

## Notice of Meeting:

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

**Date:** Tuesday 14 December 2021  
**Time:** 9.30am  
**Meeting Room:** Council Chamber and Audio Visual Link  
**Venue:** Municipal Building, Garden Place, Hamilton

Lance Vervoort  
Chief Executive

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## Finance Committee *Komiti Tahua* OPEN AGENDA

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### Membership

**Chairperson** Cr R Pascoe  
*Heamana*

**Deputy Chairperson** Cr Maxine van Oosten  
*Heamana Tuarua*

<b>Members</b>	Mayor P Southgate	Cr K Naidoo-Rauf
	Deputy Mayor G Taylor	Cr A O'Leary
	Cr M Bunting	Cr S Thomson
	Cr M Gallagher	Cr E Wilson
	Cr R Hamilton	Cr D Macpherson
	Cr M Donovan	Maangai J Kana

**Quorum:** A majority of members (including vacancies)

**Meeting Frequency:** Six weekly

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Becca Brooke  
Governance Manager  
*Menetia Mana Whakahaere*

**6 December 2021**

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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 whaipanga***

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:** 14 December 2021

**Author:** Narelle Waite

**Authoriser:** Becca Brooke

**Position:** Governance Advisor

**Position:** Governance Manager

**Report Name:** Confirmation of the Finance Committee Open Minutes of 5 October 2021

<b>Report Status</b>	<i>Open</i>
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## Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Finance Committee confirm the Open Minutes of the Finance Committee Meeting held on 5 October 2021 as a true and correct record.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Finance Committee Open Unconfirmed Minutes - 5 October 2021

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## Finance Committee

### *Komiti Tahua*

### OPEN MINUTES

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Minutes of a meeting of the Finance Committee held via Audio Visual Link on Tuesday 5 October 2021 at 9.30am.

#### PRESENT

<b>Chairperson</b>	Cr R Pascoe
<i>Heamana</i>	
<b>Deputy Chairperson</b>	Cr M van Oosten
<i>Heamana Tuarua</i>	
<b>Members</b>	Mayor P Southgate Deputy Mayor G Taylor Cr M Bunting Cr M Gallagher Cr R Hamilton Cr M Donovan Cr K Naidoo-Rauf Cr A O'Leary Cr S Thomson Cr E Wilson Cr D Macpherson Maangai J Kana

<b>In Attendance</b>	David Bryant – General Manager People and Organisational Performance Lance Vervoort – General Manager Community Chris Allen – General Manager Development Blair Bowcott – General Manager Growth Tracey Musty – Financial Controller Murray Heke – Chief Innovation Officer Iain Anderson – Capital Financial Lead Rebecca Whitehead – Unit Director Business and Planning Nicolas Wells – Strategic Property Manager Andrew Michl – New Zealand Local Government Funding Agency
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<b>Governance Staff</b>	Becca Brooke – Governance Manager Narelle Waite and Tyler Gaukrodger – Governance Advisors
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#### 1. Apologies – *Tono aroha*

**Resolved:** (Cr Wilson/Cr van Oosten)

That the apologies for absence from Cr Naidoo-Rauf and for early departure from Cr O'leary and for lateness from Mayor Southgate and Cr Hamilton.

2. **Confirmation of Agenda – *Whakatau raarangi take***

**Resolved:** (Cr Bunting/Deputy Mayor Taylor)

That the agenda is confirmed, noting that Item 6 (Chair's Report) will be withdrawn and that the discussion concerning the Hamilton Arts Festival grant request of Item 10 (COVID-19 Council Rent Relief Eligibility and Hamilton Gardens Arts Festival Additional Grant) will be taken in the public excluded section of the meeting.

3. **Declarations of Interest – *Tauaakii whaipanga***

No members of the Committee declared a Conflict of Interest.

4. **Public Forum – *Aatea koorero***

No members of the public wished to speak.

5. **Confirmation of the Finance Committee Open Minutes of 24 August 2021**

**Resolved:** (Cr van Oosten/Cr Bunting)

That the Finance Committee confirm the Open Minutes of the Finance Committee Meeting held on 24 August 2021 as a true and correct record.

7. **Capital Portfolio Monitoring Report**

The Capital Financial Lead introduced the report noting that this is the first report covering the 2021-31 Long Term Plan. He spoke to capital spend, deferrals, projects identified as high risk due to funding shortfalls, supply chain risk and Covid-19 related cost increases. He responded to questions from Members concerning the Pukete Community House project, funding for the Walking and Cycling Bridge, the Pukete Wastewater Treatment Plant capacity upgrade project, financial creep of capital projects and related procurement strategies, skilled worker shortages, work in progress and mitigation plan for delays to capitalisation, and the Auckland Harbour Bridge cycling crossing cost re-allocation opportunities.

**Staff Action:** *Staff undertook to discuss with Waka Kotahi funding re-allocation opportunities from Auckland to Hamilton City's walk-cycle projects.*

**Resolved:** (Cr Pascoe/Cr van Oosten)

That the Finance Committee receives the report.

*Mayor Southgate joined the meeting (10.00am) during discussion of the above item. She was present when the matter was voted on.*

8. **Financial Performance & Strategy Report to 31 August 2021 (*Recommendation to the Council*)**

The Financial Controller introduced the report noting the new format, vested assets, the capital projects programme, favourable result in balancing the books results noting impact of fees and charges, budget adjustments for approval including the Metro Spatial plan and Waiwhakareke Predator Proof Fence, and the debt to revenue positive forecast. She responded to questions from Members concerning vested assets monitoring, the favourable variable regarding Stormwater, and the unfavourable depreciation result.

**Staff Action:** *Staff undertook to include a vested assets graph in future Financial Performance and Strategy Reports.*

**Staff Action:** *Staff undertook to review and confirm with Members the data concerning the favourable variable regarding Stormwater.*

**Resolved:** (Cr Pascoe/Cr O'Leary)

That the Finance Committee receives the report.

That the Finance Committee recommends that the Council:

- a) approves the capital movement as identified in paragraph 24 of the 5 October 2021 Capital Portfolio Monitoring Report;
- b) approves the significant forecast adjustments as set out in paragraphs 44 to 47 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 50 to 52 of this report.

## 9. **New Zealand Local Government Funding Agency - Annual Report 30 June 2021**

The General Manager People and Organizational Performance introduced Andrew Michl (New Zealand Local Government Funding Agency) who provided a presentation to member regarding membership, liquidity position of LGFA, updates to the 2021-22 statement of intent including additional reference to the Covid-19 response, overview of debt to revenue for LGFA members, and infrastructure spend across the sector and investment in growth. He responded to questions from Members concerning central government bonds and the Covid-19 response, inflation pressures, green sustainable lending, Council's credit rating and trends, and waters infrastructure including the new agency created by reforms and subsequent changes to financing and lending abilities.

**Resolved:** (Cr Pascoe/Maangai Kana)

That the Finance Committee:

- a) receives the report; and
- b) notes the achievements highlighted in the cover letter to shareholders **Attachment 1** of the staff report.

## 10. **COVID-19 Council Rent Relief Eligibility and Hamilton Gardens Arts Festival Additional Grant** (Recommendation to the Council)

The Strategic Property Manager introduced the report noting the Hamilton Garden Arts Festival element will be taken as separate item in the Public Excluded session. He outlined the 2020 rent relief package and the differences in the new packages, the current lockdown, government legislation, and Council approval. He responded to questions from Members concerning current rent payments, delegations to staff to improve relief response times, capability to include community tenants, application process, relief period and funding caps, and assessment criteria.

**Resolved:** (Cr Pascoe/Mayor Southgate)

That the Finance Committee:

- a) receives the report; and
- b) recommends that the Council:
  - i. approves up to \$122,000 of immediate funding for 100% rent relief for eligible Council tenants in the Covid-19 2021 Level 4 and Level 3 lockdowns;
  - ii. approves up to \$61,000 of operating funding for 50% rent relief for eligible Council tenants Covid-19 2021 Level 2 lockdown; and
  - iii. approves the following criteria for assessing eligibility for rent relief:
    - a. tenants need to occupy Council-owned premises and operate in the hospitality,

retail or community sectors;

- b. provide proof of financial hardship and a reduction of more than 50% normal revenue for the period;
- c. provide proof of any Government subsidies applied for and received; and
- d. provide proof of any relief funding received from other sources.

# 11. Resolution to Exclude the Public

**Resolved:** (Cr Pascoe/Cr van Oosten)

## Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Finance Committee Public Excluded Minutes of 24 August 2021	) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Report on overdue debtors as at 31 August 2021 and Debt write-offs 2021/22	)	
C3. Microsoft 365 Digital Workplaces Project New Contract		
C4. Information Services - Psoda Contract Renewal		
C5. COVID Contract Claims		
10. COVID-19 Council Rent Relief Eligibility and Hamilton Gardens Arts Festival Additional Grant		

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 prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C4.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C5.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h) Section 7 (2) (i)
Item 10.	to enable Council to carry out negotiations to enable Council to carry out commercial activities without disadvantage to enable Council to carry out negotiations	Section 7 (2) (h) Section 7 (2) (i)

**The meeting went into Public Excluded Session at 11.46am.**

**The meeting was declared closed at 2.36pm.**

# Council Report

**Committee:** Finance Committee

**Date:** 14 December 2021

**Author:** Narelle Waite

**Authoriser:** Becca Brooke

**Position:** Governance Advisor

**Position:** Governance Manager

**Report Name:** Chair's Report

<b>Report Status</b>	<i>Open</i>
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## Recommendation - *Tuutohu*

That the Finance Committee receives the report.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Chair's Report

Attachment 2 - Taituara Cost Adjusters: Economic context and adjusters for local practitioners 2021 (BERL – October 2021)





## Chair's report

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This is the last meeting for 2021, and a year that will remain in our memories if not only to reflect the (ongoing) and yet different challenges of Covid.

A further wave of Covid from the new Omicron strain appears inevitable and will not only test us financially but also our resilience to move our lives forward.

Today's committee report contains initial staff estimates of both Council revenue losses and increased debt funding needed for current capital projects.

Care, skill, and restraint will be needed from elected members to ensure we manage these unexpected costs within our exiting budget envelope to avoid further rate increases in next year's Annual Plan.

The attached BERL Report (October 2021) sets a scene for the economic drivers and inflationary costs expected to impact on the local government sector over the next year or so. Elected members will be aware this council has an ambitious capital programme driven by city growth.

In an inflationary market expect prices to increase. We are already observing labour and material shortages. This is expected to continue with closed borders and international material demands. Demand exceeding supply will push prices upwards.

It is likely some LTP capital costs savings already identified, or our inability to deliver will reduce the higher debt levels presently projected in the years ahead.

Smarter operational spending already being advanced by management will also help manage day to day operating deficits projected in the LTP for years 2022 of \$2.918m and a further deficit of \$1.84m in 2023.

CPI Inflation is being projected at 6% for 2022. This is much higher than NZ has experienced during the last decade. This is also higher than the annual 4.9% rate increase proposed in the LTP approved by Council earlier this year. Historically council costs have tended to increase at a higher rate than the CPI, so careful management around avoidable cost increases will be needed.

I have observed "shopping lists" already being promoted by and within the EM group for inclusion in Annual Plan discussions. Staff may also be proposing increases.

## Attachment 1

Care will be needed to assess these alongside the unexpected covid costs/ covid revenue losses of 2021, a higher inflation rate, and some wiggle room to manage another wave of Covid.

I greatly appreciate the support and hard work of Deputy Chair Maxine, Elected Members, and a dedicated management team who work with great skill to deliver positive outcomes and enhance the wellbeing of the Hamilton Community.

I wish you all a joyous Christmas and a restful holiday season with family and friends.

### **Chair Recommendation**

That the Finance Committee receives the report.

**Councillor Rob Pascoe**

**Chair of Finance Committee**

### **Attachment:**

Taituara Cost Adjusters: Economic context and adjusters for local practitioners 2021 (BERL – October 2021)

## Item 6

## Taituarā Cost Adjusters

Economic context and adjusters for local practitioners, 2021

October 2021



*Making sense of the numbers*

**Authors: Konrad Hurren**

All work is done, and services rendered at the request of, and for the purposes of the client only. Neither BERL nor any of its employees accepts any responsibility on any grounds whatsoever, including negligence, to any other person.

While every effort is made by BERL to ensure that the information, opinions and forecasts provided to the client are accurate and reliable, BERL shall not be liable for any adverse consequences of the client's decisions made in reliance of any report provided by BERL, nor shall BERL be held to have given or implied any warranty as to whether any report provided by BERL will assist in the performance of the client's functions.

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Reference No: #6253

October 2021

## *Making sense of the numbers*

Despite early optimism from all commentators, 2021 brought with it a resurgence of cases of COVID-19, a disease caused by a novel coronavirus SARS-COV-2. The resurgence reintroduced Non Pharmaceutical Interventions (NPIs, “lockdowns”) globally to try to stem infection and disease.

We build our cost adjusters against the backdrop of a reality that the global production and movement of goods has been severely hampered by these NPIs for over 18 months. This hampering is particularly obvious in global shipping container prices, as well as global commodity prices (excluding energy). This will not resolve itself in the short-term, and although there will be recovery in output, it will come with price inflation.

Local Government has already observed price inflation, particularly in contractor costs. This has been driven by strong domestic demand for construction works, as well as international price changes in raw materials. Both of these factors will remain for the medium to long-term, and will be particularly strongly felt against the backdrop of labour constraints in New Zealand.

Our forecast cost adjusters incorporate the reality that the world rebuilding after lockdowns will do so only with significant inflation. These adjusters should assist Local Government in properly planning for the short and medium-term and roughly understanding the long-term. The role of Local Government remains to enhance wellbeing in the communities served.



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## 1 Introduction

It is now over a year and a half since the emergence of the novel coronavirus SARS-COV-2 and the subsequent Non Pharmaceutical Interventions (NPI) employed to reduce the spread of the contagious virus. These NPIs (commonly referred to as “lockdowns”) have had a profound impact on the New Zealand economy, and on the global economy. The effects of this will be long lasting.

The nature of decisions has evolved from 2020 to 2021. In the months immediately following the announcement of NPIs the role of Local Government was clearly to be a base layer of demand to keep local economies afloat. This was arguably successful. In 2021, we find ourselves in a world where the role of Local Government is to turn again to the long-term wellbeing of people and communities.

This state of the world comes with challenges different from those of late 2020. To inform longer term decisions, Local Government need timely and consistent forecasts of how their costs might evolve over the medium-term.

Against this backdrop, the purpose of this report is to provide Taituarā with robust economic forecasts of cost indices that measure the change in input costs for Local Government. These forecasts will assist in budget decisions and plans over the coming year.

We begin the report with the macroeconomic context, combined with GDP and unemployment forecasts from BERL and The New Zealand Treasury.

We follow this with Section 3, where we discuss how inflation might evolve over the medium-term, nationally and globally. Inflation in contractor prices is already being seen by Local Governments. The purpose of this section is to couch that experience in global and national trends.

In Section 4, we incorporate some feedback we have heard from Local Government practitioners and offer some general guidance on using the cost adjusters. We also include a brief description of some caveats.

In Section 5, we provide forecasts of eight price indices, five cost adjusters and three aggregated cost adjusters.

Section 6 offers some conclusions.

We include graphs in an appendix, showing the actual path of the price indices, as well as fitted value and forecasts.





## 2 Macroeconomic context

### 2.1 The immediate future

#### A return to lockdowns

Throughout 2021, BERL and other market commentators, such as The Reserve Bank of New Zealand (RBNZ) and the New Zealand Treasury (Treasury), have been relatively optimistic about the future. We observed that, with vaccines becoming available, the threat of SARS-COV-2 had lessened and confidence, consumption, and investment could resume. However, it appears as though our optimism was misplaced.<sup>1</sup> As of 17 August 2021, all of New Zealand was ordered to conform to the rules of Level 4 alert.<sup>1</sup> In practical terms, this was a halting of much of the economic system. At the time of writing (late September 2021), Auckland is bound by Alert Level 3 rules, while the rest of New Zealand is bound by Alert Level 2 rules. Again, in practical terms, this means that Auckland's economy is severely hampered, while the rest of New Zealand is also vulnerable, but to a lesser extent. And international tourism, a large earner for New Zealand, is still completely out of the question.

This recent return to lockdown signals very real uncertainty about the future. The uncertainty will undoubtedly change the calculus and behaviour for economic actors of all types. Consumers will be more cautious and business-people will take a shorter-term planning horizon. Some business-people may choose to (or be forced to) liquidate over the near term. This behaviour has consequences for the economic future of New Zealand. We have incorporated this view into our forecasts to build the cost adjusters this year.

### 2.2 The medium- to long-term

The aim is to take a medium to long term view, we would hope that in the coming years vaccines will be widely distributed in New Zealand and the restrictions of the alert system will be removed completely. Though at the time of writing, the public commentary is consistent with restrictions remaining for some time.

With this potential removal of restrictions should come the return of impediment-free international travel, both for people visiting New Zealand, and for people leaving New Zealand. Both of these flows are important for New Zealand's economy and wellbeing.

Additionally, in the medium-term, the impact of the fiscal response to this economic shock will materialise. Apart from the one-off boost in consumption, we should start to see gains from the extra investments. It is important for Councils to keep this medium- to long-term view in mind.

### 2.3 BERL forecasts

Our GDP forecast is underpinned by our knowledge of the New Zealand economy, as well as being informed by forecasts derived from formal modelling done by Treasury and reported in the Budget Economic Fiscal Update (BEFU). Although technically there was not a recession caused by the lockdowns GDP did contract heavily during the year, to subsequently recover.<sup>2</sup> In Figure 2.1 BERL sees that uncertainty around future response to SARS-COV-2, as well as limitations of travel to and

<sup>1</sup> For a description of the Alert system see <https://covid19.govt.nz/alert-levels-and-updates/history-of-the-covid-19-alert-system/>

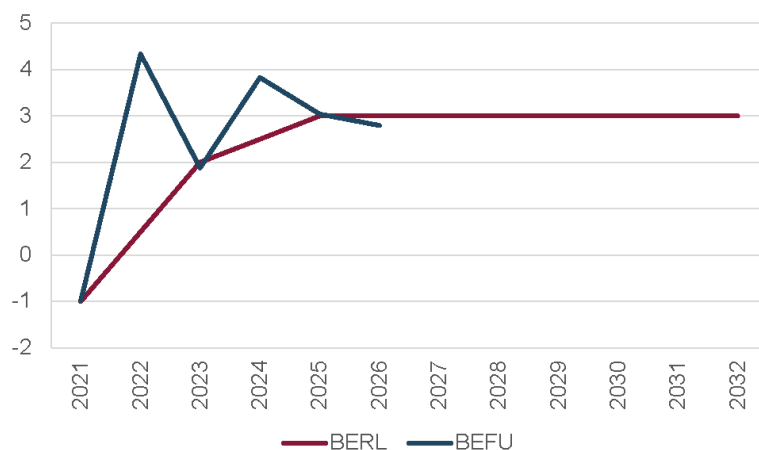
<sup>2</sup> A recession, by definition is two periods of negative GDP growth.



Economic context and adjusters for local practitioners, 2021  
October 2021

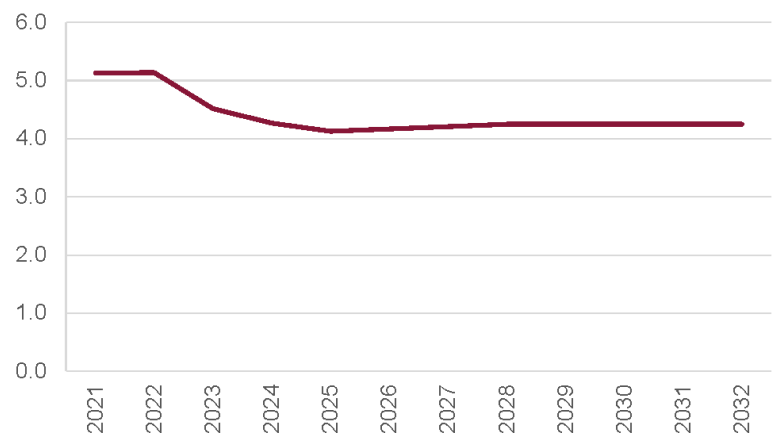
from New Zealand, will imply that growth to June 2022 will not be above one percent. We further see that the economy should start to pick up in 2023. By 2024 - 2025, we would expect that economic actors in New Zealand will have adjusted and conditions will have improved sufficiently that growth of the historical average of three percent will resume. It should also be noted that the forecasts from the BEFU were produced before the most recent outbreak of SARS-COV-2, while BERL's forecasts were made after the outbreak.

Figure 2.1 GDP forecast, BERL and Budget Economic Forecast Update (BEFU)



In Figure 2.2, we reproduce the BEFU unemployment forecast, BERL supports this view. BERL agrees that we need to acknowledge the effect travel restrictions have had on the labour market. The supply of labour in many industries and locations is simply below what is required. This means there is a lot of "slack" before any number of business closures begins to show up in the unemployment figures. We also expect that the significant fiscal response to the economic damage caused by the response to SARS-COV-2 will help prop up employment both in the short-term and going into the medium-term.

Figure 2.2 Unemployment forecast, BEFU



### 3 Inflation pressure

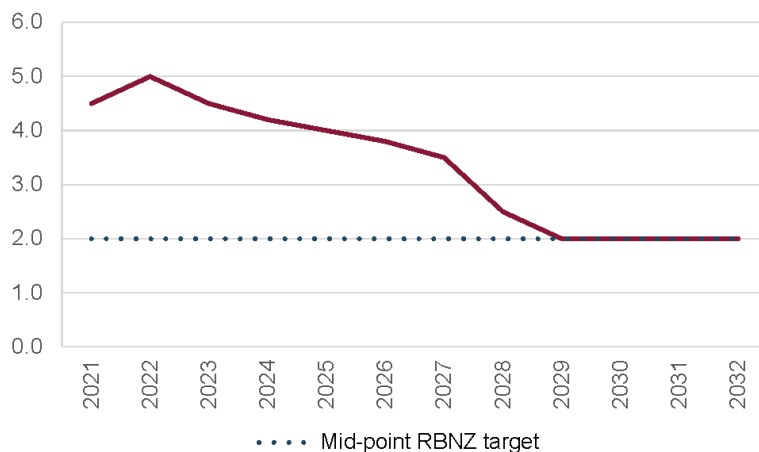
#### There will be a recovery, but it will come with inflation

The economic recovery from the upheaval caused by the response to the emergence of SARS-COV-2 will be different from previous recoveries. Previous downturn periods in New Zealand have been caused by liquidations of business investments following international credit crises. For the most part, production during these periods was allowed to continue as normal. In the current environment production is not allowed to continue as normal. This has already led to significant bottlenecks and capacity constraints all through the web of the economy. The bottlenecks and constraints mean that the significant fiscal and monetary policy responses to the downturn will cause prices across the economy to rise.

In Figure 3.1 we summarise our view of inflation in the short- and medium-term. This forecast sees inflation tracking up from 3.3 percent in 2021 to five percent in 2022. We have so far been reserved in our BERL inflation forecasts. However, recent developments in shipping container prices and commodity prices globally have contributed to a more pessimistic outlook. We will feature shipping container prices and commodity prices in detail later in this section. As a summary introduction, this is a period where bottlenecks and constraints will come to a head and the extra demand created by fiscal and monetary policy will only be able to push prices up. This is in the context of limited scope for central banks to combat inflation. Combined, these forces imply a medium-term of substantial price inflation.

Following this period we see inflation remaining above four percent out to 2025. During the period 2022 – 2025 we expect the RBNZ to cautiously combat inflation using the available tools. In 2027 we expect the RBNZ will be in a good position to aggressively combat inflation. By 2028-2029 inflation should be near enough to the mid-point of the RBNZ's one to three percent target.

Figure 3.1 CPI inflation BERL forecast



### 3.1 National drivers

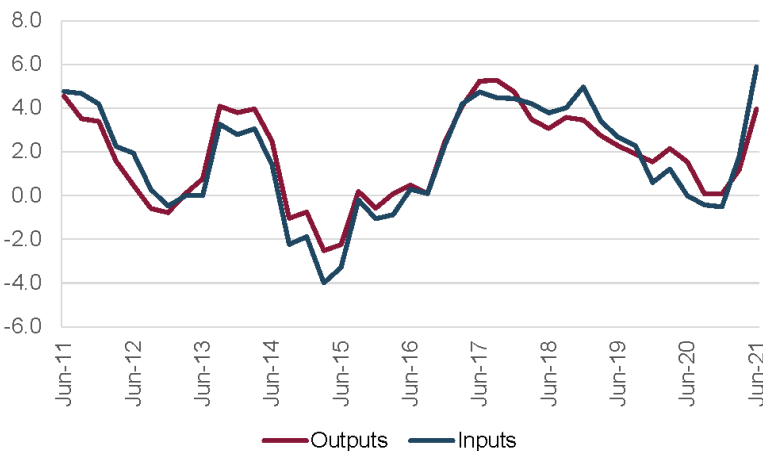
#### Policy response in New Zealand

The policy response to the downturn caused by the response to the emergence of SARS-COV-2 was strong. As at Budget 2021, a total of \$57.1 billion extra spending was targeted at the response to SARS-COV-2 and the subsequent recovery. This represents around 21 percent of annual GDP to June 2021.

However, there are constraints to the benefits of fiscal policy. Government can create demand for goods and services, but the materials, labour, and capital to produce the goods and services has to be sourced from domestic and global markets. As of 2020, the New Zealand economy was already exhibiting significant capacity constraints, particularly in construction, and freight transport. This was further compounded by the containment measures under Alert level 4, and the hobbling of international travel.

Against this backdrop, the fiscal response appears to have pushed producer input prices up, and has also driven up prices for producer outputs. This is clearly illustrated in Figure 3.2, with a sharp upward turn of both input prices and output prices in the period between June 2020 and June 2021. Producer input prices have grown by more than six percent in previous periods of economic upheaval, such as June 2000, March-Sept 2006 and June 2008.

Figure 3.2 Producer Price Indices Outputs and Inputs, PA growth



### 3.2 Global

#### Response to SARS-COV-2

In Figure 3.3 and Figure 3.4 we reproduce data from ourworldindata.org to show how the response to SARS-COV-2 has changed globally, from the peak of the response (April 2020), to the present period (September 2021). This data shows that the world is largely opening up after an initial strong response.

This strong response, although slowly being peeled back, has brought about severe disruptions to the web of the global economy. In what follows, we detail data on how these disruptions caused



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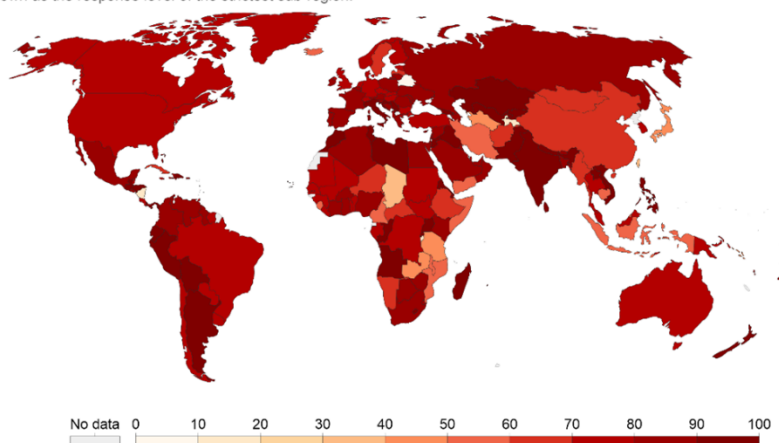
rapid increases in shipping costs and commodity prices, globally. Between these two situations New Zealand was just a member of the pack in 2020, but appears to be an outlier in September 2021.

