: Tuesday 11 August 2020
Time: 10.45am
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Finance Committee *Komiti Tahua* OPEN AGENDA

Membership

Chairperson Cr R Pascoe
Heamana

Deputy Chairperson Cr Maxine van Oosten
Heamana Tuarua

Members	Mayor P Southgate	Cr K Naidoo-Rauf
	Deputy Mayor G Taylor	Cr A O'Leary
	Cr M Bunting	Cr S Thomson
	Cr M Forsyth	Cr E Wilson
	Cr M Gallagher	Maangai Hemi Rau
	Cr R Hamilton	
	Cr D Macpherson	

Quorum: A majority of members (including vacancies)

Meeting Frequency: Six weekly

Becca Brooke
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Menetia Mana Whakahaere

4 August 2020

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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.

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

Terms of Reference:

1. To provide direction on Council's financial strategy and monitor performance against that strategy.
2. To monitor Council's financial performance against the Council's 10 Year Plan and the impact of the financial performance on services levels and rate payers' value.
3. To monitor deferred capital expenditure.
4. To develop and monitor policy related to the following matters:
 - a) financial management;
 - b) revenue generation; and
 - c) procurement and tendering.
5. To monitor the probity of processes relating to policies developed by the Finance Committee.

The Committee is delegated the following powers to act:

- Approval of operating 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 to write-off outstanding accounts greater than \$10,000 (in accordance with the Debtor Management Policy).

The Committee is delegated the following recommendatory powers:

- To set the direction of Council's Financial Strategy.
- The Committee may make recommendations to Council.
- The Committee may make recommendations to other Committees.

Recommendatory Oversight of Policies and Bylaws:

- *Funding Needs Analysis Policy*
- *Investment and Liability Management Policy*
- *Rates Remissions and Postponements Policy*
- *Rating Policy*
- *Revenue and Financing Policy*

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1 Apologies – *Tono aroha*

2 Confirmation of Agenda – *Whakatau raarangi take*

The Committee to confirm the agenda.

3 Declaration of Interest – *Tauaakii whaipaanga*

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 – *Aatea koorero*

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 five 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 6727.

Council Report

Committee: Finance Committee

Date: 11 August 2020

Author: Ian Loiterton

Authoriser: Amy Viggers

Position: Governance Advisor

Position: Governance Team Leader

Report Name: Confirmation of the Open Finance Committee Minutes - 16 June 2020

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

That the Committee confirm the Open Minutes of the Finance Committee meeting held on 16 June 2020 as a true and correct record.

Attachments

Attachment 1 - Finance Committee Unconfirmed Open Minutes - 16 June 2020

Finance Committee

OPEN MINUTES

Minutes of a meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Tuesday 16 June 2020 at 10.02am.

PRESENT

Chairperson	Cr R Pascoe
Deputy Chairperson	Cr Maxine van Oosten
Members	Mayor P Southgate
	Cr M Bunting
	Cr M Forsyth
	Cr M Gallagher
	Cr D Macpherson
	Cr K Naidoo-Rauf
	Cr A O'Leary
	Cr E Wilson

In Attendance:	Richard Briggs – Chief Executive (via Audio Visual Link)
	David Bryant – General Manager Corporate
	Chris Allen – General Manager Development
	Lance Vervoort - General Manager Community
	Jen Baird – General Manager City Growth
	Sean Murray – General Manager Venues, Tourism and Major Events
	Blair Bowcott – Executive Director Special Projects
	Tracey Musty – Financial Controller
	Rebecca Whitehead – Business and Planning Manager
	Iain Anderson – Capital Financial Lead
	Tania Hermann – Group Business Manager, Infrastructure Operations
	Julie Clausen - Unit Manager Strategy and Corporate Planning
	Maire Porter – City Waters Manager
	Lance Haycock – Programme Manager
	Dan Silvertown – Communication and Engagement Advisor
	Katy Nudd – Business Planning Analyst
	Alex Wondergem – PwC
Governance Staff:	Becca Brooke – Governance Manager
	Amy Viggers – Governance Team Leader
	Carmen Fortin, Ian Loiterton and Rebecca Watson – Governance Advisors

Cr Gallagher and Cr Forsyth took part in the meeting and voted remotely via Audio Visual Link.

13. Apologies

Resolved: (Cr van Oosten/Cr Macpherson)

That apologies for absence from Deputy Mayor Taylor, Cr Hamilton and Cr Thomson, for lateness from Mayor Southgate, and for partial absence from Cr Gallagher are accepted.

14. Confirmation of Agenda

Resolved: (Cr Pascoe/Cr Wilson)

That the agenda is confirmed noting that Item 11 (Interest Rate Deferral Strategy and Interest Rate Risk Control Limits) and Item 12 (Local Government Funding Authority Notice of Special General Meeting) are taken after Item 9 (Financial Strategy Monitoring Report) to accommodate availability.

15. Declarations of Interest

No members of the Council declared a Conflict of Interest.

16. Public Forum

No members of public wished to speak.

17. Confirmation of the Open Finance Committee Minutes - 28 April 2020

Resolved: (Cr Wilson/Cr Bunting)

That the Committee confirm the Open Minutes of the Finance Committee meeting held on 28 April 2020 as a true and correct record, subject to amending the venue from Council Chamber to Audio Visual Link.

18. Chair's Report

The Chair took the report as read invited the Executive Director Special Projects to provide an update following an announcement by the Prime Minister. The Executive Director Special Projects responded to questions from Members concerning Council's infrastructure funding applications to Central Government.

Resolved: (Cr Pascoe/Cr van Oosten)

That the Finance Committee receives the report.

19. Capital Portfolio Monitoring Report

The General Manager Development and Capital Financial Lead introduced the report. Staff responded to questions from Members concerning the relationship of deferrals, renewals and savings to the Annual Plan budget, subsidies and the timelines for capitalisation, the status of projects, the Te Awa pathway including the difference between the Te Awa remediation and path works, and funding and development of cycleway linkages as part of the expressway development.

Resolved: (Cr Pascoe/Cr van Oosten)

That the Finance Committee receives the report.

Mayor Southgate joined the meeting (10.56am) during the discussion of the above item. She did not partake in the vote of the matter.

20. Annual Monitoring Report to 30 April 2020

The Financial Controller spoke to the report and responded to questions from Committee Members concerning Covid-19 impacts and revenue losses, balancing the books forecasts and capital costs.

Resolved: (Cr Pascoe/Cr van Oosten)
That the Finance Committee receives the report.

The meeting was adjourned 11.25am to 11.45am.

21. Financial Strategy Monitoring Report *Recommendation to the Council*

The report was taken as read.

Resolved: (Cr Pascoe/Cr Wilson)

That the Finance Committee receives the report.

That the Finance Committee recommends the Council:

- a) approves the capital movement in expenditure of (\$2m) and in revenue \$0.1m from the 2019/20 Financial Year to future years as identified in the 16 June 2020 Capital Portfolio Monitoring Report;
- b) approves the significant forecast adjustments as set out in paragraphs 19 to 24 of this report;
- c) approves the revised forecast Financial Strategy position for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 25 to 32 of this report; and
- d) approves an increase in the Te Awa Path budget by \$1.6m (\$784,000 local share) from \$4.2m to \$5.8m subject to Waka Kotahi NZ Transport Agency approving a minimum 51% subsidy, with the local share for the full project being promoted by Council as a contribution towards any transport related economic stimulus packages currently being considered by the Government.

22. Interest Rate Deferral Strategy and Interest Rate Risk Control Limits

The Financial Controller spoke to the report and introduced Alex Wondergem from PwC. They responded to questions from Members concerning projected savings and the Annual Plan budget and consultation process, swaps and interest rates, whether there was potential to invest savings into Council's Endowment Fund, timing of interest rate costs, flexibility of Council's interest rate strategy to manage potential rate increases, and audit implications of any deferrals.

Resolved: (Cr Wilson/Cr van Oosten)

That the Finance Committee:

- a) supports the interest rate deferral strategy recommended by PricewaterhouseCoopers (PWC).
- b) approves the temporary amendment to the debt interest rate policy parameters within the Investment and Liability Management Policy, to allow for the interest rate deferral strategy to be implemented.

23. Local Government Funding Authority Notice of Special General Meeting *Recommendation to the Council*

The report was taken as read.

Resolved: (Cr Pascoe/Cr van Oosten)

That the Finance Committee recommends that the Council:

- a) receive the Local Government Funding Authority Notice of Special General Meeting report.
- b) approve the amendments to the foundation policies of the Local Government Funding Authority.
- c) approve by way of proxy, a nominated member of staff to attend the Special General Meeting as shareholder representative of Hamilton City Council
- d) approve the amendment of Council's Investment and Liability Management Policy to align with the Local Government Funding Authority foundation policy change to the net debt to revenue covenant, subject to shareholders' approval of (b) above.

24. Long Term Plan Service Performance Measures 2019-20 Quarter Three Report

The report was taken as read.

Resolved: (Cr van Oosten/Cr Bunting)

That the Finance Committee receives the report.

13. Resolution to Exclude the Public

Resolved: (Cr Pascoe/Cr 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
Confirmation of the Public Excluded Finance Committee Minutes - 29 April 2020) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
Covid-19 Contract Costs) Official Information and Meetings Act 1987	
Report on overdue debtors as at 31 May 2020 & Debt write-offs 2019/20)	
Rubbish and Recycling Kerbside Collection Contract Extension)	
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 enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)
Item C3.	to protect the privacy of natural persons to maintain the effective conduct of public affairs through protecting persons from improper pressure or harassment	Section 7 (2) (a) Section 7 (2) (f) (ii)
Item C4.	to maintain legal professional privilege to enable Council to carry out commercial activities without disadvantage to enable Council to carry out negotiations	Section 7 (2) (g) Section 7 (2) (h) Section 7 (2) (i)

The meeting went into a public excluded session at 12.25pm.

The meeting was declared closed at 1.26pm.

Council Report

Committee: Finance Committee

Date: 11 August 2020

Author: Iain Anderson

Authoriser: Chris Allen

Position: Capital Financial Lead

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 year end outcome of the capital portfolio delivery against the 2019/20 Annual Plan. The results in this report should be considered draft as the accounts are still subject to audit.

Staff Recommendation

2. That the Finance Committee receives the report.

Executive Summary

3. This report is to be read in conjunction with the:
 - 30 June 2020 (11 August 2020 meeting) Annual Monitoring Report; and
 - 30 June 2020 (11 August 2020 meeting) Financial Strategy Monitoring report
3. This report reflects the draft capital portfolio delivery results for year ended 30 June 2020.
4. The financial impact from the COVID-19 related contract delays have largely been quantified and are included in the year end project costs. There is a separate report in the public excluded section due to the commercial sensitivity of the contractor negotiations.
5. Staff consider the matter to be of low significance and that the recommendations comply with the Council's legal requirements.

Programme Summary and Significant Highlights

6. The following definitions are relevant:
 - Portfolio: refers to the total organisational capital work budget. A summary table of the year 2 (2019/20) portfolio is below;
 - Programme: refers to the 8 programmes that are referred to in this report, which when added together equal the portfolio;
 - Project: refers to an individual identified project under a particular programme, which may have funding from multiple activities and across multiple year.

2019/20 Capital Expenditure Budget as per Approved Annual Plan	\$323.6m
Plus Deferrals from 2019-20 (approved September 2019)	\$6.0m
Total Capital Expenditure Budget	\$329.6m

7. **Attachment 1** contains an overview of the Portfolio.
8. **Attachment 2** contains an overview of the 8 programmes. Each overview contains a summary of the key achievements and a graphical representation of the financial performance. The 8 programmes are:
 - I. City Wide Community
 - II. City Wide Waters
 - III. Peacocke
 - IV. Rotokauri
 - V. Rototuna
 - VI. Ruakura
 - VII. Transport Improvement
 - VIII. Renewal and Compliance
9. Staff have reviewed governance arrangements relating to the capital programmes and projects. In the previous report, staff moved towards reporting to both programme and key projects for some but not all programme summaries. This approach has now been applied to all except the Renewal and Compliance programme, which is managed as a 3 year programme.
10. Significant highlights since the last report to the Finance Committee on 16 June 2020 include:
 - I. The Baverstock Road contract has been awarded, physical works will commence as soon as the winter season ends.
 - II. Construction of the Te Awa Cycleway Remediation Project commenced at the end of July and opening of the path is expected in October. This is an integral component of the larger stimulus funded project that is currently underway.
 - III. The Te Awa Path project funding has been confirmed by the Waka Kotahi NZ Transport Agency and the project is currently being tendered ready for a start date in October 2020.
 - IV. The Hillsborough waste water pump station and storage facility is nearing completion with commissioning expected in September. This will significantly reduce waste water overflows.
 - V. The new bioreactor and clarifier structures at Pukete Wastewater Treatment Plant have now been completed in readiness for internal mechanical installations. The new chemical storage facility at the Wiaora Treatment Plant is scheduled to be completed this month.
 - VI. Borman Road Stormwater Wetland is finished, this treatment of stormwater unlocks development and roading improvements in the area.
 - VII. The Ruakura Reservoir is complete and in the commissioning stage.

Capital Expenditure Forecast

Item 6

11. For the purposes of this Capital Portfolio Monitoring report, there are 6 main types of capital budget movement that will impact on the forecasted total spend for this financial year. They are:
 - I. **Re-phasing Deferrals**: this is where the project has started, or there is confidence that the project will start and 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 staff have received construction programmes from the contractors, and with them the forecasts of expenditure have been rephrased.
 - II. **Delay Deferrals**: this is where a movement of capital expenditure is required due to delays and will result in a shift of the project end date. Some of these delays will be due to third party issues outside Council control, the more usual reason being that a developer is not ready to partner with Council as anticipated when the 2018-28 10-Year Plan was developed.
 - III. **Renewal and Compliance Deferrals**: this is for projects that are classified Renewals and Compliance. This programme is being managed as a 3-year programme. Any unspent funds within any year are carried forward. Ultimately, any budgets unspent at the end of the 3-year cycle will be returned to Council as a saving. Staff are authorised to use their discretion to manage projects within the 3-year programme to ensure that Council is looking after its assets.
 - IV. **Capital Savings**: this is for the recording of efficiencies and capital savings that can be attributed to the capital savings target. At times Capital cost increases will also occur that erode any savings.
 - V. **Capital Expenditure Brought Forward**: this is where a project has been brought forward to align with other projects or to enable work ahead of schedule to achieve the outcomes required in the timeframes set.
 - VI. **Other Changes**: these changes are likely to be either new projects or amendments to existing projects to ensure the budget reflects up to date data.
12. The draft result for the year ended 30 June 2020 was actual capital expenditure result was \$190.8M with associated capital revenue of \$42.4M.
13. As a comparative, the capital expenditure for previous financial year was \$153.7M reflecting a significant increase in expenditure in year 2 of the 2018-28 10-Year Plan.
14. This is a pleasing result given significant disruption during the COVID lockdown period; however, this disruption has seen a rise in the level of deferrals.

15. Approved capital expenditure budget approved at the previous Finance Committee on 16 June 2020 was \$191.3M. The following table tracks the approved budget changes.

2019/20 Annual Plan Capital Expenditure Budget	\$329.6M
Less Forecasted re-phasing deferrals	\$69.9M
Less Forecasted delay deferrals	\$56.4M
Less Forecasted Renewals and Compliance deferral	\$22.7M
Plus Capital expenditure brought forward from 2020/21	\$9.5M
Less Capital savings forecasted in 2019/20	\$5.2M
Plus Other Changes	\$6.4M
2019/20 Revised Annual Capital Expenditure Budget	\$191.3M

16. The Annual capital expenditure budget has been revised, the forecast for 30 June 2020 is \$189.1M. See following table.

2019/20 Annual Plan Capital Expenditure Budget (16 June 2020)	\$191.3m
Less Forecasted re-phasing deferrals	\$8.0M
Less Forecasted delay deferrals	\$7.2M
Plus Forecasted Renewals and Compliance deferral	\$9.0M
Plus Capital expenditure brought forward from 2020/21	\$21.7M
Less Capital savings forecasted in 2019/20	\$0.4M
Plus Other Changes	\$0.7M
2019/20 Revised Annual Capital Expenditure Budget (30 June 2020)	\$189.1M

Revenue Forecast

17. Approved capital revenue budget approved at the previous Finance Committee on 16 June 2020 was \$55.3M. The following table tracks the approved budget changes.

2019/20 Approved Annual Plan Capital Revenue Budget	\$69.7M
Less Forecasted re-phasing deferrals	\$7.5M
Less Forecasted delay deferrals	\$6.1M
Less Forecasted Renewals and Compliance deferral	\$2.8M
Plus Capital revenue brought forward from 2020/21	\$1.2M
Less Capital savings forecasted in 2019/20	\$0.6M
Plus Other Changes	\$1.4M
2019/20 Approved Capital Expenditure Budget (16 June 2020)	\$55.3M

18. The annual capital revenue budget has been revised, the forecast for 30 June 2020 is \$40.2M. See following table.

2019/20 Revised Annual Plan Capital Revenue Budget (16 June 2020)	\$55.3M
Less Forecasted re-phasing deferrals	\$4.9M
Less Forecasted delay deferrals	\$3.8M
Less Forecasted Renewals and Compliance deferral	\$0.5M
Plus Capital revenue brought forward from 2020/21	\$6.7M
Less Capital savings forecasted in 2019/20	\$0
Less Other Changes	\$12.7M
2019/20 Revised Capital Revenue Budget (30 June 2020)	\$40.2M

Deferrals, brought forwards, changes and review of the 2019-20 Capital Programme

19. Change in disclosure from the previous report. The table now includes the value of budgets that have been brought forward. This change is to acknowledge that while some projects have been deferred others have been brought forward. This better reflects the delivery of a large complex programme.

20. Deferrals (including Renewals and Compliance) have increased by \$20.3M since the previous report to the Finance Committee. This results in total deferrals for the 2019-20 year of \$173.3M.
21. The value of projects brought forward have increased by \$21.8M since the previous report to the Finance Committee. This results in total brought forwards for the 2019-20 year of \$31.3M.
22. This increase in deferrals was unable to be included within the Approved 2020-21 Annual Plan. These will now be included and report back to committee along with other approved changes as part of the forecasting process.
23. The net budget movement for the 2019-20 year is \$142.0M.

2019/20 Deferrals by Type	
Re-phasing deferrals	\$78.5M
Delay deferrals	\$63.1M
Renewals and Compliance deferrals	\$31.7M
2019/20 Total Deferrals	\$173.3M
Less Projects brought Forward	\$31.3M
2019/20 Total Net Deferrals	\$142.0M

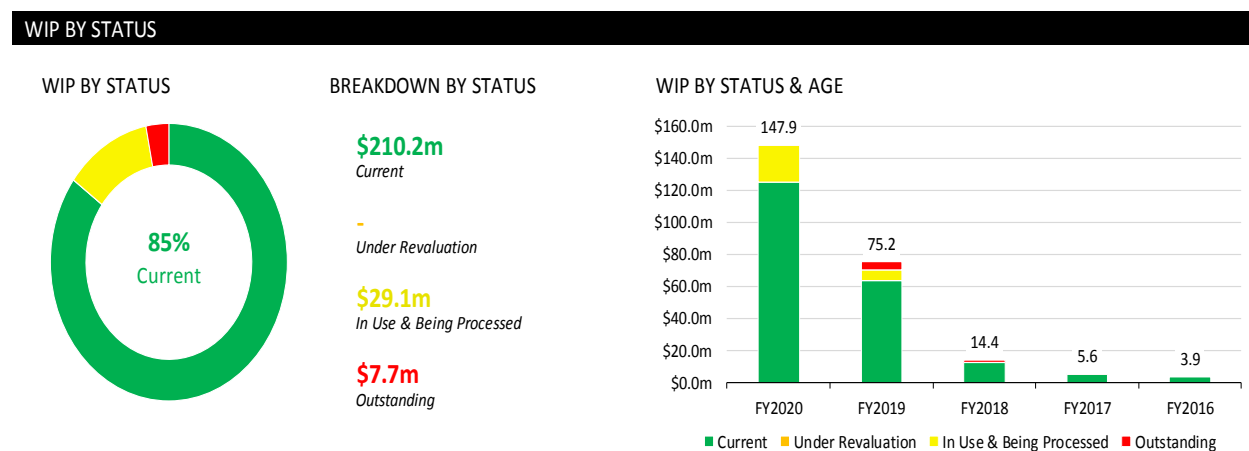
24. Significant changes to the capital programme budgets since the 16 June 2020 have largely occurred in the Revenue area:
 - Revenue budgets for the Peacocke land purchase have been redistributed across the 2018-28 LTP to align with the approved schedule. The change impacts across the next 5 years and are neutral on the financial strategy model.
 - Expenditure and revenue budgets have been updated for the Rotokauri Transport HUB to reflect the changes approved by Council August 2019.
 - Expenditure and revenue budgets have been updated for the Wairere Drive Interchange project to reflect the changes approved by Council, 28 May 2020.
25. The savings have increased by \$400K, bringing the total savings for 2020/21 to \$5.6M.
26. **Attachment 3** contains a breakdown of the actuals and budgets by the eight programmes.

