

## Notice of Meeting:

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

**Date:** Tuesday 16 October 2018  
**Time:** 9.30am  
**Meeting Room:** Council Chamber  
**Venue:** Municipal Building, Garden Place, Hamilton

Richard Briggs  
Chief Executive

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## Finance Committee OPEN AGENDA

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### Membership

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

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

**Meeting Frequency:** Six weekly

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Becca Brooke  
Governance Team Leader

**10 October 2018**

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**Purpose:**

The Finance Committee is responsible for:

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

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

**Terms of Reference:**

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

**The Committee is delegated the following powers to act:**

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

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

**The Committee is delegated the following recommendatory powers:**

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

**Oversight of Policies:**

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

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**1 Apologies**

**2 Confirmation of Agenda**

The Committee to confirm the agenda.

**3 Declaration of Interest**

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

**4 Public Forum**

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

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

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

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



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## Finance Committee

### OPEN MINUTES

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**Minutes of a meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Tuesday 28 August 2018 at 9.30am.**

#### PRESENT

Chairperson	Cr G Mallett
Members	Cr R Pascoe
	Mayor A King
	Deputy Mayor M Gallagher
	Cr M Bunting
	Cr J R Casson
	Cr S Henry
	Cr D Macpherson
	Cr A O'Leary
	Cr G Taylor
	Cr L Tooman
	Cr R Hamilton

In Attendance	Richard Briggs – Chief Executive
	David Bryant – General Manager Corporate
	Lance Vervoort – General Manager Community
	Sean Murray – General Manager Major Events, Venues and Tourism
	Sean Hickey – General Manager Strategy and Communications
	Chris Allen – General Manager Capital Projects
	Eeva-Liisa Wright – General Manager Infrastructure Operations
	Helen Paki – Community Business Planning Manager
	Peter Sergel – Hamilton Gardens Director
	Natasha Ryan – Key Projects Programme Manager
	Stephen Halliwell – Accounting Manager
	Sarah Wilson – Organisational Support Team Leader, Finance
	Natalie Young – PMO Manager
	Maire Porter – City waters Manager
	Bridget Morgan – Water Asset Manager
	Nigel Ward – Communication Advisor
	Paul Gower – Programme Manager, Growth and Assets
	Irene James – Finance and Commercial Director
	Matthew Bell – Rates and Revenue Manager

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Phil Saunders – Principal Building Advisor  
Cory Lang – Building Control Manager  
Katy Nudd - Business Planning Analyst

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

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**1. Apologies**

**Resolved:**                      (Crs Mallett/Casson)

That the apologies from Crs Southgate, Taylor, and Macpherson (for lateness) are accepted.

**2. Confirmation of Agenda**

**Resolved:**                      (Crs Mallett/Bunting)

That the agenda is confirmed noting:

- that a late Public Excluded Item has been added to the agenda – (Verbal Update on Weathertight Legal Matters) for the purpose of providing Elected Members with an update; and
- that Item 10 (Weathertight Buildings) will be taken as the last item in the open section of the agenda to accommodate presenters.

**3. Declarations of Interest**

No members of the Council declared a Conflict of Interest.

**4. Public Forum**

No members of the public wished to speak.

**5. Finance Committee Meeting Minutes - Open - 22 May 2018**

**Resolved:**                      (Crs Mallett/Casson)

That the Committee confirms the Open Minutes of the Finance Committee meeting held on 22 May 2018 as a true and correct record.

**6. Hamilton Gardens Development - Contract Variation and Budget Deferral**

The Community Business Planning Manager introduced the report, noting that staff were seeking approval for deferral of capital funds and to approve a contract sum as outlined in the report.

Staff responded to questions from Elected Members concerning the reasons for the deferral, construction of the Jetty, and the plan for an Arrivals Centre.

Staff noted that the figure in the 10 Year Plan Monitoring report concerning the deferral amount was incorrect and should be \$240,000, not \$224,000.

**Resolved:** (Crs Mallett/O'Leary)

That the Finance Committee:

- a) receives the report; and
- b) approves an increase to the Approved Contract Sum for Contract 16448 from \$249,210.07 to \$292,956.07; and
- c) approves deferral of \$440,000 in capital expenditure from 2017/18 to 2018/19 with \$200,000 to be spent on the completion of the current Gardens development and the remaining \$240,000 to be put towards the upgrade of the Arrival Centre in 2018/19.