Figure 3.3 COVID-19 Stringency Index, as at 14th April 2020

### COVID-19: Stringency Index

This is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.

Our World  
in Data

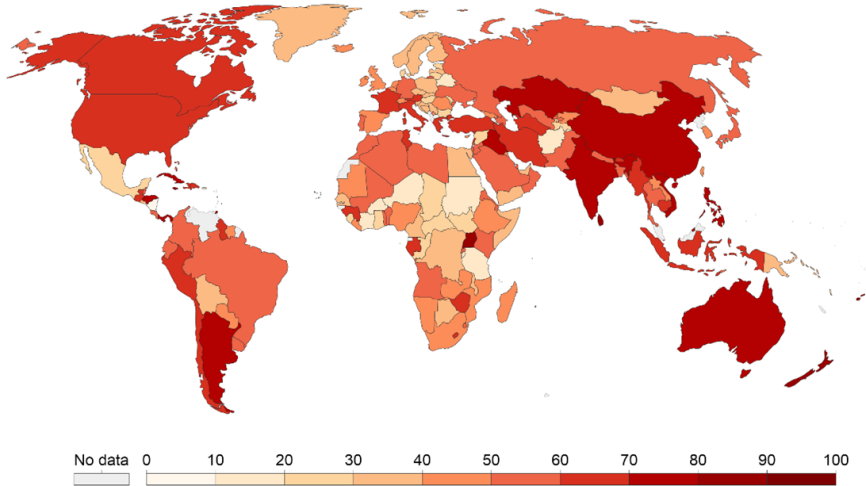


Source: Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, University of Oxford – Last updated 29 September 2021, 09:12 (London time)  
OurWorldInData.org/coronavirus • CC BY

Figure 3.4 COVID-19 Stringency Index as at 27th September 2021

### COVID-19: Stringency Index

This is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, University of Oxford – Last updated 29 September 2021, 09:12 (London time)  
[OurWorldInData.org/coronavirus](https://OurWorldInData.org/coronavirus) • CC BY

### Shipping

One of the key indicators of how inflation is already emerging globally is the price of shipping containers. There is proprietary data on container prices available in The Shanghai Containerized Freight Index. We reproduce the analysis by Statista in Figure 3.5.

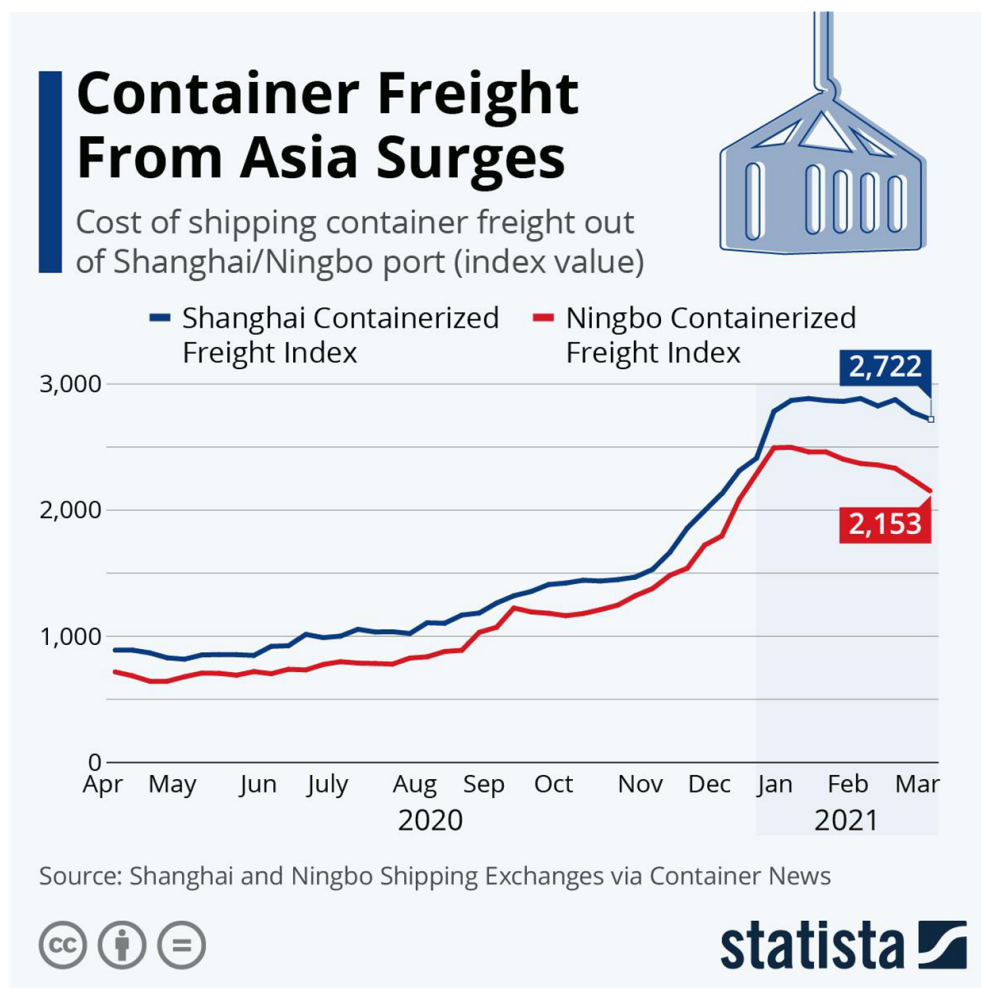
This figure shows quite clearly the effects the current imbalance of containers is having on the prices of containers. This imbalance has been built up over the last 18 months as different countries around the world adopted and repealed varying levels of response to SARS-COV-2.

Statista's data shows an almost trebling of freight prices in less than a year. These price increases will, in time, flow directly into prices for goods imported to New Zealand.



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Figure 3.5 Shanghai Containerised Freight Index, Statista research



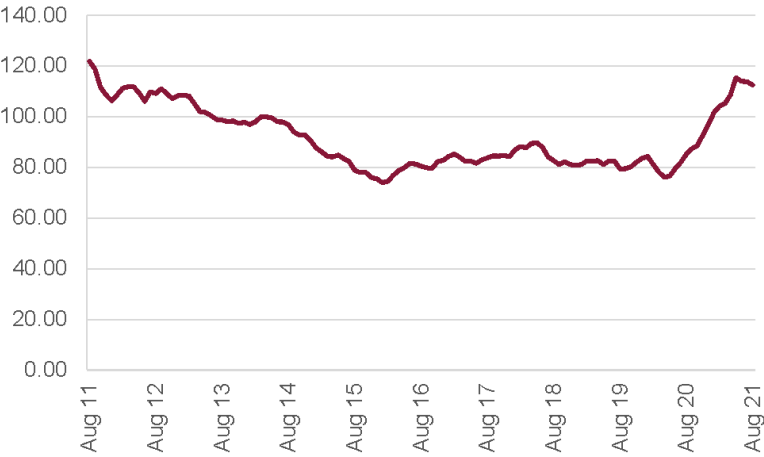
### Commodity prices

The International Monetary Fund (IMF) tracks global prices of a basket of commodities. One important index is the non-energy price index. This is an index of the prices of commodities such as food, raw materials, fertilisers, and metals. It does not include fuel or other energy commodities.

Figure 3.6 shows a significant upward trend beginning in the first half of 2020 (around May and June). This coincides with the policy announcements, globally, of economic restrictions, and expansionary monetary and fiscal policy.



Figure 3.6 IMF non-energy commodity price index 2011 - 2021 (2010 = 100)



## 4 Using the cost adjusters

In this section we offer some guidance on general use of the cost adjusters, based on feedback we have received from practitioners in Local Government.

### 4.1 Brief overview of our methodology

To help local government managers better understand how to use the cost adjusters it is useful to describe an overview of our methodology.

#### Input data

We begin with eight price indices measuring the input prices of Local Government:

- PPI inputs - Local government administration
- PPI inputs - Arts and recreation services
- PPI inputs - Water, sewer, drainage, and waste services
- CGI - Earthmoving and site work CGI - Pipelines
- CGI-Reclamation and River Control
- All Salary and Wage Rates - Local government sector
- All Salary and Wage Rates - Private Sector.

To this, we add a number of explanatory variables:

- Trade weighted index
- 90-day interest rate
- Employment
- Oil price
- Residential consents (national total)
- Non-residential consents (national total)
- Consumer Price Index (CPI)
- GDP index (constructed from the GDP release).

#### Modelling

A model is built for each of the eight input price indices that contains some combination of the explanatory variables. We decide the variables to include in a given model using a standard statistical method. As explained later in this section our forecasts include some subjectivity: every model contains at least CPI and GDP as explanatory variables. These variables were not found to have high explanatory power in our statistical tests but are included because economic logic dictates they have explanatory power.<sup>3</sup>

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<sup>3</sup> Economics is different from other sciences, in economics we are permitted to favour logic over statistics.

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### Forecasting

We forecast the explanatory variables using statistical techniques, and subjective economic forecast techniques.

These forecast values are plugged into the statistical models of the input price indices to create forecasts of these eight indices.

### Input price indices to adjusters

We combine our eight input price indices (actual values and forecast values) into five cost adjuster indices:

- Planning & Regulation
- Roading
- Transport
- Community
- Water & Environment.

Each adjuster index is a linear combination of input price indices, with weights taken from an analysis we completed in 2015 of the cost structures of Local Government using financial statements.

These five adjusters are further combined into three aggregate indices:

- Capex (Capital Expenditure)
- Opex (operating expenditure)
- Total.

We have summarised this methodology diagrammatically in Appendix B.

## 4.2 Scenarios

In the 2020 update to the cost adjusters we included three scenarios for the path the economic recovery might take. Following feedback from practitioners we understand that bespoke projects to design scenarios would arguably be a better fit for most local authorities given their particular local circumstances.

## 4.3 Choice of adjuster

By producing five adjuster series and three aggregated adjuster series, we intend that a practitioner map each line item of a budget to the relevant adjuster. For example if a line item of a budget is that a road must be built/repared then the adjuster to apply to this line item would be the Roading adjuster. While another line item could be the pipes under this new road, to which the relevant adjuster is Water & Environment.

If the analysis does not require to be so detailed we intended that a practitioner could apply the Capex, Opex, or Total adjuster, depending which is relevant. For example an indicative budget could be required for understanding community engagement and regulation operating activities. The relevant aggregate adjuster could be Opex.



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Or if the analysis needs very little detail a practitioner could simply apply the Total adjuster to the budget to understand how costs might evolve on average.

#### 4.4 Local adjustment of adjusters

We have heard from a number of Councils that they adjust our adjusters upwards or downwards for their local area. This is arguably best practice. We produce our adjusters based on national level statistics, and national level trends. For any given locality the evolution of costs could be above or below our adjusters by some amount.

It is at the practitioner's discretion how much to adjust our forecasts upwards or downwards. However, we would suggest an appropriate level of conservatism. Any adjustment should be justified by the particular facts of the local area and historical experience or quotes from suppliers.

#### 4.5 Caveats

##### Uncertainty increases exponentially for longer forecasts

The model behind our forecasts utilises a process based on past observations of a given variable to explain present and forecast future observations. This process means that uncertainty in early forecast periods ripples through later forecast periods and is amplified as it does so. We suggest the first few years of the forecasts are taken as being reasonably likely, while the latter few periods (particularly from the year 2026 onward) be taken as indicative.

##### Macroeconomic variables have low explanatory power in price indices

In theory econometric modelling is a process driven by the results of a series of statistical tests without subjectivity. In practice we need to hit the right balance between statistical robustness and economic logic. In general, and particularly for the cost adjusters, BERL takes an econometric approach that is more biased toward economic logic.

When designing the model for each price index, we prefer to include macroeconomic variables, like GDP and inflation, even though the statistical results say they have low explanatory power. We do so because our forecasts are subjective economic forecasts, augmented by statistical modelling, but not driven by it.

However, the most powerful explanatory for every index is the previous period's value of that index. In our results this explains why some price indices are increasing rapidly in later periods, where CPI and GDP have returned to their long-term values.



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## 5 Indices and adjusters

### 5.1 Price Indices

Table 5.1 Local Government Price Indices 2011 - 2032

Year	Index values (2021 = 1000)							All Salary and Wage Rates - Private Sector
	PPI inputs - Local government administration	PPI inputs - Arts and recreation services	PPI inputs - Water, sewer, drainage, and waste services	CGI - Earthmoving and site work	CGI - Pipelines	CGI - Reclamation and River Control	All Salary and Wage Rates - Local govt sector	
2018	941	950	908	903	958	952	951	943
2019	973	973	947	963	969	962	968	962
2020	993	986	979	979	982	985	989	984
2021	1000	1000	1000	1000	1000	1000	1000	1000
2022	1032	1022	1034	1056	1024	1017	1019	1028
2023	1059	1043	1064	1074	1048	1038	1042	1057
2024	1086	1067	1092	1085	1077	1061	1063	1086
2025	1117	1094	1120	1098	1109	1084	1083	1117
2026	1151	1125	1148	1112	1144	1109	1104	1150
2027	1188	1160	1177	1130	1181	1135	1125	1184
2028	1225	1197	1208	1150	1221	1162	1145	1219
2029	1262	1238	1240	1174	1260	1190	1166	1256
2030	1296	1280	1274	1202	1299	1218	1187	1294
2031	1329	1324	1311	1232	1336	1247	1208	1334
2032	1362	1370	1349	1266	1373	1277	1228	1374



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Table 5.2 Local Government Price Indices, 2020 - 2032, pa % changes

Year	Pa % changes							
	PPI inputs - Local government administration	PPI inputs - Arts and recreation services	PPI inputs - Water, sewer, drainage, and waste services	CGI - Earthmoving and site work	CGI - Pipelines	CGI- Reclamation and River Control	All Salary and Wage Rates - Local govt sector	All Salary and Wage Rates - Private Sector
2020	2.1	1.3	3.4	1.7	1.3	2.4	2.1	2.3
2021	0.7	1.4	2.2	2.1	1.9	1.5	1.2	1.6
2022	3.2	2.2	3.4	5.6	2.4	1.7	1.9	2.8
2023	2.6	2.1	2.9	1.6	2.4	2.1	2.2	2.8
2024	2.6	2.3	2.6	1.1	2.7	2.2	2.0	2.8
2025	2.8	2.5	2.5	1.1	3.0	2.2	1.9	2.8
2026	3.0	2.8	2.5	1.3	3.2	2.3	1.9	2.9
2027	3.2	3.1	2.6	1.6	3.3	2.3	1.9	3.0
2028	3.1	3.3	2.6	1.8	3.3	2.4	1.8	3.0
2029	3.0	3.4	2.7	2.1	3.3	2.4	1.8	3.0
2030	2.7	3.4	2.8	2.3	3.1	2.4	1.8	3.0
2031	2.6	3.4	2.8	2.6	2.9	2.4	1.8	3.0
2032	2.5	3.5	2.9	2.7	2.7	2.4	1.7	3.0
20 year average % pa	2.3	2.2	2.6	1.9	2.3	2.2	1.9	2.4



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Table 5.3 Local government price indices cumulative change

Year	Cumulative change							
	PPI inputs - Local government administration	PPI inputs - Arts and recreation services	PPI inputs - Water, sewer, drainage, and waste services	CGI - Earthmoving and site work	CGI - Pipelines	CGI- Reclamation and River Control	All salary and wage rates - Local govt sector	All Salary and Wage Rates - Private Sector
2022	2.1	1.3	3.4	1.7	1.3	2.4	2.1	2.3
2023	2.8	2.8	5.7	3.9	3.2	4.0	3.3	3.9
2024	6.1	5.0	9.3	9.7	5.7	5.7	5.3	6.8
2025	8.9	7.2	12.5	11.5	8.2	7.9	7.6	9.8
2026	11.7	9.6	15.4	12.8	11.1	10.3	9.8	12.9
2027	14.9	12.4	18.3	14.0	14.4	12.7	11.9	16.1
2028	18.4	15.6	21.3	15.5	18.1	15.3	14.0	19.5
2029	22.1	19.1	24.4	17.4	21.9	18.0	16.2	23.0
2030	26.0	23.0	27.6	19.5	26.0	20.8	18.3	26.7
2031	29.7	27.2	31.0	22.0	30.1	23.7	20.5	30.5
2032	33.3	31.6	34.6	24.8	34.1	26.6	22.6	34.5



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## 5.2 Adjusters

Table 5.4 Cost Adjusters indices values

Year	Index values (2021 = 1000)				
	Planning & Regulation	Roading	Transport	Community	Water & Environment
2011	835	813	825	837	798
2012	857	842	849	861	826
2013	878	865	872	876	843
2014	892	884	891	888	851
2015	905	904	906	903	874
2016	913	917	916	916	898
2017	923	929	927	932	910
2018	941	947	945	951	922
2019	970	966	969	969	955
2020	990	988	990	986	981
2021	1000	1000	1000	1000	1000
2022	1031	1024	1026	1020	1032
2023	1055	1048	1051	1041	1058
2024	1081	1072	1076	1064	1083
2025	1108	1100	1103	1089	1108
2026	1138	1128	1133	1117	1134
2027	1171	1159	1164	1147	1161
2028	1204	1191	1196	1179	1190
2029	1237	1222	1228	1213	1220
2030	1269	1254	1259	1248	1252
2031	1300	1285	1289	1284	1285
2032	1331	1317	1319	1322	1320





Table 5.5 Cost adjuster indices pa % growth

Year	Pa changes				
	Planning & Regulation	Roading	Transport	Community	Water & Environment
2020	2.0	2.3	2.2	1.8	2.7
2021	1.0	1.2	1.0	1.4	2.0
2022	3.1	2.4	2.6	2.0	3.2
2023	2.4	2.3	2.4	2.1	2.5
2024	2.4	2.4	2.4	2.2	2.3
2025	2.6	2.5	2.5	2.4	2.3
2026	2.7	2.6	2.7	2.5	2.3
2027	2.8	2.7	2.7	2.7	2.4
2028	2.8	2.7	2.8	2.8	2.5
2029	2.7	2.7	2.7	2.9	2.5
2030	2.6	2.6	2.5	2.9	2.6
2031	2.5	2.5	2.4	2.9	2.6
2032	2.4	2.5	2.3	2.9	2.7
<i>20 year average % pa</i>	2.2	2.3	2.2	2.2	2.4



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Table 5.6 Cost adjustors cumulative change

Year	Planning & Regulation	Cumulative change		Community	Water & Environment
		Roading	Transport		
2022	3.1	2.4	2.6	2.0	3.2
2023	5.5	4.8	5.1	4.1	5.8
2024	8.1	7.2	7.6	6.4	8.3
2025	10.8	10.0	10.3	8.9	10.8
2026	13.8	12.8	13.3	11.7	13.4
2027	17.1	15.9	16.4	14.7	16.1
2028	20.4	19.1	19.6	17.9	19.0
2029	23.7	22.2	22.8	21.3	22.0
2030	26.9	25.4	25.9	24.8	25.2
2031	30.0	28.5	28.9	28.4	28.5
2032	33.1	31.7	31.9	32.2	32.0



Table 5.7 Aggregate adjuster price indices

Year	Index values (2021 = 1000)		
	OPEX	CAPEX	Total
2011	823	817	821
2012	848	843	846
2013	867	863	866
2014	881	876	879
2015	897	894	896
2016	911	910	910
2017	923	922	922
2018	939	938	939
2019	966	964	965
2020	987	986	987
2021	1000	1000	1000
2022	1028	1027	1028
2023	1052	1052	1052
2024	1077	1076	1077
2025	1104	1102	1103
2026	1132	1131	1132
2027	1162	1160	1162
2028	1194	1191	1193
2029	1226	1223	1225
2030	1258	1255	1257
2031	1291	1288	1290
2032	1324	1322	1323



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Table 5.8 Aggregate adjuster price indices pa % changes

Year	Pa % changes		Total
	OPEX	CAPEX	
2020	2.2	2.3	2.2
2021	1.3	1.4	1.4
2022	2.8	2.7	2.8
2023	2.4	2.4	2.4
2024	2.3	2.3	2.3
2025	2.5	2.4	2.4
2026	2.6	2.5	2.6
2027	2.7	2.6	2.7
2028	2.7	2.7	2.7
2029	2.7	2.7	2.7
2030	2.6	2.6	2.6
2031	2.6	2.6	2.6
2032	2.6	2.6	2.6
<i>20 year average % pa</i>	2.3	2.3	2.3

Table 5.9 Aggregate adjusters cumulative change

Year	Cumulative change		TOTAL
	OPEX	CAPEX	
2022	2.8	2.7	2.8
2023	5.2	5.2	5.2
2024	7.7	7.6	7.7
2025	10.4	10.2	10.3
2026	13.2	13.1	13.2
2027	16.2	16.0	16.2
2028	19.4	19.1	19.3
2029	22.6	22.3	22.5
2030	25.8	25.5	25.7
2031	29.1	28.8	29.0
2032	32.4	32.2	32.3



## 6 Conclusion

There are significant challenges for Local Government in the short and medium-term. The first of these is the current economic pressure brought about by the response to SARS-COV-2. We have provided forecasts by BERL and Treasury showing the extent of this impact. Our forecasts show the downturn we saw in 2020 will not repeat but the recovery will be somewhat muted through 2021 and 2022. This will start to pick up in 2023 as we move toward the historical norm of three percent GDP growth.

Inflation is the greatest challenge in the short and medium-term. The disruption caused by the response to SARS-COV-2 created the perfect conditions for the fiscal and monetary responses globally to push up prices all over the global economy. We showed this as particularly acute in shipping and commodity prices, these have already started to drive up producer input prices in New Zealand. These effects will be felt by Local Government procurement, but also by the communities Local Government serve.

Against this macroeconomic reality, our cost adjusters forecasts exhibit relatively brisk growth compared to previous years. These increases are explained by what is reflected in the global macroeconomic data, against long-term labour constraints in New Zealand.

Our cost adjuster forecasts should assist Local Government managers in planning for the short and medium-term and also offer at least an indication of what the long-term might look like. It remains the role of Local Government to enhance the wellbeing of communities they serve.



Appendix A    Model fitted values and forecasts

Figure 6.1 Local Government Administration PPI

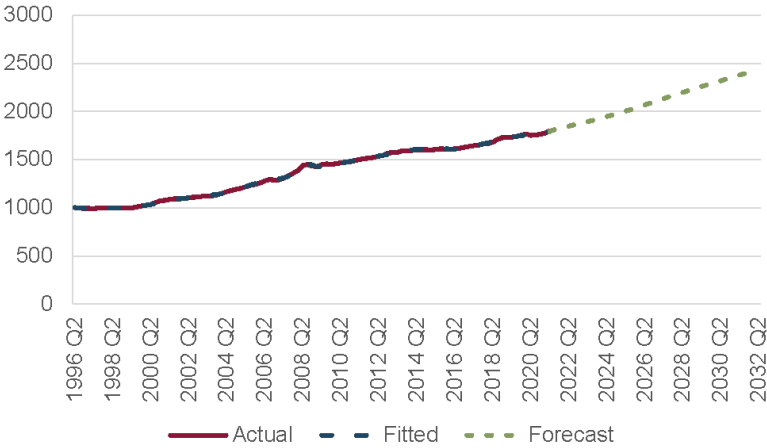


Figure 6.2 Arts and Recreation PPI

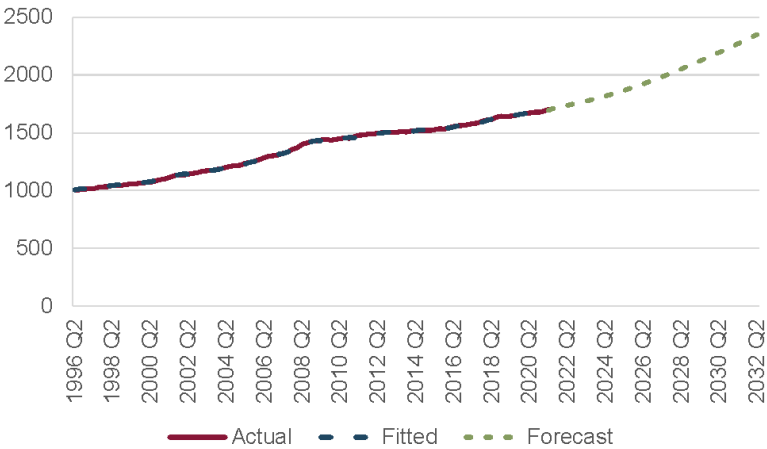


Figure 6.3 Water, sewer, drainage, and waste services PPI

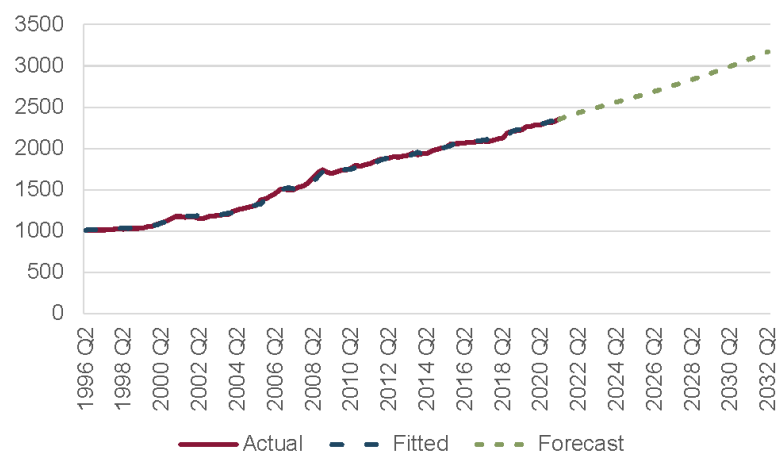
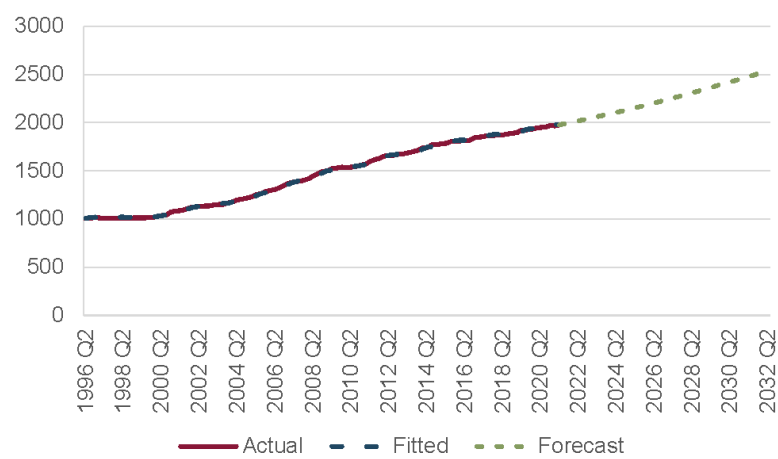