Covid-19

27. The impact of COVID-19 on the capital programme can be grouped into 2 areas:
 - The first is delays in delivering the capital projects, this links directly to the deferrals being reported.
 - The second is an increase in costs related to contractual matters. These costs have largely been resolved. The total value is \$2.8M, this amount has been included within the results for the year ended 30 June 2020.

Work in Progress (WIP)

28. The balance of WIP as at 30 June 2020 is \$247.0M, this excludes the value of vested assets.
29. The breakdown by status is:
- \$210.2M: Current, this is legitimate WIP and reflects the assets cannot be capitalised until they are in use.
 - \$29.1M: In use and being processed
 - \$7.7M: Projects completed and in service but not yet capitalised.
30. The following table includes the status along with the WIP age.



31. In addition to balance above there is a further \$26.1M of vested asset that have not yet been capitalised.

Emerging Issues

Western Interceptor Duplication

32. This is a critical project to allow the City to manage its waste water needs into the future.
33. The project has commenced but has encountered several unforeseen ground conditions that is making the project difficult to deliver within the initial programme dates and within the Approved Contract Sum.
34. The project has sufficient budget funding available, however, to accommodate the expected increase in the Approved Contract Sum. Staff will report back to Council within the next two meeting cycles.

Te Wetini Drive Extension

35. Council are continuing to work with Rotokauri Developments Ltd who have the primary responsibility to extend Te Wetini Drive. There are outstanding issues and cost sharing issues to resolve.
36. Resolution of these issues are complicated due to the Stormwater and consenting issues.

Resolution Drive

37. At the previous Finance Committee meeting it was reported there was an emerging risk in respect to the lump sum contribution of \$10.3M, with Waka Kotahi NZ Transport Agency expecting a higher contribution from Council. This has now been resolved and the original \$10.3M contribution has been confirmed.

Rotokauri Transport Hub

38. The project is on track for successful delivery in accordance with planned commencement of the passenger rail service in November 2020, however a number of construction challenges including COVID have impacted on cost forecasts.
39. Discussions are still progressing between Waikato District Council and the Agency over the Horsham Downs Link.

Gordonton/Puketaha Intersection Upgrade

40. The 10 Year Plan budgeted for an upgrade of the Puketaha Rd/Gordonton Rd intersection, including connection of St James Dr to Gordonton Rd.
41. An NZTA Business Case focussed primarily on improving safety of the Gordonton Road Corridor has been developed and identified that currently there is a limited crash history and no substantive evidence of a significant safety issue at the Puketaha/Gordonton intersection to warrant NZTA financial assistance via project subsidy as budgeted in our 10 Year Plan. There is however evidence of a safety concern at the adjacent Gordonton/Darjon intersection.
42. Gordonton Road is the boundary between the existing urban development within the city and the future R2 growth area, and accordingly the long-term function of the Gordonton Road corridor and it's intersections are subject to future R2 structure planning and development timing.
43. Staff are currently reviewing the Business Case and will report back to the Infrastructure Operations Committee.

Wairere Drive Extension

44. Project construction is currently progressing well, however as previously reported this project has encountered a number of issues throughout the construction phase which continue to be monitored and reviewed.

Legal and Policy Considerations

45. Staff confirm that matters and recommendations within this report comply with the Council's legal and policy requirements.

Wellbeing Considerations

46. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 well-beings').
47. The subject matter of this report has been evaluated in terms of the 4 well-beings during the process of developing this report as outlined below.
48. The recommendations set out in this report are consistent with that purpose.

Social

49. Work is currently underway to understand social procurement opportunities across our portfolio, which involves enhanced recognition and valuing of social benefits through particularly our selection of contractors.

Economic

50. Delivery of our capital works portfolio is required for the city to continue to grow and generate employment and wealth.

Environmental

51. Across the capital portfolio, environmental consideration is integrated throughout the project life cycle, including through design, procurement and construction.
52. In the procurement phase all physical works contracts include a component to incorporate environmental and sustainability considerations into tender evaluation, where contractor initiatives such as materials reuse, energy requirements, electric vehicle utilisation, carbon offsets etc. can be valued.
53. Across the portfolio several works projects and programmes are specifically focussed on enhancing Hamilton's natural environment or ensuring effects of city development are not at the detriment of the natural environment.

Cultural

54. Across the portfolio, engagement and partnership with Iwi are continuing at a project level, and work is underway to further align and partner at programme and portfolio levels to identify opportunities for enhanced partnership and shared outcomes. This is particularly in regard to alignment with objectives of the Waikato Tainui Environmental Plan – Tai Tumu Tai Pari Tai Ao.

Risks

55. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy

Significance

56. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed the matters and recommendations in this report have a low level of significance.

Engagement

57. Community views and preferences are already known to the Council through the 2018-28 10-Year Plan and 2019-20 Annual Plan.
58. Given the low level of significance determined, the engagement level is low, and no further engagement is required.

Attachments

Attachment 1 - Overview for Portfolio

Attachment 2 - Overview by Programme

Attachment 3 - Expenditure and Revenue table by Programme

HAMILTON CITY COUNCIL CAPITAL PORTFOLIO REPORT

PORTFOLIO COMMENTARY/HIGHLIGHTS

Across the portfolio, our works programmes and projects are continuing to deliver organisational outcomes and realise the following investment benefits:

Looking after our existing assets

Delivery of our asset renewals programmes is continuing, with works largely contractually committed and on track. Delivery of these activity works programmes has involved agility and reprioritisation to best respond to asset needs.

Enabling and supporting residential growth and development

Our strategic infrastructure delivery programmes continue to support ongoing residential development in the greenfield growth areas of Rototuna and Ruakura, and delivery of the Peacocke programme is on track as our next primary greenfield residential growth area. Opportunities to progress development of the Rotokauri area in advance of current 10YP timeframes are being considered.

Infill and intensification development also continues to put increasing pressure on capacity of existing infrastructure. The financial implications to address this pressure on our existing networks could be significant in future AMPs and network Master Plans.

Enabling and supporting industrial and employment growth and development

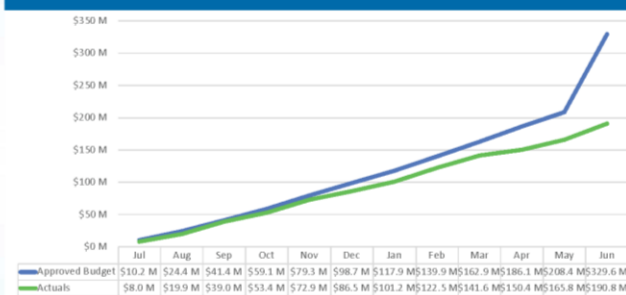
With limited existing industrial/commercial land available (Te Rapa industrial zone almost at capacity), Ruakura is the city's next planned major employment area. In collaboration with local developers, provision for strategic 3-waters infrastructure is well advanced, however there is pressure to advance delivery of the strategic transportation networks (Ruakura Road Upgrade and Eastern Transport Corridor) to support development.

Building a great river city that makes Hamilton a great place to live, work, play and visit.

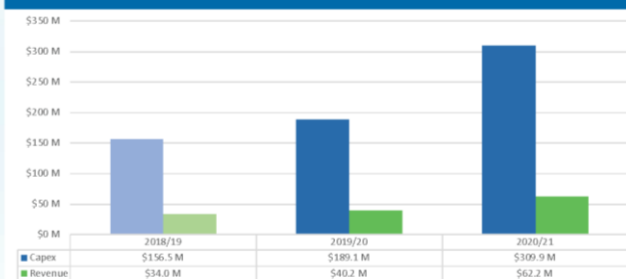
Development of new playgrounds, sports parks and Rototuna village are progressing well with positive community feedback. Delivery of some key transportation projects (ie. Eastern Pathways, Transport Centre Upgrade and Mass Transit) are currently delayed from original programme due to prolonged Business Case development.

FINANCIAL PERFORMANCE

Capital Expenditure 2019-20



3 Year Forecasted Budget



CITY WIDE COMMUNITY PROGRAMME CAPITAL REPORT

PROGRAMME OUTCOME

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



HAMILTON GARDENS

Following feedback on the draft Hamilton Gardens Management Plan, submissions are being sought on an alternative roading and carpark arrangement which preserves the Rhododendron Lawn. Submissions close on the 9th August 2020. The Ancient Egyptian Garden contract has been awarded. The Hamilton Club Summerhouse construction is still in progress with completion in the 2020/21 financial year due to delays caused by Covid-19.

Staff are currently reviewing the full development programme regarding scope and timeframes, taking into consideration recent cost estimates, the proposed changes to the draft Hamilton Gardens Management Plan and impacts on the funding environment due to Covid-19.



ZOO/WAIWHAKAREKE SHARED ENTRY PRECINCT

Detailed design is in progress. Additional funding of \$100k from WEL Energy Trust has been secured towards stage 1B of the programme.



PLAYGROUNDS

Innes Common and Melville are complete. Construction is in progress for Lake Domain with completion expected in September 2020.



CENTRAL CITY JETTY

Construction is scheduled to commence end of July/early August. Based on the tendered programme, the Jetty is anticipated to be completed in December 2020.

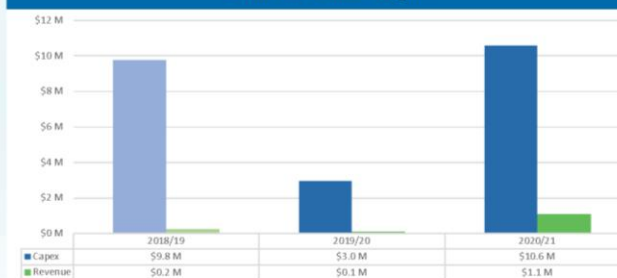


FINANCIAL PERFORMANCE

Capital Expenditure 2019-20











3 Year Forecasted Budget



Hamilton City Council
Te kaunihera o Kirikiriroa

CITY WIDE COMMUNITY PROGRAMME CAPITAL REPORT

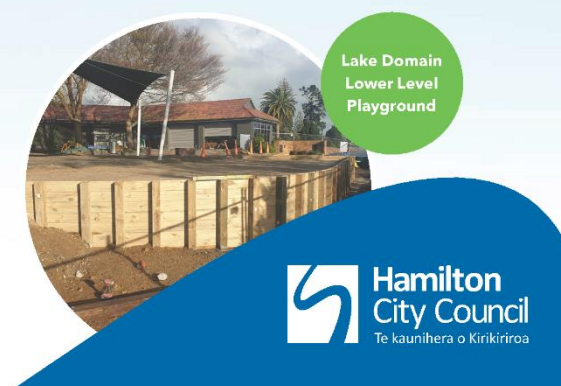
KEY PROJECTS									
Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Percent Total Cost	2019/20	2020/21	2021/22	
 Hamilton Gardens Stage One	Completion of the theme gardens at the western end of the site and the extension of the visitor retail space. The project also includes the following new gardens: - Baroque Garden - Medieval Garden - Pacific Garden - Ancient Egyptian Garden and Courtyard Civil works have been completed for these four gardens.		\$9.9 M	\$3.5 M	\$9.9 M				
 Zoo/Waikarekare Shared Entry Precinct	Creating a shared entry precinct with Hamilton Zoo and Waikarekare Natural Heritage Park. This major project will be done in stages and includes developing a new function and education space at the zoo.		\$7.6 M	\$0.5 M	\$7.6 M				
 Playground Development Programme	The upgrade of playgrounds across the City (budget shown for 2018/19 to 2020/21).		\$1.8 M	\$1.1 M	\$1.8 M				
 Central City Jetty	The upgrade the current central city jetty to provide a safe location for boats to dock close to the central business district		\$1.1 M	\$0.2 M	\$1.1 M				

Project status

-  Project is on track
-  Project has significant risks that are being monitored and managed
-  Project has significant risks that will require Council decision

KEY

-  Business Case / Investigation
-  Procurement
-  Design
-  Construction



CITY WIDE WATERS PROGRAMME CAPITAL REPORT

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



TREATMENT PLANTS

Waioira Water Treatment Plant: The next key deliverable on this project is completion of the new chemical storage facility, which is anticipated to be complete this month (August 2020). Design and works planning for the subsequent sedimentation and filtration upgrade is progressing.

Pukete Wastewater Treatment Plant: This project is progressing towards completion of the new chemical storage facility, bioreactor and clarifier by the end of this calendar year, with the majority of civil and structural installation now substantively complete and the focus now on mechanical, electrical, tie-in and commissioning activities.



WATER

Newcastle Water Reservoir and Supply

Network Upgrade: Investigation and design works are continuing, with construction procurement planned this calendar year.



STORMWATER

Erosion Control Works: Works planning is underway to deliver a programme of erosion control through streams and watercourses across the city's catchment areas in the upcoming summer construction season, as well as interim works to address urgent areas of erosion damage over the winter period.



WASTEWATER

Western Wastewater Interceptor: Following some installation delays, challenges, and despite recent wet weather the project is making good progress with pipe installation alongside Mangaharakeke Drive. Detailed works planning is currently underway for upcoming road crossings of Forest Lake Road and Lincoln Street in early 2021.

Hillsborough Wastewater Pump Station

Upgrade: Project is progressing well and is planned to be completed in September 2020.

Hillsborough Pump Station

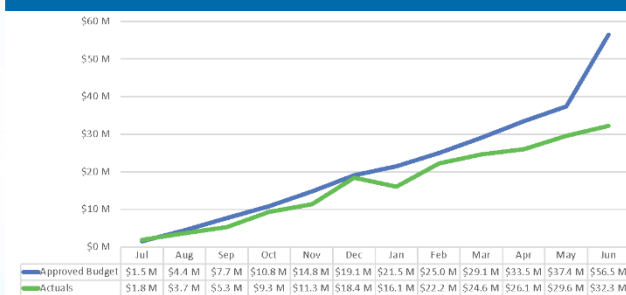


Hillsborough Pump Station

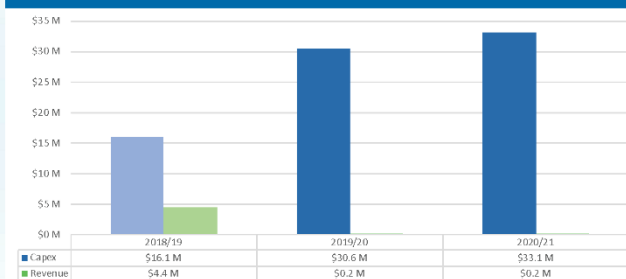


FINANCIAL PERFORMANCE

Capital Expenditure 2019-20








3 Year Forecasted Budget



**Hamilton
City Council**
Te kaunihera o Kirikiriroa

CITY WIDE WATERS PROGRAMME CAPITAL REPORT

KEY PROJECTS									
Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2019/20	2020/21	2021/22	
 Pukekohe Wastewater Treatment Plant Capacity Upgrade	Major capacity upgrade on the wastewater treatment plant.	●	\$36.6 M	\$24.0 M	\$36.6 M				
 Western Wastewater Interceptor Capacity Upgrade	A large wastewater pipe being installed underground along Mangaharakeke Drive which will connect to our Pukekohe Wastewater Treatment Plant. Savings of \$1.44m already realised in 2018/19.	●	\$22.5 M	\$9.0 M	\$21.0 M				
 Hillsborough Wastewater Pump Station Upgrade	A major renewal project which will increase the size and capacity of the wastewater pump station.	●	\$4.8 M	\$2.9 M	\$4.8 M				
 Waikanae Water Treatment Plant Upgrade	Major capacity upgrade on the water treatment plant including upgrading the chemical facility and replacing the clarifiers, sand filters, balancing tank and pump station.	●	\$32.4 M	\$9.2 M	\$32.4 M				
 Newcastle Water Reservoir and Supply Network Upgrade	Installing new water pipes and upgrading the reservoir pump station to improve functionality, network operations and resilience.	●	\$11.1 M	\$0.4 M	\$11.1 M				

Project status	
● Project is on track	● Project has significant risks that are being monitored and managed
● Project has significant risks that will require Council decision	

KEY	
● Business Case / Investigation	● Procurement
● Design	● Construction



PEACOCKE PROGRAMME CAPITAL REPORT

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



INFRASTRUCTURE

Ohaupo Road (SH3) Intersection construction has recommenced and is well advanced, with completion planned for late 2020, including coordinating stormwater works with adjacent development to achieve construction and operational efficiencies.

Tenders for construction of the Waikato bridge and associated roads and the wastewater northern pipelines (Cobham to Crosby) are being evaluated for contract award recommendations on 20 August 2020.

Wastewater pipelines beneath the Cobham interchange site have been completed. Design is being completed for the wastewater pump station, investigating significant innovation to reduce chemical use.

Land acquisition is also progressing well with 28 of 39 properties now owned by Council - 21 by agreement and 7 by proclamation. There were 9 proclamations of which agreement has been reached with 2 properties. Final compensation is still a work in progress for the majority of acquisitions.

Overall, the network infrastructure programme is on track or ahead of the original business case and approved HIF agreement.



PARKS

Construction of a new neighbourhood playground at Inuawai Street Park is complete. Council officers have continued to engage with Mana whenua and the park was officially named Te Inuawai Park at the Community Committee meeting in June 2020. An official opening event for the playground will take place later in the year as weather improves.

Work is continuing to secure sports parks land in Peacocke. A Notice of Requirement for an approximately 14ha northern sports park has been lodged and hearings will take place over the next few months.

Te Inuawai
Park

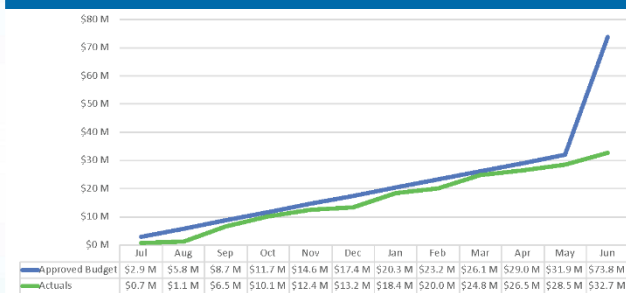


SH3/Ohaupo Rd
Roundabout

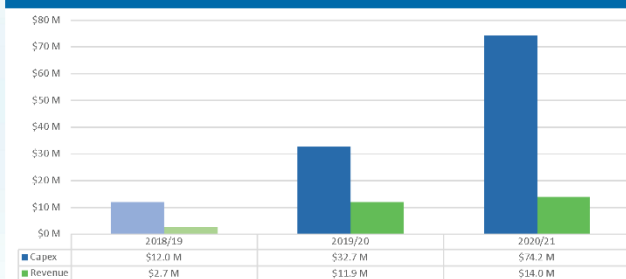


FINANCIAL PERFORMANCE

Capital Expenditure 2019-20















3 Year Forecasted Budget



**Hamilton
City Council**
Te kaunihera o Kirikiriroa

PEACOCKE PROGRAMME CAPITAL REPORT

KEY PROJECTS

Project Name		Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2019/20	2020/21	2021/22
	Ohaupo Road (SH3) Intersection	Construction of a new roundabout, including separated walking/cycling facilities, will serve as a gateway to Peacocke from the south.		\$19.6 M	\$9.3 M	\$19.6 M			
	Wairere Drive Extension and Bridge over Waikato River to Peacocke North-South Arterial	Construction of a new major arterial road connection into Peacocke, including a bridge across the Waikato River.		\$133.2 M	\$9.9 M	\$133.2 M			
	Wastewater Strategic Pumpstation, Storage and Pressure Main	Construction of a new major pump station, associated storage and installation of 7.5km new wastewater pressure pipelines to connect to the city's existing wastewater network.		\$59.9 M	\$6.0 M	\$59.9 M			
	East/West Roading Arterial	This major arterial road connection will connect Peacockes Road in the east with Ohaupo Rd/State Highway 3 (SH3) in the west.		\$33.8 M	\$0.7 M	\$33.8 M			
	Land Acquisition	The purchase of land to allow for the construction of infrastructure.		\$66.5 M	\$12.9 M	\$66.5 M			
	Sports Park Land Acquisition and Development	The land purchase and basic development of two sports parks in Peacocke. Currently the budget sits in 2020/21 for the purchase of the northern park and in 2021/22 for the southern park. The budget for this programme of work will be reviewed as part of the long term plan.		\$33.9 M	\$0.2 M	\$33.9 M			

Project status

-  Project is on track
-  Project has significant risks that are being monitored and managed
-  Project has significant risks that will require Council decision

KEY

-  Business Case / Investigation
-  Procurement
-  Design
-  Construction

MAP



RENEWALS & COMPLIANCE PROGRAMME CAPITAL REPORT

PROGRAMME OUTCOME

Ko te tiaki aa taatou hua hei tika moo toona whainga

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

As approved by Council, the Renewals and Compliance programme is now managed as a 3-year programme with a total budget of \$211M. Over the past 24 months we have spent \$126.9M (60%) and we are still anticipating spending the total programme budget by the end of 2020/21.