**7. 10-Year Plan Monitoring Report - For the year ended 30 June 2018**

The Finance Manager introduced the report noting that it looked back at the past year, comparing the actual budget with the planned budget. He provided a summary of the 2017/18 financial year results as outlined in the report and stated that the results were very positive. Staff responded to questions from Elected Members concerning:

- Deferrals
- Trade waste and closed land fills
- Debt funding everyday expenses
- Deficits
- Capital delivery programme reports
- Peacockes spend
- Transfers
- End of year invoicing process/patterns
- HIF loan costs and reporting

**Resolved:** (Mayor King/Cr Mallett)

That the Finance Committee:

- a) receives the report; and
- b) approves capital deferrals of \$32.1m representing 42 projects are carried over into the 2018-19 financial year and are reported to the Finance Committee using a revised budget.

*Crs Macpherson and Taylor joined the meeting (10.08am) during the discussion of the above item. They were present when the matter was voted on.*

**8. 2015-25 10 Year Plan Service Performance Report - Year 3, Quarter 4**

The Business Planning Analyst took the report as read. It was noted that there had been a few updates to the some of the measures since the report was written. These were to the number of street trees that had been planted, as well as hours on sports fields that had been changed to no data on the recommendation of Audit NZ.

Staff responded to questions from Elected Members concerning the measures/targets, and clarification on various figures.

*Action: Elected Members requested further information regarding the 10 Year Plan measures for the next period to be provided via an upcoming briefing, before the approval of the next annual plan.*

**Resolved:** (Crs Mallett/Casson)

That the Finance Committee receives the report.

**9. Capital Portfolio Report**

The General Manager Capital Programmes introduced Natalie Young as Project Manager for the Capital Programme Group. He outlined how future reporting for the group would look and what information would be captured. Staff responded to questions regarding the composition of the new group, its costs and purpose.

**Resolved:** (Crs Mallett/Casson)

That the Finance Committee receives the report.

*The meeting adjourned 11.07am – 11.23am.*

**10. HCC's Draft 2 Response to LGNZ's Three Waters Survey**

The General Manager Infrastructure Operations introduced the report. She responded to questions from Elected Members regarding water standards, the obligations under the Treaty of Waitangi and use of plain language on the submission.

Staff noted feedback received from Elected Members in relation to the staff submission and would incorporate agreed points, being:

- Greater Waikato model
- Current resilience of water supply
- Ensure the submission is clear it is regarding reticulated supply
- Update 2.5.2 to factual resolution in terms of points being made

*Action: Elected Members requested staff organise a briefing to discuss various other matters in relation to wider waters issues for the region.*

**Resolved:** (Crs Mallett/Pascoe)

That the Finance Committee:

- a) receives the report;
- b) approves HCC's **Draft 2** response to LGNZ's Three Waters Survey, noting the amendments outlined above;
- c) notes the approved response will be sent to LGNZ prior to its National Council meeting scheduled for 31 August 2018; and
- d) notes the approved response will be uploaded to Hamilton City Council's website.

**11. H3 Group Quarter 4 and Year End Report 2017/18**

The General Manager Major Events, Venues and Tourism introduced the report and the Finance Director, H3. He responded to questions from Elected Members concerning updates on specific venues, Founders Theatre debt write off, whether Claudelands Arena has been paid off and the reporting of depreciation on other big assets.

*Action: Elected Members requested further information in relation to depreciation and visibility of how larger assets are recorded/visible, and the difference between depreciation and revaluation. GM Corporate to organise this offline.*

**Resolved:** (Crs Mallett/Casson)

That the Finance Committee receives the report.

***The meeting adjourned 12.58pm– 1.03pm***

**12. Weathertight Buildings**

The Senior Building Advisor introduced the report, noting that one further claim had been received since the last report. He responded to questions from Elected Members concerning why Hamilton generally had less claims than other Metro cities, clarity on 10 year liability timeframe, and insurance provisions.

**Resolved:** (Crs Mallett/Casson)

That the Finance Committee receives the report.