Figure 6.4 Earthmoving and Site works CGI



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Figure 6.5 Pipelines CGI

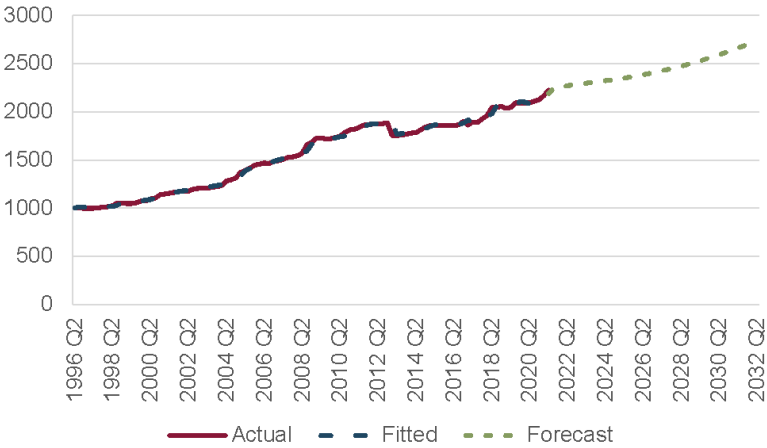
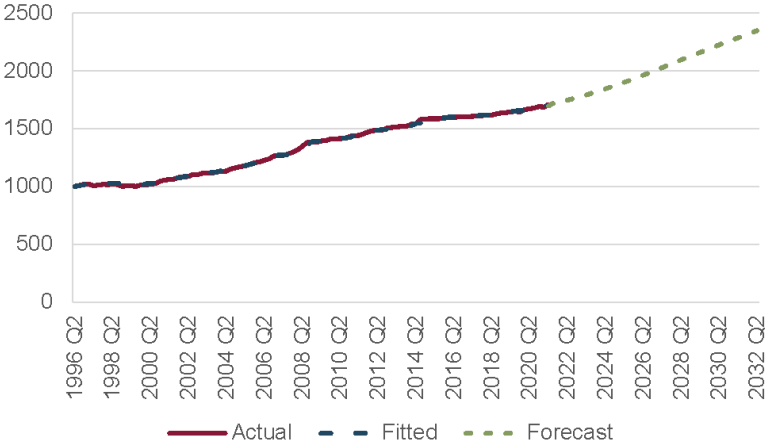


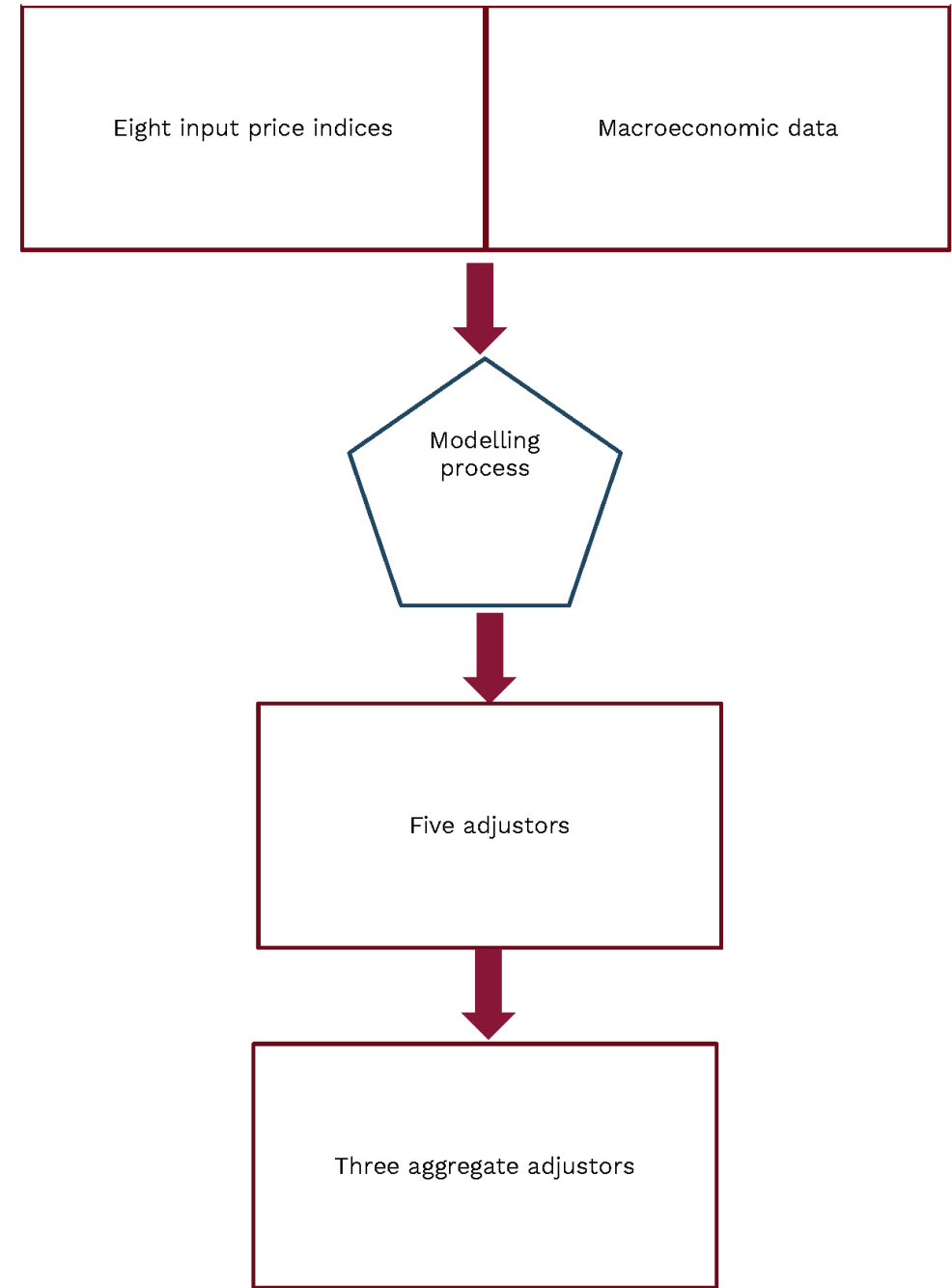
Figure 6.6 River reclamation and control CGI





Appendix B From input indices to adjusters

Figure 6.7 Summary diagram of our methodology



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## Appendix C BERL macroeconomic variables assumption

This appendix contains a forecast of Real GDP, Unemployment, and the CPI. These data were inputs into our model to forecast the cost adjusters.

Table 6.1 Macro aggregate assumptions.

Year to June	Real GDP (\$m, 2010 prices)	Real GDP (% per annum change)	Unemployment (June Quarter, %)	CPI (June 2017 = 1000)	CPI (% per annum change)
2020	256,880		3.9	1047	
2021	254,311	-1.00	5.13	1094	4.5
2022	255,583	0.50	5.14	1149	5
2023	260,694	2.00	4.52	1201	4.5
2024	267,212	2.50	4.27	1251	4.2
2025	275,228	3.00	4.13	1301	4
2026	283,485	3.00	4.17	1350	3.8
2027	291,990	3.00	4.21	1398	3.5
2028	300,749	3.00	4.25	1433	2.5
2029	309,772	3.00	4.25	1461	2
2030	319,065	3.00	4.25	1490	2
2031	328,637	3.00	4.25	1520	2
2032	338,496	3.00	4.25	1551	2



# Council Report

Item 7

**Committee:** Finance Committee

**Date:** 14 December 2021

**Author:** Iain Anderson

**Authoriser:** Chris Allen

**Position:** Capital Financial Lead

**Position:** General Manager  
Development

**Report Name:** Capital Portfolio Monitoring Report

<b>Report Status</b>	Open
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## Purpose - *Take*

1. To inform the Finance Committee on the financial performance of the capital portfolio for the four months ended 31 October 2021.

## 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 Financial Performance and Strategy Report to 31 October 2021.
4. This is the first year of the 2021-31 Long Term Plan (LTP). For 2021-22 the total approved capital expenditure budget is \$380.1m, inclusive of deferrals approved from prior years. The approved capital revenue is \$96.5m inclusive of prior year deferrals and recommended forecast changes.
5. The total capital expenditure for the four months ended 31 October 2021 is \$72.7m, while the associated capital revenue for the same period is \$22.4m.
6. No specific deferrals have been identified for the four months ended 31 October 2021. However, as an annual amount was required to inform the 2022/23 Annual Plan an assessment has been made of the total deferrals for the 2021/22 financial year. Gross deferrals were estimated at \$90m with associated capital revenue of \$4.2m.
7. The assessment considered the current environment with particular focus being given to COVID and the impact on the programme after the confirmation of subsidy amounts from NZTA Waka Kotahi.
8. There is one change being reported in capital expenditure, and no changes to capital revenue. Please note there are likely to be changes from the impacts of the National Land Transport fund (NLTP) report (Infrastructure Operations 7 December 2021) and the COVID Contract Claims report (Finance Committee 14 December 2021). Once these reports are resolved the financial impacts will be included in the February 2022 Capital Portfolio Monitoring report.

9. Capital work in progress (WIP) is \$497.7m, within this amount is \$125.5m of assets that are in service but have not yet been capitalised. To negate the impact on the operating result an estimate of the depreciation amount and been made and is reflected in the Annual Monitoring Report for the four months ended 31 October 2021.
10. Seven projects across the portfolio have been flagged as having a risk(s) that is being brought to the attention of the Finance Committee. Two are classified as significant and will require a Council decision (Red), and the other five are significant and are being monitored (Orange).
11. Updates are included on the three portfolio risks identified in the previous Finance Committee report:
  - i. shortage and cost escalation of construction materials;
  - ii. Waka Kotahi NZTA funding in the 2021-24 National Land Transport Programme; and
  - iii. increase in costs due to COVID lockdown.
12. Staff consider the matters to be of low significance and that the recommendations comply with Council's legal requirements.

## Discussion - *Matapaki*

### Programme Summary and Significant Highlights

13. The following definitions are relevant:
  - i. Portfolio: refers to the total organisational capital work budget for 2020-21. As per the approved 2021-31 LTP the portfolio is \$328.7m. This is subsequently modified through the Forecast, including deferrals from prior years;
  - ii. Programme: refers to the nine programmes that are referred to in this report, which when added together equal the portfolio; and
  - iii. Project: refers to the individual project under a particular programme. These projects may have funding from multiple activities and occur across multiple years.
14. **Attachment 1** contains an overview of the nine programmes. Since the previous LTP a new programme summary has been included for the Central City. Each overview contains a summary of the key achievements and a graphical representation of the financial performance. The nine programmes are:
  - 1) Central City,
  - 2) City Wide Community,
  - 3) City Wide Waters,
  - 4) Peacocke,
  - 5) Rotokauri,
  - 6) Rototuna,
  - 7) Ruakura,
  - 8) Transport Improvement, and
  - 9) Renewal and Compliance.

### Capital Expenditure Forecast Groups

15. For the purposes of this Capital Portfolio Monitoring report, there are three main types of capital budget movement that will impact on the forecasted total spend for this financial year. They are:

- i. **Deferrals and Brought Forwards:** These are approved budgets where a timing change has been identified. The timing change is either, a deferral, where the budget is moved out to a future year or a brought forward where the future budget is brought forward to the current year.
  - ii. **Capital Savings:** these are permanent reductions in the budget. The savings are tied back to the Organisation savings targets established through the 2021-31 LTP; and
  - iii. **Other Changes:** these are new budgets that either did not previously exist or is an amendment to an existing approved budget.
16. These three types apply to all programmes except the Renewals and Compliance Programme. This programme is managed as whole over the first 3 years (see paragraph 17).

### Looking Forward - The next Three Years

17. The 2021-31 LTP first 3 years has a total capital expenditure programme of \$922.9m. In the previous LTP the first 3 years had a budget of \$740.2m. This continues to reflect both the significant growth the city is responding to and the need to renew/replace our existing assets.

### Renewals and Compliance

18. This programme has been managed as a 3-year programme. This has proven to be successful in managing the renewals programme across a large and diverse range of assets. It has also allowed new projects to be accommodated within the financial envelope.
19. The approved budget for the 3-year programme from the 2021-31 LTP is \$235.3m, there is \$25.4m in associated capital revenue. Once deferrals for the prior years are included the total budget increases to \$247.7m

### Capital Expenditure Actual

20. The actual capital expenditure for the four months ended 31 October 2021 is \$72.7m [\$66.7m]. The amount in the brackets is the comparative from the previous financial year.

### Capital Revenue Actual

21. The actual capital revenue for the four months ended 31 October 2021 is \$22.4m [\$14.9m]. The amount in the brackets is the comparative from the previous financial year.
22. Capital revenue provides a significant revenue stream for Council, for the 2021/22 financial year the budget target is \$96.5m. The revenue received is directly related to asset creation.
23. Revenue is broadly categorised into two sources, NZTA Waka Kotahi subsidies and other Capital Contributions. Examples of Other are, contributions received towards network connections, Government Grants such as Water Stimulus Funding or Te Awa Cycleway and Multi Party funding party agreement like the Ruakura Spine Road.

### Capital Forecast

24. This section includes changes that are being recommended to the Approved 2021-31 LTP. Changes in this section are classified in the three groups described in paragraph 13.
25. The changes included here are reflected in the Financial Strategy results published in the Financial Performance and Strategy Report.
26. The following table starts with the budget as per 2021-31 LTP and then shows the additional movements through each change class.

Finance Committee Meeting Date				
Expenditure in 000's		As at 1 Jul	As at 31 Aug	As at 31 Oct
Approved Budget		328,668	380,132	380,132
Deferrals & b/fwds		51,463	0	0
Savings		0	0	0
Changes		0	0	600
<b>Closing Expenditure Budget (Forecast)</b>		<b>380,132</b>	<b>380,132</b>	<b>380,732</b>
Revenue in 000's		Jul-21	Aug-21	Oct-21
Approved Budget		101,588	97,698	96,528
Deferrals & b/fwds		(3,890)	0	0
Savings		0	0	0
Changes		0	(1,170)	0
<b>Closing Revenue Budget (Forecast)</b>		<b>97,698</b>	<b>96,528</b>	<b>96,528</b>

### Capital Deferrals

27. For the four months ended 31 October 2021 no deferrals or brought forwards have been identified.
28. However, as part of the 2022-23 Annual Plan there was a need to estimate the value of the annual deferrals and associated capital revenue. This information was important in understanding the impact on the financial strategy.
29. The estimate was determined by a full review of the Capital programme with consideration being given to the 4 months of actual costs plus current and planned contracts. Consideration was also given to the impact of the current COVID environment.
30. This analysis indicates that annual deferrals will be approximately \$90m with associated revenue of \$4.2m. The \$90m deferral has been assumed to be split evenly over the 2022/23 and 2023/24 financial years.

### Capital Savings

31. For the four months ended 31 October 2021 no capital savings have been identified.

### Work in Progress (WIP)

32. The total value of WIP for the four months ended 31 October 2021 is \$497.7m, inclusive of vested assets.
33. The breakdown by status is:
  - i. Current - \$372.2m (74.8%): this is legitimate WIP and reflects the assets that cannot be capitalised until they are complete and in use; and
  - ii. Outstanding \$125.5m (25.2%): these are assets that are in service, but the capitalisation process has not yet been completed. This group is treated with priority. Depreciation is applicable but not yet charged.
34. As reported previously, WIP is simply an accounting disclosure of capital expenditure. It reflects fixed assets that are not yet fully operational. Until they are complete and operational the expenditure remains classified as WIP. However, once the asset is fully operational it is required to be capitalised, it is at this point the depreciation begins.

35. Therefore, the focus is the WIP amount that is classified as outstanding. Further analysis of the outstanding balance clearly indicates the majority is in our Growth category (\$94.2m) and these assets largely are core infrastructure e.g., transport and pipe networks, it also includes all the vested assets.
36. The cross organisational team is focusing on this area to ensure the resources and effort are appropriately allocated. Particular attention is being directed to ensuring the asset data that is required for capitalisation meets the requirements of our Asset Management system aligns with best practice.
37. The direct financial impact is the depreciation expense is understated. To ensure that we do not understate an assessment of the depreciation value has been made and recorded as an expense on the Statement of Comprehensive Revenue and Expense.

#### **Project Risks - update**

38. Overall, seven projects have been identified as having a significant risk profile. Two are classified as Red and therefore will require a Council decision, while the other five are classified Orange meaning they are being closely monitored and managed.

#### Walking and Cycling Bridge

39. Financial risk. This project was budgeted with NZTA Waka Kotahi subsidy. This funding was not approved through the National Land Transport Programme announcement. This a four-year project starting in 2021/22, total value is \$26.0m. This project is subject to the *Implication of the National Land Transport Programme 2021-24* report, which was considered by the Infrastructure Operation Committee on 7 December 2021.

#### Biking and Micro-mobility

40. Financial risk. This project was budgeted with NZTA Waka Kotahi subsidy. This funding was not approved through the National Land Transport Programme announcement. While a 10-year programme the total cost in the first 3 Years is \$13m. This project is subject to the *Implication of the National Land Transport Programme 2021-24* report, which was considered by the Infrastructure Operation Committee on 7 December 2021.

#### Te Awa Cycleway Extension

41. Timing risk. The project has an estimated completion date of December 2021 in accordance with other sections of the overall Te Awa route. Construction is underway however delivery timeframes are tight. Staff are working closely with the contractor to monitor progress and completion is now expected to be at the end of the first quarter next year.

#### Eastern Pathways – University Link

42. Financial risk. This project was budgeted with NZTA Waka Kotahi subsidy. Funding has been approved for the pre-implementation phase but not the implementation phase. This project is subject to the *Implication of the National Land Transport Programme 2021-24* report, which was considered by the Infrastructure Operation Committee on 7 December 2021.

#### Ward Street – Tristram to Anglesea

43. This is a timing risk with the project needing to align with the Tuapapa Development.

#### Alexandra Street Upgrade

44. This a cope and timing risk. The upgrade will need to align with the guidelines for the Central City, confirmation is likely to happen in early 2022.

Tristram/Collingwood Intersection Upgrade

45. Scope is still to be confirmed and this is now likely to early 2022. Once scope is agreed any costs impacts will be quantified.

**Portfolio Risks**Cost Escalation

46. This risk was first reported to Finance Committee on the 24 August 2021. The risk described continues to exist, to recap:
- i. potentially significant portfolio risk is emerging relating to construction material and supply chain pressures. The risk is caused by both the national and international demand for certain materials as well as significant delays and increased costs of international freight. The risk consequences are project delays and escalating cost; and
  - ii. discussions with our contractors indicate recent shortages and/or significant cost escalations for certain products such as steel, concrete, pipes, fittings, bitumen, and glass to name a few.
47. Since then, Council has received two reports from BERL (Business and Economic Research Limited). The first was a report HCC commissioned to specifically look at cost pressures within the Hamilton/Waikato market. The second is a national report that BERL have produced for the Local Government market.
48. The HCC report indicated that the Waikato/Hamilton market was not unusual in both national and global terms. Equally there was no evidence to suggest that there were above average cost increases.
49. Both reports presented a consistent position that while costs increase in the current financial year were above what had been expected the economic modelling suggested that the future inflation rates would return to levels that were being expected pre COVID. In other words, the inflation rates that have been applied in the 2021-31 LTP remain appropriate.
50. In terms of the 21-31 LTP period the intent is to remain constant with the inflation rates adopted. However, this continues to be a dynamic environment and Council will have an opportunity to discuss the appropriateness of retaining these rates through the 2022/23 Annual Plan Process.
51. For the current financial year any increases linked to cost escalation will be dealt with through the Forecast Process and brought to the Finance Committee for approval.
52. To date, three contracts have known significant increases associated with cost escalation, in part these have been exacerbated by the COVID situation;
- a. Rototuna Library; this has required an additional \$600k and was approved by Council on 11 November 2021 and is now reflected in the financial strategy.
  - b. Wairere Drive Extension; this is subject to a report and request for additional funding in the Public Excluded section of this meeting due to the fact that this project is due for completion this financial year.
  - c. Peacocks Waikato River Bridge Project; this will be considered as part of the 2022/23 Annual Plan as the cost will not impact this financial year.



Confirmation of Waka Kotahi NZTA funding in the 2021-24 National Land Transport Programme

53. A full report was presented to the Infrastructure Operations Committee on 7<sup>th</sup> December 2021. This report covered the implications of the reduced NLTP programme.
54. While the financial impacts were modelled staff needed the Committee resolution before formally reflecting these in the Financial Strategy. This will be included in the next Finance Committee meeting report.

COVID Contract Claims

55. An initial report was presented to the Finance Committee on 5 October 2021. This reported an estimated gross value of COVID impacts of approximately \$4.0m. This amount has now been refined and there is a further report in the Public Excluded section of this meeting agenda that confirms the cost of the COVID claims to date and associated external funding (if any).
56. The report highlights where Council needs to approve either increases to Approved Contract Sums and or Increase budget allowance.
57. In addition to costs directly associated with the COVID lockdown the report also addresses costs escalation increases driven largely by the COVID related contracting environment.
58. While the financial implications have been modelled to gauge the high-level impacts, they have not yet been formally included in the Financial Strategy. This will occur after the Finance Committee consider the COVID report and final recommendations are approved.

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

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

**Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga***

60. 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').
61. 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.
62. The recommendations set out in this report are consistent with that purpose.

**Social**

63. 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**

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

**Environmental**

65. Across the capital portfolio, environmental consideration is integrated throughout the project life cycle, including through design, procurement, and construction.

- 66. 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.
- 67. 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**

- 68. Across the portfolio, engagement and partnership with iwi is 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 - *Tuuraru***

- 69. There are no known risks associated with the recommendations in this report.

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

#### **Significance**

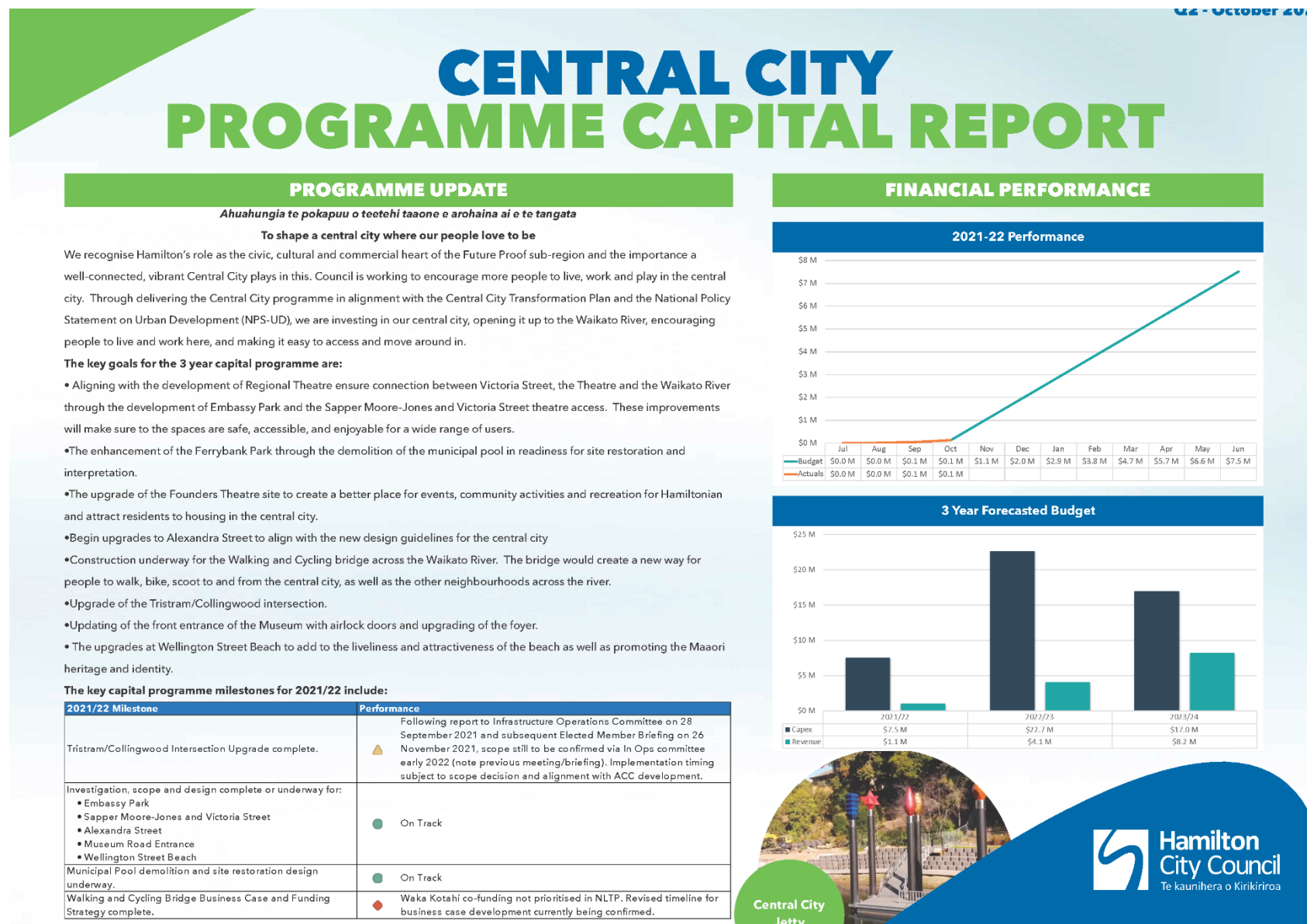
- 70. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed the matters and recommendations in this report have a low level of significance.