Major renewals and compliance projects completed in 2019/20 include:

- Turf Renewal at FMG Waikato Stadium
- Cremation Building
- Seddon Park lights replacement
- Central library frontage / entrance
- Glenview library refit
- Water and Wastewater pipe renewals
- Western bulkmain and erosion and stabilisation works
- Zoo water reticulation network replacement
- Playgrounds - Melville playground and skatepark
- Sports park drainage - Ashurst, Gower, Mahoe, Galloway
- Minogue Park resurfacing
- Footpath renewals and road resurfacing
- Financial system renewals - Authority
- Porritt Stadium toilets and changing rooms



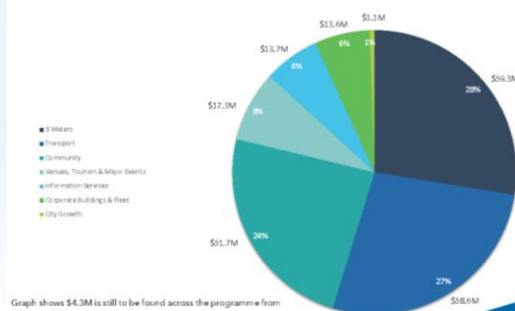
The focus of the programme is to invest in required compliance projects and deliver a renewals programme that best looks after existing Council assets. While the AMPs and LTP forecast the required renewals and required budget, it has now been approximately 3 years since these base programmes and budgets have been prepared. Consequently, there is the need for some projects to be reprioritised as other more pressing needs have materialised. The need for a dynamic approach to the management of this programme is supported by the managing the programme as a whole. This allows flexibility and the programme to be leveraged when changes are required.

FINANCIAL PERFORMANCE

Capital Expenditure Y1-Y3



Total Budget Y1-Y3



Graph shows \$4.3M is still to be found across the programme from reprioritisation and savings. Total forecast budget over the 3 years is \$211.0M

ROKOKAURI PROGRAMME CAPITAL REPORT

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



BAVERSTOCK ROAD UPGRADE

Following recent procurement and contract award, construction is commencing including establishment of site controls and enabling works. This project includes a pedestrian and cycle connection between the intersection of Baverstock/Brymer Rd and the Hamilton Zoo carpark on Brymer Road, which will further aid in the connectivity and safety of walking and cycling facilities in the area.



ARTERIAL ROADING DESIGNATION

The designation for the strategic transport corridors in the Rokokauri area is progressing with site investigation, concept development and stakeholder engagement workstreams underway. Discussions with existing landowners are underway, including sharing indicative corridor proposals and engagement/consultation opportunities.



SWALE DESIGNATION

The designation for the Rotokauri central stormwater treatment swale is now confirmed - protecting the strategic corridor for future construction as land development occurs.



TE WETINI DRIVE EXTENSION

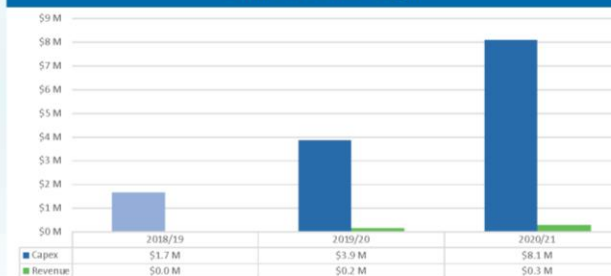
Delivery scope, costs and timing are dependent on adjacent development timing and cost share negotiation. Staff are continuing to work with developers.

FINANCIAL PERFORMANCE

Capital Expenditure 2019-20











3 Year Forecasted Budget






**Hamilton
City Council**
Te kaunihera o Kirikiriroa

ROKOKAURI PROGRAMME CAPITAL REPORT

KEY PROJECTS									
Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2019/20	2020/21	2021/22	
 Baverstock Road Urban Upgrade	Urban upgrade (taking the road from rural to one which fits within an urban setting) of Baverstock Road.		\$2.8 M	\$0.4 M	\$2.8 M				
 Rotokauri Swale Designation	Protecting land corridors required for stormwater mitigation for future development.		\$1.4 M	\$1.4 M	\$1.4 M				
 Rotokauri Arterial Road Designations	Protecting land corridors required for the future transport network to allow development.		\$3.2 M	\$1.2 M	\$3.2 M				
 Te Wetini Drive Extension	To extend Te Wetini Drive from Akoranga Road to the new Rotokauri north-south minor arterial. The developer is in control of the timing and is expecting a contribution from Council for upsizing.		\$2.0 M	\$0.0 M	\$2.0 M				



Project status

-  Project is on track
-  Project has significant risks that are being monitored and managed
-  Project has significant risks that will require Council decision

KEY

-  Business Case / Investigation
-  Design
-  Procurement
-  Construction

ROTOTUNA PROGRAMME CAPITAL REPORT

PROGRAMME OUTCOME

Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Rototuna

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



ROTOTUNA VILLAGE

The construction of the first stage of North City Road between Borman Road and Fergy Place is complete, with development of adjacent retail/commercial premises underway via land developer.

Delivery of the next sections of the roading network (extensions of Turakina Rise and Bourn Brook Ave) are on track for construction in the upcoming 2020/21 summer construction season as planned.

Design development is progressing for the library, open spaces and remaining roading networks for planned construction commencing in the 2021/22 financial year.



SPORTS PARKS

Works planning is progressing well for the planned sports field development at Hare Puke Park and Mangaiti Park this upcoming summer construction season. Construction of changing room and toilet facilities at Korikori Park (between the Rototuna Village and High School) are due to be completed late September 2020.



RESOLUTION DRIVE EXTENSION

NZTA are contracted to HCC to construct the extension of Resolution Drive from Borman Road to the new expressway interchange as part of the Waikato Expressway construction contract. It is anticipated that Resolution Drive will be complete and opened at the same time as the expressway, which is currently scheduled for late 2021.



NORTH RIDGE DRIVE UPGRADE

The upgrade of North Ridge Drive to urban standard is ongoing, with construction of the major stormwater wetland recently completed and on-road works progressing well amongst significant construction challenges on the busy and highly constrained site.

North Ridge Road Urban Upgrade

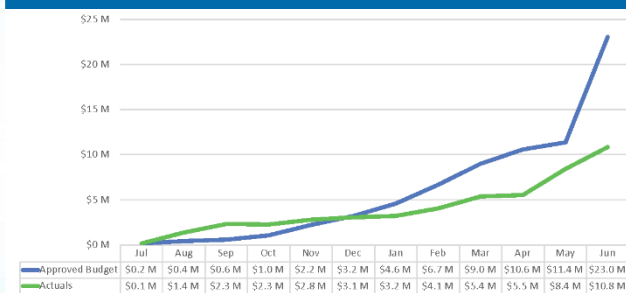


North Ridge Wetland

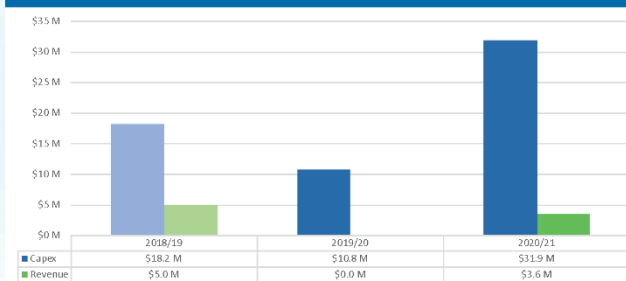


FINANCIAL PERFORMANCE

Capital Expenditure 2019-20























3 Year Forecasted Budget




**Hamilton
City Council**
Te kaunihera o Kirikiriroa

ROTOTUNA PROGRAMME CAPITAL REPORT

KEY PROJECTS									
Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to date	Forecast Total Cost	2019/20	2020/21	2021/22	
 Borman Road Western Extension to Kay Road	Construction of the first piece of road which connects Borman Road to Kay Road.		\$2.1 M	\$1.5 M	\$2.1 M				
 Borman Road Extension - Kimbrae Drive to Horsham Downs Road	Design development for the extension of this key piece of road which will include associated urban upgrades and a new intersection at Horsham Downs Road. Currently planned for construction in 2025/26.		\$2.2 M	\$0.3 M	\$2.2 M				
 North Ridge Drive Upgrade	Urban upgrade (taking the road from rural to one which fits within an urban setting) of Northridge Road and construction of a new stormwater wetland to support land development in the area. \$2M of savings realised in 2019/20.		\$5.4 M	\$2.7 M	\$3.4 M				
 Rototuna Village - Community Facilities	Development of new library, community hub, play spaces, village square and carports.		\$19.6 M	\$0.6 M	\$19.6 M				
 Rototuna Village Transport - Stage 1 North City (Borman to Ferry) and Park Lane	Roadway upgrades to support the Rototuna Village development.		\$3.7 M	\$3.7 M	\$3.7 M				
 Rototuna Village Transport - Stage 2 North City (Ferry to Borne Brook)	Transport network upgrade through the Rototuna Village area.		\$8.6 M	\$0.5 M	\$8.6 M				
 Expressway to Kimbrae Dr - Walking/Cycling Connection	A pedestrian and cycling connection under the Waikato Expressway adjacent to Rototuna High School.		\$0.6 M	\$0.31 M	\$0.6 M				
 North City Road Upgrade - Borne Brook to Kay	Preliminary design and land acquisition for future urban upgrade		\$1.7 M	\$0.02 M	\$1.7 M				
 Resolution Drive Extension	The extension of Resolution Drive (north) to connect to the new Waikato Expressway		\$10.3 M	\$5.1 M	\$10.3 M				
 Rototuna Park & Reserve Upgrades	Development of Hare Puke Park and Mangaiti Park into sports parks, improving walking/cycling networks, playground and recreational space at Te Manuira Park.		\$2.6 M	\$0.00 M	\$2.6 M				

Project status

-  Project is on track
-  Project has significant risks that are being monitored and managed
-  Project has significant risks that will require Council decision

KEY

-  Business Case / Investigation
-  Design
-  Procurement
-  Construction

MAP



Korikori Park Facilities



Hamilton City Council
Te kaunihera o Kirikiriroa

RUAKURA PROGRAMME CAPITAL REPORT

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



RUAKURA WATER RESERVOIR

Construction is almost complete and commissioning works are scheduled to commence this month (August 2020) on our new 12ML water reservoir - which will be part of our city wide connected reservoirs but also supply fresh drinking water to the Ruakura and Peachgrove areas.



RUAKURA ROAD URBAN UPGRADE

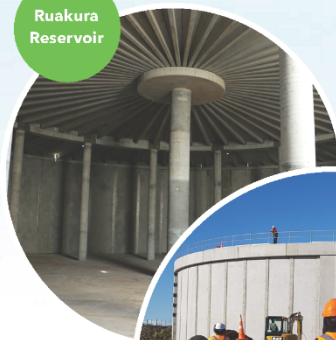
In accordance with the report to Council on 6 August, design development and associated Waka Kotahi NZTA business case development to seek funding assistance are currently progressing, with a programme to complete design this year and progress to construction procurement in early 2021.



RUAKURA SPINE ROAD - EXPRESSWAY TO RUAKURA/SILVERDALE

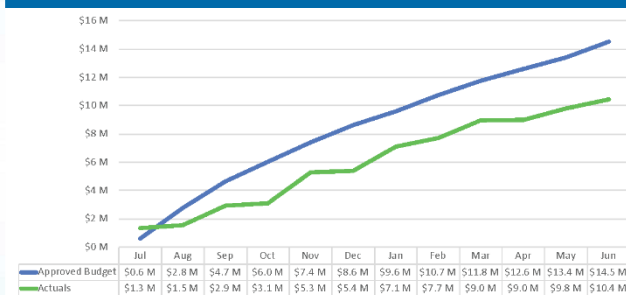
This is being developed as a partnership project between Hamilton City Council, Tainui Group Holdings and the MBIE Provincial Development Unit. In accordance with the report to Council on 6 August, subject to finalisation of commercial agreements, planning and consenting requirements and detailed design, procurement is planned to enable mobilisation to site to maximise construction opportunities this upcoming summer construction season.

Ruakura Reservoir

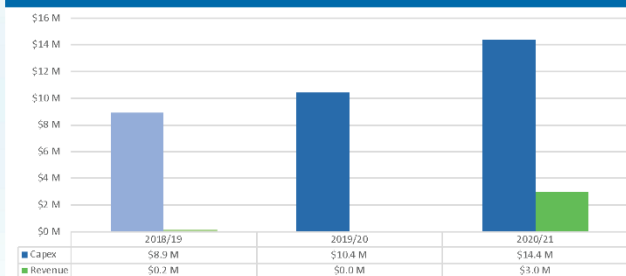


FINANCIAL PERFORMANCE

Capital Expenditure 2019-20



3 Year Forecasted Budget






Ruakura Reservoir




**Hamilton
City Council**
Te kaunihera o Kirikiriroa

RUAKURA PROGRAMME CAPITAL REPORT

KEY PROJECTS

Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2019/20	2020/21	2021/22
 Ruakura Water Reservoir and Water Supply	Construction of a new 12ML water reservoir, associated pumphouse, and bulk mains (large water pipes) to service development happening in Ruakura.	On Track	\$19.1 M	\$16.4 M	\$19.1 M			
 Ruakura Wastewater Interceptor	HCC contribution to new wastewater pipe to service development. Northern section complete, including realised savings of \$1.3M. Southern section subject to alignment with developer timing.	On Track	\$9.9 M	\$2.5 M	\$8.5 M			
 Ruakura Road Urban Upgrade	Urban upgrade (taking the road from rural to one which fits within an urban setting) of Ruakura Road from the Waiere Drive/Ruakura Road intersection and up to the Ruakura Road and Silverdale Road intersection.	On Track	\$8.9 M	\$0.4 M	\$8.9 M			
 Ruakura Spine Road - Expressway to Ruakura/Silverdale	Jointly funded by HCC, TGL and PDU the construction of a new road from Silverdale Road/Ruakura Road intersection to the Waikato Expressway Ruakura Interchange to allow the development of the Ruakura Island Port.	On Track	\$38.6 M	\$0.0 M	\$38.6 M			

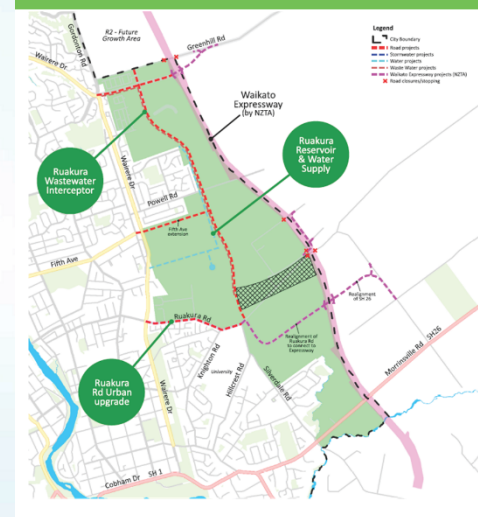
Project status

-  Project is on track
-  Project has significant risks that are being monitored and managed
-  Project has significant risks that will require Council decision

KEY

-  Business Case / Investigation
-  Design
-  Procurement
-  Construction

MAP



TRANSPORT IMPROVEMENT PROGRAMME CAPITAL REPORT

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



TRANSPORT CENTRE DRIVER FACILITIES

New facilities to accommodate bus drivers during their breaks (part of the agreement between HCC and Waikato Regional Council) are programmed to be complete within the next month (August 2020).



TE AWA CYCLE EXTENSION

The tender for construction of the Hamilton City section of the Te Awa Cycle Path is currently out to market, with construction expected to start in late 2020.



WAIRERE DRIVE EXTENSION

Construction of the Wairere Drive extension is progressing well on-site with the construction of the on/off ramps and retaining walls at the Cobham Drive intersection to enable upcoming bridge preloading and ground improvements.



MANGAITI PARK WALKING/CYCLING

The design and build package for a pedestrian bridge and boardwalk over the gully to connect walking and cycling networks between the St James and Huntington areas is progressing well, with site work for the bridge expected to commence in September subject to Resource Consent approval. Improvements to the cycleway network in the St James area are also programmed to commence in September.



TRANSPORT HUB

Construction on the Rotokauri Transport Hub is progressing including works on Tasman Road, the new rail platform, overbridge between Tasman Road and The Base as well as the park and ride facility. The project is continuing to work through implications from COVID and other construction challenges, however is currently on track for completion as programmed later this year (November 2020).



TE AWA PATH CBD REMEDIATION

Construction commenced in late July, with works programmed for completion in October.



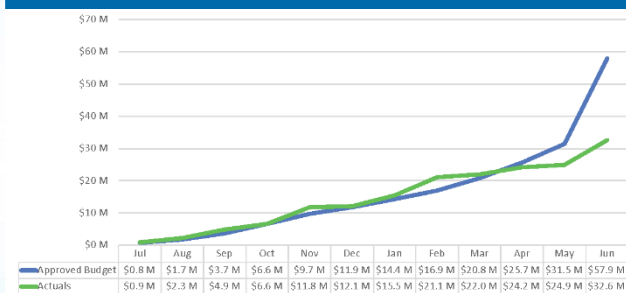
Tasman Road



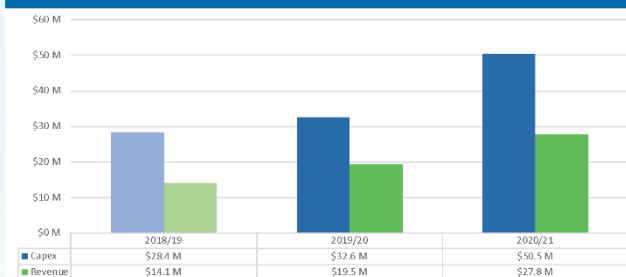
Transport Hub

FINANCIAL PERFORMANCE

Capital Expenditure 2019-20


















3 Year Forecasted Budget




**Hamilton
City Council**
Te kaunihera o Kirikiriroa

TRANSPORT IMPROVEMENT PROGRAMME CAPITAL REPORT

KEY PROJECTS

Project Name	Project Description	Project Status	2019/20			2020/21			2021/22		
			Total Project Budget	Actual Spend to Date	Forecast Total Cost	Total Project Budget	Actual Spend to Date	Forecast Total Cost	Total Project Budget	Actual Spend to Date	Forecast Total Cost
 Wairere Drive Extension - Cambridge Road to Cobham Drive	The final connection of the Hamilton Ring Road will see Cobham Drive raised to allow the four-lane Wairere Drive to pass underneath it. It will also include extensions of shared walking and biking paths.		\$58.5 M	\$31.5 M	\$58.5 M						
 Rotokauri Transport Hub	The Hub is a park and ride, rail station, bus interchange and includes a pedestrian connection to The Base. It includes improvements essential to the city's public transport network and will improve the intercity connections between Hamilton and Auckland.		\$28.4 M	\$16.6 M	\$28.4 M						
 Te Awa Path CBD - Remediation	Specialist slip repair between London Street and Bryce Street to make this section of river path safe again for users.		\$1.1 M	\$0.04 M	\$1.1 M						
 Mangati Park Walking/Cycling Network Connection	Will connect existing walking/cycling paths between St James and Huntington areas in Rototuna, including a new pedestrian bridge across Mangati gully.		\$1.0 M	\$0.05 M	\$1.0 M						
 Te Awa Cycle Extension - Hamilton Gardens to City Boundary	The Hamilton section of the Te Awa River Ride from Mangaonua Stream — in Rerewhaka — to Hamilton Gardens with a mix of gravel paths and gully/stream bridge crossings.		\$5.8 M	\$0.7 M	\$5.8 M						
 Eastern Pathways	Will make it easier and safer for people on the east of our city to get around their neighbourhoods by bike, on foot, or by bus. An update report to the 27 August Infrastructure Operations Committee is proposed to confirm project macro-scope.				Will be confirmed after 27 August.						
 Transport Centre Upgrade	Upgrading the existing transport centre in the central city and will include platform upgrades and the recently completed driver facilities upgrade.		\$6.4 M	\$0.2 M	\$6.4 M						
 Gordonon/Puketaha Intersection Upgrade	The 10 Year Plan budgeted for an upgrade of the Puketaha Rd/Gordonon Rd intersection, including connection of St James Dr to Gordonon Rd. Following business case development staff will report back to future Infrastructure Operations Committee seeking approval of project macro-scope and timing.				Will be confirmed after Infrastructure Operations Committee approval.						