**13. Resolution to Exclude the Public**

**Resolved:** (Crs Mallett/Casson)

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

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Finance Committee Minutes - Public Excluded - 22 May 2018	) Good reason to withhold information exists under ) Section 7 Local Government	Section 48(1)(a)
C2. Waikato Rugby Union - Update	) Official Information and ) Meetings Act 1987 )	
C3. Report on overdue debtors as at 31 July 2018 & Debt write-offs 2018/19		
C4. Verbal Report – Weather Tight Legal Matters		

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

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

**The meeting went into a public excluded session at 1.17pm.**

**The meeting was declared closed at 2.58pm.**

# Council Report

**Committee:** Finance Committee                      **Date:** 16 October 2018  
**Author:** Rebecca Watson                              **Authoriser:** Becca Brooke  
**Position:** Committee Advisor                      **Position:** Governance Team Leader  
**Report Name:** Chair's Report - 16 October 2018

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

That the Finance Committee receives the report.

## Attachments

Attachment 1 - Chair's Report - 19 October 2018 .



## Chair's Report

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An issue has come to my attention &, possibly to other elected members also, due to decisions made in our 2018-28 Ten-year plan:

### The Uniform Annual General Charge (UAGC)

The implementation of a UAGC was driven by HCC's Ten-year plan decision to hasten the move from Land Value (LV) rating to Capital Value (CV) rating.

HCC was 3 years into a 10-year transition from LV to CV rating. In the 2018-28 Ten-Year plan HCC resolved to hasten that move by reducing the remaining transition of 7 years to 3 years, beginning year end 30 June 2019.

Hastening the transition created extreme rates increases for ratepayers with high CV:Total Value ratio properties. To mitigate those extremes a UAGC of \$500pa (phased in over 3 years) was approved.

The UAGC's are charged against every Separately Used or Inhabited Part of a rating unit (SUIP).

The application/definition of the SUIP has created outcomes which are significantly different from what I would have expected, or I think was intended.

I'm sure most elected members thought a SUIP (against which the UAGC is levied) would be (say) a stand-alone house, a separately occupied apartment, a separately occupied commercial tenancy. However, the application of the SUIP is capturing 'properties' which (I don't think) we had expected or intended which is generating astonishing rate impacts. For example:

I have viewed multi-dwelling type properties which will bear an unexpectedly high rates burden due to the application of the UAGC.

An example is a block of 4 apartments, each with 4 bedrooms. Each bedroom, averaging 18-24m<sup>2</sup>, has a bathroom with a shower, toilet & vanity (sink, mirror, cupboards, power points for shaver etc).

Also, each bedroom has a bench with a sink, cupboard & power points. The bedrooms don't have ovens, stovetops or fridges.

There is a common kitchen, living/dining room & laundry.

Often these apartments are let by the bedroom. This is convenient, particularly for foreign students who may not have a group of 'friends' to flat with. The number of occupants does not differ from a 'normal' letting arrangement, except that, in many (but not all) cases, each individual tenant will have an individual agreement with the landlord. Often not all the bedrooms will be let. Indeed one of the 4-bedroom apartments I viewed had only one tenant. The application of the UAGC to a property is driven by the definition of SUIP. It seems the multiple SUIP's are triggered because each bedroom has an attached bathroom/ensuite including a bench with a sink, cupboard & power points.

That means, rather than this block of 4 apartments being categorised as 4 SUIP's attracting 4 UAGC's, it is categorised as 4 apartments, each with 4 SUIPs & therefore attracting 16 UAGC's!

So, in 3 years, when the UAGC's are fully implemented each **individual 4-bedroom apartment** will be paying 4 UAGC's of \$500pa, in other words \$2,000pa in UAGC's alone. And, on top of that \$2,000 they'll also be paying the General Rate based on CV!

This is ironic because the UAGC was approved to mitigate the impact of the move from LV to CV on high CV/Total Value ratio properties. These high-density apartments are high CV/Total Value properties. However, due to the somewhat arbitrary SUIP definition, the UAGC is aggravating rather than mitigating the situation.

I am aware of developers altering the design of multi-unit dwellings (built & proposed) to avoid triggering the SUIP. Unfortunately, this will only result in lower utility for the residents of these properties with no lessening of demand on HCC services & lower rates collection.

I raise this issue to provide early visibility of a matter that (I think) may have an impact on:

- (1) HCC rates revenue
- (2) Likely lessening of choice & supply of residential dwellings.
- (3) Likely increases in residential rents.