#### **Engagement**

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

### **Attachments - *Ngaa taapirihanga***

Attachment 1 - Programme Overviews



# CENTRAL CITY PROGRAMME CAPITAL REPORT

## KEY PROJECTS

Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Funds Available	2021/22				2022/23				2023/24			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Walking and Cycling Bridge	Hamilton Central City Growth will be supported by increased walking and cycling connectivity, enhanced by new walking and cycling infrastructure. The bridge will support this as well as acting as a destination and catalyst for wider riverside development and supporting the long held desire to face the central city towards the river. Delivery programme and timing subject to further Council decision following Waka Kōwhiri NTP funding.	On Track	\$27.9M	\$0.0M	\$0.0M												
Ward Street - Tri tram to Anglesse	Develop Ward Street to be safe for people to move around. This is necessary to cater for the increasing number of pedestrians and cyclists moving along Ward Street and surrounding areas. Timing is expected to align with the Tūhono development which is not currently planned for this 3 year period. A report will come to Infrastructure Operations Committee in early 2022.	On Track	\$4.5M	\$0.0M	\$4.5M												
Embassy Park (River Plan South End Precinct)	To support the Waka Kōwhiri Regional Theatre development, we're making some improvements to the public space in the area. This will create a better connection between Victoria Street, the Theatre and the Waka Kōwhiri River.	On Track	\$5.1M	\$0.0M	\$5.1M	Investigate	Design			Construct							
Sapper Moore-Jones and Victoria St - Theatre Access & Pedestrian Environment	In alignment with the Waka Kōwhiri Regional Theatre Development, we're making some improvements to vehicle and pedestrian access to the area. These improvements will make sure the spaces are safe and accessible to a wide range of users and make it a more enjoyable space to spend time in.	On Track	\$1.0M	\$0.0M	\$1.0M	Investigate	Design			Construct							
Ferrybank Park Enhancement - Municipal Pool Site	Elimination of the ponds in readiness for site restoration and interpretation. The conversion of the site into a park space will reconnect the community to the river, enhance our green spaces, and provide more space for play and recreation within the central city.	On Track	\$1.4M	\$0.1M	\$1.4M	Procurement	Design			Construct							
West Town Belt Implementation - Founders Theatre Site Upgrade	The Founders Theatre site is a significant public green space in the central city. Enhancing central city green spaces is key to attracting residents to housing in the central city. The upgrade will create a better place for events, community activities and recreation for Hamiltonians.	On Track	\$4.0M	\$0.0M	\$4.0M	Investigate	Design	Procurement		Construct							
Alexandra Street Upgrade	Alexandra Street will be transformed to align with the new design guidelines for the central city. Upgrades will result in a street that celebrates place and safe movement of people. Alexandra Street upgrades will improve the central city walking and cycling experience, integrating movement and place to better reflect character and identity. Scope and timing of implementation to be confirmed in early 2022.	On Track	\$5.1M	\$0.0M	\$5.1M	Investigate											
Tri tram/Collingwood Intersection Upgrade	Upgrade the existing Tri tram/Collingwood roundabout in alignment with development of the new ACC building to deliver a safer, more efficient transport network for all users. Scope still to be confirmed via Infrastructure Operations Committee in early 2022 (able to follow on from the Infrastructure Operations Committee in early 2021 September & subsequent elected member briefing on 26th November 2021). Implementation timing subject to scope decision and alignment with ACC development.	On Track	\$3.2M	\$0.1M	\$3.2M	Investigate	Procurement	Design		Construct							
Museum Road Entrance Upgrade	Upgrading Waka Kōwhiri Museum so it is fit for the future through updating the front entrance with artwork floor and upgrading the foyer to better maintain and protect art works and signage we need to upgrade the road entrance.	On Track	\$3.8M	\$0.0M	\$3.8M	Investigate				Design							
River Plan - Wellington Street Beach	The upgrades at Wellington Street Beach will add to the liveliness and attractiveness of the beach as well as promoting the Māori heritage and identity. Protecting the water and soil quality also protects native vegetation and strengthens the natural environment along the Waka Kōwhiri River.	On Track	\$1.2M	\$0.0M	\$1.2M	Investigate				Design							

## Project status



Project is on track



Project has significant risks that are being monitored and managed



Project has significant risks that require Council decision

## MAP



**Hamilton  
City Council**  
Te kaunihera o Kirikiriroa

# CITY WIDE WATERS PROGRAMME CAPITAL REPORT

## PROGRAMME UPDATE

*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**

The Citywide Waters programme ensures we can continue to keep up with new specifications, policy and standards implemented by government (compliance) and make sure our infrastructure can adapt to the pressures of growth (resilience) in our water supply, wastewater, and stormwater.

**The key goals for the 3 year capital programme are to:**

- Complete the Pukete Wastewater Treatment Plant 3b and 3c upgrades and to have commenced the design of the Pukete 4 upgrade.
- Complete the mid-section of the Western Interceptor duplication and to have commenced the investigation work to confirm the Upper Network reticulation.
- Designate Strategic Wastewater Bulk Storage sites and to have commenced construction of one.
- Upgrade of the Fitzroy Pump Station and Snell Drive Sewer Pump station diversion complete.
- Waioara 2 Water Treatment Plant upgrade including the wash water upgrade complete.
- Complete the Newcastle Demand Management Zone water project.
- Complete the Eastern Bulkmain resilience project.
- Progress the ICMP and Erosion Control programme.
- Work with active developers to upsize infrastructure if necessary.

**The key capital programme milestones for 2021/22 include:**

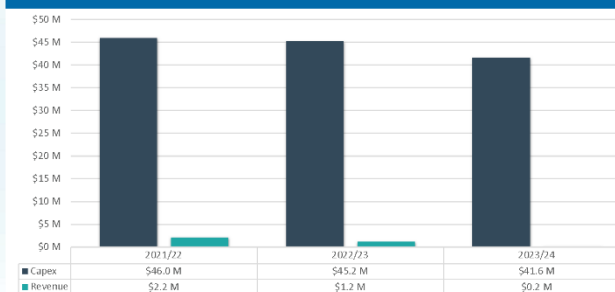
2021/22 Milestone	Performance
Pukete WWTP inlet work and bioreactor retrofit design completed.	● On Track
Newcastle Demand Management Zone contract awarded and construction underway.	● On Track
Waioara 2 capacity upgrade design complete, and construction underway.	● On Track
Mangaonua stormwater erosion control and gully restoration works underway.	● On Track
Snell Drive Wastewater Pump station upgrade complete.	● On Track
Preferred options confirmed for Wastewater Bulk Storage sites.	● On Track

## FINANCIAL PERFORMANCE

### 2021-22 Performance



### 3 Year Forecasted Budget



# CITY WIDE WATERS PROGRAMME CAPITAL REPORT

## KEY PROJECTS

Project Name		Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2021/22				2022/23				2023/24					
							Q3	Q2	Q1	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Pukekoe 3 Wastewater Treatment Plant Capacity Upgrade - Bioreactor Retrofits		Modification of the existing Bioreactors to promote a higher treatment performance and operational efficiency.		\$3.3 M	\$0.1 M	\$3.5 M	Design		Procurement						Construction					
Pukekoe 3 Wastewater Treatment Plant Capacity Upgrade - New Inlet works		A new dedicated inlet sewerage facility to replace the original inlet works.		\$19.4 M	\$0.0 M	\$19.4 M			Design		Procurement						Construction			
Waikanae 2 Water Treatment Plant Capacity Upgrade		Major capacity upgrade on the water treatment plant including an upgraded chemical facility and additional treatment process to increase the overall plant capacity by 30%.		\$30.6 M	\$12.3 M	\$35.6 M	Design		Procurement						Construction					
Newcastle Water Reservoir and Supply Network Upgrade		Introducing new water pipes and upgrading the reservoir pump station to improve functionality, network operations and resilience.		\$15.8 M	\$3.1 M	\$16.8 M									Construction					
Mangonui Stormwater Erosion Control and Gully Restoration		Part of the Whangarei Superhub development, including planting of over 100,000 native plants and creation of DOC style access tracks. Design, consenting and land access/procurement agreements are well advanced to enable construction commencement in early 2022.		\$4.3 M	\$0.3 M	\$4.3 M	Design		Procurement						Construction					
Wastewater Bulk Storage		Wastewater master plan have identified storage volumes and conceptual locations for a number of bulk storage facilities over the entire city. Work is underway for the first phase of storage facility feasibility assessment being the confirmation of location, form and designation.		\$41.0 M	\$0.2 M	\$41.0 M	Investigation								Design		Construction			
Snell Diversion to Far Eastern Interceptor		A strategic wastewater network capacity upgrade project to construct one Sewer Pump Station (SPS) on the Snell Drive reserve and into the installation of a new pipeline (Sliding Man and Gravity main).		\$5.1 M	\$0.3 M	\$5.1 M	Design										Construction			

## Project status



Project is on track

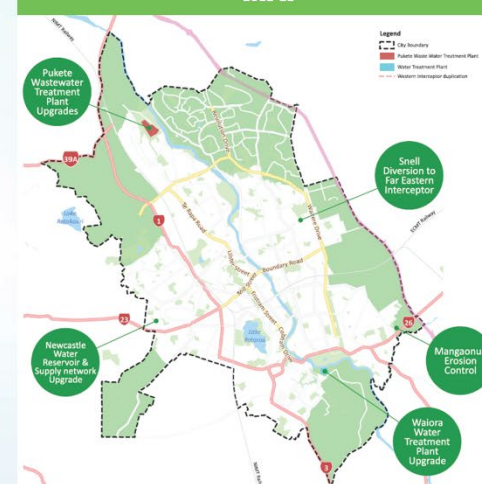


Project has significant risks that are being monitored and managed



Project has significant risks that will require Council decision

## MAP



Newcastle Water Reservoir



**Hamilton City Council**  
Te kaunihera o Kirikiriroa



Q2 - October 2021

# CITY WIDE COMMUNITY PROGRAMME CAPITAL REPORT

## PROGRAMME UPDATE

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

Through delivering the Community programme, we are investing in places and spaces across our city, that can be enjoyed by all Hamiltonians and the people who visit us here. The outcome will be a city that's easy to live in and a fun city with lots to do.

#### The key goals for the 3 year capital programme are:

Completion of the Zoo Waiwhakareke Entry Precinct including:

- Stage 1A (Zoo entry building and Waiwhakareke connections)
- Stage 1B (Viewing Tower, Rongoa Walkway and Walkway Canopy)
- Stage 2 includes carparks for the Zoo and Waiwhakareke (bringing both sides of the precinct together with stormwater management and landscaping) and also includes the urbanisation of Brymer Road.

• Completion of the Savannah Accommodation project, at the Zoo.

• The ongoing development of the Hamilton Gardens including the Egyptian Garden, Palm Court, upgraded Visitor Arrival Centre and design of the Medieval Garden.

• Covering of the Lido Pool.

• Completion of the following:

- 9 new or upgraded playgrounds
- Sports park drainage and irrigation improvements at 3 parks
- Sports park floodlighting and safety lighting improvements at 3 parks
- Sports park toilet and changing room improvements at 3 parks

• Delivery of a purpose-built facility for Pukete Neighbourhood House to operate community outreach services.

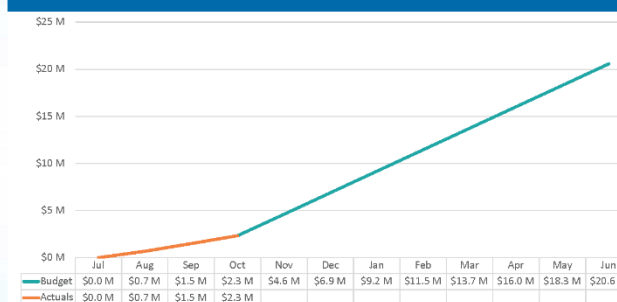
• Commence the construction of gully connections to enable deliver of the Nature in the City Strategy and Implementation Plan.

#### The key capital programme milestones for 2021/22 include:

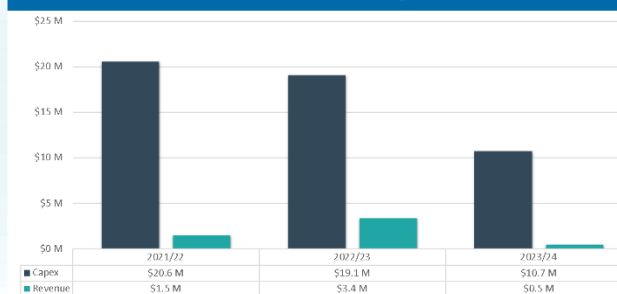
2021/22 Milestone	Performance
Stage 1A and 1B Complete of Zoo Waiwhakareke Entry Precinct. Stage 2 construction started.	On Track
Zoo Savannah Accommodation feasibility study carried out	On Track
Egyptian Garden and Palm Court open	On Track
Hamilton Gardens Visitor Arrival Centre design complete	On Track
Feasibility and options study for the Lido Pool Cover	On Track
Mahoe Park, Zoo and Melville Park playgrounds upgraded	On Track
Drainage and Irrigation at Flagstaff and Swarbrick Parks	On Track
Flood lighting and safety lighting at Koriko Park and Porritt Stadium	On Track
Toilet and changing room improvements at Deanwell Park	On Track
Programme set up with scoping of works complete for Nature in the City	On Track
Pukete Neighbourhood House design complete	On Track

## FINANCIAL PERFORMANCE

### 2021/22 Performance



### 3 Year Forecasted Budget



Zoo /  
Waiwhakareke  
Entry Precinct



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	Forecast Total Cost	2021/22				2022/23				2023/24				
						01	02	03	04	01	02	03	04	01	02	03	04	
Lido Pool Cover	Construction of a building or semi-permanent cover over the existing Lido pool at Waterworld to enable pool usage in winter while also enabling summer open space swimming.		\$5.8 M	\$0.0 M	\$5.8 M					Investigation				Design				Construction
Pukete Neighbourhood House	Building of a purpose built facility (attached to Te Ngāro Sports Centre) for Pukete Neighbourhood House (PNH) to operate community outreach services. This enables Te Ngāro Sports Centre to be fully utilised as a indoor sporting facility.		\$2.0 M	\$0.0 M	\$2.0 M					Investigation				Design				Construction
Play Spaces	The renewal and upgrade of playgrounds across the City. Budget shown includes both playground upgrades and renewals. The budget shown is for 2021/22 to 2023/24.		\$2.2 M	\$0.0 M	\$2.2 M													Construction
Sports Park Improvements	These projects will deliver improvements to drainage, sports field surfaces and flood lights to improve levels of service and increase capacity of Sports Parks. The budget shown is for 2021/22 to 2023/24.		\$6.1 M	\$0.1 M	\$6.1 M													Construction
Nature in the City	Undertake ecological restoration and development in the city's main gully systems and enrich more planting. Improved access paths and local aquifers in selected Reserves. The restoration work includes site preparation, native vegetation planting and ongoing maintenance. Timeline to be developed through the investigation phase.		\$19.8 M	\$0.0 M	\$19.8 M					Investigation								
Hamilton Gardens Development - Egyptian Garden and Palm Court	The completion of the Egyptian Garden and Palm Court.		\$2.0 M	\$1.2 M	\$2.0 M					Construction								
Hamilton Gardens Development - Visitor Arrival Centre	The extension of the visitor arrival and retail space as well as planning and enabling works for future developments.		\$1.2 M	\$0.0 M	\$1.2 M					Design				Construction				
Zoo Waiwhakareke Entry Precinct	Creating a shared entry precinct with Hamilton Zoo and Waiwhakareke Natural Heritage Park. The project includes stage 1 (New Zoo Entry building and connection to Waiwhakareke) and stage 2 (New visitor car parks and Brymer Road realignment).		\$17.8 M	\$5.7 M	\$17.8 M													Construction
Zoo Savannah - Accommodation	This project will deliver an accommodation option based on a safari-style experience overlooking the Savannah exhibit where the giraffes and zebras gather. The project continues the redevelopment and revitalisation programme identified in the Zoo's Master Plan. Year 1 funding is allocated for a feasibility study to be undertaken.		\$4.7 M	\$0.0 M	\$4.7 M					Investigation				Design				Construction

Project status

## Project status



Project is on track

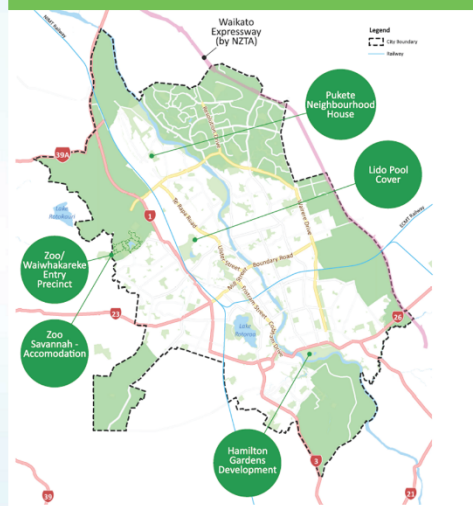


Project has significant risks that are being monitored and managed



Project has significant risks that will require Council decision

## MAP



Zoo/Waiwhakareke Entry Precinct



**Hamilton City Council**  
Te kaunihera o Kirikiriroa



# PEACOCKE PROGRAMME CAPITAL REPORT

## PROGRAMME UPDATE

*Ko te whakakitenga moo te whenua Peacocke - Ko te aaheinga o te hanga he waahi ataahua, he waahi toiora ki Peacocke.*

The vision for the Peacocke Programme is to enable the development of an attractive and sustainable community in the Peacocke Growth Cell.

Over the next 10 years, Peacocke is projected to deliver a third of Hamilton's medium-term housing needs and 26% of Hamilton's long-term housing needs. The Peacocke capital programme includes the delivery of the strategic network infrastructure, community facilities and infrastructure, and associated ecological protection and enhancement. \$290.4M of the approximately \$420M 10 year capital programme is funded through the Housing Infrastructure Fund interest-free loan, with most of the infrastructure planned for completion by 2025.

The key goals for the 3 year capital programme are:

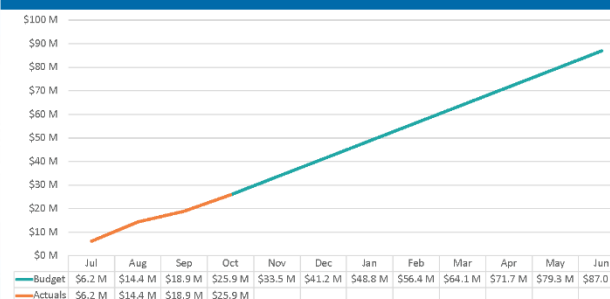
- Land acquisition for key wastewater and Southern Links transport projects
- Completing Notice of Requirement and Land acquisition for the northern sports park
- Implementation of key transport and wastewater for network infrastructure projects including:
  - Wairere Drive Extension and the northern part of the Peacocke Road Urban Upgrade (Completion 2023)
  - Peacocke Northern Transfer Main (Completion 2022)
  - Peacocke Main Transfer Pump Station (Completion 2023)
  - East-West Minor Arterial Road (Design under way - Construction 2022 - 2024)
  - Peacocke Road Urban Upgrade Southern Section (Design under way - Construction 2022 - 2024)
  - North-South Wastewater (Design under way - Construction 2022 - 2024)
- Approval of the Integrated Catchment Management Plan (ICMP) for Mangakootukutuku
- Implementation of environmental mitigation and enhancement associated with projects.
- To work with active developers to upsize infrastructure if necessary.

The key capital programme milestones for 2021/22 include:

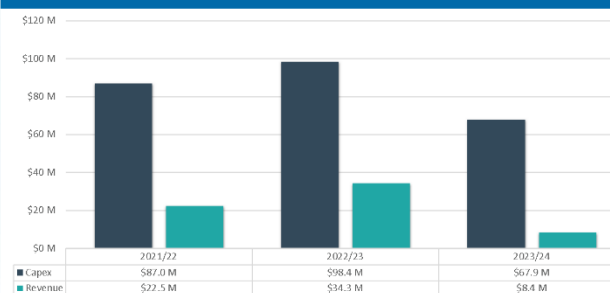
2021/22 Milestone	Performance
Completion of the Northern Transfer Main project	● On Track
Commence erection of the Waikato River Bridge superstructure	● On Track
Commence construction of the Peacocke main transfer pump station	● On Track
Complete design and commence procurement for Peacocke Road, the East-West minor arterial, and north-south strategic wastewater	● On Track
Resolve the remaining property objection and commence Land Valuation Tribunal process	● On Track

## FINANCIAL PERFORMANCE

### 2021-22 Performance



### 3 Year Forecasted Budget



Waikato  
River  
Bridge



**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	2021/22				2022/23				2023/24																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
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Waiwera Drive Extension and Bridge over Waikato River to Peacocke North-South Arterial including Peacocke Road Urban Upgrade (north)	Construction of a new major arterial crossing connection into Peacocke, including a bridge across the Waikato River and strategic utility connections. Budgets are HCC Peacocke Programme only and do not include third party works (e.g. private developer agreement).	On Track	\$140.3 M	\$57.9 M	\$140.3 M																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									

## Project status



Project is on track

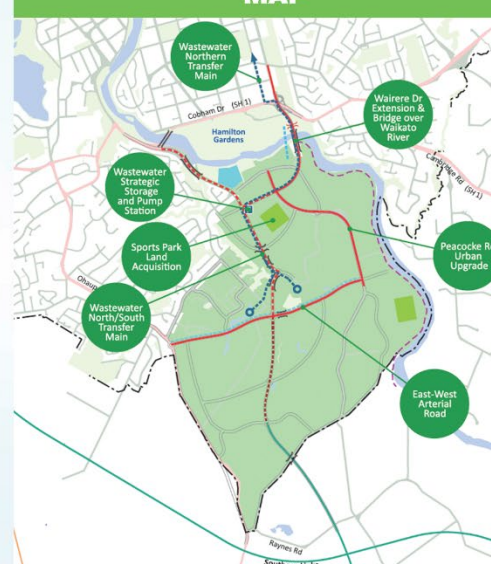


Project has significant risks that are being monitored and managed



Project has significant risks that will require Council decision

## MAP



Waikato River Bridge



**Hamilton City Council**  
Te kaunihera o Kirikiriroa

# ROKOKAURI-NORTHWEST PROGRAMME CAPITAL REPORT

## PROGRAMME UPDATE

**To ensure Hamiltonians enjoy a connected, vibrant, attractive and prosperous Rotokauri-Northwest community**

The Rotokauri-Northwest growth cell refers to Rotokauri Stage 1, Rotokauri Stage 2 and Te Rapa North (including Te Awa Lakes). Rotokauri-Northwest neighbourhood will one day be home for up to 20,000 people.

**The key goals for the 3-year capital programme are:**

- To complete the designation and preliminary design of the the Rotokauri Transport arterial.
- To complete the preliminary design and consenting requirements of the Rotokauri Green Swale.
- To work with active developers to upsize infrastructure if necessary.

**The key project milestones for 2021/22 include:**

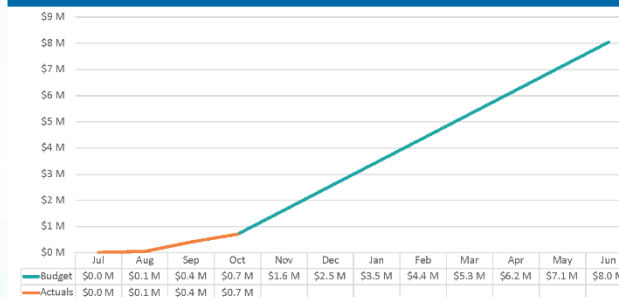
2021/22 Milestone	Performance
To have an approved business case for the transport arterials and to have lodged a designation.	● On Track
To have lodged consent for the Rotokauri Green Swale.	● On Track
Completion of the Te Wetini Drive extension which is developer lead.	● On Track

Te Wetini Drive  
Extension

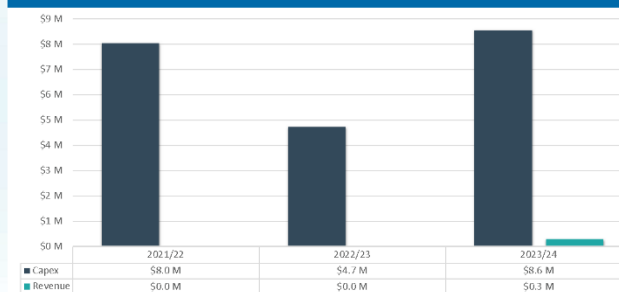
Te Wetini Drive  
Extension

## FINANCIAL PERFORMANCE

### 2021-22 Performance



### 3 Year Forecasted Budget



# ROKOKAURI-NORTHWEST PROGRAMME CAPITAL REPORT

## KEY PROJECTS

Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2021/22				2022/23				2023/24			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Baverstock Rd Stormwater	An aggregated wetland to treat and attenuate stormwater from existing and future development.		\$1.2 M	\$0.0 M	\$1.2 M	Procurement				Construction							
Rotokauri Swale Consent & Design	Securing consents and Specimen Design for the Rotokauri Greenway Corridor		\$9.1 M	\$0.1 M	\$9.1 M	Procurement											Design
Rotokauri Roadway Arterial	Protecting land corridors required for future roadway development and progressing design.		\$7.9 M	\$2.7 M	\$7.9 M					Investigation							
Te Wetini Dr Extension	To extend Te Wetini Drive from Akaranga Road to the new Rotokauri north-south minor arterial.		\$1.2 M	\$0.4 M	\$1.2 M					Construction							

## Project status



Project is on track



Project has significant risks that are being monitored and managed

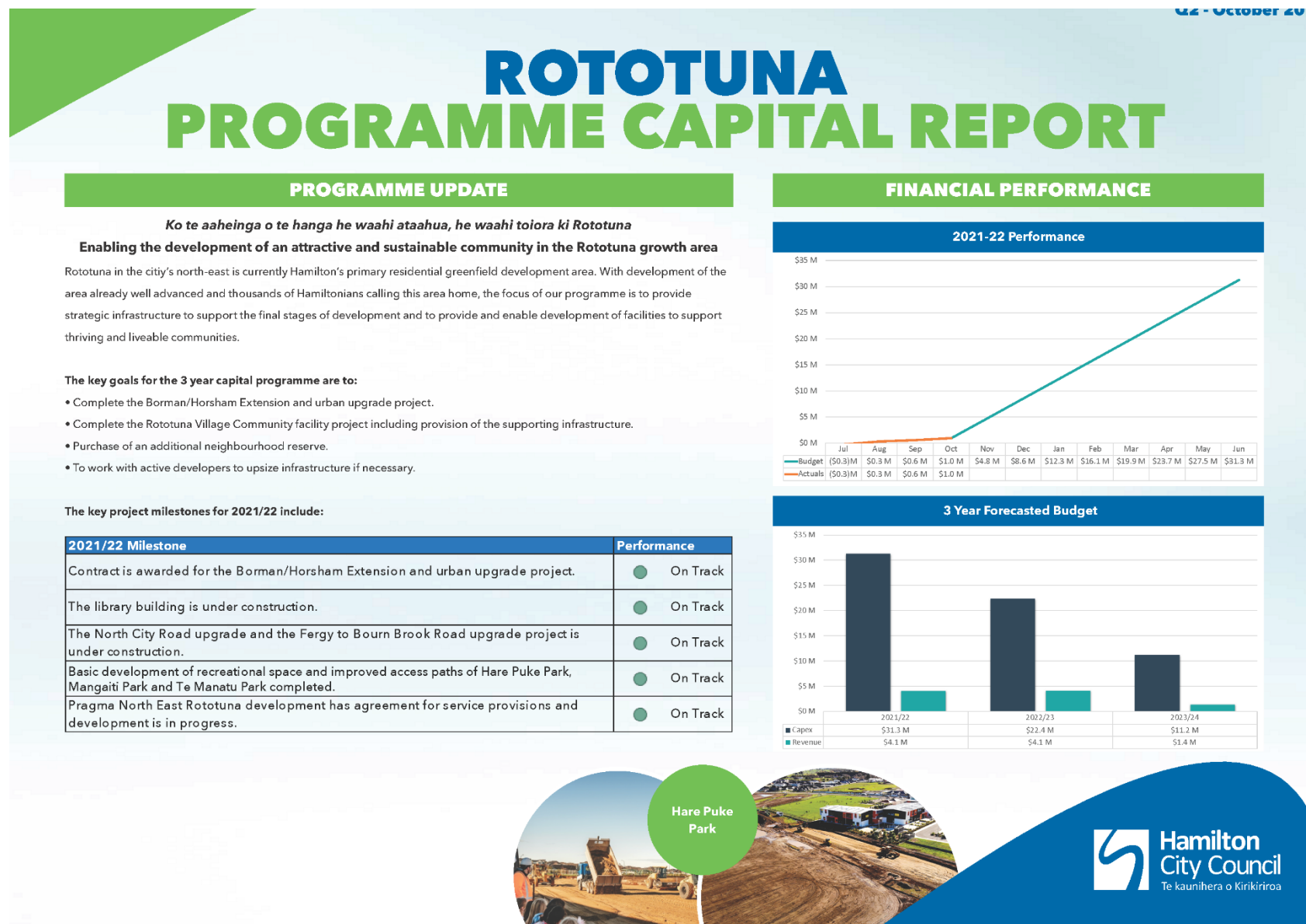


Project has significant risks that will require Council decision

## MAP



**Hamilton  
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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												
						2021/22				2022/23				2023/24			
Borman Horsham Urban Upgrade and Extension	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.		\$23.7 M	\$0.9 M	\$23.7 M	Design	Procurement										Construction
Rototuna Village - Community Facilities (Library)	Development of new library, community hub, play spaces, village square and carpark.		\$20.4 M	\$1.7 M	\$20.4 M	Procurement											Construction
Rototuna Village Transport and Open Spaces	Transport network upgrades through the Rototuna Village area including Turakina/Teuira Bank extensions. The extension of Turakina Rise is delayed as staff work with Waikato Regional Council on the resource consent approval.		\$12.6 M	\$0.8 M	\$12.6 M	Design	Procurement										Construction
Resolution Drive Extension	The extension of Resolution Drive (north) to connect to the new Waikato Expressway. Waka Kotahi NZTA continue to signal scope changes and additional Council contributions.		\$10.4 M	\$9.3 M	\$10.4 M												Construction
Rototuna Parks and Reserves Upgrades	Development of Hare Puke Park and Mangaiti Park into sports parks. Improving walking/cycling networks, playground and recreational space at Te Manatu Park.		\$2.6 M	\$1.6 M	\$2.6 M												Construction

## 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

## MAP



Mangaiti Park



**Hamilton  
City Council**  
Te kaunihera o Kirikiriroa

# RUAKURA PROGRAMME CAPITAL REPORT

## PROGRAMME UPDATE

**To ensure Hamiltonians enjoy a connected, vibrant, attractive and prosperous Ruakura community**

Ruakura will become New Zealand's largest integrated development, which will be anchored by a 30ha inland port operation. Once developed, Ruakura will become home for up to 8000 Hamiltonians, and will deliver major economic, social, environmental, and cultural benefits to the Waikato and New Zealand.