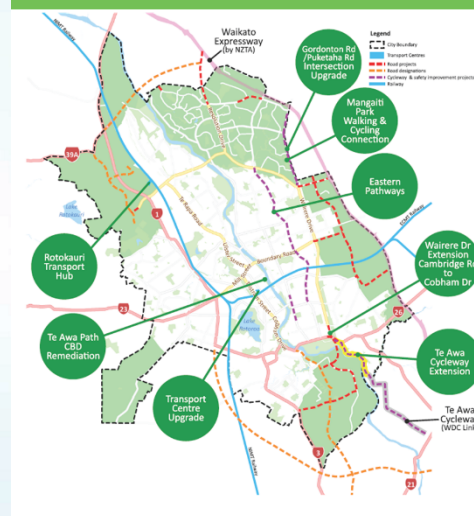
Project status

-  Project is on track
-  Project has significant risks that are being monitored and managed
-  Project has significant risks that will require Council decision

KEY

-  Business Case / Investigation
-  Design
-  Procurement
-  Construction

MAP



**Hamilton
City Council**
Te kaunihera o Kirikiriroa

	2019/20 Expenditure			2019/20 Revenue		
	Forecast Budget*	Year end Budget	Year end Actuals	Forecast Budget*	Year end Budget	Year end Actuals
City Wide Community	\$3.5 M	\$3.0 M	\$3.0 M	\$0.5 M	(\$0.1)M	(\$0.1)M
City Wide Waters	\$30.4 M	\$30.6 M	\$32.3 M	\$0.2 M	(\$0.2)M	(\$1.9)M
Peacocke Programme	\$32.2 M	\$32.7 M	\$32.7 M	\$20.6 M	(\$11.9)M	(\$11.9)M
Renewals and Compliance	\$66.3 M	\$65.1 M	\$65.1 M	\$8.6 M	(\$8.2)M	(\$8.2)M
Rotokauri	\$2.9 M	\$3.9 M	\$3.9 M	\$0.2 M	(\$0.2)M	(\$0.2)M
Rototuna	\$14.9 M	\$10.8 M	\$10.8 M	\$3.4 M	(\$0.0)M	(\$0.6)M
Ruakura	\$10.4 M	\$10.4 M	\$10.4 M	\$0.1 M	(\$0.0)M	(\$0.0)M
Transport Improvement	\$30.8 M	\$32.6 M	\$32.6 M	\$31.7 M	(\$19.5)M	(\$19.4)M
Total Portfolio	\$191.3 M	\$189.1 M	\$190.8 M	\$55.3 M	(\$40.2)M	(\$42.4)M

*As at 16 June Finance Committee

Council Report

Committee: Finance Committee

Date: 11 August 2020

Author: Candice Swanepoel

Authoriser: Tracey Musty

Position: Business Performance Accountant

Position: Financial Controller

Report Name: Covid-19 Emergency Funds Review - 30 June 2020

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Finance Committee of the impact covid-19 has had on Operating Revenue and Expenditure.
2. To inform the Finance Committee of the Civil Defence Emergency costs incurred and claimed back from Central Government.

Staff Recommendation - *Tuutohu-aa-kaimahi*

3. That the Finance Committee receives the report.

Background

4. In response to the covid-19 pandemic, Council announced a 12-point recovery plan to help the city withstand the economic and social effects of the virus. Phase 1 of this recovery plan resulted in a budget of \$3.4M being allocated across the following areas:
 - Social service funding support
 - Early payments to suppliers
 - Consent fees relief and refunds
 - Rent relief
 - Rates remissions
 - Development contributions relief
 - Emergency response
 - Business response centre

Discussion - *Matapaki*

Operating Revenue

5. **Rates**
6. A rates remission budget of \$0.3M was to assist those residential property owners who were impacted financially as a result of covid-19. We received 164 applications that qualified during the period which resulted in a loss of approximately \$0.05M in rates revenue.
7. Water meter charges decreased by \$0.4M over the April/ May lockdown period when compared to the same time last year. This was offset by a favourable 1st and 2nd quarter, as well as higher than budgeted revenue in June 2020.

8. **Fees and charges**

9. Parking revenue decreased by \$0.5M over the April/ May lockdown period. Issuing of parking tickets was paused over this time and is set to resume from October 2020.
10. In the wastewater area there was a reduction in trade waste revenue of \$0.2M in the 4th quarter and is mainly a result of covid-19.
11. In the parks and recreation area the impact of covid-19 was felt quite strongly. The cemetery lost approximately \$0.2M in revenue, while Aquatics revenue was down by \$0.8M.
12. Visitor attractions lost \$0.3M in revenue due to the closure of council facilities.
13. While Venues, Tourism and Major Events are favourable to budget overall, this is attributable to the additional volume of events that occurred in the first 3 quarters of the financial year. This helped to offset the \$1.3M reduction in revenue that was felt in this area due to covid-19.

14. **Interest revenue**

15. While market interest rates have decreased, they have had a relatively small impact on interest received during the financial year. As expected, Council will see the true impact in this area in the next financial year.

16. **Other revenue**

17. Rent relief of \$0.3M was incurred in the overheads area. This forms part of the \$0.5M approved rent relief given to various community groups and businesses.

Expenditure

18. **Personnel costs**

19. Council experienced a higher than usual leave accrual due to covid-19, where staff cancelled planned leave. This increased expenditure by \$1M.

20. **Operating and maintenance costs**

21. Maintenance work on the Community Hall Building could not be carried out due to covid-19. This resulted in a decrease in spending of \$0.2M.
22. Various projects within the parks and recreation area were also unable to be completed due to covid-19. These include Project Watershed, sports parks, Waiwhakareke heritage park development and tree maintenance.
23. A decrease of \$0.1M in the safety area is also a result of delayed expenditure due to covid-19.

24. **Administration expenses**

25. A total of \$0.5M in expenditure was incurred in the arts area and can be set off against the Social Service Fund Support as part of phase 1 of the 1-point recovery plan.
26. There was an underspend in various areas due to the April/ May lockdown period. An approximate underspend of \$0.2M was attributable to a decrease in advertising and promotions, as well as other administrative related expenses.
27. The favourable variance of \$0.2M within the safety area is represented by the operating funding approved as part of the Emergency Response Initiative.

28. **Property costs**

29. Energy costs were reduced in areas such as parks and recreation and visitor attractions, due to the closure of Council facilities during the lockdown period. This amounted to \$0.3M.

30. **Finance costs**

31. While market interest rates have decreased, they have had a relatively small impact on the interest expense during the financial year.

32. **Civil Defence Emergency costs**

33. In addition to the approved budget, additional costs related to Civil Defence Emergency were incurred. These specific costs have been claimed from Central Government and will be reimbursed to the Hamilton City Council.

34. A summary of these costs:

Accommodation for displaced individuals	\$0.04M
Equipment/ delivery support for foodbanks	\$0.02M
Frozen meals	\$0.2M
Foodbank supplies	\$1.1M
Emergency care packs	\$0.04M
Total amount claimed	\$1.4M

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

35. Staff confirm that the recommendation to approve funding complies with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

36. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

37. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below. The recommendations set out in this report are consistent with that purpose.

Risks - *Tuuraru*

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

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

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

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

Attachments - *Ngaa taapirihanga*

There are no attachments for this report.

Council Report

Item 8

Committee: Finance Committee

Date: 11 August 2020

Author: Tracey Musty

Authoriser: Tracey Musty

Position: Financial Controller

Position: Financial Controller

Report Name: Annual Monitoring Report to 30 June 2020

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Finance Committee on Council's financial performance for the year ending 30 June 2020.

Staff Recommendation – *Tuutohu-aa-kaimahi*

2. That the Finance Committee receives the report.

Executive Summary – *Whakaraapopototanga matua*

3. This report is to be read in conjunction with the:
 - 30 June 2020 (11 August 2020 meeting) Capital Portfolio Monitoring report; and
 - 30 June 2020 (11 August 2020 meeting) Financial Strategy Monitoring report
4. The 30 June 2020 financial results show a negative variance against the budget in the accounting result and on the balancing the books result.
5. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Discussion - *Matapaki*

Operating results

The accounting results

6. The Statement of Comprehensive Revenue and Expense discloses the accounting result in accordance with accounting standards.
7. The accounting result for the year ended 30 June 2020 is a surplus of \$81M. This is \$29.4M unfavourable against the budgeted surplus of \$110.4M.

8. The variances are explained in the “understanding material variances” section of this report.

Annual Accounting Result		
Actual	Annual Budget	Variance
\$81M	\$110.4M	(\$29.4M)

Balancing the books result

9. The balancing the books result for the year ended 30 June 2020 is (\$8.3M). This is \$1M unfavourable against an approved budget of (\$7.3M).

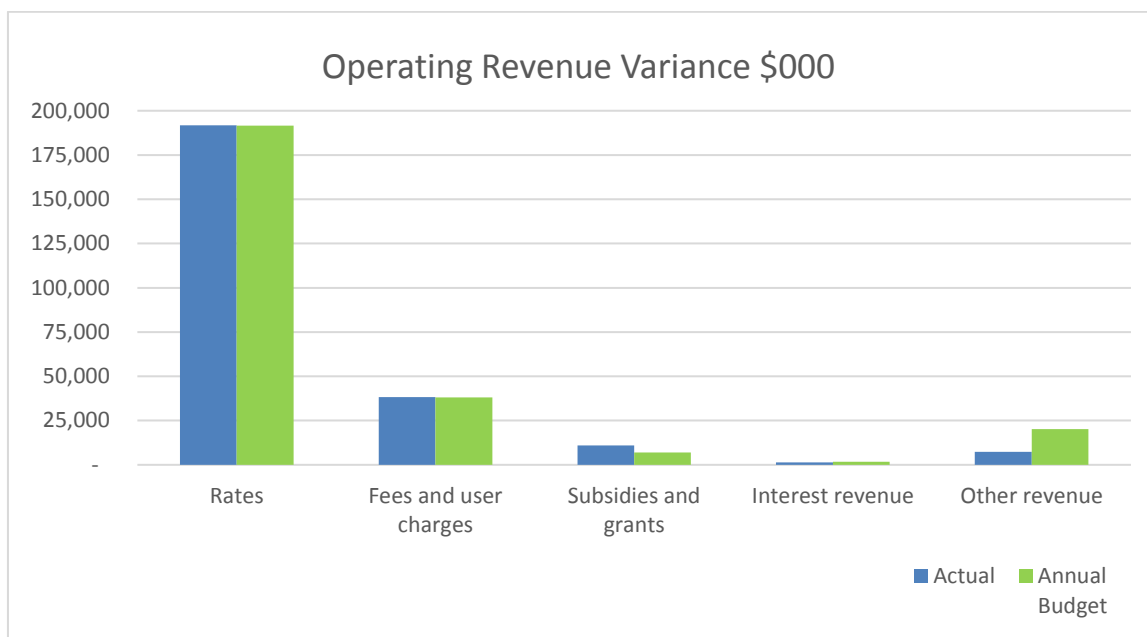
Balancing the Books		
Actual	Annual Budget	Variance
(\$8.3M)	(\$7.3M)	(\$1M)

Understanding material variances

10. The Statement of Comprehensive Revenue and Expense, Statement of Financial Position, and accompanying notes are contained in **Attachment 1**.
11. Individual Everyday Revenue and Expense statements for each of the Council’s 12 activities, overheads and general expenses are contained in **Attachment 2**.
12. A reconciliation of the accounting result to the balancing the books result is provided after the Statement of Comprehensive Revenue and Expense.

Operating revenue

13. Total Operating revenue is \$8.7M lower than budgeted. This is attributable to the non-cash benefit associated with the HIF (Housing Infrastructure Fund) draw down that did not occur in line with budget, as well as the movement in market interest rates adversely affecting interest revenue.
14. Positive variances worth noting:
 - Fees and user charges remained in a favourable position as a result of the mix and volume of events in Venues, Tourism and Major Events (VTME) during quarters 1 to 3, as well as a higher than expected level of building and resource consent activity in Planning and Development prior to the lockdown period.
 - Subsidies and grants exceeded budget due to an operational subsidy received from NZTA (New Zealand Transport Agency), towards the painting of Victoria Bridge project completed earlier in the financial year, as well as the Rotokauri Park and Ride project being managed by Council on behalf of KiwiRail with a 100% NZTA subsidy received on expenditure.
15. Please refer to the activity statements for material variance explanations.



Operating Revenue	Variance \$'000 – favourable/(unfavourable)
Rates	70
Fees and user charges	189
Subsidies and grants	4,005
Interest revenue	(219)
Other revenue	(12,715)
Total variance	(8,670)

Capital Revenue

16. Total Capital Revenue is \$2.5M lower than budgeted, as reflected:

- Development contributions are ahead of budget by \$6.8M. This is primarily due to the wet industries development contributions agreement. Wet industries are not included within the development contributions or Growth projections and as such this represents significant additional income. \$4.2M of the favourable variance relates directly to the wet industries development contributions, which means that difference between actual and budgeted development contributions is \$2.6M favourable. The wet industries agreement details the recognition of the full revenue within this financial year, and a corresponding liability paid by the developer over the 10-year period.
- Capital revenue was unfavourable to budget with a variance of \$27.2M. This is due to projects being deferred into the next financial year.
- Council received more vested assets than predicted. The effect is a revenue of \$49.1M which is \$17.9M higher than budgeted. This budget is broken down by class of asset on page 99 of the 10-Year Plan. Vested Assets are outlined in the table that follows.

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Asset class	YTD Actual \$000	Annual Budget \$000	Life Range (Years)	Estimated Annual Depreciation \$000
Wastewater	4,378	3,160	15-100	55
Stormwater	4,613	5,297	30-100	58
Water Supply	2,277	1,846	50-80	28
Roading	14,877	8,320	12-140	298
Land		12,607		
Land – Under Roads	19,390	-		-
Land – Local Purpose Reserves*	2,241	-		-
Land – Recreation Reserve	1,286	-		-
Land – Infrastructure	84			
Total	49,146	31,230		439

* 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.

17. 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.
18. Through the 2018-28 10-Year Plan, increased funding was made available for maintenance on new vested assets for three waters and transportation activities. The nature of many of these vested infrastructure assets are that they have a long useful life and generally do not require significant direct maintenance in the first 10 years of operation.
19. Examples of the types of assets that are vested and the nature of expenditure on these assets is outlined in the table below.

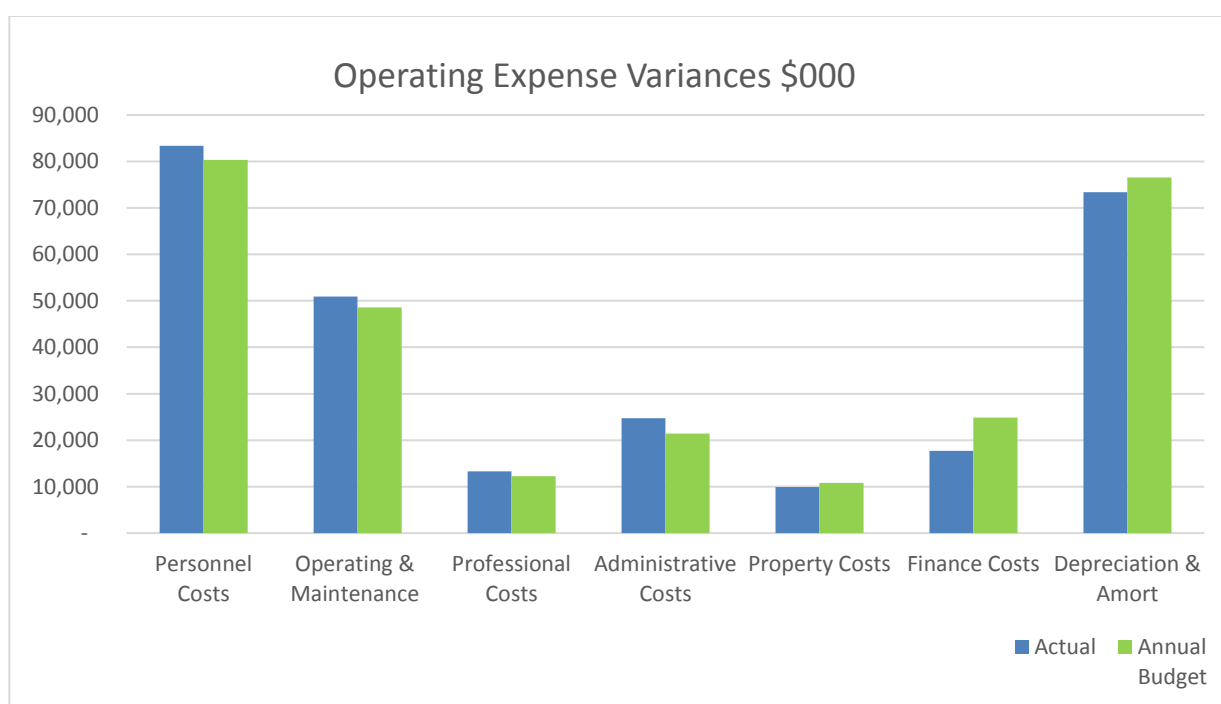
Activity	Example of vested asset types	Nature of maintenance and operational activities undertaken on new assets
Wastewater	Pipes, pump stations, connections	<ul style="list-style-type: none"> Pipes require less maintenance in the first few years. Reactive maintenance only. Pump stations have electricity costs, washing (2 or 4 weekly) and annual inspections (operating costs)
Water	Pipes, hydrants, valves, meters (bulk), connections	<ul style="list-style-type: none"> Valve and hydrant testing – bulk of the assets are tested over 5-10 years for the city Pipes, reactive maintenance only
Stormwater	Pipes, SW devices (ponds, wetlands)	<ul style="list-style-type: none"> Devices (ponds) get annual inspections Pipes, no maintenance in the early years. Reactive maintenance only
Transport	Roads, subdivision street lights	<ul style="list-style-type: none"> Line marking, potholes - reactive maintenance Resealing and repairs not need in early years Streetlight repairs from crashes
Land	Parks, drainage reserve	<ul style="list-style-type: none"> Mowing, replacing plants as needed

Operating expenditure

20. Total Operating Expenditure is \$1.6M lower than budgeted. The effect of the Covid-19 lockdown was felt during the 4th quarter. Please refer to the activity statements for material variance explanations.

21. Variances worth noting:

- A combination of factors has contributed to the unfavourable variance in Personnel costs. Council is experiencing a higher than usual leave accrual due to Covid-19 where staff cancelled planned leave. The vacancy factor has not been met as there are fewer vacancies, and recruitment for critical roles increased. The MBIE (Ministry of Business, Innovation and Employment) review also resulted in a total of \$0.6m leave payment to past and present employees.
- Operating and maintenance costs increased as planned major bridge maintenance work on Victoria Bridge (ANZAC Parade) was budgeted in the 2018/19 financial year. Due to ensuring compliance requirements and discovered maintenance, the project was delayed and not completed until the early part of this financial year.
- Professional Costs are unfavourable due to consultancy expenditure incurred to complete work due to vacant positions. There is also an overspend in legal expenditure due to increased limited notified consents which add complexity. Increased legal and consultancy costs have also been incurred in plan changes, some of which is recoverable.
- Administration expenses are above budget due to the year-end accounting calculation for the Landfill provision. Due to a calculation adjustment introduced by Audit NZ and lower treasury interest rates, the adjustment for the Landfill provision had a significant impact on the accounts this year.
- Finance costs are lower as overall debt for the Council is lower than budgeted, as well as the movements in market interest rates having a favourable effect on interest paid.
- The Depreciation and Amortisation expense is lower, as capital projects within various Council activities have not been completed within expected timeframes. The increase in vested assets has not offset the reduction in depreciation.



Expenditure	Variance \$000 – favourable/(unfavourable)
Personnel costs	(2,990)
Operating & maintenance	(2,305)
Professional costs	(1,087)
Administration expenses	(3,252)
Property costs	894
Finance costs	7,136
Depreciation & amort	3,182
Total variance	1,578

Gains and Losses

22. Loss on sale of assets consist of asset residual values that have been written off as these assets have been replaced. This includes the disposal of streetlights that have consequently been replaced with LED lighting, as outlined in the Transport activity contained in Attachment 2.
23. Also included in Property, Plant and Equipment loss on sale, is the processing of disposals within the transport area. We previously reported a forecast loss of \$10.7M by 30 June 2020, however staff have worked through these investigations and the loss on disposals has been reduced to \$4.3M. This loss is mainly due to a write-off of asset values in preparation for the transportation revaluation in July 2020.
24. The 30 June 2020 adjustment on non-cash revaluation of Council's Financial borrowing instruments resulted in a \$12.3M loss.

Treasury Management

25. Council is fully compliant with all treasury policy measures as at 30 June 2020.

Counterparty credit risk	max	\$75m per bank	Achieved	✓
Liquidity ratio	min	110%	130%	✓
Funding maturity	0 - 3 years	15% - 60%	36%	✓
	3 - 5 years	15% - 60%	30%	✓
	5 years +	10% - 60%	34%	✓
Fixed rate debt maturity	All years	Within annual parameters	Achieved	✓

Debt and Cash Investments

26. External Debt was increased at 30 June 2020 by a Housing Infrastructure Funding (HIF) drawdown of \$3.6M. This was invested to match Council's forecast cash flow requirements with financial investment maturities. Please refer to Attachment 3 for further details.
27. The Debt Forecast and the Debt to Revenue ratio form part of our Financial Strategy and is addressed within the Financial Strategy Monitoring Report.

Treasury Performance			
	Actual	Annual Budget	Variance
Cash Investments	\$121.7M	\$55M	\$66.7M
Total External Debt	\$527.3M	\$642.5M	(\$115.2M)
Finance Cost on Borrowings	\$17.5M	\$22.5M	(\$5M)

28. During the lockdown period, the Local Government Funding Agency (LGFA) issued bonds via syndication enabling them to issue a larger amount of debt, to assist Council's through a tumultuous time. We invested these funds on term deposit and matched the maturity with Council's cashflow requirements. This is reflected in the favourable variance on cash investments.
29. Total external debt tracked below budget for the 2019/20 financial year due to deferrals in the capital programme.

Interest Rate Risk Management

30. 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.
31. As at 30 June 2020 our fixed rate hedging is 41%.
32. Our gross cost of funds over a 12-month rolling average is 4.05%.