Garry Mallett  
Finance Committee – Chair  
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# Council Report

<b>Committee:</b>	Finance Committee	<b>Date:</b>	16 October 2018
<b>Author:</b>	Russell Hynd	<b>Authoriser:</b>	David Bryant
<b>Position:</b>	Finance Manager	<b>Position:</b>	General Manager Corporate
<b>Report Name:</b>	Waikato Local Authority Shared Services Annual Report 30 June 2018		

<b>Report Status</b>	<i>Open</i>
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## Purpose

1. To inform the Finance Committee on the Waikato Local Authority Shared Services Annual Report for the year ended June 2018

## Staff Recommendation

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

## Discussion

2. At the date of preparing papers for Council a full Annual Report was not available.
3. Please refer to the attached Audited Financial Statements for discussion.

## Attachments

Attachment 1 - WLASS Audited Financial Statements 2018 (*Under Separate Cover*) .

# Council Report

Item 9

**Committee:** Finance Committee **Date:** 16 October 2018  
**Author:** Emily Botje **Authoriser:** David Bryant  
**Position:** Facilities Manager **Position:** General Manager Corporate  
**Report Name:** Contract 07075, 08060, 09062A, 10093, 11022A, 12021A, 12073, 15066, 16412 - Increase Approved Contract Sum and or Extend Term

<b>Report Status</b>	<i>Open</i>
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## Purpose

1. To seek approval to extend the term and/or Approved Contract Sum for Corporate operational and maintenance contracts, to enable staff time to carry out a robust scoping and procurement process.

## Staff Recommendation

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

## Background

3. The Corporate Group provides building operations, maintenance services and telecommunications services to the organisation using specialised contractors.

4. The services are contracted for long periods, generally five years plus, enabling both Council and the contractor to develop good working relationships and efficient service delivery.
5. A number of these contracts have or are about to expire. Funding was made available in the 10 Year Plan to review this portfolio of contracts to look for efficiencies, innovations and to ensure the health and safety of our staff and contractors.
6. This work has commenced, prioritisation has been given to services where there is a current business impact.

## Discussion

7. Nine operational and maintenance contracts require Council approval to either extend the term and/or increase the Approved Contract Sum.
8. The proposed amendments will enable staff to scope, tender and implement refined services to the organisation, providing assurance that best in business is delivered.
9. Excluding Contract 12073, all contracts will be extended based on the current terms and conditions of the expired contract. Where appropriate cost increases will be applied subject to the contractual terms, nominally based on Labour Cost Indices (ICL). Contract variations will be used to formalise any additional services that have been requested and provided over time and improvements to health and safety. Funding of these increases and variations is included in the budgets allocated in the 2018 10 Year Plan. Contract 12073 will be extended with a cost saving of \$4,000 per month while the terms and conditions remain unchanged.
10. The proposed expiry dates for the nine contracts have been staggered to:
  - Enable staff time to consider scope, organisational efficiencies and alternative delivery models.
  - Manage business disruption associated with implementation of a new service provider.
  - Account for Local Authority elections in 2019 for contracts that will require Council approval.
11. Information on the services provided by each contract and history of the management of the contracts is provided in Appendix 1.
12. The following table outlines the contractual amendments and Council approval requested, noting that:
  - Several contracts expired in 2017. In the period leading up to these expiry dates, the Facilities Unit underwent a Local Government Act Section 17A review. Attrition recruitment of key staff was put on hold, which resulted in several services not being retendered.
  - Services have continued to be provided by the contractors on the same terms and conditions as the expired contract and are meeting operational expectations.

Contract	Current Expiry Date	Recommended Expiry Date	Total Term (years)	Current Approved Contract Sum	Recommended Contract Sum	Council Approval Required due to
07075-Lift Inspection and Maintenance Services	30 June 2017	30 June 2019	12	Within CE delegation		Term exceeds five years

08060-General Security Services to Council	31 January 2018	30 June 2019	10	Within CE delegation		Term exceeds five years
09062A -Electrical Maintenance Services	28 February 2017	30 June 2020	10	\$1,170,000	\$5,000,000	Term exceeds five years, value greater than \$3,000,000
10093-Facilities Glazing Maintenance and Associated Service's	30 June 2017	28 February 2020	9	Within CE delegation		Term exceeds five years
11022A -Facilities Security Systems	31 July 2018	31 July 2020	8	Within CE delegation		Term exceeds five years
12021A-Fire Systems Service Contract	29 March 2018	28 February 2020	7	Within CE delegation		Term exceeds five years
12073 – Telecommunications Services	31 August 2018	28 February 2019	5.5	\$2,842,000	\$3,220,000	Term exceeds five years, value greater than \$3,000,000
15066-HVAC and Plumbing Services	29 June 2019	29 June 2022	6	\$3,310,000	\$8,000,000	Term exceeds five years. Value greater than \$3,000,000
16412-WLASS Fleet Management	Within CE delegation			\$1,400,000	\$4,200,000	Value greater than \$3,000,000

Item 9

### Financial Considerations

- The 10 Year Plan has sufficient funding allocated to fund the provision of these services for the duration of the proposed extensions.