Overall, programme activity across Ruakura is going well and delivery of key infrastructure for the area is progressing. Staff continue to work in partnership with Tainui Group Holdings (TGH) and Central Government to enable the development of Ruakura and the Ruakura Superhub.

**The key goals for the 3 year capital programme are:**

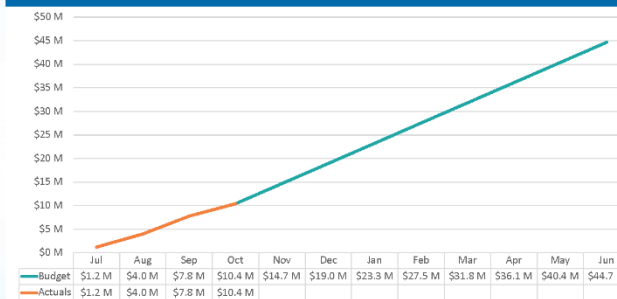
- To provide strategic transport, wastewater infrastructure and water infrastructure that allows the Ruakura Superhub to develop.
- To complete a business case and specimen design for the Ruakura Eastern Transport Corridor connecting the superhub to central and north Hamilton.
- To work with active developers to upsize infrastructure if necessary.

**The key project milestones for 2021/22 include:**

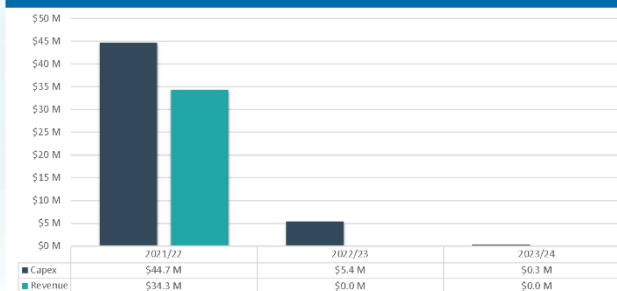
2021/22 Milestone	Performance
Completion of the Ruakura Road urban upgrade and the Ruakura Road West connection.	● On Track
Completion of strategic wastewater and water infrastructure.	● On Track
Works underway to protect the Mangaonua stream (see City Wide Waters Programme).	● On Track
An agreement on the preferred concept for the Eastern Transport Corridor.	● On Track

## FINANCIAL PERFORMANCE

### 2021-22 Performance



### 3 Year Forecasted Budget



Ruakura  
Key Transport  
Connections



Ruakura  
Road  
Upgrade



**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	2021/22				2022/23				2023/24			
						Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3
Ruakura Road Urbanisation	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. Additional funding received from Crown Infrastructure Partners to complete project.		\$12.6 M	\$5.2 M	\$12.6 M												
Ruakura Eastern Transport Corridor (Stage 1) - Expressway to Ruakura/Silverdale	Jointly funded by HCC, TOL and PCU 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 inland Port.		\$43.0 M	\$12.8 M	\$43.0 M												
Ruakura Eastern Transport Corridor (Stage 2)	Planning, investigation and design for the future extension of the eastern transport corridor through the Ruakura development area.		\$3.5 M	\$0.0 M	\$3.5 M												
Far Eastern Interceptor Stage 2 (delivered by TGH)	HCC contribution to new wastewater pipe to service development. Northern section has been completed. Deferral required for Southern Interceptor funding which will be delivered by Tainui Group Holdings. \$1.3M of savings have been realised in previous financial years.		\$8.8 M	\$2.5 M	\$8.8 M												
Ruakura Trunk Watermains	Remediating strategic networks to service development areas - planned to be delivered by Tainui Group Holdings.		\$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

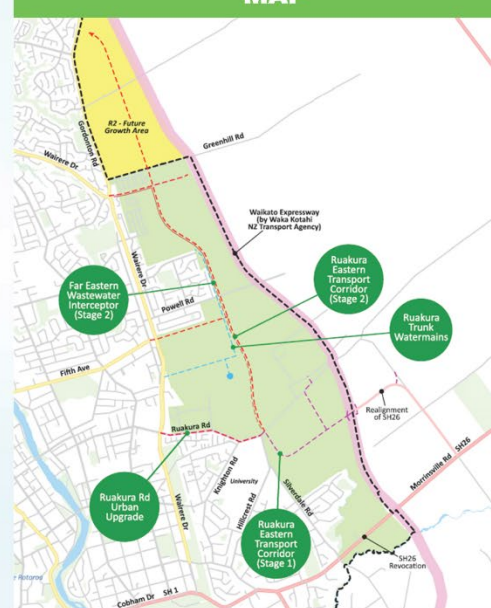


Project has significant risks that will require Council decision

Key  
Transport  
Connections



## MAP



**Hamilton  
City Council**  
Te kaunihera o Kirikiriroa



Q2 - October 2021

# TRANSPORT IMPROVEMENT PROGRAMME CAPITAL REPORT

## PROGRAMME UPDATE

*Kia tika ano te hanga rori maa; Aahienga whakatupu, whakapai atu haumarū, me whakawhaanui atu ngā koowhiringa waka*  
Delivering a balanced transport system through; Enabling growth, improving safety, and improving transport choice

A great transport system is vital to the success of a thriving urban city like Hamilton. This programme delivers on improving the wellbeing of Hamiltonians through a city that's easy to live in and where our people love to be. The focus of this programme is:

- Safety - Everyone experiences a safe and enjoyable journey
- Choice - Everyone has travel options for moving around the city

The key goals for the 3 year capital programme are to:

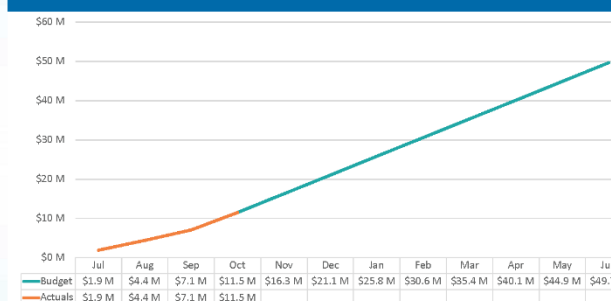
- Complete the Ring Road/Cobham Drive interchange.
- Complete the Te Awa River Ride.
- Complete the Transport Centre Rejuvenation project.
- Be well progressed on construction of the School Link project which is part of Eastern Pathways.
- Complete pre-implementation work on university link and be in a good position to request implementation funding.
- Complete the business case for Biking and Micromobility and commence delivery of priority works.
- Effectively deliver the low-cost low-risk works programmes to significantly improve safety of our intersections and networks across the city and to promote public transport, walking and cycling.

The key project milestones for 2021/22 include:

2021/22 Milestone	Performance
Completion of the Ring Road/Cobham drive interchange.	● On Track
Construction underway for Transport Centre Rejuvenation.	● On Track
Design complete for School Link northern section and implementation funding approved.	● On Track
Improvements underway at Gordonton/Puketaha and Gordonton/Darjon intersections.	● On Track
Effective delivery of low-cost low-risk programmes in alignment with council priorities.	● On Track
Completion of the Te Awa River Path.	● On Track

## FINANCIAL PERFORMANCE

### 2021/22 Performance



### 3 Year Forecasted Budget



Wairere  
Drive  
Extension

 **Hamilton  
City Council**  
Te kaunihera o Kirikiriroa

## KEY PROJECTS

## KEY PROJECTS

Project Name	Project Description	Project Status	Total Project Budget	Actual Spend to Date	Forecast Total Cost	2021/22				2022/23				2023/24			
						01	02	03	04	05	06	07	08	09	10	11	12
Te Awa Cycleway Extension	The completion of the Hamilton section of the Te Awa River Ride from Mangakau Stream to Hamilton Station. This is amber due to HIK of potential construction delays.	Amber	\$5.8 M	\$5.1 M	\$5.8 M	Construction											
Transport Centre Rejuvenation	Ongoing improvements to, and upgrades of, the Transport Centre will encourage public transport use and support the transition to Airport Street as a public transport priority corridor. This project should receive a 50% Waikato Council subsidy.	Green	\$8.8 M	\$0.1 M	\$8.8 M	Item Expansion				Design		Procurement		Construction			
Biking & Micro-Mobility Citywide Programme	Safer routes with better biking and micro-mobility as alternate modes of transport are identified by the Biking and Micro-mobility Business Case. Delivery programme and timing subject to further Council decisions following Waikato MCTP funding. The budget shown is for 2021/22 to 2023/24.	Red	\$13.5 M	\$0.0 M	TBC												
Pembroke/Chapau Intersection Upgrade	Upgrade of Pembroke/Chapau Intersection for Public Transport priority.	Green	\$4.2 M	\$0.0 M	\$4.2 M	Investigation		Design		Procurement		Construction					
Eastern Pathways	The School Link, University Link and connections to these routes. This project offers transport choice along these busy corridors by prioritising and creating good infrastructure for public transport, walking/cycling and micro-mobility. Delivery programme and timing of University Link require further Council direction following Waikato Council not confirming funding for implementation.	Amber	\$34.6 M	\$2.7 M	\$34.6 M	Item Expansion				Design		Procurement		Construction			
Gordonton Road corridor (Waikare to Burman)	Intersection improvements at Gordonton/Puketapu. Please note the Waikare/Gordonton intersection upgrade budget is currently included in the Low Cost Low Risk - Road to Zero programme and this will be combined with this project.	Amber	\$4.5 M	\$0.2 M	\$4.5 M	Design		Procurement		Construction		Noted Construction					
Waikare Drive Extension - Cambridge Road to Cobham Drive	The final completion of the Hamilton Ring Road will see Cobham Drive raised to allow the four-lane Waikare Drive to pass underneath it. It will also include extension of shared walking and biking paths. This is a large complex contract with a number of significant risks that need monitoring and managing.	Green	\$60.8 M	\$51.7 M	\$60.8 M	Construction											

### 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

The map illustrates the Waikato region with various infrastructure projects highlighted. Key features include:

- Waikato Expressway (by NTA)**: A major road project in the north.
- Gordonton Rd Corridor**: A project area in the north-east.
- Eastern Pathways**: A project area in the east.
- Wairere Dr Extension Cambridge Rd to Cobham Dr**: A road extension project in the east.
- Te Awā Cycleway Extension**: A project area in the south-east.
- Te Awā Cycleway (WDC Int)**: A project area in the south-east.
- Pembroke St /Ohaupo Rd Intersection Upgrade**: A project area in the south.
- Transport Centre Rejuvenation**: A project area in the south-west.

The legend indicates the following symbols:

- City Boundary**: Solid black line.
- Transport Corridor**: Blue line.
- Road Alignment**: Dashed red line.
- Road Designation**: Dashed yellow line.
- Railways**: Blue line with cross-ticks.



**Hamilton**  
City Council  
Te kaunihera o Kirikiriroa

# RENEWALS & COMPLIANCE PROGRAMME CAPITAL REPORT

## PROGRAMME UPDATE

*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**

The Renewals and Compliance programme for the next 3 year period has begun. Significant staff effort is being put into organising the programme for the next three years and building on the successful delivery and processes that have already been established. Staff in each of the subprogramme areas are confirming scopes and delivery plans for the future renewals of the assets. Some multiyear contracts to help deliver ongoing renewal programmes are being tendered and procurement planning is progressing. These will be presented to Council for approval over the coming months.

There were some renewals and compliance projects that had funding carried over from last financial year. Work on these projects is continuing and these projects will be completed over coming months.

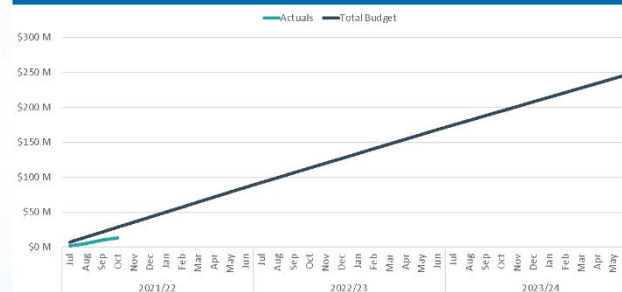
Waterworld  
Diving  
Platform



Seddon Park  
Staff Facilities

## FINANCIAL PERFORMANCE

### Capital Expenditure Y1-Y3



### Total Budget Y1-Y3



**Hamilton  
City Council**  
Te kaunihera o Kirikiriroa

# Council Report

**Committee:** Finance Committee

**Date:** 14 December 2021

**Author:** Tracey Musty

**Authoriser:** David Bryant

**Position:** Financial Controller

**Position:** General Manager People and Organisational Performance

**Report Name:** Financial Performance & Strategy Report to 31 October 2021

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose - *Take*

1. To inform the Finance Committee on Council's financial performance and strategy for the four months ended 31 October 2021.
2. To seek a recommendation from the Finance Committee that the Council approves the significant forecast adjustments as set out in this Report and the capital movement as set out in the Capital Portfolio Monitoring Report.

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

3. That the Finance Committee receives the report.
4. That the Finance Committee recommends that the Council:
  - a) approves the capital movement as identified in paragraph 26 of the 14 December 2021 Capital Portfolio Monitoring Report;
  - b) approves the significant forecast adjustments as set out in paragraphs 50 to 54 of the staff report; and
  - c) approves the revised Financial Strategy position for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 56 to 58 of the staff report.

## Executive Summary - *Whakaraapopototanga matua*

5. This report is to be read in conjunction with the 14 December 2021 Capital Portfolio Monitoring Report.
6. The 31 October 2021 financial results show a favourable variance of \$11.6m against the year-to-date (YTD) budget, and a favourable variance in the balancing the books result of \$4m against the YTD budget.
7. There is an unfavourable result in fees and charges, which is mainly as a result of covid-19 restrictions on opening of venues, visitor attractions and tourism activities. This unfavourable variance is offset by favourable variances in the building and resource consent activities.
8. Subsidies and Grants are favourable to budget due to unbudgeted revenue received from Central Government grant funding for the Water Reform Stimulus programme and offsets additional operating expenditure.

9. Capital revenue is unfavourable to budget due to capital projects not progressing as fast as anticipated in the first few months of the financial year.
10. Expenditure is tracking favourable to YTD budget. Personnel costs have a favourable variance to YTD budget due to vacancies. Recruitment for new positions identified in the 2021-31 Long-Term Plan is progressing.
11. Depreciation is unfavourable to YTD budget due to revaluation of building assets at 30 June 2021 and a revision of the asset data.
12. Finance costs are favourable to YTD budget as closing debt for the 2020/21 financial year was lower than budgeted.
13. Forecast changes include:
  - i. a reduction in revenue in Growth, Community Services activities and Visitor Destinations;
  - ii. an adjustment to income for the Zoo Waiwhakareke Entry Precinct as discussed at previous Council meeting;
  - iii. a reduction in the Waikato Theatre Grant due to rephasing of payments into future years;
  - iv. a reduction in finance costs as a result of lower closing debt for the 2020/21 financial year; and
  - v. an increase in depreciation due to the revaluation of Council building assets at 30 June 2021.
14. The impact of forecasting changes made, since the adoption of the 2021-31 Long Term Plan, is reflected in the Financial Strategy measures:
  - i. debt to revenue is 191% and favourable against a budget of 193%;
  - ii. net debt is \$713m and favourable against a budget of \$731m; and
  - iii. balancing the books is (\$5.7m) and unfavourable against a budget of (\$3.6m).
15. Council's treasury position is favourable, and Council remains compliant with all treasury policy measures **Attachment 3**.
16. Council's fixed rate hedging at 31 October 2021 is 52%. Council is well hedged after executing its deferral strategy in 2020.
17. Council saw a gain of \$19.1m on the revaluation of swaps at 31 October 2021. This is not a cash gain, but rather an accounting/book entry and reflects the market swap rate movement as reflected in **Attachment 3**.
18. Staff consider the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

## Discussion - *Matapaki*

### Operating Results

#### **The accounting and balancing the books result**

19. The Statement of Comprehensive Revenue and Expense discloses the accounting result in accordance with accounting standards.

20. The YTD accounting and balancing the books result for the four months ended 31 October 2021 is as follows:

Surplus/(Deficit) Result	YTD Actual	YTD Budget	YTD Variance
Accounting Surplus/(Deficit)	\$50.9m	\$39.3m	\$11.6m ✓
Balancing the books	(\$3.8m)	(\$7.8m)	\$4.0m ✓

21. The annual accounting and balancing the books result has been adjusted to reflect the forecasting adjustments as follows:

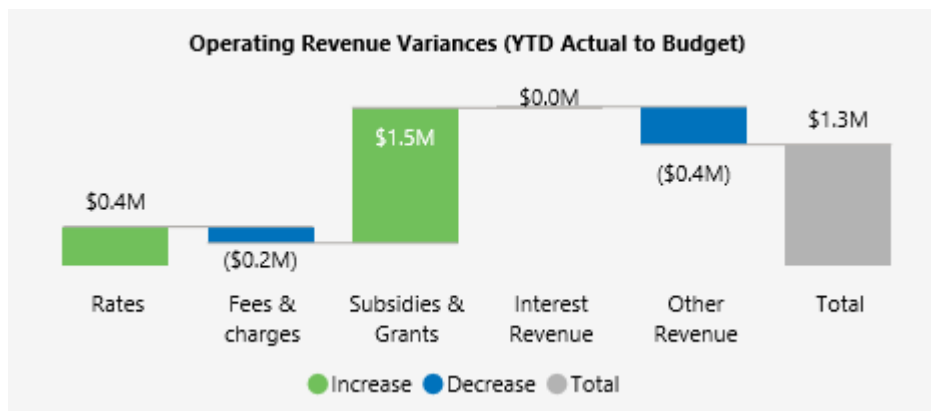
Surplus/(Deficit) Result	Annual Forecast	Annual Revised Budget	YTD Variance
Accounting Surplus/(Deficit)	\$95.7m	\$83.0m	\$12.7m ✓
Balancing the books	(\$5.7m)	(\$3.6m)	(\$2.1m) ✗

### Understanding material variances

22. The Statement of Comprehensive Revenue and Expense is contained in **Attachment 1**.
23. Individual Everyday Revenue and Expense statements for each of the Council's activities are contained in **Attachment 2**.

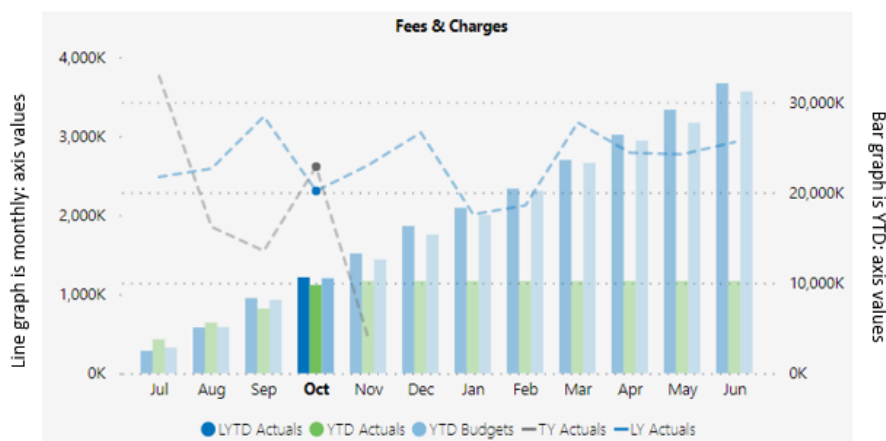
### Operating Revenue

24. Total Operating Revenue is \$1.3m favourable to the YTD budget.



25. Subsidies & Grants contributed the largest share of the favourable variance in Operating Revenue and exceeds YTD budget by \$1.5m.
26. Operating grants provided \$1.8m towards the favourable variance in Subsidies & Grants. This is due to the allocation of unbudgeted Central Government grant funding to operational activities and offsets expenditure on the Water Reform Stimulus programme.
27. Fees & user charges provided \$0.2m towards the unfavourable variance in Fees & Charges. While this variance is immaterial it is important to note that the unfavourable result is due to decreased event activity in Venues, Tourism and Major Events and Visitors Attractions of \$1.2m due to covid-19 lockdowns. This is offset by favourable budget variance from building consents and planning guidance activities.





The bar chart compares Last Year to Date Actuals (LYTD Actuals), Year to Date Actuals (YTD Actuals) and Year To Date Budgets (YTD Budgets). These values are reflected on the vertical axis to the right-hand side. The line chart above compares This Year Actuals (TY Actuals) and Last Year Actuals (LY Actuals) at each month. These values are reflected on the vertical axis to the left-hand side.

28. Other Revenue is unfavourable by \$0.4m. The unfavourable variance is due to Infringement & Fines revenue tracking below the YTD budget due to Waka Kotahi NZ suspending the requirement of vehicle registrations which resulted in the suspension of issuing infringements until 30 November 2021.
29. Operational revenue forecasts include:
  - adjustments for revenue expectations in the Visitor Destinations and Community Services activities. Other areas are forecasting to achieve the annual budget by year-end.
30. Material variance explanations can be found in the activity statements (**Attachment 2**).

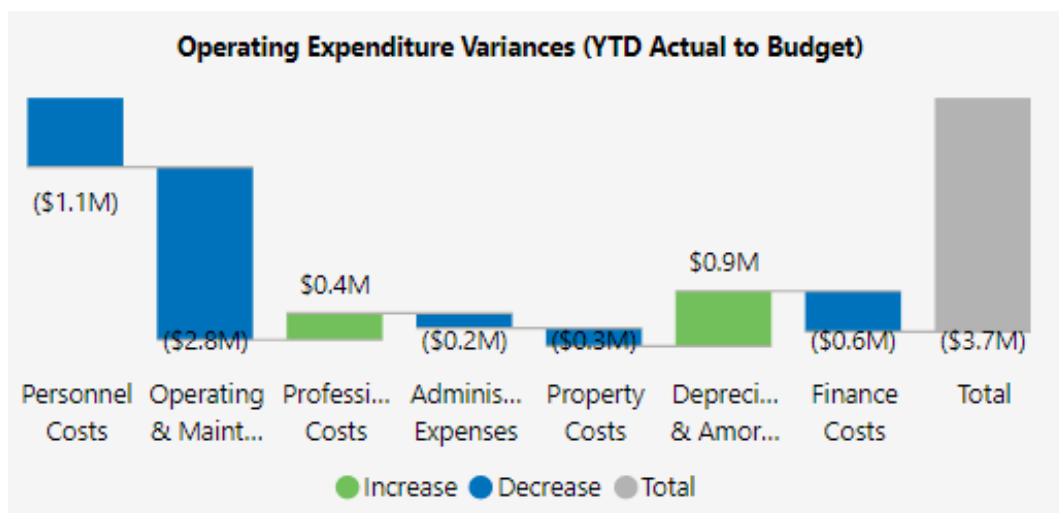
### Capital Revenue

31. Total Capital Revenue is \$11.1m unfavourable to the YTD budget.
32. Capital subsidies and contributions is below budget by \$8.7m. Projects attracting Waka Kotahi subsidies have progressed slower than anticipated and resulted in an unfavourable variance to budget of \$5.1m. The unfavourable variance in capital contributions of \$5.8m is mainly due to contributions towards the Ruakura Road upgrades not invoiced yet. These unfavourable variances are partly offset by the allocation of unbudgeted Central Government grant funding to offset expenditure on the capital works within the Water Reform Stimulus programme.
33. Vested assets are below YTD budget by \$1.4m. The addition of vested assets increases the operating and maintenance costs for Council, as well as depreciation. Through the 2021-31 Long-Term Plan increased funding was made available for maintenance on new vested assets for three waters and transportation activities. The nature of vested infrastructure assets are that they have a long useful life and generally do not require significant direct maintenance in the first ten years of operation.
34. 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 2021-31 Long-Term Plan to support the annual vested assets budget.

Asset class	YTD Actual \$000	Annual Budget \$000	Life Range (Years)	Estimated Annual Depreciation \$000
Wastewater	886	3,312	15-100	11
Stormwater	707	4,800	30-100	9
Water Supply	422	1,790	50-80	5
Roading	2188	24,589	12-140	44
Parks and Recreation	23	-		-
Land – Under Roads	5867	-		-
Land – Recreation Reserve		-		-
Land - Infrastructure		-		-
<b>Total</b>	<b>10,093</b>	<b>34,491</b>		<b>69</b>

### Operating Expenditure

35. Total Operating Expenditure is favourable to YTD budget by \$3.7m.



36. Personnel Costs are favourable to YTD budget by \$1.1m. This is due to delays in the recruitment for new positions identified in the 2021-31 Long-Term Plan.

37. The favourable variance in Operating & Maintenance costs are mainly due to the impact of covid-19 restrictions on events and visitor attraction costs, infrastructure maintenance and reduced services such as kerbside food waste collections.

38. Depreciation is unfavourable to the YTD budget by \$0.9m due to the revaluation for building assets at 30 June 2021 and a revision of the asset data.