Emerging Issues

33. The initiation of a national lockdown period, due to Covid-19, has impacted various areas within our organisation. Please refer to the activity statements for further details pertaining to these areas.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

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

Risks - *Tuuraru*

35. There are no known risks associated with the topics of this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

36. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
37. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below. The recommendations set out in this report are consistent with that purpose.

Significance and Engagement Policy - *Kaupapa here whakahira/anganui*

Item 8

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Statement of Comprehensive Revenue and Expense June 2020

Attachment 2 - Council Activities June 2020

Attachment 3 - Balance Sheet June 2020

Attachment 4 - Treasury Position June 2020

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2020

Attachment 1

Item 8

\$000		\$000		\$000		\$000	
YTD 2018/19		YTD Actual	Annual Approved Budget	% Annual Budget Spent		Annual Variance Fav/(Unfav)	
Operating Revenue							
181,153	Rates	191,728	191,658	100%		70	
40,626	Fees & Charges	38,215	38,026	100%		189	
6,903	Subsidies & Grants	10,963	6,958	158%		4,005	
3,706	Interest Revenue	1,431	1,650	87%		(219)	
7,569	Other Revenue	7,411	20,126	37%		(12,715)	
239,957	TOTAL OPERATING REVENUE	249,749	258,419	97%		(8,670)	
Capital Revenue							
24,632	Development Contributions	32,198	25,387	127%		6,811	
35,516	Capital Revenue	42,446	69,690	61%		(27,243)	
33,666	Vested Assets	49,147	31,230	157%		17,917	
93,813	TOTAL CAPITAL REVENUE	123,791	126,307	98%		(2,516)	
333,770	TOTAL REVENUE	373,539	384,726	97%		(11,186)	
Expenditure							
75,923	Personnel Costs	83,359	80,369	104%		(2,990)	
46,901	Operating & Maintenance Costs	50,895	48,589	105%		(2,305)	
9,588	Professional Costs	13,322	12,236	109%		(1,087)	
17,304	Administration Expenses	24,698	21,446	115%		(3,252)	
9,756	Property Costs	9,922	10,816	92%		894	
20,246	Finance Costs	17,726	24,862	71%		7,136	
69,033	Depreciation & Amortisation Expense	73,381	76,564	96%		3,183	
248,752	TOTAL EXPENDITURE	273,304	274,882	99%		1,578	
85,018	OPERATING SURPLUS/(DEFICIT)	100,235	109,843	91%		(9,608)	
Gains and Losses							
(14,210)	Net gain/(loss) on revaluation of interest rate swaps	(12,258)				(12,258)	
604	Gain/(loss) on fair value of investment properties	541	579	93%		(38)	
(5,850)	Property, plant and equipment and investment property net gain/(loss)	(7,563)				(7,563)	
(19,457)	TOTAL GAINS AND LOSSES	(19,280)	579	(3330%)		(19,859)	
65,561	TOTAL SURPLUS/(DEFICIT)	80,955	110,422	73%		(29,467)	

Refer to Activity Statements for variances against budget.

Attachment 1

BALANCING THE BOOKS RESULT FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000	\$000	\$000	\$000
YTD 2018/19		YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)
65,561	Surplus/(Deficit)	80,955	110,422	73%	(29,467)
	Remove capital revenue				
(33,666)	Vested assets	(49,147)	(31,230)	157%	(17,917)
(17,200)	Part of development and financial contributions ¹	(23,505)	(16,502)	142%	(7,003)
(19,149)	Capital subsidy (excluding subsidy on transport renewals) ²	(26,199)	(52,022)	50%	25,823
(8,361)	Other Capital Contributions	(9,113)	(11,146)	82%	2,033
(169)	Other items not considered everyday operating revenue ³	(754)	(13,412)	6%	12,657
	Remove (gains)/losses				
19,457	All Gains/(Losses)	19,280	(579)	(3330%)	19,859
	Remove other expenses				
18	Other items not considered everyday operating expenses ⁴	126	7,160	2%	(7,034)
6,491	EVERYDAY SURPLUS/(DEFICIT)	(8,356)	(7,308)	114%	(1,049)

¹ DC's contain an element of funding for interest costs that are part of every day expenses. An adjustment is made to match the revenue with the expense.

² Subsidy on transport renewals is adjusted to recognise that this is funding a portion of the depreciation on these renewals.

³ Adjustment for fair value calculation on the Housing Infrastructure Fund loans.

⁴ Adjustment for grants to other parties to invest in significant assets for the benefit of the city and fair value discount unwinding on the Housing Infrastructure Fund.

LOCAL GOVERNMENT BALANCING THE BOOKS MEASURE FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000	\$000	\$000	\$000
YTD 2018/19		YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)
65,561	Surplus/(deficit)	80,955	110,422	73%	(29,467)
	Adjustments for the Local Government Regulations measure				
14,210	Net (Gain)/Loss on derivative financial instruments	12,258	0		(12,258)
(24,632)	Development and Financial contributions	(32,198)	(25,387)	127%	6,811
(33,666)	Vested assets	(49,147)	(31,230)	157%	17,917
(44,088)	Total adjustments	(69,086)	(56,617)	122%	12,469
21,473	LG Regulations balancing the books surplus/(deficit)	11,869	53,805	22%	(41,936)

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000	\$000	\$000	\$000
YTD 2018/19		YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)
Everyday Revenue					
181,153	Rates	191,728	191,658	100%	70
40,626	Fees & Charges	38,215	38,026	100%	189
6,903	Subsidies & Grants	10,963	6,958	158%	4,005
3,706	Interest Revenue	1,431	1,650	87%	(219)
7,569	Other Revenue	7,411	20,126	37%	(12,715)
239,957	Total Everyday Revenue	249,749	258,419	97%	(8,670)
Everyday Expenditure					
75,923	Personnel Costs	83,359	80,369	104%	(2,990)
46,901	Operating & Maintenance Costs	50,895	48,589	105%	(2,305)
9,588	Professional Costs	13,322	12,236	109%	(1,087)
17,304	Administration Expenses	24,698	21,446	115%	(3,252)
9,757	Property Costs	9,922	10,816	92%	894
20,246	Finance Costs	17,726	24,862	71%	7,136
69,033	Depreciation & Amortisation Expense	73,381	76,564	96%	3,183
19,457	Gains & Losses	19,280	(579)	(3330%)	(19,859)
268,209	Total Everyday Expenditure	292,585	274,303	107%	(18,281)
(28,253)	Everyday Surplus/(Deficit)*	(42,836)	(15,884)	270%	(26,952)
Capital Revenue					
24,632	Development Contributions	32,198	25,387	127%	6,811
35,516	Capital Revenue	42,446	69,690	61%	(27,243)
33,666	Vested Assets	49,147	31,230	157%	17,917
93,813	Total Capital Revenue	123,791	126,307	98%	(2,516)
65,561	Operating Surplus/(Deficit)	80,955	110,422	73%	(29,467)

Material variances as explained below:**Subsidies & Grants - \$4,005k favourable.**

Favourable variance due to the receiving of external funding for Council projects. Operational subsidies were received from NZTA for the large operational project - painting of Victoria Bridge. The Rotokauri Park and Ride project is being managed by Hamilton City Council on behalf of Kiwirail, which has received full NZTA subsidy for expenditure.

Other Revenue - \$12,715k unfavourable.

Unfavourable variance as a result of the fair value benefit not being realised on the Housing Infrastructure Fund (HIF) due to fewer HIF loans than expected.

Personnel Costs - \$2,990k unfavourable.

A combination of various factors including : [1] Council is experiencing a higher than usual leave accrual due to Covid 19 where staff cancelled planned leave, [2] The vacancy factor has not been met as there are fewer vacancies, [3] Overall there are also higher time cost charges, [4] MBIE (Ministry of Business, Innovation and Employment) review resulted in a total of \$600k payment to past and present employees.

Operating & Maintenance Costs - \$2,305k unfavourable.

Planned major bridge maintenance work on Victoria Bridge (ANZAC Parade) was budgeted in the 2018/19 financial year but, due to ensuring compliance requirements and discovered maintenance, the project was delayed and not completed until the early part of this financial year.

Professional Costs - \$1,087k unfavourable.

Professional Costs are unfavourable due to consultancy expenditure incurred to offset vacant positions. There is also an overspend in legal expenditure due to increased limited notified consents which add complexity. Increased legal and consultancy costs have also been incurred in plan changes, some of which is recoverable.

Administration Expenses - \$3,252k unfavourable.

Administration expenses are above budget due to the year end accounting calculation for the Landfill provision. Due to a calculation adjustment introduced by Audit NZ and significant lower treasury interest rates, the adjustment for the Landfill provision had a significant impact on the accounts this year as previously indicated.

Finance Costs - \$7,136k favourable.

Reduced finance costs are a result of the Council requiring less debt than budgeted. This is due to capital programme deferrals.

Depreciation & Amortisation Expense - \$3,183k favourable.

Capital projects within various Council activities have not been completed within budgeted timeframes and this has resulted in a reduced depreciation and amortisation expense for the financial year.

Gains & Losses - \$19,859k unfavourable.

Included in gains and losses is a \$12,238k loss on non-cash revaluation of Council's financial borrowing instruments. There is also \$4,300k attributable to loss on sale of assets in the processing of asset disposals.

Development Contributions - \$6,811k favourable.

This is mainly due to additional income received in line with the wet industries development contributions agreement. This is not included within the DC or Growth projections and reflects a significant favourable position to budget.

Capital Revenue - \$27,243k unfavourable.

Capital programme deferrals have resulted in reduced capital revenue. Refer to the Capital Monitoring Report.

Vested Assets - \$17,917k favourable.

More vested assets have been received than budgeted.

Attachment 2

VENUES, TOURISM AND MAJOR EVENTS

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

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000		\$000		\$000	
YTD 2018/19		YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)		
Everyday Revenue							
126	Rates	14,968	14,972	100%	(3)		
6,488	Fees & Charges	5,736	5,189	111%	547		
	Subsidies & Grants	4			4		
359	Interest Revenue	140	124	113%	16		
739	Other Revenue	736	800	92%	(64)		
7,712	Total Everyday Revenue	21,583	21,084	102%	499		
Everyday Expenditure							
5,674	Personnel Costs	5,892	6,049	97%	157		
5,164	Operating & Maintenance Costs	5,150	4,370	118%	(780)		
136	Professional Costs	174	263	66%	89		
1,646	Administration Expenses	1,761	1,889	93%	128		
1,069	Property Costs	1,014	1,019	99%	6		
1,911	Finance Costs**	1,704	1,643	104%	(61)		
5,298	Depreciation & Amortisation Expense**	5,326	5,498	97%	172		
100	Gains & Losses	18			(18)		
20,998	Total Everyday Expenditure	21,038	20,732	101%	(306)		
(13,286)	Everyday Surplus/(Deficit)*	545	352	155%	193		
Capital Revenue							
2	Capital Revenue	40	100	40%	(60)		
2	Total Capital Revenue	40	100	40%	(60)		
(13,284)	Operating Surplus/(Deficit)	585	452	130%	133		

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:

Fees & Charges - \$547k favourable.

Fees & charges are favourable due to additional volume of events incurred in Q1 to Q3. The loss of revenue due to COVID-19 is \$1,277k.

Personnel Costs - \$157k favourable.

Personnel costs are favourable due to careful management of staffing levels, and a focus on reducing annual leave liability.

Operating & Maintenance Costs - \$780k unfavourable.

Operating & maintenance costs are unfavourable due to increased costs to deliver events (\$510k) and additional maintenance (\$250k).

Administration Expenses - \$128k favourable.

Administration expenses are favourable due to reduced advertising and promotion costs due to activity not incurred due to COVID-19.

Attachment 2

DEMOCRACY

Governance and Public Affairs | Partnership with Māori

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000		\$000		\$000	
YTD 2018/19		YTD Actual	Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)		
Everyday Revenue							
	Rates	2,883	2,893	100%	(10)		
23	Fees & Charges	166	12	1399%	154		
	Subsidies & Grants						
	Interest Revenue						
	Other Revenue						
23	Total Everyday Revenue	3,049	2,905	105%	144		
Everyday Expenditure							
284	Personnel Costs	446	711	63%	265		
46	Operating & Maintenance Costs	57	62	92%	5		
338	Professional Costs	842	992	85%	150		
1,439	Administration Expenses	1,491	1,593	94%	102		
	Property Costs						
	Finance Costs**						
	Depreciation & Amortisation Expense**						
	Gains & Losses						
2,106	Total Everyday Expenditure	2,837	3,358	84%	521		
(2,083)	Everyday Surplus/(Deficit)*	211	(454)	(47%)	665		
Capital Revenue							
	Capital Revenue						
	Total Capital Revenue						
(2,083)	Operating Surplus/(Deficit)	211	(454)	(47%)	665		

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:**Fees & Charges - \$154k favourable.**

The favourable variance is due to external contributions received for the 2019 Triennial Elections.

Personnel Costs - \$265k favourable.

The favourable variance is due to a budget increase for Councillor remuneration. The budget was incorrectly applied to Personnel Costs instead of Administration Costs.

Professional Costs - \$150k favourable.

The Professional Costs budget for Democracy Services was increased to fund joint elections with the DHB, however the budget was not required due to the appointment of Commissioners.

Administration Expenses - \$102k favourable.

The favourable variance is due to an underspend in a number of areas including conferences, event expenses and travel & accommodation as a result of the COVID-19 lockdown.

Attachment 2

VISITOR ATTRACTIONS

Hamilton Gardens | Waikato Museum | Hamilton Zoo

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000		\$000		\$000	
YTD		YTD Actual	Annual	% Annual	Annual		
2018/19			Budget	Budget	Variance		
				Spent	Fav/(Unfav)		
Everyday Revenue							
511	Rates	15,046	15,058	100%	(12)		
3,032	Fees & Charges	2,509	3,194	79%	(685)		
75	Subsidies & Grants	90	85	107%	6		
33	Interest Revenue	13	11	116%	2		
194	Other Revenue	136	238	57%	(101)		
3,844	Total Everyday Revenue	17,794	18,585	96%	(791)		
Everyday Expenditure							
7,867	Personnel Costs	8,320	7,998	104%	(322)		
2,956	Operating & Maintenance Costs	2,861	2,872	100%	11		
448	Professional Costs	320	259	124%	(62)		
593	Administration Expenses	538	599	90%	61		
425	Property Costs	440	543	81%	103		
173	Finance Costs**	154	150	103%	(4)		
1,872	Depreciation & Amortisation Expense**	2,182	2,616	83%	435		
61	Gains & Losses	9			(9)		
14,395	Total Everyday Expenditure	14,823	15,037	99%	213		
(10,550)	Everyday Surplus/(Deficit)*	2,971	3,549	84%	(578)		
Capital Revenue							
282	Capital Revenue	125	1,862		(1,737)		
282	Total Capital Revenue	125	1,862	7%	(1,737)		
(10,268)	Operating Surplus/(Deficit)	3,096	5,410	57%	(2,314)		

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:

Fees & Charges - \$685k unfavourable.

\$345k unfavourable - revenue is unfavourable for three reasons. (1) The planned Hamilton Gardens shop expansion has been deferred to later years. (2) The ten year plan modeling included low-confidence assumptions and reliance on new developments, particularly the new visitor centre which has been deferred. Budgets have been revised downwards in the 2020/21 Annual Plan to reflect a more realistic target. (3) \$340k lost income due to the closure of Council facilities as part of our Covid-19 response.

Other Revenue - \$101k unfavourable.

Koha/Donation income is well below budget due to a shortfall against overly optimistic targets for Hamilton Gardens. Targets have been revised in the 2020/21 Annual Plan.

Personnel Costs - \$322k unfavourable.

The Vacancy Factor target of \$394k has not been achieved due the need for full staffing in order to support high visitation pre and post Covid as well as provide essential animal welfare services in split shifts during lockdown.

Property Costs - \$103k favourable.

Reduced energy use as buildings were closed during the COVID-19 lock down period. Insurance costs were also favourable against budget.

Capital Revenue - \$1,737k unfavourable.

Third party Zoo Waiwhakareke Entrance Precinct funding not received as the project scope is under review. The project has been deferred to next year and Council has been advised of scope changes during the 2020/21 Annual Plan process. \$175k funding for Hamilton Gardens development budgeted for 2019/20 will be received 2020/21.

Attachment 2

ARTS AND COMMUNITY

Libraries | Community Development | Arts Promotion | Theatres

FOR THE YEAR ENDED 30 JUNE 2020

\$000			\$000	\$000	\$000	
YTD 2018/19			YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)
Everyday Revenue						
(10)	Rates		16,633	16,667	100%	(34)
429	Fees & Charges		426	294	145%	132
	Subsidies & Grants		1	2	72%	(1)
	Interest Revenue			28	0%	(28)
	Other Revenue					
420 Total Everyday Revenue			17,061	16,991	100%	69
Everyday Expenditure						
5,213	Personnel Costs		5,700	5,522	103%	(179)
864	Operating & Maintenance Costs		726	909	80%	182
513	Professional Costs		293	389	75%	96
1,869	Administration Expenses		2,484	8,181	30%	5,696
292	Property Costs		224	305	73%	82
4	Finance Costs**		3	406	1%	402
2,824	Depreciation & Amortisation Expense**		2,767	2,575	107%	(192)
37	Gains & Losses		3			(3)
11,616 Total Everyday Expenditure			12,201	18,286	67%	6,085
11,196 Everyday Surplus/(Deficit)*			4,859	1,295	375%	6,154
11,196 Operating Surplus/(Deficit)			4,859	1,295	375%	3,565

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:**Fees & Charges - \$132k favourable.**

Unbudgeted income was received from the Waikato District Council for ratepayer use of Hamilton Libraries.

Personnel Costs - \$179k unfavourable.

The Vacancy Factor target of \$277k was not achieved due to fewer vacancies and unfavourable annual leave balances.

Operating & Maintenance Costs - \$182k favourable.

This variance is due to the Community Hall building maintenance work programme that has not been completed due to the Covid-19 lockdown.

Administration Expenses - \$5,696k favourable.

The funding deed for the Waikato Regional Theatre contribution has yet to be finalised by Council and \$6,000k payment has been deferred to 2020/21. This is partially offset by \$450k of the \$1,000k social service funding included in phase 1 of Council's Covid-19 response package (approved 27th March 2020) being spent this year. The theatre contribution along with unspent social service funding have been included in the proposed 2020/21 Annual Plan.

Attachment 2

PARKS AND RECREATION

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

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000		\$000		\$000	
YTD		YTD Actual	Annual	% Annual	Annual		
2018/19			Approved	Budget	Variance		
			Budget	Spent	Fav/(Unfav)		
Everyday Revenue							
(212)	Rates	28,014	28,109	100%	(96)		
6,645	Fees & Charges	6,337	7,139	89%	(802)		
18	Subsidies & Grants	4	7	52%	(3)		
422	Interest Revenue	163	171	95%	(8)		
235	Other Revenue	166	196	85%	(30)		
7,108	Total Everyday Revenue	34,684	35,623	97%	(939)		
Everyday Expenditure							
11,285	Personnel Costs	12,212	11,948	102%	(264)		
7,644	Operating & Maintenance Costs	6,899	8,180	84%	1,281		
518	Professional Costs	905	682	133%	(222)		
723	Administration Expenses	727	787	92%	60		
885	Property Costs	905	1,095	83%	190		
2,249	Finance Costs**	2,006	2,305	87%	299		
6,010	Depreciation & Amortisation Expense**	5,835	7,364	79%	1,529		
1,189	Gains & Losses	159			(159)		
30,504	Total Everyday Expenditure	29,648	32,361	92%	2,714		
(23,396)	Everyday Surplus/(Deficit)*	5,036	3,262	154%	1,774		
Capital Revenue							
	Development Contributions**	1,180	1,345	88%	(165)		
291	Capital Revenue	1,052	271	389%	781		
	Vested Assets**						
291	Total Capital Revenue	2,232	1,616	138%	616		
(23,105)	Operating Surplus/(Deficit)	7,268	4,878	149%	2,391		

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:**Fees & Charges - \$802k unfavourable.**

Cemetery income is \$455k below budget due to the increased competition and the impact of Covid 19. Aquatics income was also impacted by the Covid-19 closure and is \$759k unfavourable against budget. This is a partial offset of \$412k favourable City Parks income received from the Infrastructure Alliance.

Personnel Costs - \$264k unfavourable.

The vacancy factor of \$248k has not been achieved due to unbudgeted recruitment costs required to fill staff vacancies. External staff costs were higher to provide coverage during recruitment and an increase in the annual leave accrual.

Operating & Maintenance Costs - \$1,281k favourable.

The project to demolish the Municipal pool has been delayed to be reviewed in future years. Various projects in Parks and Open Spaces were unable to be completed due the impacts of the Covid-19 lockdown. These included Project Watershed projects, sports parks, Waiwhakareke heritage park development and tree maintenance.

Professional Costs - \$222k unfavourable.

This relates to the consultant costs associated with the Municipal Pool demolition project. The budget for this work was included in Operating and Maintenance budget line in error.

Property Costs - \$190k favourable.

Energy costs below budget due to the closure of pools and park buildings during Covid-19 lockdown.

Gains & Losses - \$159k unfavourable.

Gains and Losses associated with the disposal of various assets.