### Legal and Policy Considerations

- Staff confirm that the contract term extensions and increases to approved contract sums comply with the Council's legal and policy requirements.

### Risks

- There are no known risks associated with the decisions in support of this matter.
- If Council chooses not to support the recommendations presented, there is a risk that the contactors could fail to perform to expected level of service or cease to provide the service, or in the case of Contract 12073 the discounted rates currently enjoyed may no longer be available.

## **Significance & Engagement Policy**

### **Item 9**

#### **Significance**

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

#### **Engagement**

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

#### **Attachments**

Attachment 1 - Contract Information .

## Appendix 1 – Facilities Operations and Maintenance Contracts

1. Contract 07075 – Lift Inspection and Maintenance Services
2. In 2007 Council undertook a public Request for Proposal / Tender process to award the contract for lift inspection and maintenance services.
3. The Approved Contract Term was set at five years with a right of renewal of two years. The contract expired on 30 June 2017. Since this time services have continued to be supplied by the contractor under the same terms and conditions as the contract.
4. Approval is sought to extend the contract term up to 30 June 2019. During this time staff will undertake a public tender process to secure a service provider.
5. CE delegation will be utilised to manage any corresponding increases to the Approved Contract Sum.
6. Contract 08060 – General Security Services to Council
7. In 2008/9 Council undertook a public Request for Proposal / Tender process to award the contract for general security services. The scope of this contract includes support for Noise Control and City Safe, general security for our buildings (during and after hours), and parks and gardens locks and unlocks.
8. The Approved Contract Term was set at three years with a right of renewal of two years plus one year (total six years). Contract commenced in 2009.
9. The right of renewal was exercised in 2012, with a termination date of 31 January 2018. Since this time services have continued to be provided by the contractor under the same terms and conditions of the expired contract.
10. Council approval is sought to extend the contract term up to 30 June 2019. During this time staff will undertake a tender process to secure a service provider.
11. There is no Approved Contract Sum set for this contract.
12. Contract 09062A Electrical Maintenance Services
13. Contract 09062A is a contract for the supply of electrical maintenance and associated services. Services include inspection and maintenance for Building Warrant of Fitness purposes and or specific legislative standards, planned preventative maintenance, out of hours attendance to faults, repairs, maintenance and installation of new or replacement equipment.
14. The contract commenced 1 March 2010 for a period of three years. Subsequent extensions have extended the expiry date to 28 February 2017. Since this time the provider has continued to provide services as per the agreed terms and conditions.
15. Council approval is required to further extend this contract to 30 June 2020. This extension is required:
  - to enable staff to look at alternative delivery mechanisms for electrical services, including but not limited to; in-house provision, a panel of electrical service providers to deliver services across the organisation, re-tendering based on status-quo etc.
  - as Council approval in the latter half of 2019 will be constrained due to local authority elections

Item 9

Attachment 1

**Attachment 1**

16. The Approved Contract Sum is currently set at \$1,170,000. An increase to \$5,000,000 is required to enable services to continue till June 2020.
17. Contract 10093 – Facilities Glazing Maintenance and Associated Service’s
18. Contract 10093 is a glass maintenance contract which provides 24 hour maintenance and minor building works.
19. The contract was awarded on 1 May 2011 for a period of three years. Subsequent agreements have extended this contract to 30 June 2017. Since this time the provider has continued to provide services as per the agreed terms and conditions.
20. Council approval is sought to extend the contract term to February 2020. During this time staff will undertake a tender process to secure a service provider.
21. CE delegation will be utilised to manage any corresponding increases to the Approved Contract Sum.
22. Contract 11022A - Facilities Security Systems
23. Contract 11022A is a contract for the operation and maintenance of Facility Security Systems such as the Cadax system (hardware and licences), CCTV and alarm systems.
24. The contract was awarded on 1 April 2012 for a contract period of 3 years with a right of renewal for two years.