39. Operational expenditure forecasts include:

- i. administration cost adjustment of \$2.4m due to the postponement of Council's contribution towards the Waikato Regional Theatre to the 2021/22 financial year;
- ii. depreciation expense adjustments of \$2.7m as a result of the revaluation of Council buildings as mentioned above; and



- iii. finance costs reflect the effect of reduced interest rates as well as lower than budgeted debt.
- 40. The Annual Approved Budget is reflecting budget changes approved by Council during this financial year and includes:
  - i. Waikato Metro Spatial Plan budget of \$582k brought forward from 2020/21; and
  - ii. Waiwhakareke Predator Proof Fence Feasibility Study budget of \$65k brought back from year 4 in the 2021-31 Long-Term Plan.
- 41. Please refer to the activity statements (**Attachment 2**) for material variance explanations.

### Gains and Losses

- 42. The YTD adjustment on non-cash revaluation of Council's Financial borrowing instruments resulted in a \$19m gain. See **Attachment 3** for swap interest rate movement.

### Treasury Management

- 43. Council's compliance with its treasury policy measures at 31 October 2021 is as follows:

<b>Counterparty credit risk</b>	max	\$75m per bank	Achieved	✓
<b>Liquidity ratio</b>	min	110%	122%	✓
<b>Funding maturity</b>	0 - 3 years	15% - 60%	42%	✓
	3 - 7 years	25% - 85%	36%	✓
	7 years +	0% - 60%	21%	✓
<b>Fixed rate debt maturity</b>	all years	Within annual parameters	Achieved	✓

### Interest Rate Risk Management

- 44. 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.
- 45. At 31 October 2021 Council's fixed rate hedging is 52%. This falls within our debt interest rate policy parameters which requires a minimum fixed rate of 40% and a maximum fixed rate of 95%.
- 46. Council's gross cost of funds over a 12-month rolling average is 2.2%.

### Financial Strategy

- 47. Any changes in significant forecasting assumptions will result in changes to the Financial Strategy outcomes. These assumptions will be considered and, if necessary, adjusted in each Annual Plan.

### Significant Forecasting Adjustments

- 48. Significant forecasting adjustments since the 5 October 2021 Finance Committee meeting, outlined below, as compared to the 2021-31 Long-Term Plan budget.
- 49. Numbers in brackets represent an adverse outcome.
- 50. Capital revenue, capital savings, re-phasing, and delay deferrals from 2021/22 to future years as detailed in the Capital Portfolio Monitoring Report, paragraph 26.

Capital Adjustments – Financial Strategy Impact										
\$000	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Balancing the Books	0	0	0	0	0	0	0	0	0	0
Net Debt	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)

51. Favourable adjustments to operating revenue and expenditure as detailed in **Attachment 2**.

Operating Adjustments – Financial Strategy Impact										
\$000	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Balancing the Books	(3,814)	(23)	(61)	(82)	(103)	(115)	(122)	(138)	(159)	(164)
Net Debt	1,239	(1,784)	(1,845)	(1,927)	(2,029)	(2,145)	(2,266)	(2,404)	(2,563)	(2,728)

52. Revised budget adjustments.

Revised Budget Adjustments – Financial Strategy Impact										
\$000	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Balancing the Books	(376)	0	0	65	0	0	0	0	0	0
Net Debt	(376)	(376)	(376)	(376)	(376)	(376)	(376)	(376)	(376)	(376)

53. The revised budget adjustments are as follows:

- i. at the 28 September 2021 Infrastructure Operations Committee meeting, it was resolved that the Committee recommends to the Finance Committee the approval of unbudgeted operating expenditure of \$376k to cover the increased costs for disposal of wastewater sludge.

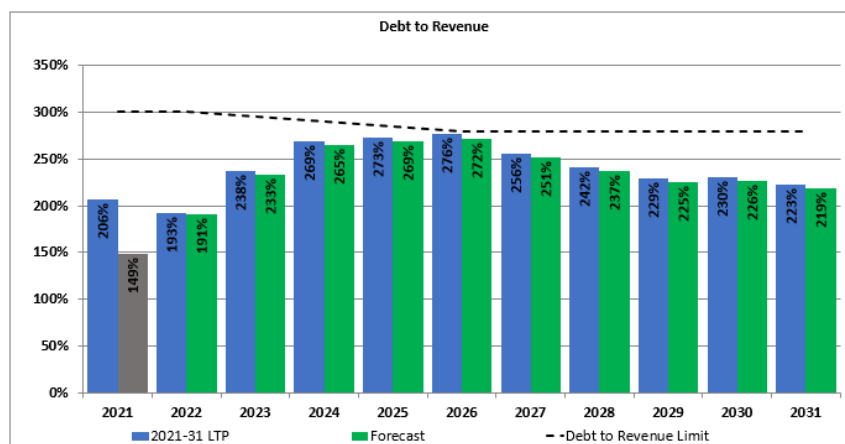
54. The impact of the recommended budget revisions on the financial strategy is not significant in nature. Council will remain in a favourable debt to revenue and balancing the books position.

### Financial Strategy Graphs

55. The following graphs show the 2021-31 Long Term Plan budgets and the total of all the significant forecast adjustments as set out in paragraph 50 to 54. These significant forecast adjustments are subject to decision by the Finance Committee or Council.

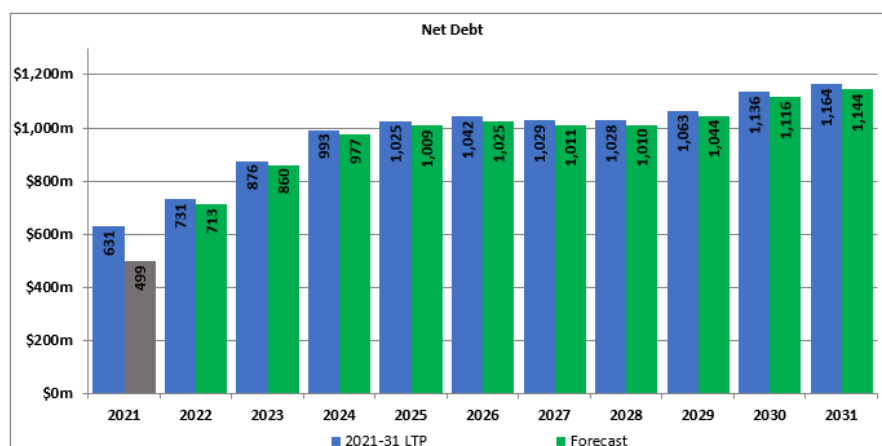
#### Debt to Revenue

56. The Debt to Revenue graph includes all adjustments identified in this report and shows that debt to revenue of 191% is favourable against the 2021-31 Long-Term Plan budget of 193%.



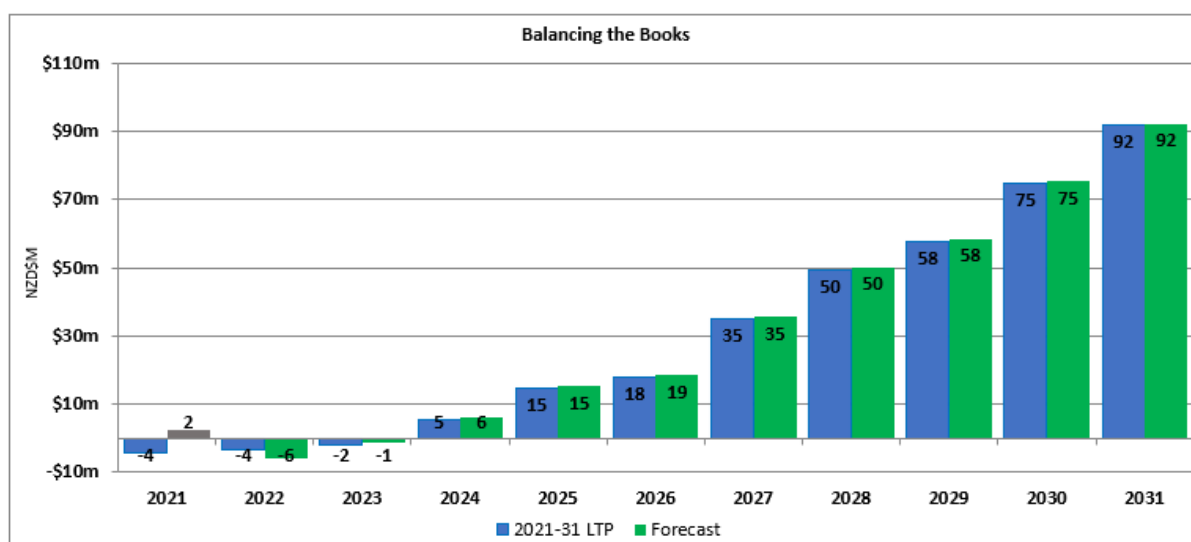
#### Net Debt

57. The Net Debt graph shows a decrease in net debt against the 2021-31 Long-Term Plan. Net debt for 2021/22 is forecast at \$713m.



### Balancing the Books

58. The forecast 2021/22 balancing the books result is (\$6m) and is unfavourable against a budget of (\$4m).



### Emerging Issues

59. The Financial Performance & Strategy Report 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 Long-Term Plan.

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

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

### Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

61. 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').
62. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.

- 63. The recommendations set out in this report are consistent with that purpose.
- 64. Economic wellbeing is managed through the efficient monitoring of Council's financial results. Diligent management of Council's budget and regular review of forecasts is required to ensure Council is operating effectively and policy compliance is met.
- 65. The environmental, social and cultural wellbeings are not directly impacted by the annual monitoring report. However, the efficient review and management of Council's financial position supports the wider business in their delivery of key objectives that enhance these wellbeings.

**Risks - *Tuuraru***

- 66. There are no known risks associated with the decisions of this report.

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

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

**Engagement**

- 68. 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 31 October 2021

Attachment 2 - Council Activities 31 October 2021

Attachment 3 - Treasury Position 31 October 2021

Attachment 4 - Register of Significant Forecast Changes 31 October 2021

**STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE**  
**FOR THE MONTH ENDED 31 OCTOBER 2021**

Attachment 1

\$000		\$000		\$000		\$000		\$000	
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)	
<b>Operating Revenue</b>									
59,668	Rates	66,639	66,210	429	221,714	30%	221,714		
14,902	Fees & Charges	13,479	13,664	(185)	40,723	33%	39,037	(1,686)	
3,575	Subsidies & Grants	4,854	3,338	1,516	8,664	56%	8,904	240	
433	Interest Revenue	112	101	12	302	37%	302		
2,669	Other Revenue	2,595	3,019	(424)	14,780	18%	14,780		
<b>81,248</b>	<b>TOTAL OPERATING REVENUE</b>	<b>87,680</b>	<b>86,331</b>	<b>1,349</b>	<b>286,184</b>	<b>31%</b>	<b>284,738</b>	<b>(1,446)</b>	
<b>Capital Revenue</b>									
11,583	Development Contributions	9,503	10,520	(1,017)	31,622	30%	31,622		
14,934	Capital Revenue	22,376	31,082	(8,707)	101,588	22%	96,528	(5,060)	
10,118	Vested Assets	10,093	11,499	(1,407)	34,491	29%	34,491		
<b>36,635</b>	<b>TOTAL CAPITAL REVENUE</b>	<b>41,971</b>	<b>53,102</b>	<b>(11,130)</b>	<b>167,701</b>	<b>25%</b>	<b>162,641</b>	<b>(5,060)</b>	
<b>117,883</b>	<b>TOTAL REVENUE</b>	<b>129,652</b>	<b>139,433</b>	<b>(9,781)</b>	<b>453,885</b>	<b>29%</b>	<b>447,379</b>	<b>(6,506)</b>	
<b>Expenditure</b>									
28,825	Personnel Costs	31,238	32,350	1,111	96,813	32%	97,138	(325)	
20,789	Operating & Maintenance Costs	18,525	21,291	2,766	68,770	27%	68,720	50	
4,265	Professional Costs	5,748	5,322	(426)	17,092	34%	17,092		
4,969	Administration Expenses	5,740	5,979	239	24,263	24%	21,913	2,350	
3,363	Property Costs	4,095	4,383	288	11,824	35%	11,932	(108)	
4,513	Finance Costs	4,953	5,600	648	16,270	30%	13,870	2,400	
22,676	Depreciation & Amortisation Expense	26,062	25,183	(879)	75,534	35%	78,237	(2,703)	
<b>89,400</b>	<b>TOTAL EXPENDITURE</b>	<b>96,361</b>	<b>100,108</b>	<b>3,747</b>	<b>310,566</b>	<b>31%</b>	<b>308,902</b>	<b>1,664</b>	
<b>28,483</b>	<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>33,291</b>	<b>39,325</b>	<b>(6,035)</b>	<b>143,319</b>	<b>23%</b>	<b>138,477</b>	<b>(4,842)</b>	
<b>Gains and Losses</b>									
(2,858)	Net gain/(loss) on revaluation of interest rate swaps	19,085		19,085			19,085	19,085	
	Gain on fair value of investment properties				756	0%	756		
(271)	Property, plant and equipment net gain/(loss)	(1,499)		(1,499)	(61,103)	2%	(62,602)	(1,499)	
<b>(3,130)</b>	<b>TOTAL GAINS AND LOSSES</b>	<b>17,586</b>		<b>17,586</b>	<b>(60,347)</b>	<b>(29%)</b>	<b>(42,760)</b>	<b>17,586</b>	
<b>25,353</b>	<b>TOTAL SURPLUS/(DEFICIT)</b>	<b>50,877</b>	<b>39,325</b>	<b>11,552</b>	<b>82,973</b>	<b>61%</b>	<b>95,717</b>	<b>12,744</b>	

Refer to Activity Statements for variances against budget.

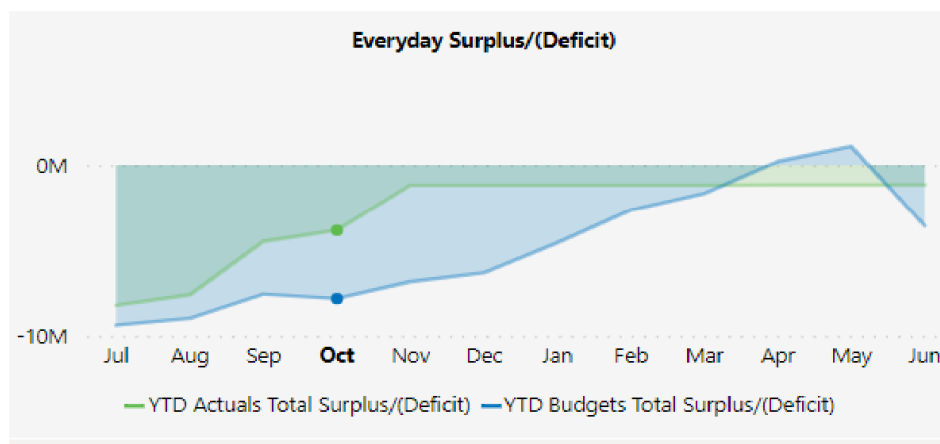
Item 8

Attachment 1

## BALANCING THE BOOKS RESULT FOR THE MONTH ENDED 31 OCTOBER 2021

\$000		\$000		\$000		\$000		\$000		\$000	
YTD 2019/20		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent		Annual Forecast	Annual Variance Fav/(Unfav)		
25,353	Surplus/(Deficit)	50,877	39,325	11,552	82,973	61%		95,717	12,744		
	Remove capital revenue										
(10,118)	Vested assets	(10,093)	(11,499)	1,407	(34,491)	29%		(34,491)			
(8,957)	Part of Development and Financial contributions	(5,814)	(6,838)	1,024	(20,554)	28%		(20,554)			
(8,904)	Capital Subsidy (excluding subsidy on transport renewals)	(14,651)	(18,746)	4,095	(60,479)	24%		(55,419)	5,060		
(3,163)	Other Capital Contributions & Grants	(6,080)	(9,588)	3,508	(32,863)	18%		(32,863)			
(681)	Other items not considered everyday operating revenue	(630)	(630)		(8,084)	8%		(8,084)			
	Remove (gains)/losses										
3,130	All Gains/(Losses)	(17,586)		(17,586)	60,347	(29%)		42,760	(17,586)		
	Remove other expenses										
79	Other items not considered everyday operating expenses	153	150	3	9,585	2%		7,235	(2,350)		
(3,262)	EVERYDAY SURPLUS/(DEFICIT)	(3,823)	(7,826)	4,003	(3,568)	107%		(5,700)	(2,132)		

Balancing the Books result below shows the cumulative change in the position.



## FOR THE MONTH ENDED 31 OCTOBER 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
59,668	Rates**	66,639	66,210	429	221,714	30%	221,714	
14,902	Fees & Charges	13,479	13,664	(185)	40,723	33%	39,037	(1,686)
3,575	Subsidies & Grants	4,854	3,338	1,516	8,664	56%	8,904	240
433	Interest Revenue	112	101	12	302	37%	302	
2,669	Other Revenue	2,595	3,019	(424)	14,780	18%	14,780	
<b>81,248</b>	<b>Total Everyday Revenue</b>	<b>87,680</b>	<b>86,331</b>	<b>1,349</b>	<b>286,184</b>	<b>31%</b>	<b>284,738</b>	<b>(1,446)</b>
<b>Everyday Expenditure</b>								
28,825	Personnel Costs	31,238	32,350	1,111	96,813	32%	97,138	(325)
20,789	Operating & Maintenance Costs	18,525	21,291	2,766	68,770	27%	68,720	50
4,265	Professional Costs	5,748	5,322	(426)	17,092	34%	17,092	
4,969	Administration Expenses	5,740	5,979	239	24,263	24%	21,913	2,350
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4,513	Finance Costs**	4,953	5,600	648	16,270	30%	13,870	2,400
22,676	Depreciation & Amortisation Expense**	26,062	25,183	(879)	75,534	35%	78,237	(2,703)
3,130	Gains & Losses	(17,586)		17,586	60,347	(29%)	42,760	17,586
<b>92,530</b>	<b>Total Everyday Expenditure</b>	<b>78,775</b>	<b>100,108</b>	<b>21,333</b>	<b>370,913</b>	<b>21%</b>	<b>351,662</b>	<b>19,251</b>
<b>(11,282)</b>	<b>Everyday Surplus/(Deficit)*</b>	<b>8,905</b>	<b>(13,777)</b>	<b>22,682</b>	<b>(84,728)</b>	<b>(11%)</b>	<b>(66,924)</b>	<b>17,804</b>
<b>Capital Revenue</b>								
11,583	Development Contributions**	9,503	10,520	(1,017)	31,622	30%	31,622	
14,934	Capital Revenue	22,376	31,082	(8,707)	101,588	22%	96,528	(5,060)
10,118	Vested Assets**	10,093	11,499	(1,407)	34,491	29%	34,491	
<b>36,635</b>	<b>Total Capital Revenue</b>	<b>41,971</b>	<b>53,102</b>	<b>(11,130)</b>	<b>167,701</b>	<b>25%</b>	<b>162,641</b>	<b>(5,060)</b>
<b>25,353</b>	<b>Operating Surplus/(Deficit)</b>	<b>50,877</b>	<b>39,325</b>	<b>11,552</b>	<b>82,973</b>	<b>61%</b>	<b>95,717</b>	<b>12,744</b>

**Material variances as explained below:**

**Finance Costs\*\*:** \$648k favourable.

Overall finance cost (interest expense) for Council is favourable. This is due to an improved starting position for the year as a result of lower closing debt for the 2020/21 financial year.

**Depreciation & Amortisation Expense\*\*:** (\$879k) unfavourable.

The unfavourable result is due to the revaluation of building and transportation assets.

**Development Contributions\*\*:** (\$1,017k) unfavourable.

Large developments do not pay required DC's in a smooth, linear fashion, but in large amounts when development milestones are met. This is why the quantum of DC's will vary significantly quarter by quarter.

**Vested Assets\*\*:** (\$1,407k) unfavourable.

Vested assets are tracking below budget. Forecast to meet budget at financial year end.

**The comments below explain the material variance between annual approved budget and annual forecast.**

**Depreciation & Amortisation Expense\*\*:** (\$2,703k) unfavourable.

The unfavourable forecast result is due to the revaluation of Council building assets.

**Finance Costs\*\*:** \$2,400k favourable.

Council's finance cost (interest expense) has been reforecast due to an improved debt starting position for the year.

## Attachment 2

## GOVERNANCE

Governance and Public Affairs | Partnership with Māori

## FOR THE MONTH ENDED 31 OCTOBER 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
897	Rates**	913	1,006	(93)	3,068	30%	3,068	
5	Fees & Charges							
	Subsidies & Grants							
	Interest Revenue							
	Other Revenue							
901	<b>Total Everyday Revenue</b>	<b>913</b>	<b>1,006</b>	<b>(93)</b>	<b>3,068</b>	<b>30%</b>	<b>3,068</b>	
<b>Everyday Expenditure</b>								
156	Personnel Costs	171	224	53	679	25%	679	
4	Operating & Maintenance Costs		9	9	28	0%	28	
146	Professional Costs	204	271	67	724	28%	724	
547	Administration Expenses	625	567	(58)	1,709	37%	1,709	
	Property Costs							
	Finance Costs**							
	Depreciation & Amortisation Expense**							
	Gains & Losses							
853	<b>Total Everyday Expenditure</b>	<b>1,000</b>	<b>1,072</b>	<b>72</b>	<b>3,140</b>	<b>32%</b>	<b>3,140</b>	
48	<b>Everyday Surplus/(Deficit)*</b>	<b>(87)</b>	<b>(65)</b>	<b>(21)</b>	<b>(72)</b>	<b>121%</b>	<b>(72)</b>	
48	<b>Operating Surplus/(Deficit)</b>	<b>(87)</b>	<b>(65)</b>	<b>(21)</b>	<b>(72)</b>	<b>121%</b>	<b>(72)</b>	

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

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

## Material variances as explained below:

No significant variances to report.



## Attachment 2

## VISITOR DESTINATIONS

Hamilton Gardens | Waikato Museum | Hamilton Zoo

### FOR THE MONTH ENDED 31 OCTOBER 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
4,895	Rates**	4,599	4,547	52	15,381	30%	15,381	
1,155	Fees & Charges	505	867	(362)	2,644	19%	2,210	(434)
28	Subsidies & Grants	40	29	11	87	46%	87	
4	Interest Revenue	2	1	1	3	89%	3	
28	Other Revenue	50	30	21	99	51%	99	
<b>6,110</b>	<b>Total Everyday Revenue</b>	<b>5,197</b>	<b>5,474</b>	<b>(277)</b>	<b>18,212</b>	<b>29%</b>	<b>17,779</b>	<b>(434)</b>
<b>Everyday Expenditure</b>								
2,859	Personnel Costs	2,632	2,938	306	9,060	29%	9,060	
921	Operating & Maintenance Costs	870	1,042	172	3,613	24%	3,613	
129	Professional Costs	66	82	16	269	25%	269	
141	Administration Expenses	130	175	45	629	21%	629	
168	Property Costs	157	195	39	569	28%	569	
39	Finance Costs**	93	88	(4)	265	35%	265	
736	Depreciation & Amortisation Expense**	842	896	54	2,687	31%	2,984	(297)
1	Gains & Losses	1		(1)				
<b>4,994</b>	<b>Total Everyday Expenditure</b>	<b>4,790</b>	<b>5,416</b>	<b>626</b>	<b>17,093</b>	<b>28%</b>	<b>17,390</b>	<b>(297)</b>
<b>1,116</b>	<b>Everyday Surplus/(Deficit)*</b>	<b>406</b>	<b>58</b>	<b>349</b>	<b>1,119</b>	<b>36%</b>	<b>389</b>	<b>(730)</b>
<b>Capital Revenue</b>								
	Capital Revenue	(1)	91	(92)	1,372		1,092	(280)
	<b>Total Capital Revenue</b>	<b>(1)</b>	<b>91</b>	<b>(92)</b>	<b>1,372</b>	<b>0%</b>	<b>1,092</b>	<b>(280)</b>
<b>1,116</b>	<b>Operating Surplus/(Deficit)</b>	<b>406</b>	<b>148</b>	<b>257</b>	<b>2,491</b>	<b>16%</b>	<b>1,481</b>	<b>(1,010)</b>

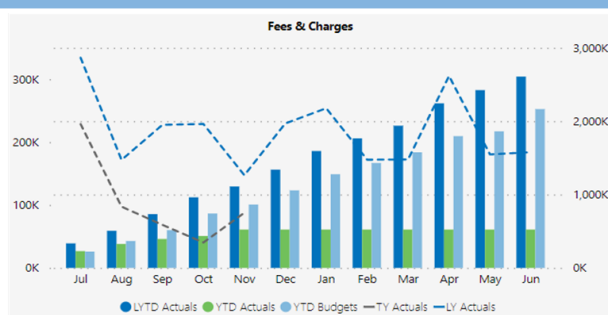
\* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

\*\* Rates Revenue, 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: (\$362k) unfavourable.**

The impact of covid-19 alert level closures have resulted in reduced Fees & Charges to date for Visitor Attractions.



**Personnel Costs: \$306k favourable.**

The favourable variance to date is due to staff vacancies and the length of time to recruit in the current market.

**Operating & Maintenance Costs: \$172k favourable.**

The covid-19 alert level restrictions have delayed works being carried out to date.

#### The comments below explain the material variance between annual approved budget and annual forecast.

**Fees & Charges: (\$434k) unfavourable.**

The covid-19 alert level closures have resulted in lost Fees & Charges for Visitor Attractions which are not expected to be recovered. An additional loss of income is projected for Hamilton Gardens through to December as a result of cancelled venue hireage.

**Capital Revenue: (\$280k) unfavourable.**

Council resolved to fund the external funding shortfall for the Zoo-Waiwhakareke Entry Precinct stage 1B. This reduces the corresponding external revenue target which will be reallocated to 2026/27 for the zoo animal enclosure.

## Attachment 2

## VENUES, TOURISM AND MAJOR EVENTS

Claudelands | FMG Stadium Waikato | Seddon Park | Tourism and Events Funding

## FOR THE MONTH ENDED 31 OCTOBER 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
6,124	Rates**	5,625	5,682	(56)	18,787	30%	18,787	
1,265	Fees & Charges	1,440	2,071	(630)	5,166	28%	5,166	
	Subsidies & Grants							
42	Interest Revenue	7	10	(3)	29	24%	29	
245	Other Revenue	255	245	10	734	35%	734	
	<b>7,677 Total Everyday Revenue</b>	<b>7,327</b>	<b>8,007</b>	<b>(679)</b>	<b>24,717</b>	<b>30%</b>	<b>24,717</b>	
<b>Everyday Expenditure</b>								
1,807	Personnel Costs	1,905	2,129	224	6,401	30%	6,401	
1,339	Operating & Maintenance Costs	1,380	1,721	341	5,290	26%	5,290	
34	Professional Costs	21	69	47	240	9%	240	
498	Administration Expenses	542	590	48	10,951	5%	8,601	2,350
382	Property Costs	425	454	29	1,348	32%	1,348	
433	Finance Costs**	323	554	231	1,663	19%	1,663	
1,687	Depreciation & Amortisation Expense**	2,384	1,973	(411)	5,918	40%	7,153	(1,235)
	Gains & Losses	(2)		2				
	<b>6,179 Total Everyday Expenditure</b>	<b>6,979</b>	<b>7,491</b>	<b>511</b>	<b>31,812</b>	<b>22%</b>	<b>30,697</b>	<b>1,115</b>
	<b>1,498 Everyday Surplus/(Deficit)*</b>	<b>348</b>	<b>516</b>	<b>(168)</b>	<b>(7,095)</b>	<b>(5%)</b>	<b>(5,980)</b>	<b>1,115</b>
<b>Capital Revenue</b>								
	Capital Revenue							
	<b>Total Capital Revenue</b>							
	<b>1,498 Operating Surplus/(Deficit)</b>	<b>348</b>	<b>516</b>	<b>(168)</b>	<b>(7,095)</b>	<b>(5%)</b>	<b>(5,980)</b>	<b>1,115</b>

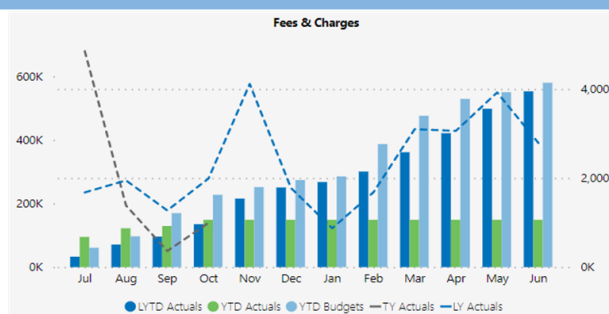
\* Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

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

## Material variances as explained below:

## Fees &amp; Charges: \$630k unfavourable.

The impact of covid-19 alert level changes has resulted in reduced Fees & Charges to date for Claudelands, FMG Stadium Waikato and Seddon Park as these venues have very limited access.