Capital Revenue - \$781k favourable.

\$1,150k Trust Waikato contribution towards the resurfacing of Minogue Park netball courts received. Partially offset by a revision to the playground development programme where work will be completed in later years. The project for 2019/20 will be deferred and the \$271k third party funding will be received in later years. The overall spend however remains the same as included in the ten year plan.

Checked

Attachment 2

SAFETY

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

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000	\$000	\$000	\$000
YTD 2018/19		YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)
Everyday Revenue					
(2)	Rates	3,860	3,895	99%	(35)
2,050	Fees & Charges	2,114	2,045	103%	69
51	Subsidies & Grants	49	51	96%	(2)
	Interest Revenue				
23	Other Revenue	38	31	124%	7
2,123	Total Everyday Revenue	6,061	6,022	101%	39
Everyday Expenditure					
3,602	Personnel Costs	4,131	3,785	109%	(346)
1,141	Operating & Maintenance Costs	1,084	1,212	89%	128
157	Professional Costs	96	173	56%	77
181	Administration Expenses	421	238	177%	(183)
25	Property Costs	32	27	120%	(5)
	Finance Costs**				
70	Depreciation & Amortisation Expense**	67	94	72%	27
3	Gains & Losses				
5,178	Total Everyday Expenditure	5,832	5,529	105%	(303)
(3,055)	Everyday Surplus/(Deficit)*	229	493	46%	(264)
Capital Revenue					
	Capital Revenue				
	Total Capital Revenue				
(3,055)	Operating Surplus/(Deficit)	229	493	46%	(264)

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:**Personnel Costs - \$346k unfavourable.**

This is largely due to staff receiving higher duties allowance (due to civil defence activity for the Microplasma Bovis outbreak, Whakaari disaster and covid-19) and the integration of education around personal mobility devices into the work of City Safe. Council is also experiencing a higher than usual leave accrual due to staff taking less leave during Easter and Anzac holidays as a result of COVID-19.

Operating & Maintenance Costs - \$128k favourable.

The favourable variance is due to a delay in expenditure due to COVID-19.

Administration Expenses - \$183k unfavourable.

The unfavourable variances represent the operating funding approved for the Emergency Response Initiative as part of Phase 1 of Council's COVID-19 Response Package.

Checked

Attachment 2

PLANNING AND DEVELOPMENT

City Planning | Planning Guidance | Building Control

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000		\$000		\$000	
YTD		YTD Actual	Annual	% Annual	Annual		
2018/19			Budget	Budget	Variance		
				Spent	Fav/(Unfav)		
Everyday Revenue							
	Rates	5,743	5,751	100%	(8)		
11,844	Fees & Charges	11,255	10,588	106%	667		
	Subsidies & Grants	287			287		
135	Interest Revenue	52	46	113%	6		
1	Other Revenue	10			10		
11,980	Total Everyday Revenue	17,348	16,386	106%	962		
Everyday Expenditure							
8,293	Personnel Costs	8,724	9,140	95%	416		
300	Operating & Maintenance Costs	463	466	99%	3		
2,550	Professional Costs	4,054	1,942	209%	(2,112)		
1,377	Administration Expenses	1,437	2,386	60%	950		
35	Property Costs	70	32	218%	(38)		
719	Finance Costs**	640	610	105%	(29)		
3	Depreciation & Amortisation Expense**		2	14%	2		
3	Gains & Losses						
13,279	Total Everyday Expenditure	15,387	14,578	106%	(809)		
(1,298)	Everyday Surplus/(Deficit)*	1,960	1,807	108%	153		
Capital Revenue							
	Capital Revenue						
	Total Capital Revenue						
(1,298)	Operating Surplus/(Deficit)	1,960	1,807	108%	153		

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:

Fees & Charges - \$667k favourable.

Resource Consent and City Planning revenue and external contributions is higher than budget due to increased activity and demand for services.

Subsidies & Grants - \$287k favourable.

The favourable variance represents external funding received for the Metro Spatial Plan project.

Personnel Costs - \$416k favourable.

Personnel Costs are less than budget due to unfilled vacancies in the Planning Guidance and City Planning business units, combined with underspends in training & development and travel. Council is also experiencing a higher than usual leave accrual due to staff taking less leave during Easter and Anzac holidays as a result of COVID-19.

Professional Costs - \$2,112k unfavourable.

Professional Costs are unfavourable due to increased consultancy expenditure which was incurred due to unfilled positions. There is also an overspend in legal expenditure due to increased limited notified consents which add complexity. Increased legal and consultancy costs have also been incurred in plan changes, some of which is recoverable.

Administration Expenses - \$950k favourable.

A \$1,000k grant relating to the Social Housing Fund budgeted to be paid to the Waikato Community Lands Trust in 2019/20 has been delayed due to the signing of the Trust Deed.

Attachment 2

WATER SUPPLY

Water Treatment | Water Storage | Water Distribution

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000		\$000		\$000	
YTD 2018/19		YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)		
Everyday Revenue							
9,003	Rates	28,147	27,638	102%	508		
38	Fees & Charges	100	(167)	(60%)	267		
	Subsidies & Grants	4			4		
732	Interest Revenue	319	298	107%	21		
	Other Revenue	29			29		
9,773	Total Everyday Revenue	28,599	27,770	103%	830		
Everyday Expenditure							
3,551	Personnel Costs	3,381	3,417	99%	37		
1,831	Operating & Maintenance Costs	2,300	2,518	91%	217		
154	Professional Costs	478	833	57%	354		
73	Administration Expenses	15	11	146%	(5)		
1,831	Property Costs	1,896	2,076	91%	180		
3,903	Finance Costs**	3,474	4,036	86%	562		
11,948	Depreciation & Amortisation Expense**	8,561	9,668	89%	1,107		
1,075	Gains & Losses	565			(565)		
24,365	Total Everyday Expenditure	20,670	22,558	92%	1,888		
(14,591)	Everyday Surplus/(Deficit)*	7,930	5,212	152%	2,717		
Capital Revenue							
	Development Contributions**	7,352	5,041	146%	2,311		
1,147	Capital Revenue	798	52	1534%	746		
(1)	Vested Assets**	2,182	1,846	118%	336		
1,146	Total Capital Revenue	10,333	6,939	149%	3,394		
(13,445)	Operating Surplus/(Deficit)	18,263	12,151	150%	6,111		

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:**Rates - \$508k favourable.**

Water by meter revenue is favourable due to a higher than anticipated level of water use during the year.

Fees & Charges - \$267k favourable.

Favourable variance due to higher than anticipated revenue from water take points due to increasing volumes of tankered water.

Operating & Maintenance Costs - \$217k favourable.

The favourable variance is predominantly due to a lower than anticipated volume of water network related maintenance works.

Professional Costs - \$354k favourable.

The favourable variance is a result of seismic strengthening project decisions on the future use of certain structures meaning there is now no need to complete the assessments on those buildings anymore. Water Modelling costs were also below budget. Both of these savings have been used to offset unbudgeted Metro Spatial Plan costs.

Property Costs - \$180k favourable.

Electricity costs are below budget due to process stability. External rates charged by the Waikato Regional Council was also below budget.

Gains & Losses - \$565k unfavourable.

Unfavourable variance is due to the disposal of various assets.

Capital Revenue - \$746k favourable.

Contributions towards new water connections exceed budget due to higher than budgeted applications. This revenue will offset capital installation costs.

Attachment 2

WASTEWATER

Wastewater Collection | Wastewater Treatment | Wastewater Disposal

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000		\$000		\$000	
YTD 2018/19		YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)		
Everyday Revenue							
(74)	Rates	29,301	29,370	100%	(69)		
4,483	Fees & Charges	4,782	4,992	96%	(210)		
	Subsidies & Grants	3			3		
825	Interest Revenue	318	402	79%	(84)		
	Other Revenue						
5,234	Total Everyday Revenue	34,405	34,764	99%	(359)		
Everyday Expenditure							
4,614	Personnel Costs	5,060	4,892	103%	(168)		
6,033	Operating & Maintenance Costs	6,232	6,235	100%	3		
407	Professional Costs	859	792	108%	(67)		
182	Administration Expenses	134	76	176%	(58)		
1,816	Property Costs	1,993	2,346	85%	353		
4,395	Finance Costs**	3,912	5,526	71%	1,615		
8,043	Depreciation & Amortisation Expense**	13,047	13,235	99%	187		
1,686	Gains & Losses	661			(661)		
27,177	Total Everyday Expenditure	31,899	33,103	96%	1,204		
(21,942)	Everyday Surplus/(Deficit)*	2,506	1,662	151%	845		
Capital Revenue							
	Development Contributions**	12,698	8,408	151%	4,291		
1,215	Capital Revenue	1,265	52	2431%	1,213		
	Vested Assets**	6,781	3,160	215%	3,621		
1,215	Total Capital Revenue	20,745	11,620	179%	9,125		
(20,727)	Operating Surplus/(Deficit)	23,251	13,282	175%	9,969		

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:**Fees & Charges - \$210k unfavourable.**

The unfavourable result is mainly due to a decrease in trade waste income as a result of Covid 19 in the last quarter of this financial year.

Personnel Costs - \$168k unfavourable.

The unfavourable result is due to timecost charges being higher than budget for strategic network planning projects. The vacancy factor target will not be achieved due to fewer vacancies. Council is also experiencing a higher than usual leave accrual due to staff taking less leave during Easter and Anzac holidays as a result of Covid-19.

Property Costs - \$353k favourable.

Electricity and Gas costs are below budget due to underspend in the early part of the year due to process stability and efficiencies.

Gains & Losses - \$661k unfavourable.

Unfavourable variance is due to the disposal of various assets.

Capital Revenue - \$1,213k favourable.

Contributions towards new wastewater connections exceed budget due to higher than budgeted applications. This revenue will offset capital installation costs.

Attachment 2

STORMWATER

Stormwater Network

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000		\$000		\$000	
YTD 2018/19		YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)		
Everyday Revenue							
	Rates	6,581	6,598	100%	(17)		
458	Fees & Charges	362	241	150%	121		
	Subsidies & Grants	3			3		
226	Interest Revenue	87	130	67%	(43)		
	Other Revenue						
684	Total Everyday Revenue	7,033	6,969	101%	65		
Everyday Expenditure							
2,030	Personnel Costs	2,262	2,107	107%	(155)		
271	Operating & Maintenance Costs	589	258	228%	(330)		
11	Professional Costs	241	351	69%	110		
44	Administration Expenses	29	9	323%	(20)		
408	Property Costs	473	446	106%	(28)		
1,201	Finance Costs**	1,069	1,815	59%	746		
9,616	Depreciation & Amortisation Expense**	9,866	10,285	96%	419		
250	Gains & Losses	267			(267)		
13,832	Total Everyday Expenditure	14,796	15,271	97%	475		
(13,148)	Everyday Surplus/(Deficit)*	(7,762)	(8,302)	93%	540		
Capital Revenue							
	Development Contributions**	1,408	3,033	46%	(1,625)		
485	Capital Revenue	444	1,279	35%	(835)		
	Vested Assets**	6,442	5,297	122%	1,145		
485	Total Capital Revenue	8,294	9,609	86%	(1,315)		
(12,663)	Operating Surplus/(Deficit)	532	1,307	41%	(775)		

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:**Fees & Charges - \$121k favourable.**

Fees charged to Waikato Regional Council was higher than anticipated due to erosion works completed on the bulk main.

Personnel Costs - \$155k unfavourable.

The unfavourable result is due to timecost charges being higher than budget for strategic network planning projects. The vacancy factor target will not be achieved due to fewer vacancies. Council is also experiencing a higher than usual leave accrual due to staff taking less leave during Easter and Anzac holidays as a result of Covid-19.

Operating & Maintenance Costs - \$330k unfavourable.

The unfavourable variance is due to additional and reactive maintenance required in some wetland areas and general stormwater assets.

Professional Costs - \$110k favourable.

The favourable variance is predominantly due to a delay in the approval and subsequent implementation of a revised stormwater monitoring plan in relation to Council Stormwater Discharge resource consent, which has resulted in specialised monitoring costs being less than anticipated for this year.

Gains & Losses - \$267k unfavourable.

Unfavourable variance is due to the disposal of various low value assets.

Capital Revenue - \$835k unfavourable.

Capital programme deferrals have resulted in reduced capital revenue. Refer to the Capital Monitoring Report.

Attachment 2

TRANSPORT
 Transport Network | Transport Centre | Parking Management
FOR THE YEAR ENDED 30 JUNE 2020

\$000			\$000	\$000	\$000	
YTD 2018/19			YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)
Everyday Revenue						
23	Rates		34,000	34,095	100%	(95)
4,216	Fees & Charges		3,431	3,346	103%	85
6,045	Subsidies & Grants		9,795	6,238	157%	3,557
955	Interest Revenue		369	434	85%	(65)
2,815	Other Revenue		2,622	2,473	106%	150
14,054	Total Everyday Revenue		50,216	46,586	108%	3,631
Everyday Expenditure						
3,707	Personnel Costs		4,018	3,940	102%	(78)
13,338	Operating & Maintenance Costs		16,183	11,928	136%	(4,254)
789	Professional Costs		891	1,655	54%	764
1,352	Administration Expenses		1,090	951	115%	(139)
2,082	Property Costs		2,185	2,100	104%	(85)
5,091	Finance Costs**		4,531	5,941	76%	1,410
17,575	Depreciation & Amortisation Expense**		19,836	18,095	110%	(1,741)
1,563	Gains & Losses		5,925			(5,925)
45,498	Total Everyday Expenditure		54,658	44,610	123%	(10,047)
(31,443)	Everyday Surplus/(Deficit)*		(4,441)	1,976	(225%)	(6,417)
Capital Revenue						
	Development Contributions**		9,559	7,560	126%	1,998
32,094	Capital Revenue		38,721	66,074	59%	(27,353)
(1)	Vested Assets**		33,741	20,927	161%	12,814
32,093	Total Capital Revenue		82,021	94,561	87%	(12,540)
650	Operating Surplus/(Deficit)		77,580	96,537	80%	(18,957)

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:

Subsidies & Grants - \$3,557k favourable.

Operational subsidies received from NZTA is favourable due to large operational project (Victoria Bridge painting) being completed in the early part of the financial year and the Rotokauri Park & Ride project being managed by Council on behalf of Kiwirail with a 100% NZTA subsidy received on expenditure.

Other Revenue - \$150k favourable.

Petrol Tax and recovery of parking and traffic infringements were higher than budgeted.

Operating & Maintenance Costs - \$4,254k unfavourable.

Planned major bridge maintenance work on Victoria Bridge (ANZAC Parade) was budgeted in the 2018/19 financial year however, due to ensuring compliance requirements and discovered maintenance, the project was delayed and not completed until the early part of this financial year. The Rotokauri Park and Ride project is managed by Council on behalf of Kiwirail as mentioned above.

Professional Costs - \$764k favourable.

The underspend is due to the re-prioritising of projects to maximise the available staff resourcing and a delay in the renewal of the Professional Services Panel (PSP) to March 2020, resulting in a delay in the tender and awarding process of contracts.

Administration Expenses - \$139k unfavourable.

Debt Collection Fees and Bad Debts for the Parking activity are higher than budget. This is offset by Other Revenue.

Gains & Losses - \$5,925k unfavourable.

The variance is due to the disposal of streetlights replaced with LED lighting. In preparation for the revaluation of transportation assets, a review of the fixed asset register was completed resulting in the write-off of small balances. Impairment of assets brought onto the fixed asset register, mainly in relation to the Peacocks development, where buildings are situated on roading land and being demolished to build the new road.

Capital Revenue - \$27,353k unfavourable.

Capital programme deferrals have resulted in reduced capital revenue. Refer to the Capital Monitoring Report.

Attachment 2

RUBBISH AND RECYCLING

Refuse Collection | Waste Minimisation | Landfill Site Management

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000		\$000		\$000	
YTD 2018/19		YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)		
Everyday Revenue							
	Rates	6,871	6,894	100%	(22)		
(126)	Fees & Charges	(151)	(66)	230%	(85)		
639	Subsidies & Grants	647	575	112%	72		
18	Interest Revenue	7	6	114%	1		
446	Other Revenue	374	444	84%	(70)		
976	Total Everyday Revenue	7,749	7,853	99%	(104)		
Everyday Expenditure							
1,023	Personnel Costs	1,183	1,137	104%	(46)		
5,441	Operating & Maintenance Costs	5,450	6,471	84%	1,021		
258	Professional Costs	329	252	130%	(77)		
(1,407)	Administration Expenses	4,477	(1,769)	(253%)	(6,246)		
48	Property Costs	53	80	67%	27		
863	Finance Costs**	217	1,200	18%	984		
478	Depreciation & Amortisation Expense**	563	657	86%	94		
8	Gains & Losses						
6,713	Total Everyday Expenditure	12,272	8,028	153%	(4,244)		
(5,736)	Everyday Surplus/(Deficit)*	(4,523)	(175)	2584%	(4,348)		
Capital Revenue							
	Capital Revenue						
	Total Capital Revenue						
(5,736)	Operating Surplus/(Deficit)	(4,523)	(175)	2584%	(4,348)		

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:

Operating & Maintenance Costs - \$1,021k favourable.

Operational costs are below budget due to the re-phasing of Waste Minimisation Education and Engagement activities to support and align with the delay in the rollout of the new collection service due to Covid 19. The cost of collecting waste and recycling was also below budget for this year due to lower than anticipated waste tonnages collected as a result of Covid 19. Illegal dumping costs are tracking well below budget this year due to improved clarity in the definition of illegal dumping and associated charging with the contractor. The spend on refuse and recycling bins is below budget as stock currently held is sufficient and there has been no need to purchase additional bins at this time.

Administration Expenses - \$6,246k unfavourable.

Administration expenses are above budget due to the year end accounting calculation for the Landfill provision. Due to a calculation adjustment introduced by Audit NZ and significantly lower treasury interest rates, the adjustment for the Landfill provision had a significant impact on the accounts this year as previously indicated.

Attachment 2

OVERHEADS

CE's Office | Corporate | Strategy and Communications | Strategic Property

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000	\$000	\$000	\$000
YTD 2018/19		YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)
Everyday Revenue					
(278)	Rates	(287)	(283)	102%	(4)
936	Fees & Charges	1,058	1,218	87%	(160)
75	Subsidies & Grants	76			76
	Interest Revenue				
2,725	Other Revenue	2,140	2,430	88%	(290)
3,459	Total Everyday Revenue	2,987	3,365	89%	(378)
Everyday Expenditure					
18,722	Personnel Costs	21,561	19,723	109%	(1,838)
1,892	Operating & Maintenance Costs	3,096	3,108	100%	12
3,265	Professional Costs	4,003	3,652	110%	(351)
9,555	Administration Expenses	10,086	9,120	111%	(966)
842	Property Costs	633	747	85%	115
57	Finance Costs**	43	70	61%	27
5,297	Depreciation & Amortisation Expense**	5,317	6,475	82%	1,158
(729)	Gains & Losses	(583)	(579)	101%	4
38,901	Total Everyday Expenditure	44,156	42,317	104%	(1,839)
(35,442)	Everyday Surplus/(Deficit)*	(41,169)	(38,952)	106%	(2,217)
Capital Revenue					
	Capital Revenue				
	Total Capital Revenue				
(35,442)	Operating Surplus/(Deficit)	(41,169)	(38,952)	106%	(2,217)

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:**Fees & Charges - \$160k unfavourable.**

Fees & Charges are unfavourable due to the decrease in requests for LIMs as a result of the COVID-19 lockdown.

Other Revenue - \$290k unfavourable.

Other Revenue is unfavourable due to the Rent Relief Initiative which was approved as part of Phase 1 of Council's COVID-19 Response Package.

Personnel Costs - \$1,838k unfavourable.

Personnel costs are over budget due to increased expenditure on externally contracted staff to cover vacancies and deliver organisational wide projects. This increase partially offset by the increase in internal capital recoveries.

Professional Costs - \$351k unfavourable.

This is due to internal movements of budget between CE office, City Growth and Strategy and Communications. Additionally there has been a redistribution of the Infrastructure and Financing (IFF) budget from personnel to consultants.

The unfavourable variance also includes operating funding for the Business Response Centre Initiative as part of Phase 1 of Council's COVID-19 Response Package, and a provision for legal claims.

Administration Expenses - \$966k unfavourable.

Administration Expenses are unfavourable to budget due to increased software licences arising from the implementation of new software programmes across the organisation. Software is a service and is partially offset by depreciation.

Property Costs - \$115k favourable.

Professional costs are favourable to budget due to a change in the method the Council uses to allocate Insurance costs across the organisation.