## Personnel Costs: \$224k favourable.

Personnel costs are favourable due to careful management during the venue closure period and timing of events. Events are being rescheduled and we forecast this balance to be spent by the end of the financial year.

## Operating &amp; Maintenance Costs: \$341k favourable.

Within Operating & Maintenance; Cost of Sales is favourable by \$120k, this is a reflection of reduced Fees and Charges.

The favourable variance of \$221k in repairs and maintenance is due to the fact that our maintenance programme has been delayed. The work programme is expected to be completed by the end of financial year (covid permitted).

## The comments below explain the material variance between annual approved budget and annual forecast.

## Administration Costs: \$2,350k favourable

The favourable variance is due to the postponement of Council's contribution towards the Waikato Regional Theatre to the 2021/22 financial year.

## Attachment 2

## COMMUNITY SERVICES

Libraries | Community Development | Arts Promotion | Pools | Theatres

### FOR THE MONTH ENDED 31 OCTOBER 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
5,345	Rates**	5,819	5,739	80	19,454	30%	19,454	
895	Fees & Charges	558	988	(430)	3,330	17%	2,742	(588)
	Subsidies & Grants	64	1	63	2	3184%	242	240
2	Interest Revenue	3	1	2	2	168%	2	
1	Other Revenue	(48)	6	(54)	16	(292%)	16	
<b>6,243</b>	<b>Total Everyday Revenue</b>	<b>6,395</b>	<b>6,733</b>	<b>(339)</b>	<b>22,803</b>	<b>28%</b>	<b>22,455</b>	<b>(348)</b>
<b>Everyday Expenditure</b>								
3,011	Personnel Costs	3,399	3,216	(183)	9,486	36%	9,811	(325)
1,399	Operating & Maintenance Costs	591	614	23	2,101	28%	2,101	
160	Professional Costs	167	172	5	338	49%	338	
1,278	Administration Expenses	1,363	1,381	18	2,587	53%	2,587	
285	Property Costs	284	317	33	918	31%	1,026	(108)
24	Finance Costs**	102	93	(9)	279	37%	279	
1,258	Depreciation & Amortisation Expense**	1,519	1,369	(151)	4,105	37%	4,838	(733)
37	Gains & Losses			( )				
<b>7,452</b>	<b>Total Everyday Expenditure</b>	<b>7,425</b>	<b>7,162</b>	<b>(264)</b>	<b>19,815</b>	<b>37%</b>	<b>20,981</b>	<b>(1,166)</b>
<b>(1,209)</b>	<b>Everyday Surplus/(Deficit)*</b>	<b>(1,031)</b>	<b>(428)</b>	<b>(602)</b>	<b>2,989</b>	<b>(34%)</b>	<b>1,475</b>	<b>(1,514)</b>
<b>Capital Revenue</b>								
	Capital Revenue		88	(88)	265	0%	265	
	<b>Total Capital Revenue</b>		<b>88</b>	<b>(88)</b>	<b>265</b>	<b>0%</b>	<b>265</b>	
<b>(1,209)</b>	<b>Operating Surplus/(Deficit)</b>	<b>(1,031)</b>	<b>(340)</b>	<b>(691)</b>	<b>3,254</b>	<b>(32%)</b>	<b>1,740</b>	<b>(1,514)</b>

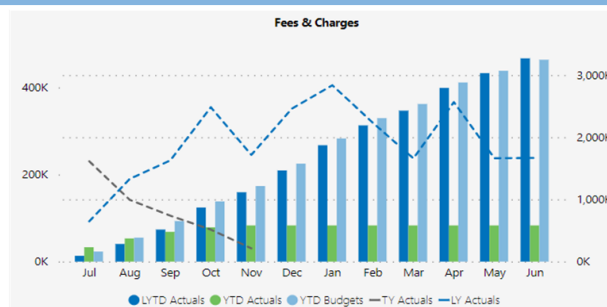
\*Everyday surplus/(deficit) excludes overhead allocation. Refer to Overheads activity statement for overhead results and variance explanations

\*\* Rates Revenue, 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: (\$430k) unfavourable.

The impact of covid-19 alert level closures have resulted in reduced Fees & Charges to date.



##### Personnel Costs: (\$183k) unfavourable.

Unbudgeted Libraries Partnership Programme costs of \$77k have been funded and are offset in Grants revenue. The unfavourable variance is also due to unbudgeted costs of \$110k associated with a resource realignment in order to improve safety and assurance outcomes at Hamilton Pools.

#### The comments below explain the material variance between annual approved budget and annual forecast.

##### Fees & Charges: (\$588k) unfavourable.

The covid-19 alert level closures have resulted in lost Fees & Charges for Hamilton Pools and Libraries which are not expected to be recovered. The forecast assumption includes Hamilton Pools being restricted from opening during November. The Hamilton City Council/Waikato District Council Libraries Agreement was renegotiated with an increase of \$46k plus GST per year effective November 2021, therefore an offset of \$31k additional fees have been forecasted for the current year.

##### Subsidies & Grants: \$240k favourable.

Contributions forecasted include \$240k from The Department of Internal Affairs for the New Zealand Libraries Partnership Programme costs.

##### Personnel Costs: (\$325k) unfavourable.

The unfavourable variance is due to unbudgeted New Zealand Libraries Partnership Programme costs which are offset by unbudgeted funding in Grants income. Unbudgeted costs (\$110k) associated with resource realignment at Hamilton Pools and lower than usual level of vacancies/ turnover.

##### Property Costs: (\$108k) unfavourable.

Hamilton Pools are expecting increased gas costs as projected by the Energy Consultant based on updated gas pricing from 1 Oct 2021.

## Attachment 2

**PARKS AND RECREATION**

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

**FOR THE MONTH ENDED 31 OCTOBER 2021**

\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
6,879	Rates**	7,459	7,385	74	24,982	30%	24,982	
2,504	Fees & Charges	1,672	1,648	24	4,864	34%	4,864	
6	Subsidies & Grants	1	2	(1)	7	13%	7	
47	Interest Revenue	10	11	(1)	33	30%	33	
55	Other Revenue	67	47	20	179	38%	179	
<b>9,491</b>	<b>Total Everyday Revenue</b>	<b>9,209</b>	<b>9,094</b>	<b>115</b>	<b>30,065</b>	<b>31%</b>	<b>30,065</b>	
<b>Everyday Expenditure</b>								
3,471	Personnel Costs	3,460	3,402	(58)	10,771	32%	10,771	
2,546	Operating & Maintenance Costs	1,494	1,443	(50)	6,971	21%	6,971	
353	Professional Costs	104	81	(23)	1,755	6%	1,755	
194	Administration Expenses	207	202	(5)	405	51%	405	
130	Property Costs	126	179	53	526	24%	526	
486	Finance Costs**	437	641	204	1,923	23%	1,923	
1,622	Depreciation & Amortisation Expense**	1,798	1,797	(1)	5,391	33%	5,669	(278)
42	Gains & Losses	227		(227)			227	(227)
<b>8,844</b>	<b>Total Everyday Expenditure</b>	<b>7,854</b>	<b>7,745</b>	<b>(108)</b>	<b>27,741</b>	<b>28%</b>	<b>28,246</b>	<b>(505)</b>
<b>647</b>	<b>Everyday Surplus/(Deficit)*</b>	<b>1,355</b>	<b>1,348</b>	<b>7</b>	<b>2,323</b>	<b>58%</b>	<b>1,819</b>	<b>(505)</b>
<b>Capital Revenue</b>								
520	Development Contributions**	678	251	428	821	83%	821	
3	Capital Revenue	8	66	(58)	198	4%	198	
541	Vested Assets**	23		23				
<b>1,065</b>	<b>Total Capital Revenue</b>	<b>709</b>	<b>317</b>	<b>392</b>	<b>1,019</b>	<b>70%</b>	<b>1,019</b>	
<b>1,711</b>	<b>Operating Surplus/(Deficit)</b>	<b>2,064</b>	<b>1,665</b>	<b>399</b>	<b>3,342</b>	<b>62%</b>	<b>2,837</b>	<b>(505)</b>

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

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

**Material variances as explained below:**

**Gains & Losses: (\$227k) unfavourable.**

The unfavourable variance is due to the write-off of the Stadium Bowling Club site and grounds assets, and other various open space assets.

**The comments below explain the material variance between annual approved budget and annual forecast.**

**Gains & Losses: (\$227k) unfavourable.**

The unfavourable variance is due to the write-off of the Stadium Bowling Club site and grounds assets, and other various open space assets.

## FOR THE MONTH ENDED 31 OCTOBER 2021

\$000		\$000		\$000	\$000	\$000	\$000	\$000
YTD 2019/20		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
1,201	Rates**	1,391	1,457	(67)	4,680	30%	4,680	
1,278	Fees & Charges	1,291	1,224	67	2,090	62%	2,090	
17	Subsidies & Grants	17	18	(1)	53	32%	53	
	Interest Revenue							
19	Other Revenue	16	10	6	31	52%	31	
2,514	<b>Total Everyday Revenue</b>	<b>2,714</b>	<b>2,709</b>	<b>6</b>	<b>6,853</b>	<b>40%</b>	<b>6,853</b>	
<b>Everyday Expenditure</b>								
1,422	Personnel Costs	1,460	1,576	115	4,751	31%	4,751	
352	Operating & Maintenance Costs	330	403	72	1,335	25%	1,335	
41	Professional Costs	29	49	20	146	20%	146	
44	Administration Expenses	72	85	13	341	21%	341	
6	Property Costs	7	9	2	26	27%	26	
	Finance Costs**		1	1	2	2%	2	
28	Depreciation & Amortisation Expense**	34	30	(4)	89	38%	65	24
	Gains & Losses							
1,893	<b>Total Everyday Expenditure</b>	<b>1,932</b>	<b>2,151</b>	<b>219</b>	<b>6,691</b>	<b>29%</b>	<b>6,667</b>	<b>24</b>
621	<b>Everyday Surplus/(Deficit)*</b>	<b>783</b>	<b>558</b>	<b>225</b>	<b>162</b>	<b>482%</b>	<b>186</b>	<b>24</b>
<b>Capital Revenue</b>								
	Capital Revenue							
	<b>Total Capital Revenue</b>							
621	<b>Operating Surplus/(Deficit)</b>	<b>783</b>	<b>558</b>	<b>225</b>	<b>162</b>	<b>482%</b>	<b>186</b>	<b>24</b>

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

\*\* Rates Revenue, 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: \$115k favourable.

The favourable variance is due to staff vacancies and the length of time to recruit in the current market. Most of the vacant positions have been filled in October / November 2021.

#### The comments below explain the material variance between annual approved budget and annual forecast.

No significant variances to report.

## Attachment 2

## GROWTH

City Planning | Planning Guidance | Building Control

## FOR THE MONTH ENDED 31 OCTOBER 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
1,795	Rates**	3,484	3,462	22	11,396	31%	11,396	
3,793	Fees & Charges	4,436	3,249	1,187	10,410	43%	9,745	(665)
70	Subsidies & Grants							
16	Interest Revenue	2	4	(2)	11	18%	11	
	Other Revenue							
5,673	<b>Total Everyday Revenue</b>	<b>7,922</b>	<b>6,715</b>	<b>1,207</b>	<b>21,817</b>	<b>36%</b>	<b>21,152</b>	<b>(665)</b>
<b>Everyday Expenditure</b>								
3,189	Personnel Costs	3,502	3,787	285	11,327	31%	11,327	
72	Operating & Maintenance Costs	78	133	55	400	20%	400	
1,301	Professional Costs	1,575	1,636	60	4,807	33%	4,807	
325	Administration Expenses	260	392	132	1,353	19%	1,353	
17	Property Costs	24	29	4	86	28%	86	
163	Finance Costs**	98	195	97	585	17%	585	
1	Depreciation & Amortisation Expense**	1	2		5	30%	5	
	Gains & Losses							
5,068	<b>Total Everyday Expenditure</b>	<b>5,539</b>	<b>6,173</b>	<b>634</b>	<b>18,563</b>	<b>30%</b>	<b>18,563</b>	
605	<b>Everyday Surplus/(Deficit)*</b>	<b>2,383</b>	<b>542</b>	<b>1,841</b>	<b>3,255</b>	<b>73%</b>	<b>2,590</b>	<b>(665)</b>
<b>Capital Revenue</b>								
	Capital Revenue							
	<b>Total Capital Revenue</b>							
605	<b>Operating Surplus/(Deficit)</b>	<b>2,383</b>	<b>542</b>	<b>1,841</b>	<b>3,255</b>	<b>73%</b>	<b>2,590</b>	<b>(665)</b>

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

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

**Material variances as explained below:****Fees & Charges: \$1,187k favourable.**

The majority of this is due to higher than budgeted levels of activity in the Building Control unit. In the first 4 months of the financial year there was a mix of a larger number of consents than usual, along with some high value consents. Revenue from building has been difficult to predict since the covid-19 lockdowns, with the additional uncertainty around product supply. It is unclear when a level of certainty and predictability will return to this market. There is also slightly more revenue than budgeted for in Planning Guidance as resource consent numbers are up.

**Personnel Costs: \$285k favourable.**

There are 5 vacancies in the Building Control unit. Additionally, in City Planning there were positions budgeted for in the District Plan budget that have instead been filled by consultants. Therefore some of this variance is offset in professional costs.

**Administration Expenses: \$132k favourable.**

Provision for a Building Control claim was released when the claim was paid out in September. The claim paid out was \$50k less than what was provided. The additional variance is made up of small underspends across all units.

**The comments below explain the material variance between annual approved budget and annual forecast.****Fees & Charges: \$665k unfavourable.**

Correcting revenue which will not be received. The spend associated with this has been repurposed to the Hamilton Urban Growth Strategy review work.

## Attachment 2

## WATER SUPPLY

Water Treatment | Water Storage | Water Distribution

## FOR THE MONTH ENDED 31 OCTOBER 2021

\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
8,697	Rates**	6,377	6,522	(145)	21,616	30%	21,616	
(31)	Fees & Charges	247	(53)	300	(160)	(154%)	(160)	
	Subsidies & Grants	722	1	721	4	18059%	4	
109	Interest Revenue	36	20	16	60	60%	60	
	Other Revenue							
<b>8,774</b>	<b>Total Everyday Revenue</b>	<b>7,382</b>	<b>6,490</b>	<b>892</b>	<b>21,520</b>	<b>34%</b>	<b>21,520</b>	
<b>Everyday Expenditure</b>								
975	Personnel Costs	1,463	1,530	67	4,388	33%	4,388	
692	Operating & Maintenance Costs	1,184	1,273	88	4,502	26%	4,502	
139	Professional Costs	509	363	(146)	1,099	46%	1,099	
20	Administration Expenses	18	20	2	66	28%	66	
662	Property Costs	757	871	114	2,268	33%	2,268	
884	Finance Costs**	694	1,277	583	3,581	19%	2,581	1,000
2,691	Depreciation & Amortisation Expense**	2,591	2,784	193	8,349	31%	8,349	
120	Gains & Losses	408		(408)			408	(408)
<b>6,183</b>	<b>Total Everyday Expenditure</b>	<b>7,626</b>	<b>8,118</b>	<b>492</b>	<b>24,253</b>	<b>31%</b>	<b>23,661</b>	<b>592</b>
<b>2,591</b>	<b>Everyday Surplus/(Deficit)*</b>	<b>(243)</b>	<b>(1,628)</b>	<b>1,384</b>	<b>(2,733)</b>	<b>9%</b>	<b>(2,141)</b>	<b>592</b>
<b>Capital Revenue</b>								
2,854	Development Contributions**	2,127	1,704	423	5,111	42%	5,111	
248	Capital Revenue	1,747	17	1,730	50	3494%	50	
258	Vested Assets**	422	597	(174)	1,790	24%	1,790	
<b>3,360</b>	<b>Total Capital Revenue</b>	<b>4,297</b>	<b>2,317</b>	<b>1,979</b>	<b>6,951</b>	<b>62%</b>	<b>6,951</b>	
<b>5,951</b>	<b>Operating Surplus/(Deficit)</b>	<b>4,053</b>	<b>690</b>	<b>3,364</b>	<b>4,217</b>	<b>96%</b>	<b>4,809</b>	<b>592</b>

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

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

**Material variances as explained below:****Subsidies & Grants: \$721k favourable.**

The favourable variance is due to the allocation of Central Government grant funding to the activity for the delivery of the Water Reform Stimulus Programme. This offsets operational expenditure incurred for approved projects and costs, including professional services costs and operating & maintenance costs.

**Professional Costs: (\$146k) unfavourable.**

The unfavourable variance is due to Water Reform Stimulus projects underway and is 100% offset by funds received from the Central Government Water Reform Stimulus Programme grant funding.

**Property Costs: \$114k favourable.**

The favourable variance is largely due to insurance costs being less than budget.

**Gains & Losses: (\$408k) unfavourable.**

This unfavourable variance is due to write offs of various assets being disposed.

**Capital Revenue: \$1,730k favourable.**

Contributions toward new connections exceed budget due to increased applications. This revenue will offset capital installation costs. Allocation of Central Government grant funding to offset Water Reform Stimulus Programme capital expenditure for this activity also contributes to the favourable variance.

**The comments below explain the material variance between annual approved budget and annual forecast.**

No significant variances to report.

## Attachment 2

## WASTEWATER

Wastewater Collection | Wastewater Treatment | Wastewater Disposal  
FOR THE MONTH ENDED 31 OCTOBER 2021

\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
9,138	Rates**	9,096	8,717	379	29,183	31%	29,183	
2,067	Fees & Charges	1,533	1,735	(202)	6,836	22%	6,836	
	Subsidies & Grants	1,023	3	1,020	8	12782%	8	
97	Interest Revenue	20	22	(3)	67	29%	67	
	Other Revenue							
<b>11,301</b>	<b>Total Everyday Revenue</b>	<b>11,672</b>	<b>10,477</b>	<b>1,194</b>	<b>36,094</b>	<b>32%</b>	<b>36,094</b>	
<b>Everyday Expenditure</b>								
1,868	Personnel Costs	2,201	2,647	446	7,752	28%	7,752	
2,235	Operating & Maintenance Costs	2,264	2,495	231	7,621	30%	7,621	
752	Professional Costs	724	385	(339)	1,055	69%	1,055	
38	Administration Expenses	49	48	(1)	197	25%	197	
641	Property Costs	915	908	(7)	2,389	38%	2,389	
995	Finance Costs**	884	1,397	513	3,917	23%	2,517	1,400
3,747	Depreciation & Amortisation Expense**	4,190	4,307	116	12,917	32%	12,917	
14	Gains & Losses	736		(736)			736	(736)
<b>10,290</b>	<b>Total Everyday Expenditure</b>	<b>11,963</b>	<b>12,187</b>	<b>224</b>	<b>35,848</b>	<b>33%</b>	<b>35,184</b>	<b>664</b>
<b>1,011</b>	<b>Everyday Surplus/(Deficit)*</b>	<b>(292)</b>	<b>(1,710)</b>	<b>1,418</b>	<b>246</b>	<b>(119%)</b>	<b>910</b>	<b>664</b>
<b>Capital Revenue</b>								
4,052	Development Contributions**	3,184	3,042	142	9,123	35%	9,123	
666	Capital Revenue	1,588	271	1,317	813	195%	813	
613	Vested Assets**	886	1,104	(219)	3,312	27%	3,312	
<b>5,331</b>	<b>Total Capital Revenue</b>	<b>5,657</b>	<b>4,417</b>	<b>1,240</b>	<b>13,249</b>	<b>43%</b>	<b>13,249</b>	
<b>6,342</b>	<b>Operating Surplus/(Deficit)</b>	<b>5,366</b>	<b>2,707</b>	<b>2,658</b>	<b>13,495</b>	<b>40%</b>	<b>14,159</b>	<b>664</b>

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

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

**Material variances as explained below:****Fees & Charges: (\$202k) unfavourable.**

The unfavourable variance in Fees &amp; Charges is due to lower than anticipated expenditure in shared services which resulted in lower revenue.

**Subsidies & Grants: \$1,020k favourable.**

The favourable variance is due to the allocation of Central Government grant funding to the activity for the delivery of the Water Reform Stimulus Programme. This offsets operational expenditure incurred for approved projects and costs, including professional services costs and operating &amp; maintenance costs.

**Personnel Costs: \$446k favourable.**

The favourable variance is mainly due to short term staff vacancies.

**Operating & Maintenance Costs: \$231k favourable.**

Due to covid-19, reactive maintenance was reduced to essential works only. Works such as condition assessments were postponed.

**Professional Costs: (\$339k) unfavourable.**

The unfavourable variance is due to Water Reform Stimulus Programme projects underway and is 100% offset by funds received from the Central Government Water Reform Stimulus grant funding. (See Subsidies &amp; Grants above)

**Gains & Losses: (\$736k) unfavourable.**

Unfavourable variance is due to the disposal of various assets.

**Capital Revenue: \$1,317k favourable.**

Contributions toward new connections exceed budget due to increased applications. This revenue will offset capital installation costs. Allocation of Central Government grant funding to offset Water Reform Stimulus capital expenditure for this activity also contributes to the favourable variance.

**The comments below explain the material variance between annual approved budget and annual forecast.**

No significant variances to report.



## FOR THE MONTH ENDED 31 OCTOBER 2021

\$000		\$000		\$000	\$000	\$000	\$000	\$000	\$000
Last Year	YTD	YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)	
<b>Everyday Revenue</b>									
2,047	Rates**	5,361	5,325	36	17,722	30%	17,722		
107	Fees & Charges	111	86	24	258	43%	258		
	Subsidies & Grants	119	1	117	4	2969%	4		
26	Interest Revenue	6	6	( )	18	32%	18		
	Other Revenue								
<b>2,181</b>	<b>Total Everyday Revenue</b>	<b>5,596</b>	<b>5,419</b>	<b>177</b>	<b>18,003</b>	<b>31%</b>	<b>18,003</b>		
<b>Everyday Expenditure</b>									
670	Personnel Costs	795	767	(28)	2,215	36%	2,215		
178	Operating & Maintenance Costs	56	82	26	390	14%	390		
49	Professional Costs	277	195	(81)	583	48%	583		
5	Administration Expenses	10	13	2	40	26%	40		
57	Property Costs	399	300	(99)	466	85%	466		
272	Finance Costs**	257	402	146	1,129	23%	1,129		
3,079	Depreciation & Amortisation Expense**	3,436	3,281	(155)	9,842	35%	9,842		
	Gains & Losses	128		(128)			128	(128)	
<b>4,310</b>	<b>Total Everyday Expenditure</b>	<b>5,358</b>	<b>5,040</b>	<b>(318)</b>	<b>14,665</b>	<b>37%</b>	<b>14,793</b>	<b>(128)</b>	
<b>(2,129)</b>	<b>Everyday Surplus/(Deficit)*</b>	<b>238</b>	<b>378</b>	<b>(140)</b>	<b>3,339</b>	<b>7%</b>	<b>3,211</b>	<b>(128)</b>	
<b>Capital Revenue</b>									
1,140	Development Contributions**	789	1,643	(855)	4,929	16%	4,929		
161	Capital Revenue	624	675	(51)	2,025	31%	2,025		
3,454	Vested Assets**	707	1,600	(893)	4,800	15%	4,800		
<b>4,754</b>	<b>Total Capital Revenue</b>	<b>2,119</b>	<b>3,919</b>	<b>(1,799)</b>	<b>11,754</b>	<b>18%</b>	<b>11,754</b>		
<b>2,625</b>	<b>Operating Surplus/(Deficit)</b>	<b>2,357</b>	<b>4,297</b>	<b>(1,940)</b>	<b>15,093</b>	<b>16%</b>	<b>14,965</b>	<b>(128)</b>	

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

\*\* Rates Revenue, 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: \$117k favourable.

The favourable variance is due to the allocation of Central Government grant funding to the activity for the delivery of the Water Reform Stimulus Programme. This offsets operational expenditure incurred for approved projects and costs, including professional services costs and operating & maintenance costs.

##### Gains & Losses: (\$128k) unfavourable.

Unfavourable variance is due to the disposal of various assets.

#### The comments below explain the material variance between annual approved budget and annual forecast.

No significant variances to report.

## Attachment 2

## TRANSPORT

Transport Network | Transport Centre | Parking Management

## FOR THE MONTH ENDED 31 OCTOBER 2021

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
10,583	Rates**	14,102	13,947	156	47,166	30%	47,166	
1,472	Fees & Charges	1,319	1,438	(119)	4,179	32%	4,179	
3,228	Subsidies & Grants	2,572	2,962	(390)	7,858	33%	7,858	
112	Interest Revenue	46	26	20	78	59%	78	
657	Other Revenue	743	1,119	(376)	2,929	25%	2,929	
16,052	<b>Total Everyday Revenue</b>	<b>18,783</b>	<b>19,492</b>	<b>(709)</b>	<b>62,210</b>	<b>30%</b>	<b>62,210</b>	
<b>Everyday Expenditure</b>								
1,550	Personnel Costs	2,176	2,271	96	6,361	34%	6,361	
6,003	Operating & Maintenance Costs	5,234	6,632	1,397	19,423	27%	19,423	
190	Professional Costs	1,186	973	(213)	2,391	50%	2,391	
310	Administration Expenses	469	325	(144)	724	65%	724	
803	Property Costs	733	829	95	2,327	32%	2,327	
1,153	Finance Costs**	1,864	1,013	(852)	2,844	66%	2,844	
5,953	Depreciation & Amortisation Expense**	7,086	6,851	(235)	20,550	34%	20,650	(100)
	Gains & Losses			( )	61,103	0%	61,103	
15,962	<b>Total Everyday Expenditure</b>	<b>18,748</b>	<b>18,893</b>	<b>145</b>	<b>115,724</b>	<b>16%</b>	<b>115,824</b>	<b>(100)</b>
90	<b>Everyday Surplus/(Deficit)*</b>	<b>35</b>	<b>599</b>	<b>(564)</b>	<b>(53,513)</b>	<b>(0%)</b>	<b>(53,613)</b>	<b>(100)</b>
<b>Capital Revenue</b>								
3,016	Development Contributions**	2,725	3,880	(1,155)	11,638	23%	11,638	
13,857	Capital Revenue	18,410	29,875	(11,464)	96,865	19%	92,085	(4,780)
5,252	Vested Assets**	8,055	8,198	(143)	24,589	33%	24,589	
22,126	<b>Total Capital Revenue</b>	<b>29,190</b>	<b>41,953</b>	<b>(12,763)</b>	<b>133,092</b>	<b>22%</b>	<b>128,312</b>	<b>(4,780)</b>
22,215	<b>Operating Surplus/(Deficit)</b>	<b>29,225</b>	<b>42,552</b>	<b>(13,327)</b>	<b>79,579</b>	<b>37%</b>	<b>74,699</b>	<b>(4,880)</b>

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

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

**Material variances as explained below:****Fees & Charges: (\$119k) unfavourable.**

The unfavourable result is largely due to on-street parking income not achieving budget as a result of covid-19 restrictions.

**Subsidies & Grants: (\$390k) unfavourable.**

Operational subsidies received from Waka Kotahi NZTA is unfavourable due to a decline in the operational spend during covid-19 lockdowns.

**Other Revenue: (\$376k) unfavourable.**

The unfavourable result is due Waka Kotahi NZTA temporarily suspending the requirement of valid vehicle registrations which resulted in the suspension of issuing infringements until 30 November 2021.

**Operating & Maintenance Costs: \$1,397k favourable.**

The favourable variance is due to maintenance work put on hold during covid-19 lockdowns. Work will continue and budgets will be fully spent by the end of the financial year.

**Professional Costs: (\$213k) unfavourable.**

The unfavourable result is due to Public transport infrastructure studies being completed on different bus routes in the city. The objective of the work has been to identify specific network issues and infrastructure opportunities along the routes that will help improve the reliability of services and attract more patrons. The studies will also help inform the long-term future planning, and funding requirements, for public transport along these key public transport corridors.

**Administration Expenses: (\$144k) unfavourable.**

The unfavourable result is mainly due software licence costs which is offset by a recovery in fees and charges.

**Capital Revenue: (\$11,464k) unfavourable.**

Revenue from subsidies are tracking below budget as we await confirmation for capital programme funding from Waka Kotahi NZTA.

**The comments below explain the material variance between annual approved budget and annual forecast.****Capital Revenue: (\$4,780k) unfavourable.**

Capital deferrals have resulted in a revised forecast.

**RUBBISH AND RECYCLING**  
 Refuse Collection | Waste Minimisation | Landfill Site Management  
**FOR THE MONTH ENDED 31 OCTOBER 2021**

\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
2,138	Rates**	2,500	2,521	(22)	8,581	29%	8,581	
(41)	Fees & Charges	(6)	(25)	19	(71)	9%	(71)	
227	Subsidies & Grants	297	321	(24)	642	46%	642	
2	Interest Revenue			(1)	1	25%	1	
116	Other Revenue	143	148	(5)	444	32%	444	
<b>2,442</b>	<b>Total Everyday Revenue</b>	<b>2,934</b>	<b>2,965</b>	<b>(31)</b>	<b>9,597</b>	<b>31%</b>	<b>9,597</b>	
<b>Everyday Expenditure</b>								
547	Personnel Costs	347	300	(47)	918	38%	918	
2,672	Operating & Maintenance Costs	1,993	2,602	609	7,811	26%	7,761	50
149	Professional Costs	54	79	25	391	14%	391	
(7)	Administration Expenses	2	3	2	(1,100)	(0%)	(1,100)	
14	Property Costs	13	23	10	72	18%	72	
22	Finance Costs**	17	28	11	216	8%	216	
187	Depreciation & Amortisation Expense**	162	187	24	560	29%	644	(84)
	Gains & Losses							
<b>3,584</b>	<b>Total Everyday Expenditure</b>	<b>2,588</b>	<b>3,222</b>	<b>634</b>	<b>8,867</b>	<b>29%</b>	<b>8,901</b>	<b>(34)</b>
<b>(1,142)</b>	<b>Everyday Surplus/(Deficit)*</b>	<b>346</b>	<b>(257)</b>	<b>603</b>	<b>731</b>	<b>47%</b>	<b>697</b>	<b>(34)</b>
<b>Capital Revenue</b>								
	Capital Revenue							
	<b>Total Capital Revenue</b>							
<b>(1,142)</b>	<b>Operating Surplus/(Deficit)</b>	<b>346</b>	<b>(257)</b>	<b>603</b>	<b>731</b>	<b>47%</b>	<b>697</b>	<b>(34)</b>

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

\*\* Rates Revenue, 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: \$609k favourable.**

The favourable result is due to kerbside refuse tonnage being lower than anticipated, food waste kerbside collection service not proceeding during covid-19 restrictions and lower bin maintenance costs.

**The comments below explain the material variance between annual approved budget and annual forecast.**

No significant variances to report.

## Attachment 2

## OVERHEADS

CE's Office | Corporate | Strategy and Communications | Strategic Property  
**FOR THE MONTH ENDED 31 OCTOBER 2021**

\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Last Year YTD		YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>								
(68)	Rates**	(87)	(101)	14	(302)	29%	(302)	
431	Fees & Charges	375	436	(62)	1,178	32%	1,178	
	Subsidies & Grants							
	Interest Revenue	2		2				
803	Other Revenue	675	720	(46)	2,160	31%	2,160	
1,165	<b>Total Everyday Revenue</b>	<b>964</b>	<b>1,056</b>	<b>(92)</b>	<b>3,036</b>	<b>32%</b>	<b>3,036</b>	
<b>Everyday Expenditure</b>								
7,301	Personnel Costs	7,727	7,564	(163)	22,704	34%	22,704	
2,376	Operating & Maintenance Costs	3,048	3,071	23	9,977	31%	9,977	
822	Professional Costs	832	1,001	169	3,394	25%	3,394	
1,597	Administration Expenses	2,030	2,248	218	7,051	29%	7,051	
198	Property Costs	255	270	14	829	31%	829	
10	Finance Costs**	46	69	23	207	22%	207	
1,685	Depreciation & Amortisation Expense**	2,018	1,916	(102)	5,746	35%	5,746	
58	Gains & Losses			()	(756)	(0%)	(756)	
14,046	<b>Total Everyday Expenditure</b>	<b>15,956</b>	<b>16,138</b>	<b>182</b>	<b>49,151</b>	<b>32%</b>	<b>49,151</b>	
(12,881)	<b>Everyday Surplus/(Deficit)*</b>	<b>(14,992)</b>	<b>(15,082)</b>	<b>90</b>	<b>(46,115)</b>	<b>33%</b>	<b>(46,115)</b>	
(12,881)	<b>Operating Surplus/(Deficit)</b>	<b>(14,992)</b>	<b>(15,082)</b>	<b>90</b>	<b>(46,115)</b>	<b>33%</b>	<b>(46,115)</b>	

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

\*\* Rates Revenue, 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: (\$163k) unfavourable.

Personnel costs are unfavourable due to expenditure on externally contracted staff to cover vacancies and deliver organisation wide projects.

##### Professional Costs: \$169k favourable.

Professional costs are favourable due to investments in transformation services.

##### Administration Expenses: \$218k favourable.

Administration expenses are favourable due to reduced costs in various areas as a result of covid-19.

#### The comments below explain the material variance between annual approved budget and annual forecast.

No significant variances to report.

## FOR THE MONTH ENDED 31 OCTOBER 2021

\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Last Year YTD	YTD Actual	YTD Budget (Approved)	YTD Variance Fav/(Unfav)	Annual Approved Budget	% Annual Budget Spent	Annual Forecast	Annual Variance Fav/(Unfav)
<b>Everyday Revenue</b>							
(24)	(21)		(21)				
746	694	694	(0)	8,188	8%	8,188	
723	672	694	(22)	8,188	8%	8,188	
<b>Everyday Expenditure</b>							
33	137	(158)	(296)	(341)	(40%)	(341)	
2,858	(19,085)	(208)	(208)	(625)	0%	(625)	
			19,085			(19,085)	19,085
2,891	(18,948)	(861)	18,086	(2,448)	774%	(21,533)	19,085
(2,168)	19,620	1,555	18,065	10,636	184%	29,721	19,085
(2,168)	19,620	1,555	18,065	10,636	184%	29,721	19,085

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

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

**Material variances as explained below:**

Gains & Losses: \$19,085k favourable.

Movement in market interest rates have resulted in a gain in the fair value of interest rate swaps.

**Note: negative budgets**

The negative budgets are due to Chief Executive savings target which is set to the whole organisation. This nets out across the Council.

**The comments below explain the material variance between annual approved budget and annual forecast.**

No significant variances to report.

## TREASURY REPORT

### Year to date 31 October 2021

Attachment 3

### Investment and Cash Position

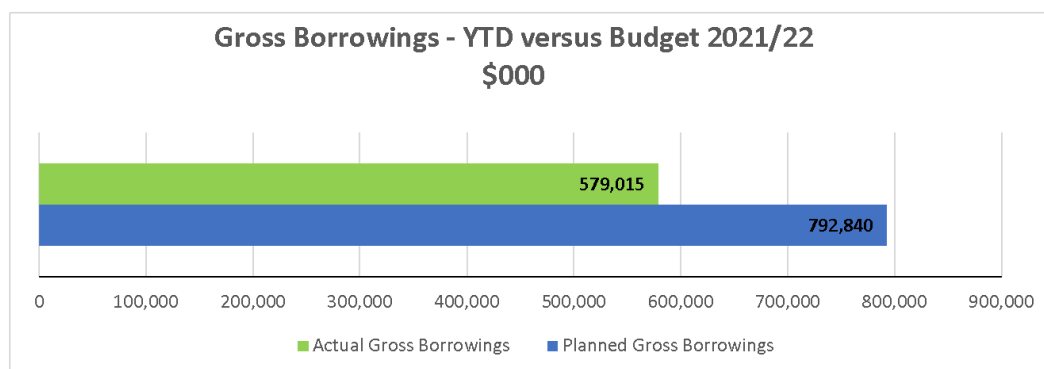
Treasury cash investments consist of:

Cash Investments	Actual \$000 Oct-21	Budget \$000 Jun-22	Variance \$000 Fav/ (Unfav)
Cash on call	47,750	not apportioned	not apportioned
Term deposit	20,000	not apportioned	not apportioned
Closing bank balances	0	not apportioned	not apportioned
LGFA borrower notes	9,380	not apportioned	not apportioned
<b>Total cash investments</b>	<b>77,130</b>	<b>61,526</b>	<b>15,604</b>

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.

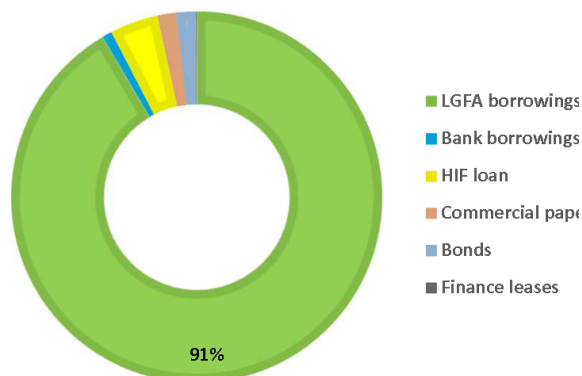
### Borrowing Position

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.



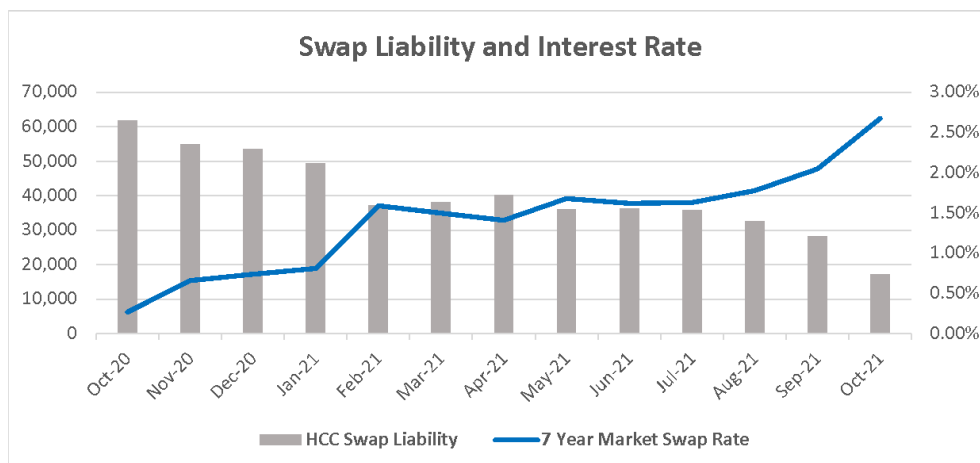
Borrowing debt has decreased marginally at 31 October 2021. This is due to the settlement of a \$3m commercial paper. Commercial papers are a short-term debt instrument used as part of Council's funding and liquidity strategy. Council's funding and liquidity risk is assessed by PwC Treasury Advisors prior to all borrowing activity.

The LGFA remains Council's most favoured and low cost source of funding.



## Interest Rates

Council manages interest rate risk to reduce uncertainty relating to interest rate fluctuations through fixing 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.



There is an inverse relationship between Council's swap liability and the market swap interest rate. As the market swap interest rate increases Council's swap liability decreases and a gain is then recognised on the interest rate swap. Conversely, a decrease in the market swap interest rate results in an increase in Council's swap liability and a loss is then recognised on the interest rate swap.

The effect of the change in the 7 year market swap rate on the monthly movement of Council's swap liability is indicated below:

Month	7 Year Market Swap Rate	Movement in Swaps \$000 Fav/ (Unfav)
Oct-20	0.27%	204
Nov-20	0.66%	6,968
Dec-20	0.74%	1,378
Jan-21	0.81%	4,069
Feb-21	1.59%	12,251
Mar-21	1.50%	(948)
Apr-21	1.41%	(1,948)
May-21	1.68%	4,032
Jun-21	1.62%	(327)
Jul-21	1.63%	595
Aug-21	1.78%	3,107
Sep-21	2.05%	4,387
Oct-21	2.68%	10,996

## Register of Significant Forecast Changes

\$'000's

BB= Balancing the books impact

ND = Net Debt impact

Numbers in brackets have an adverse impact.

Date	Change		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
5-Oct-21	Capital Deferrals	BB	-	-	-	-	-	-	-	-	-	-
		ND	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)	(5,060)
	Operational Adjustments	BB	1,762	874	800	841	868	827	755	764	794	749
		ND	1,762	2,636	3,436	4,278	5,146	5,972	6,727	7,491	8,285	9,034
	Revised Budget Adjustments	BB	(647)	-	-	65	-	-	0	0	0	0
		ND	(647)	(647)	(647)	(582)	(582)	(582)	(582)	(582)	(582)	(582)
14-Dec-21	Capital Deferrals	BB	0	-	0	-	-	-	0	0	0	0
		ND	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
	Operational Adjustments	BB	(3,884)	(23)	(61)	(82)	(103)	(115)	(122)	(138)	(159)	(164)
		ND	1,239	(1,784)	(1,845)	(1,927)	(2,029)	(2,145)	(2,266)	(2,404)	(2,563)	(2,728)
	Revised Budget Adjustments	BB	(376)	-	0	-	-	-	0	0	0	0
		ND	(376)	(376)	(376)	(376)	(376)	(376)	(376)	(376)	(376)	(376)
Total Cumulative Impact on Balancing the Books			(3,075)	851	739	824	766	711	633	626	635	584
Total Cumulative Impact on Net Debt			(3,681)	(5,830)	(5,092)	(4,267)	(3,501)	(2,790)	(2,157)	(1,531)	(896)	(312)



# Council Report

Item 9

**Committee:** Finance Committee

**Date:** 14 December 2021

**Author:** Igor Magud

**Authoriser:** David Bryant

**Position:** Procurement Manager

**Position:** General Manager People and Organisational Performance

**Report Name:** Office Goods & Stationary Contract Renewal

<b>Report Status</b>	Open
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## Purpose - *Take*

1. To seek approval from the Finance Committee to renew the Ministry of Business, Innovation and Employment All of Government contract with National Express Products for the provision of office goods and stationery items.

## Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Finance Committee:
  - a) receives the report;
  - b) approves the renewal of the Ministry of Business, Innovation and Employment All of Government contract with National Express Products for a term of up to seven years (3+2+2 years); and
  - c) delegates authority to the General Manager People and Organisational Performance to finalise the contract on behalf of Council.

## Executive Summary - *Whakaraapopototanga matua*

3. Council currently has an agreement with the Ministry of Business, Innovation and Employment (MBIE) All of Government (AoG) contract for the provision of office goods and stationery items.
4. This contract does not have committed value (i.e. we are not committing ourselves to any fixed spend).
5. Actual spend is dependent upon on how much the organisation purchases, which is a process controlled by Purchase Order.
6. The average annual spend for these goods under this agreement is \$183,000.
7. Whilst this falls within staff's delegated financial authority, the seven-year term of the contract (initial term of three years plus two further rights of renewal for a period of two years) falls outside staff's delegated financial authority.
8. Staff have assessed the options available and recommend that the agreement with National Express Products, under the AoG contract, is renewed.

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

### **Background - *Koorero whaimaarama***

10. MBIE has an established procurement Centre of Expertise that provides cost saving benefits to government organisations through procuring goods and services.
11. These benefits are achieved through utilising (AoG) contracts.
12. Participation in these AoG contracts mean Council can take advantage of MBIE's buying power, resulting from bundling of purchasing volumes to achieve economies of scale.
13. Council has been provided an excellent service by National Express Products and has received significant cost savings on purchases.

### **Discussion – *Matapaki***

14. National Express Products have been Council's supplier of office goods and consumables since 2015, via MBIE's AoG contract.
15. The past three years annual spend with National Express Products is shown in the table below:

<b>2018/19</b>	\$180,000
<b>2019/20</b>	\$165,000
<b>2020/21</b>	\$204,000

16. Staff forecast a similar annual spend over the term of the contract renewal.
17. Staff recommend Council approve renewing this contract in order to continue enjoying significant costs savings available through MBIE's AoG contract.

### **Financial Considerations - *Whaiwhakaaro Puutea***

18. This cost is a budgeted activity and is included in the 2021–31 Long Term Plan.

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

19. Staff confirm that this matter complies with Council's legal and policy requirements and the relevant legislation.

### **Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga***

20. 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').
21. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
22. The recommendations set out in this report are consistent with that purpose.

### **Risks – *Tuuraru***

23. If Council does not approve the AOG Contract, there is a high likelihood the annual cost of stationary will increase. Staff will still require office goods for the normal course of business, but we will not be able to take advantage of the discounts provided by the volumes of scale of the collective volumes available.

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

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

**Engagement**

25. Given the low level of significance determined, no engagement is required.

**Attachments - *Ngaa taapirihanga***

There are no attachments for this report.

# Council Report

**Committee:** Finance Committee **Date:** 14 December 2021  
**Author:** Murray Heke **Authoriser:** David Bryant  
**Position:** Chief Transformation Officer **Position:** General Manager People and Organisational Performance  
**Report Name:** Chief Executive's Cost Savings Report

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

1. To inform the Finance Committee on the results relating to cost savings in the 2020-21 financial year and proposed approach to deliver future savings.

## Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Finance Committee receives the report.

## Executive Summary - *Whakaraapopototanga matua*

4. This report provides the results relating to Council's 2020-21 savings target of \$7.3m to 30 June 2021. This was part of a wider savings programme in the 2018-28 Long Term Plan to deliver \$94.5m over 10 years.
5. As noted in the 2021-31 Long Term Plan there was limited depth to execute the transformation proposals and investment was required to achieve our long-term savings goals.
6. A transformation plan has been developed that directly targets how Council can optimise our costs and achieve the efficiency gains needed without adversely impacting community outcomes and customer experience.
7. The areas of intervention will focus on project prioritisation, data governance, business process management, digital enablement, strategic procurement, asset management and capital delivery.
8. This approach allows Council to be assured of sustainable savings through improvements in productivity, efficiency and effectiveness, asset utilisation and decision making.
9. The next three months will be focused on further developing the programme, establishing resources and the analysis to identify specific targets of addressable costs.
10. Staff consider the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

## Background - *Koorero whaimaarama*

12. As part of the 2018-28 Long Term Plan, the Council budgeted to save \$94.5M in operating savings over 10 years (Table 1 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

Table 1: 10-year Plan Savings Target

13. For the 2020-21 year Council achieved sustainable savings of \$546,200 on an annual savings in operating expenses target of \$1M, which takes total savings for the three-year period to \$6.1M against a budget of \$7.3M.
14. In addition to these sustainable savings, one-off savings of \$334,000 were made through implementing several planned initiatives. Additional saving of \$7.7M were achieved through underspend.

### Discussion - Matapaki

15. The report to the Finance Committee on the 16 February estimated savings of \$7.3M. Table 2 below represents total savings made in 2020-21.

Savings Category	One-off		Sustained	
	Budget	Actual	Budget	Actual
Capital programme optimisation: Interest and depreciation	\$1.308M	\$7.103M		
Transformation: Vacancy factor and Consultants	\$4.126M	\$0.334M	\$1M	\$0.546M
Other savings: Wages, reduced travel and training costs	\$1.2M	\$0.795M		
Further savings	\$1.052M			
<b>Total for 2020/21</b>	<b>\$7.686M</b>	<b>\$8.232M</b>	<b>\$1M</b>	<b>\$0.546M</b>

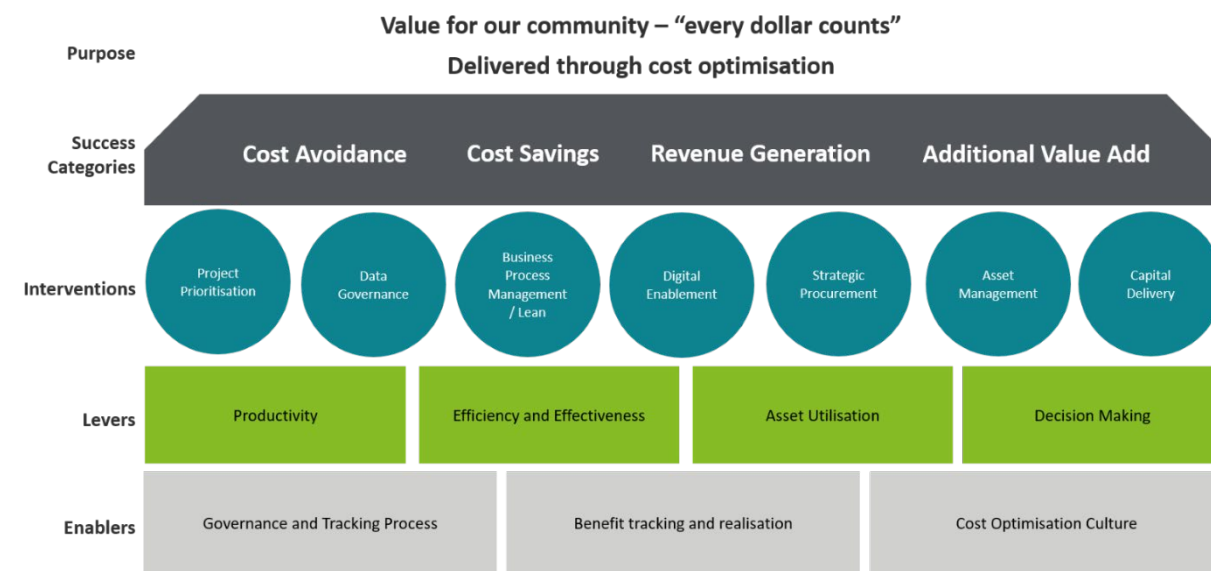
Table 2: Breakdown of Savings for 20/21 Financial Year

Savings Initiative	One-off	Sustained
Property leasing – utilising Authority capability	\$270,000	
Animal Control process improvements		\$35,000
E-Auctions		\$50,000
Chambers digital roll-out	\$15,000	\$20,000
Drone purchase	\$18,000	\$60,000
Facebook query process improvement		\$15,000
Traffic management collaboration	\$6,000	
Rent subsidy removal (CG)	\$25,000	\$50,000
Smart Space savings		\$12,000
Infrastructure placement insurance premiums		\$85,000
Rates valuations change of system		\$140,000
Merchant fee – reduction		\$79,200
<b>Total for 2020/21</b>	<b>\$334,000</b>	<b>\$546,200</b>

Table 3: Breakdown of Transformation Savings for 2020/21 Financial Year

16. Although Council has achieved its ad-hoc savings target, in the absence of a deliberate approach to sustainable savings, the latter target was not achieved.

17. The focus for the remainder of the 2021-22 year is the establishment of the Transformation Programme. A key element of this programme is of the cost optimisation initiative which will focus on the detailed identification and delivery of cost savings.
18. The initiative seeks to capture and report on savings across the four success categories as indicated in Figure 1.



*Figure 1: Cost Optimisation Approach*

19. Adopting a more wholistic optimisation approach means that we will aggressively target saving opportunities, while recognising that savings need to be linked to the work that we perform, community value and be supported by sound governance and cost management practices.
20. Through the implementation of business process management, digital enablement and data governance, Council will be able to identify and address areas where savings and cost avoidance can be made through efficiency and productivity gains.
21. The target for this year’s savings is \$4.73M. The majority of this is likely to be made through further ad-hoc savings while the Transformation Programme is established, and a new reporting framework is designed and implemented.

### **Financial Considerations - *Whaiwhakaaro Puutea***

22. This is a regular operating activity funded through the Long-Term Plan.

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

23. Staff confirm that this progress report complies with the Council’s legal and policy requirements.

### **Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga***

23. 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’).
24. The subject matter of this report has been evaluated in terms of the 4 well-beings during the process of developing this report.
25. The recommendations set out in this report are consistent with that purpose.

26. No known social, economic, environmental or cultural considerations were identified in the development of this report.

**Risks – *Tuuraru***

27. Not delivering cost savings may impact the delivery of Council's Annual Budget.

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

**Significance**

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

**Engagement**

29. Given the low level of significant 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 Finance Committee Public Excluded Minutes of 5 October 2021	) Good reason to withhold ) information exists under ) Section 7 Local Government ) Official Information and ) Meetings Act 1987 )	Section 48(1)(a)
C2. Report on overdue debtors as at 31 October 2021 and Debt write-offs 2021/22		
C3. COVID Contract Claims		
C4. Information Services - Eagle Technology (ESRI)		
C5. Information Services - IBIS Information Systems Report		
C6. Playground Renewals Tender Award		

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

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to protect the privacy of natural persons to maintain the effective conduct of public affairs through protecting persons from improper pressure or harassment	Section 7 (2) (a) Section 7 (2) (f) (ii)
Item C3.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h) Section 7 (2) (i)
Item C4.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C5.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C6.	to enable Council to carry out negotiations	Section 7 (2) (i)