Attachment 2

GENERAL

FOR THE YEAR ENDED 30 JUNE 2020

\$000		\$000	\$000	\$000	\$000
YTD 2018/19		YTD Actual	Annual Approved Budget	% Annual Budget Spent	Annual Variance Fav/(Unfav)
Everyday Revenue					
171,912	Rates	4,915	4,964	99%	(49)
	Fees & Charges				
	Subsidies & Grants				
	Interest Revenue	(38)			(38)
390	Other Revenue	1,160	13,516	9%	(12,356)
172,302	Total Everyday Revenue	6,037	18,480	33%	(12,443)
Everyday Expenditure					
45	Personnel Costs	(100)			100
97	Operating & Maintenance Costs				
	Professional Costs				
	Administration Expenses		(2,626)	0%	(2,626)
	Property Costs				
(322)	Finance Costs**	(26)	1,160	(2%)	1,186
	Depreciation & Amortisation Expense**				
14,210	Gains & Losses	12,258			(12,258)
14,031	Total Everyday Expenditure	12,133	(1,466)	(828%)	(13,599)
158,271	Everyday Surplus/(Deficit)*	(6,095)	19,946	(31%)	(26,041)
Capital Revenue					
24,632	Development Contributions**				
	Capital Revenue				
33,668	Vested Assets**				
58,299	Total Capital Revenue				
216,571	Operating Surplus/(Deficit)	(6,095)	19,946	(31%)	(26,041)

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

** Finance Costs, Depreciation & Amortisation Expenses, Development Contribution and Vested Assets variances are explained in the Council activity statements

Material variances as explained below:**Other Revenue - \$12,356k unfavourable.**

Unfavourable variance as a result of the fair value benefit not being realised on the Housing Infrastructure Fund (HIF) due to fewer HIF loans than expected.

Personnel Costs - \$100k favourable.

This is the annual adjustment to reflect the 2019/20 movement in the sick leave provision.

Administration Expenses - \$2,626k unfavourable.

This is the efficiency savings which will be realised across all areas of the business.

Gains & Losses - \$12,258k unfavourable.

There has been an unfavourable movement in market interest rates resulting in a loss in the fair value of interest rate swaps.

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2020

Attachment 3

Item 8

Attachment 3

	Actual	Annual Budget
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	104,207	46,440
Receivables	28,897	18,360
Prepayments	2,261	1,712
Inventory	164	160
Non-current asset held for sale	2,396	-
Other financial assets	11,414	-
Total current assets	149,340	66,672
Non-current assets		
Property, plant and equipment	4,438,896	4,632,252
Intangible assets	24,571	21,082
Investment property	29,665	23,754
Other financial assets		
- Investment in CCOs and other similar entities	10,445	9,516
- Other investments	10,557	8,867
Total other financial assets	21,002	18,383
Investment in associates	7,430	7,430
Derivative financial instruments	1,084	-
Total non-current assets	4,522,648	4,702,901
Total assets	4,671,988	4,769,573
LIABILITIES		
Current liabilities		
Payables and deferred revenue	39,595	32,125
Employee entitlements	9,624	6,520
Provisions	2,817	771
Borrowings	73,751	42,800
Derivative financial instruments	538	4,119
Total current liabilities	126,324	86,335
Non-current liabilities		
Employee entitlements	970	1,100
Provisions	18,644	23,209
Borrowings	454,707	538,103
Derivative financial instruments	59,637	14,906
Total non-current liabilities	533,958	577,318
Total liabilities	660,282	663,653
Net assets	4,011,706	4,105,920
Equity		
Accumulated funds	1,902,753	1,912,370
Other reserves	2,069,203	2,154,325
Restricted reserves	38,881	38,790
Council created reserves	869	436
Total equity attributable to Hamilton City Council	4,011,706	4,105,920
Total equity	4,011,706	4,105,920

TREASURY REPORT for the year ended 30 June 2020

Attachment 4

Investment and Cash Position

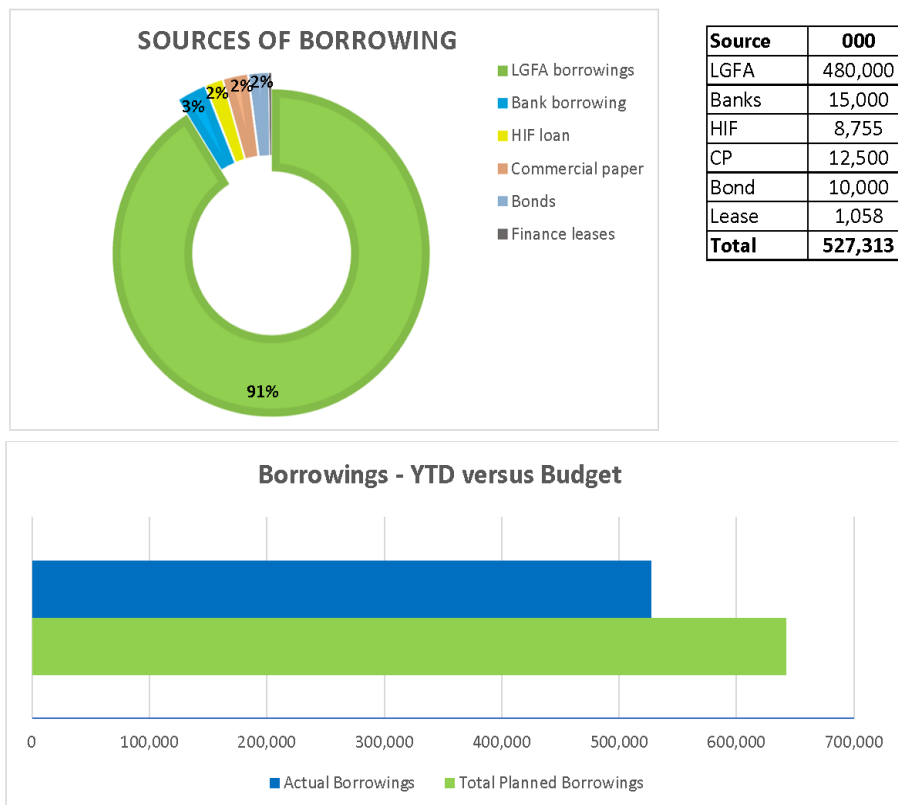
Treasury cash investments consist of:

Cash Investments	Actual Jun-20	Budget Jun-20	Variance Fav/ (Unfav)
Cash on call	38,565	not apportioned	not apportioned
Term deposit	75,000	not apportioned	not apportioned
Closing bank balances	425	not apportioned	not apportioned
LGFA borrower notes	7,680	not apportioned	not apportioned
Total cash investments	121,670	55,000	66,670

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

Borrowing Position

Council borrowings is the external portion of debt held with the Local Government Funding Agency (LGFA), banks, Ministry of Business, Innovation and Employment and finance lease liabilities.



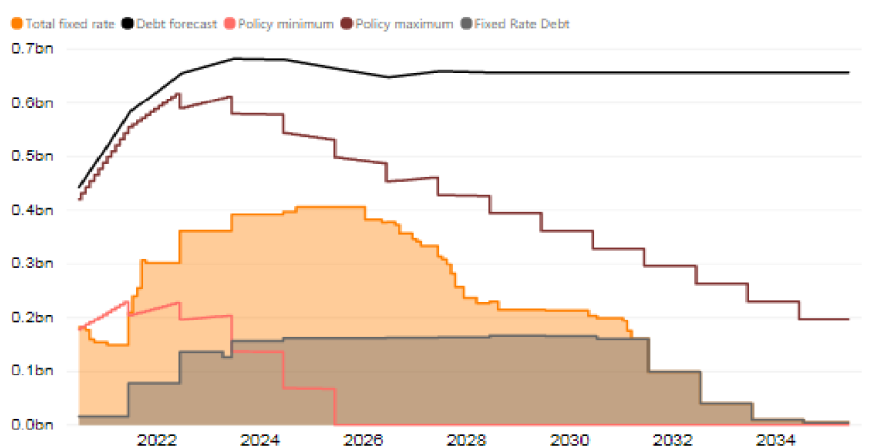
Borrowing debt increased in June 2020. A HIF drawdown of \$3.6M increased total HIF borrowings to \$8.8M. Due to capital expenditure deferrals, borrowings tracked slower for the year overall. We had 3 loans mature within the 2019-2020 financial year. The LGFA received \$25M in loan repayments and Westpac received \$5M.

As indicated in the Source of Borrowing graph, the LGFA remains our most favoured and low cost source of funding.

Interest Rates

The Council ensures interest rate risk management to reduce uncertainty relating to interest rate fluctuations through fixing/ hedging of interest costs. The exposure to interest rate risk is managed and mitigated through the risk control limits as set out in the Investment and Liability Management Policy.

Interest rate risk timeline



Our fixed rate debt is compared to the fixed rate policy over 15 years. This includes HIF as it is fixed at 0%. Our fixed debt is currently 41% and compliant with policy.

Council Report

Committee: Finance Committee

Date: 11 August 2020

Author: Candice Swanepoel

Authoriser: David Bryant

Position: Business Performance Accountant

Position: General Manager Corporate

Report Name: Financial Strategy Monitoring Report - Recommendation to Council

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Finance Committee of the status of the 2018-28 10-Year Plan Financial Strategy as at 30 June 2020.

Staff Recommendation - *Tuutohu-aa-kaimahi (Recommendation to Council)*

2. That the Finance Committee receives the report.
3. That the Finance Committee recommends that the Council:
 - a) approves the capital movement from the 2019/20 Financial Year to future years as identified in the 11 August 2020 Capital Portfolio Monitoring Report;
 - b) approves the significant forecast adjustments as set out in paragraphs 19 to 24 of this report; and
 - c) approves the revised Financial Strategy position for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 25 to 32 of this report.

Executive Summary

4. This report is to be read in conjunction with the:
 - June 2020 (11 August 2020 meeting) Annual Monitoring Report; and
 - June 2020 (11 August 2020 meeting) Capital Portfolio Monitoring Report.
5. This report provides a forecast update of the key 10-Year Plan Financial Strategy metrics.
6. One key goal of the 10-Year Plan Financial Strategy is to maintain or better the balancing the books result, so the need to borrow to fund everyday expenses is eliminated.
7. Not borrowing to fund everyday expenses maintains Council's borrowing capacity to fund investment in community and infrastructure initiatives.
8. If there are negative variances from either the operating and/or capital budgets, Council may need to consider increasing revenue and/or reducing expenditure in other budgets.
9. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Background - *Kooreo whaimaarama*

10. Financial Strategy

11. The Financial Strategy (pages 67-71, 2018-28 10-Year Plan) is designed to:

- a) fund everyday expenses from everyday revenues
- b) maintain service levels and assets
- c) create surpluses to repay debt
- d) support investment in community, infrastructure and growth initiatives
- e) fund investments from debt

12. The key outcomes are:

- a) balancing the books after four years (2023/24). This was updated in the 2019/20 Annual Plan
- b) maintaining a Debt to Revenue Ratio of less than 230%
- c) setting rates increases for existing ratepayers at 9.7% (2018/19) and 3.8% per annum thereafter for existing ratepayers

13. The approved 10-Year Plan budgeted Financial Strategy provided for \$3M unused debt capacity for the first three years. Changes to the actual and forecast operating and capital budgets affects this capacity. If there are negative variances from either the operating and/or capital budgets the Council will need to consider increasing revenue and/or reducing expenditure in other budgets.

14. Forecasting changes made since the adoption of the 10-Year Plan show an improvement in the Financial Strategy measures.

15. Significant Forecasting assumptions

16. Any changes in significant forecasting assumptions (pages 72-81, 2018-28 10-Year Plan) will result in changes to the Financial Strategy outcomes.

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

- **Growth:** Revenue budgets for rates, development contributions, building and resource consents are linked to growth assumptions based on the National Institute of Demographic and Economic Analysis (NIDEA) Low projections.
- **Interest on borrowing**
- **Inflation:** was forecast by Business and Economic Research Ltd (BERL) under contract to SOLGM, with a modification for the Waikato. Waikato is experiencing higher inflation on capital projects than is being experienced across the rest of New Zealand.

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

Financial Strategy Significant Forecast Adjustments

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

20. The forecast takes account of changes:

- a. to capital budgets approved by the Capital Investment Board, under delegation
- b. to operating expenditure approved by staff under delegation
- c. by Council decision
- d. recommendations by other Council Committees to Council, that are not yet approved

21. All significant changes made since the 10-Year Plan and up to the last Finance Committee Meeting on 16 June 2020 are listed in Attachment 1.
22. **Significant forecasting adjustments since the 16 June 2020 Council meeting are:**
- Capital adjustment
 - Annual Monitoring Report Forecast adjustment
23. **Capital adjustment**

Discussion										
Capital revenue, capital savings, re-phasing, and delay deferrals from 2019/20 to future years as detailed in the 11 August 2020 Capital Portfolio Monitoring Report.										
Financial Strategy Impact										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	-	153	(12)	(175)	(184)	(193)	(198)	(208)	(218)	(228)
Net Debt \$(000)	-	3,262	(263)	(3,733)	(3,917)	(4,111)	(4,309)	(4,517)	(4,734)	(4,963)

Numbers in brackets represent an adverse outcome.

24. **Annual Monitoring Report Forecast adjustment**

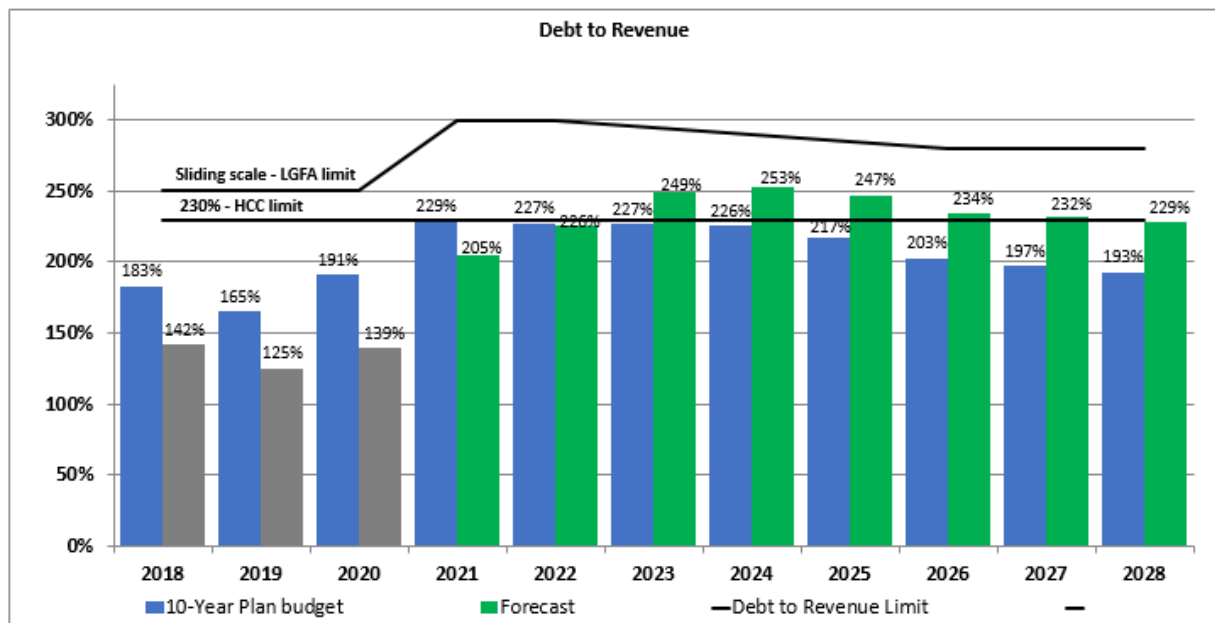
Discussion										
The 11 August 2020 Annual Monitoring Report includes actuals for 2019/20. These changes have been made within the activity statements.										
Financial Strategy Impact										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balancing the Books \$(000)	-	852	89	94	98	103	106	111	116	122
Net Debt \$(000)	-	1,813	1,902	1,996	2,095	2,198	2,304	2,415	2,531	2,653

Numbers in brackets represent an adverse outcome.

Financial Strategy Graphs

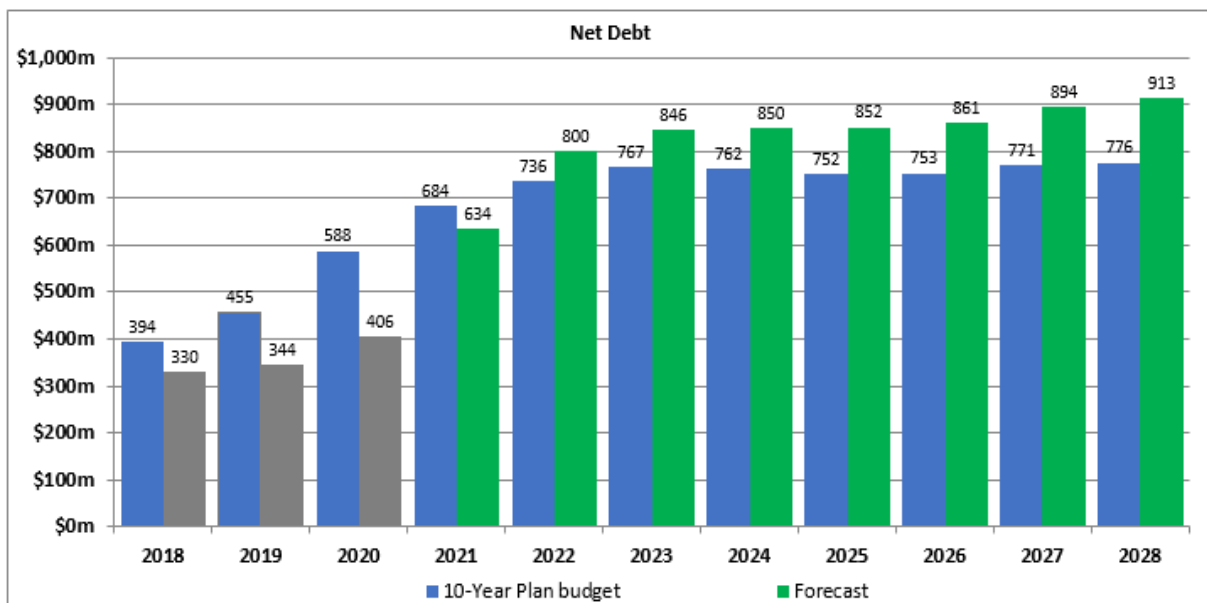
25. The following graphs show the 10-Year Plan budgets (in blue) and the total of all Council approved changes listed in Attachment 1 as well as the significant forecast adjustments as set out in paragraph 18 above (in green).
26. Forecast changes include matters contained in this agenda and subject to decision by the Finance Committee or Council.

27. Debt to Revenue



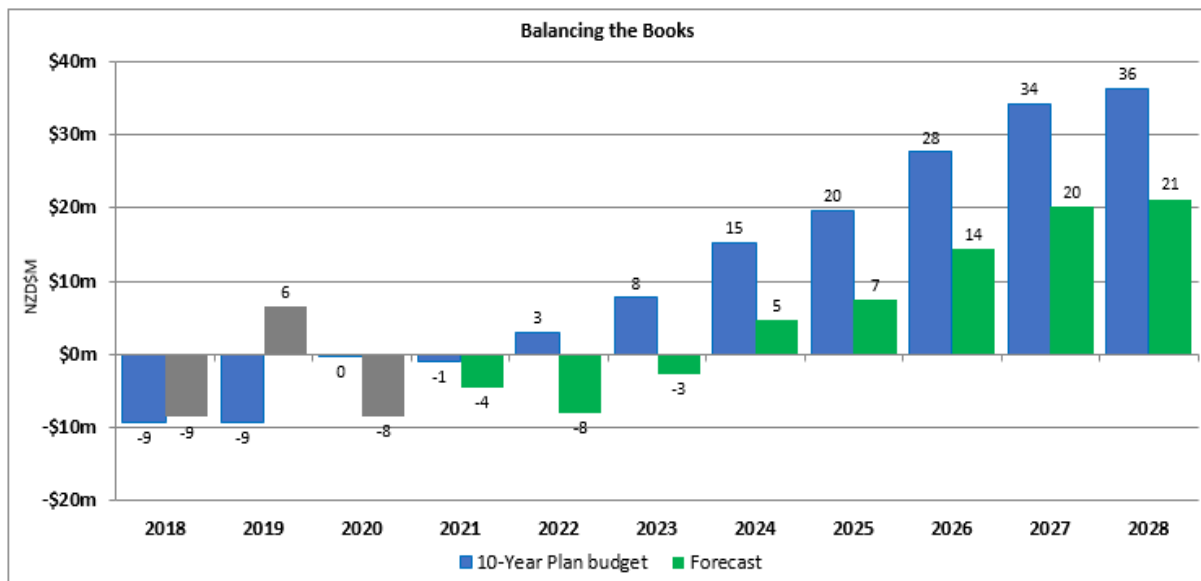
28. The Debt to Revenue graph includes all adjustments identified in this report and shows that the forecast debt to revenue is favourable against the 10-Year Plan budget.

29. Net Debt



30. The Net Debt graph shows a decrease in net debt against the 10-Year Plan. Net debt for 2019/20 is \$406M.

31. Balancing the Books



32. The 2019/20 budget was planned to balance the books. The 2019/20 result is unfavourable at (\$8M). Forecast shows to balance the books again between 2023 and 2024.

Risks to the Financial Strategy

33. Emerging issues reported in the April 2020 (16 June 2020 meeting) Annual and Capital Portfolio Monitoring Reports indicated the impact that covid-19 could have on balancing the books result and consequently debt across the 10-Year Plan. A reduction in expected rates revenue, due to an annual rate increase of 2.8% in 2020/21, has had an unfavourable impact on balancing the books.
34. The debt to revenue margin on debt capacity in three years' time (2022/23) has lost the resilience built up before the national lockdown period. It should be considered in the context of the extent of change that has occurred already since the plan was adopted, the impact on expected revenue and the amount of spending budgeted to occur before the end of 2022/23.

Emerging Issues

35. The Annual and Capital Portfolio Monitoring Report lists emerging issues that could impact the capital portfolio and consequently debt and the balancing the books result across the remainder of the 10-Year Plan.
36. There are no new emerging issues additional to and not included in the above reports.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

38. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 well-beings').

- 39. The subject matter of this report has been evaluated in terms of the 4 well-beings during the process of developing this report as outlined below.
- 40. The recommendations set out in this report are consistent with that purpose.

Sustainability Considerations

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

Risks

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

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

- 43. 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

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Register of Significant Forecast Changes June 2020

Register of Significant Forecast Changes

The following significant forecasting changes have previously been approved.

\$000's

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

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

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

Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1-Aug-19	Central City Jetty additional funding	BB	-	(26)	(27)	(28)	(30)	(31)	(32)	(33)	(35)	(37)
		ND	-	(546)	(573)	(601)	(631)	(662)	(694)	(728)	(763)	(799)
	Capital Deferrals and NZTA capital subsidy deferred	BB	-	(26)	(27)	(28)	(30)	(31)	(32)	(33)	(35)	(37)
		ND	-	(546)	(573)	(601)	(631)	(662)	(694)	(728)	(763)	(799)

Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1-Sep-19	Capital Deferrals and NZTA capital subsidy deferred	BB	-	(123)	(420)	(578)	(766)	(804)	(825)	(864)	(906)	(950)
		ND	-	(2,612)	(8,927)	(12,302)	(16,299)	(17,103)	(17,928)	(18,792)	(19,699)	(20,648)
	Adjustment in Libraries revenue - reinstatement of rental agreement for Waikato DC ratepayers to use HCC Libraries	BB	-	214	(99)	(106)	(114)	(122)	(131)	(140)	(150)	(161)
		ND	-	214	115	9	(105)	(227)	(358)	(498)	(648)	(809)
	Forecast changes from Annual Monitoring report	BB	-	134	7	7	7	8	8	8	9	9
		ND	-	134	141	148	155	163	171	179	187	197

Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
11-Feb-20	Capital Deferrals and NZTA capital subsidy deferred	BB	-	4,894	1,781	565	(123)	(129)	(133)	(139)	(146)	(153)
		ND	-	104,122	37,894	12,027	(2,625)	(2,754)	(2,887)	(3,026)	(3,172)	(3,325)

* [Annual Plan budget proposals approved 21st May at Council Meeting]

Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
28-Apr-20	Capital Deferrals and NZTA capital subsidy deferred	BB	-	1,212	1,019	(88)	171	(45)	(261)	(462)	(684)	(928)
		ND	-	25,796	21,687	(1,759)	3,633	(957)	(5,663)	(10,037)	(14,861)	(20,179)
	Forecast changes from Annual Monitoring report	BB	-	(4,121)	(566)	(594)	(623)	(654)	(671)	(703)	(737)	(773)
		ND	-	(11,477)	(12,043)	(12,637)	(13,260)	(13,914)	(14,585)	(15,288)	(16,025)	(16,798)
	Rates adjustment	BB	-	(633)	(702)	(776)	(866)	(942)	(1,030)	(1,129)	(1,236)	(1,351)
		ND	-	(633)	(1,335)	(2,111)	(2,966)	(3,908)	(4,938)	(6,068)	(7,304)	(8,655)

Date	Change		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
16-Jun-20	Capital Deferrals and NZTA capital subsidy deferred	BB	-	(13)	2,135	980	707	753	807	848	800	864
		ND	-	(280)	45,421	20,854	15,032	16,015	17,551	18,426	17,389	18,789
	Forecast changes from Annual Monitoring report	BB	-	6,374	307	323	339	355	364	382	400	420
		ND	-	6,235	6,542	6,865	7,204	7,559	7,923	8,305	8,706	9,126

Council Report

Committee: Finance Committee

Date: 11 August 2020

Author: Cory Lang

Authoriser: Jen Baird

Position: Building Control Manager

Position: General Manager City Growth

Report Name: Weathertight Claims

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Finance Committee on the current status of weathertight claims.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Finance Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. There has been no change in our claims position since we last reported to this Committee in August 2019; no weathertight claims have been settled in the previous 12 months.
4. Staff consider the matter in this report has low significance and that the recommendation complies with the Council's legal requirements.

Background - *Kooreo whaimaarama*

5. The Building Act 1991 changed building controls from a prescriptive system to a more performance-based regime and as a result, some timber-framed buildings constructed primarily between 1994 and 2004 were subsequently found to have weathertightness issues.
6. As awareness of the issue of 'leaky buildings' grew, the scale and scope of the damage started to become apparent; legislation was quickly introduced to provide some redress and assistance to the owners of these buildings.
7. The Weathertight Homes Resolution Services Act 2002 was first introduced to provide faster and more flexible legal options and assistance. This was followed several years later by the Weathertight Homes Resolution Services Act 2006 (the WHRS Act) which streamlined and refined the earlier process.
8. The key features of the WHRS Act are:
 - new criteria to be eligible for mediation and adjudication services;
 - a new Weathertight Homes Tribunal to undertake adjudications;
 - a class action system for multi-unit claims; and
 - new assessment reports that focus on the eligibility of claims.
9. WHRS provides assessment, evaluation, mediation and adjudication services to homeowners.

10. The owner of a dwelling who considers that their home is a leaky building can apply to the WHRS to have their home assessed. A WHRS assessor will inspect the property and produce a report setting out whether or not, in the assessor's opinion, the property meets the criteria to be eligible as a claim.
11. The criteria establish that:
 - the dwelling must have been built or subject to alterations and a claim lodged within 10 years of the Code Compliance Certificate being issued;
 - the dwelling is a leaky building; and
 - damage to the dwelling has resulted due to it being a leaky building.
12. The assessor's report is then provided to an evaluation panel which considers the report and decides whether, in the panel's opinion, the claim is eligible to proceed further, to mediation or adjudication.
13. Owners of leaky homes face significant financial and emotional stress as a result of having to deal with the situation they find themselves in. Many people do not have the resources to repair their dwellings and find themselves caught in a litigation process which is expensive and very time consuming. Meanwhile, they live in homes that continue to deteriorate.

Financial Considerations - *Whaiwhakaaro Puutea*

No claims have been settled in the last financial year. The total cost to Council for settlements between 2008 to 30 June 2020 is \$3,753,851, which is funded through the Annual Plan.¹⁵ The estimated settlements are calculated based on the quantum claimed (if known) and the Council's likely exposure. Estimates are subject to change throughout the management of the claim to resolution; however, specific case management of each claim is undertaken to minimise the Council's exposure and settlements.

16. Summary of Weathertight Settlements as at 30 June 2020

Claims by Year	Total number of settlements	Council settlement amount	Other parties settlement amount	Total settlements
2008/09	5	\$ 103,000	\$ 257,000	\$ 360,000
2009/10	6	\$ 99,898	\$ 782,102	\$ 882,000
2010/11	6	\$ 206,500	\$ 228,000	\$ 434,500
2011/12	6	\$ 819,500	\$ 395,125	\$ 1,214,625
2012/13	5	\$ 617,000	\$ 280,000	\$ 897,000
2013/14	8	\$ 749,328	\$ 31,788	\$ 781,116
2014/15	3	\$ 313,625	\$ 918,625	\$ 1,232,250
2015/16	1	\$ 45,000	\$ -	\$ 45,000
2016/17	1	\$ 470,000	\$ 185,680	\$ 655,680
2017/18	1	\$ 125,000	\$ 232,800	\$ 357,800
2018/19	1	\$ 205,000	\$ 170,000	\$ 375,000
2019/20	0	\$ -	\$ -	\$ -
Total	47	\$ 3,753,851	\$ 3,481,120	\$ 7,234,971

17. **Current Outstanding Claims and Estimated Settlements as at 30 June 2020**

Claim Type	(\$000s)
Commercial	
2 (High Court)	648
Historical	
(Initial claims with WHRS)	
4	405
Active	
1 (WHRs)	372
1 (High Court)	100
Total Estimated Settlements	1,525

18. **Financial and Resourcing Implications**

19. Councils have some financial exposure due to "joint and several liability" provisions in law. Councils have been left in the position where the primary contributors to the weathertightness issue, being contractors and developers, have been able to wind up their companies and avoid contribution. This has meant that in some cases councils have had to absorb a greater share of the monetary contribution to the homeowner. Costs are minimized as much as possible where a small number of experienced staff and experts are actively engaged in managing each claim.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

20. Staff confirm that this matter complies with the Council's legal and policy requirements, the relevant legislation being the Weathertight Homes Resolution Services Act 2006.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

21. The purpose of Local Government changed on 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
22. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below. The recommendations set out in this report are consistent with that purpose.

Risks - *Tuuraru*

23. In terms of current legal and financial risk, we are confident that these are mitigated through the utilization of the subject matter experts and active case management processes, which we continue to monitor on a regular basis. Future claims cannot be determined but Hamilton City Council has a small number of claims in comparison to the other metro councils.
24. The number of claims for all councils is detailed on the Ministry of Business, Innovation and Employment website. These can reflect a greater number of claims due to the delay in notification of settled claims.

25. Number of Weathertight Claims Comparison for Metro Councils as at 31 October 2019

Metro Council	Number of Individual Household Unit Claims	Number of Actual Claims
Auckland City Council	1552	246
Christchurch City Council	41	36
Hamilton City Council	15	6
Tauranga City Council	127	15
Wellington City Council	223	26

Attachments - *Ngaa taapirihanga*

There are no attachments for this report.

Council Report

Committee: Finance Committee

Date: 11 August 2020

Author: Aileen Carlisle

Authoriser: Sean Hickey

Position: Transformation Manager

Position: General Manager Strategy and Communications

Report Name: Cost Savings Report

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Finance Committee on progress towards achieving the Council's cost-savings target of \$94.5m over ten years.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Finance Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. As part of the 2018-28 10-Year Plan, the Council budgeted to save \$94.5m in operating savings over ten years and \$6.132m in Year 2 (2019/20). This report should be read in conjunction with:
 - 30 June 2020 (11 August 2020 meeting) Capital Portfolio Monitoring report; and
 - 30 June 2020 (11 August 2020 meeting) Annual Monitoring report
4. The savings target for 2019/20 was \$6.1m of which \$5.6m was achieved. The savings achieved can be broken down as follows:
 - \$2.2m in personnel savings
 - \$3.4m of savings was achieved through the capital programme, without impacting project delivery.
5. A range of projects were undertaken across all groups that delivered efficiency savings, with examples set out in paragraph 29 of this report. These efficiency gains freed up resources which were reinvested in other activities and contributed to improved customer experience, as well as helping manage personnel costs and build organisational resilience and capability.
6. Transformation projects across the Council are being consolidated into an organisation-wide programme of work with a strong focus on driving change from a customer perspective. The savings are being reprofiled to ensure the 10-year savings target of \$94m is achieved and a tracker is being implemented to ensure cost efficiencies and benefits are recorded.
7. Staff consider the matters in this report have low significance, according to the Council's Significance and Engagement Policy, and that the recommendations comply with the Council's legal requirements.

Background - *Kooreo whaimaarama*

6. During the development of the 2018-28 Long-term Plan, Council approved a 'Reimagining Local Government' Programme to change the way that Council operated to provide greater value for money to its community. This was initially approved at a cost of \$3m with a savings target of \$58m over ten years.
7. Following further discussion with the Chief Executive, the Programme was approved at a reduced cost of \$1m with an increased savings target of \$94.498m over ten years.
8. The budgeted annual and cumulative savings are shown below:

2018/2028 10 Year Plan Council Savings Target (\$000)	Year 1 18/19	Year 2 19/20	Year 3 20/21	Year 4 21/22	Year 5 22/23	Year 6 23/24	Year 7 24/25	Year 8 25/26	Year 9 26/27	Year 10 27/28	10 Year Total
Annual savings in operating expenses (un-inflated)	\$4,000	\$2,000	\$1,000	\$1,000	\$1,000	\$1,000	\$0	\$0	\$0	\$0	
Annual savings in operating expenses (inflated)	\$4,000	\$2,044	\$1,044	\$1,067	\$1,092	\$1,117	\$0	\$0	\$0	0	
Cumulative Savings (un-inflated)	\$4,000	\$6,000	\$7,000	\$8,000	\$9,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$84,000
Cumulative Savings (inflated)	\$4,000	\$6,132	\$7,312	\$8,536	\$9,828	\$11,170	\$11,440	\$11,730	\$12,020	\$12,330	\$94,498

9. The Chief Executive presented a report to Council on 26 June 2018 outlining his high-level vision for 'reimagining local government', including opportunities available to Council to achieve its targeted savings.
10. On 10 September 2019, staff reported to the Finance Committee that the savings target of \$4m for 2018/19 had been achieved.
11. The accounting result year ended 30 June 2020 shows a surplus of \$81M. This is \$29.4M unfavourable against the budgeted surplus of \$110.4M. The balancing the books result year ended 30 June 2020 is (\$8.3M). This is \$1M unfavourable against an approved budget of (\$7.3M).
12. This has had a knock on impact on the savings for 2019/20 with \$3.9m against a target of \$6.2m in savings delivered. The cost savings set out in the 10-year plan will be reprofiled to ensure that the overall target of \$94m is achieved over 10 years.

Discussion - *Matapaki*

13. The savings for the 2019/20 year were influenced by covid-19. Whilst there were some business efficiencies achieved, the main savings were delivered largely through lower spend on capital projects leading to reduced levels of debt. Lower market interest rates and depreciation costs had a minor impact.

Optimised capital programme

14. The optimised target for 2019/20 was to reduce capital spend by \$16.8m, with resulting operating savings of \$1.308m through reduced interest and depreciation costs. A total of \$5.7m in reduced spend was achieved through cost management, innovative contracts and Integration with developers. The remainder was achieved through Portfolio Management, also referred to as re-phasing deferrals.

Capital Programme Savings Forecast:

Inflated \$(000)	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Total
Reduced Net Capex Spend	8,778	16,811	14,156	16,202	15,026	12,007	12,115	14,382	17,172	16,489	143,147
	0	0	0	0	0	0	0	0	0	0	0
<u>Operating Savings:</u>	0	0	0	0	0	0	0	0	0	0	0
Interest savings	213	783	1,464	2,132	2,821	3,400	3,828	4,410	5,143	5,963	30,157
Depreciation savings	177	525	800	1,142	1,463	1,712	1,949	2,234	2,567	2,876	15,444
Total Operating Savings	390	1,308	2,264	3,274	4,284	5,112	5,777	6,644	7,710	8,839	45,601

15. Optimising the capital programme involves a number of linked tactics including:

- Cost management: through good project management, deliver individual projects under budget.
- Innovative contracts: leverage strong relationships and scale to negotiate better deals for the Council.
- Integration with developers: through collaboration with developers, deliver infrastructure at a reduced cost to the Council.
- Portfolio management: through taking an agile approach to the timing of projects within the capital programme. The change to timing does not compromise community outcomes as projects are still delivered as expected. These are reported as “Re-phasing” deferrals to the Finance Committee through the Capital Monitoring Report.

16. The first three of these categories are ‘direct savings’; that is, they have resulted in capital projects being delivered for less money than budgeted.

17. The fourth category, Portfolio management savings, is a conservative assessment of additional interest savings achieved from projects where deferred spending has been deliberate and is not expected to impact the outcome delivered. No projects in the Renewals and compliance programme are included in this assessment.

18. At year end, \$5.7m in direct capital savings have been identified and \$78.5m in re-phasing deferrals. The financial impacts of these are contained in the following table.

Capital Programme Savings 2019/20

As at 30 June 2020

Savings Category	Capital Savings \$(000)	Operating Savings \$(000)		
		Depreciation	Interest	Total
<u>Direct savings:</u>				
Cost management	1,634	-15	-66	-81
Innovative Contracts	1,081	0	-44	-44
Integration with Developers	2,990	-5	-121	-127
Direct Savings Total	5,705	-21	-231	-252
<u>Indirect savings:</u>				
Portfolio management savings	78,500	0	-3,179	-3,179
Total Savings	84,205	-21	-3,410	-3,431

19. Depreciation has been calculated per project based on their expected start date over useful life. At year end, this has an estimated value of \$21k operating savings for the 19/20 financial year.
20. Interest has been calculated using the 2019-20 weighted average interest rate of 4.05%. At year end, this has an estimated value of \$3.4m operating savings.
21. Any savings in personnel costs as a result of the optimised capital programme have been incorporated into 'vacancy management' savings.

Business-led efficiencies

22. Much of the efficiency or productivity gains that have come from the business doing things differently are realised as avoided personnel costs, as well as improving customer experience and building more organisational resilience and capability.
23. Although \$2.2m was 'saved' in personnel costs, this was partially offset by significant one-off personnel costs – particularly an increase in the annual leave balance as a result of people being unable to take leave during covid19 (\$1.1m) and an adjustment in salaries following the MBIE (Ministry of Business, Innovation and Employment) review (\$0.6m).
24. A range of projects have contributed to the delivery of cost savings including those listed below.

25. Growth savings Programme

26. Review of property leasing and \$270k cost avoidance saving through use of alternative system solution.
27. Process improvements in animal control leading to a salary line saving of \$35k.
28. The Planning Guidance Unit has completed the first stage of a two-part project to move to online resource consents. Customers are able to use an entirely electronic based plan processing and there are increased efficiencies and accuracies for staff. Phase two is now underway and savings will be identified as part of this.

29. Chamber Livestream Changes

30. The use of a Chamber video means that an external contractor is no longer needed to attend committee meetings. In addition, moving to a paperless environment means that printing and courier costs have been reduced.

31. LED Lighting Initiative

32. Hamilton City Council has completed a major project to replace the city's streetlights with efficient LED bulbs, saving the city \$250,000 in reduced power and maintenance costs in the first year and \$550,000 in the second year while making major health and road safety improvements.
33. In doing so, the Council drove changes to the NZ Transport Agency specifications, thereby enabling other centres in New Zealand to benefit from our research and experience, and allowing New Zealanders to experience healthier, less intrusive and safer street lighting.

34. U18 Youth Free Bus Trial

35. Hamilton City Council has been able to support this trial with Waikato Regional Council, through additional revenue received from Bus Shelter advertising.

36. Project WODA (Mobile Strategy)

37. Phase 1 of Project WODA (Mobile Strategy) has enabled field inspectors to capture data digitally, streamlining processes. Benefits include improved efficiency through automated upload of data and streamlined work practices including inspection management.

38. Electric Motorbikes for litter collection

39. The Hamilton Infrastructure Alliance, who carry out maintenance for Hamilton City Council, have chosen an innovative and environmentally friendly approach to their fleet vehicles for litter collection by purchasing two fully electric motorbikes. As a result:

- Motorbike running costs are lower
- Residents are not disturbed by noisy litter collection vehicles
- Staff have more capable work vehicles that are more pleasant to operate
- Vehicle emissions are reduced

40. As the Transformation Programme develops, we expect to see sustainable savings realised in a broader range of areas. The consolidation and prioritisation of work programmes is focused on making changes based on the customer perspective. A transformation tracker is being implemented and these efficiency savings will be reported through future 'end of year' reports.

41. The savings for the 20/21 financial year are set out in Table 8 of the [Annual Plan 20/21 Deliberations Report](#) that was considered by Council on 23 July 2020. The savings can be broken into four broad categories:

Theme	Amount of saving	Percentage of total savings
Capital programme optimisation	1308	17.8%
Transformation (business led efficiencies and digital transformation)	3750	51.4%
Other savings (wage freeze, reduced travel and training costs)	1450	19.8%
Further savings	800	11.0%
TOTAL	7308	100%

42. Additional savings of \$800k need to be identified for 20/21 against the 10 year plan. New savings initiatives will need to be identified during the year. This will require Elected Members and senior managers to work together to identify and deliver further potential savings.

43. We will be tracking progress and measuring the impact of change, including improving customer experience and reducing the cost of services. Examples of how this can be achieved include systems improvement, data quality and analytics, process automation, alignment of activities, contract review, channel choice for customers, and developing a digital offer for transactional services (pay, report, apply).

44. The 10 year cost savings programme is being reprofiled to ensure the overall 10-year savings target is achievable.

Financial Considerations - *Whaiwhakaaro Puutea*

45. The programme was delivered within the budget of \$500,000 for Year 2 (2019/20) of the 10-Year Plan. The Council did not fund the transformation programme beyond year 2 of the 10-year Plan, so future costs will need to be met from any implementation savings.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

46. Staff confirm that the staff recommendation complies with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

47. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
48. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below. The recommendations set out in this report are consistent with that purpose.

Risks - *Tuuraru*

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

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

There are no attachments for this report.

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 Public Excluded Finance Committee Minutes - 16 June 2020) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Report on overdue debtors as at 31 July 2020 & Debt write-offs 2019/20) Official Information and Meetings Act 1987	
C3. Covid-19 Contract Costs)	

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

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