**Item 9**

25. In August 2017 an extension was granted within delegated authority to extend the contract for a further 15 months, terminating 31 July 2018.
26. Council approval is required to further extend this contract to 31 July 2020. This extension is required to enable staff to determine how security systems are to be provided across the organisation and to optimise future service delivery.
27. CE delegation will be utilised to manage any corresponding increases to the Approved Contract Sum.
28. Contract 12021 – Fire Systems Service Contract
29. Contract 12021 is a contract to provide maintenance services on the fire systems within our buildings. Assets requiring maintenance include: auto fire suppression systems, fire alarm systems, smoke or fire curtains, hose reels and extinguishers, fire door holding devices and other devices where there is a risk of fire.
30. The contract was awarded on 1 March 2013 for a period of three years with one right of renewal for a period of three years. The contract expired on 29 March 2018. Since this time the provider has continued to provide services as per the agreed terms and conditions.
31. Council approval is sought to extend the contract term to 28 February 2020, to enable staff time to undertake a tender process to secure a service provider.
32. CE delegation will be utilised to manage any corresponding increases to the Approved Contract Sum.
33. Contract 12073 – Telecommunications Services
34. In July 2013 the Finance and Monitoring Committee approved Contract 12073 Telecommunications Services for a term of three years with a further right of renewal of two years being awarded.
35. The Telecommunications Services contract covers the supply of voice, mobile, internet and data services.

36. Vocus Communications Ltd is currently performing the duties required under the contract to a high standard and a good working partnership has been developed with continued cost savings and flexibility offered.
37. The original approved sum was \$1,900,000 for the initial three years of the contract. Based on the two year renewal the contract increased by \$942,000 to \$2,842,000.
38. Contract 15066 – HVAC and Plumbing Services
39. In 2016 Council undertook a public Request for Proposal (RFP) process to award the contract for the HVAC and Plumbing Services. The scope of this contract includes the inspection and delivery of preventative, planned and reactive maintenance of plant and equipment associated with HVAC and Plumbing Services for all Council properties.
40. The Approved Contract Term was set at three years with a right of renewal of three years at Council's sole discretion with an Approved Contract Sum of \$3,310,000.
41. The contract has completed two years. Significant improvements over the last 12 months made by both the Contractor and the Facilities Unit have addressed performance issues that occurred in the first 12 months. New systems and processes in place will ensure continued improvements and realisation of benefits. Approval from Council is sought to execute the right of renewal and increase the Approved Contract Sum.
42. The Approved Contract Sum is requested to be increased from \$3,310,000 to \$8,000,000. The increase takes into consideration the time extension, asset amendments and annual increases in charges based on the Labour Cost Index (ICL).
43. Contract 16412 WCLASS Fleet Management
44. In April 2017 WCLASS and FleetSmart entered into an agreement to provide services and products to the participating Councils within the region. The services to be provided management of Warrant of Fitness, tyre replacement, Road User Charges, vehicle registrations, fuel and fuel card management, maintenance, repairs, and road side assist for approximately 300 vehicles within Council's fleet. The term of this agreement was set at one year, plus one two year right of renewal. Hamilton City Council could elect to join this agreement should it choose to do so.
45. In June 2017 Council entered into a contract with FleetSmart for one year. Contract 16412 was based on the terms and conditions of the WCLASS and FleetSmart agreement.
46. FleetSmart have carried out the services provided to a satisfactory level over the course of the last year. Approval is required from Council to execute the right of renewal for two years as the Approved Contract Sum is greater than the Chief Executive
47. The Approved Contract Sum is currently set at \$1,400,000. Approval is required from Council to increase this to \$4,200,000 to cover the additional two years of the contract.

# Council Report

<b>Committee:</b>	Finance Committee	<b>Date:</b>	16 October 2018
<b>Author:</b>	Nicolas Wells	<b>Authoriser:</b>	Jen Baird
<b>Position:</b>	Strategic Property Unit Manager	<b>Position:</b>	General Manager City Growth
<b>Report Name:</b>	Accessible Properties New Zealand Limited - Q3 and Q4 Management Accounts and Activity Report - Audited Financial Statements (Full Year 30 June 2018)		

<b>Report Status</b>	<i>Open</i>
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## Purpose

- To inform the Finance Committee of Accessible Properties New Zealand Limited's:
  - Quarter 3 and 4 Management Accounts for the half-year ended 30 June 2018
  - Audited Financial Statements for the year ended 30 June 2018
  - Activity report for the half year ended 30 June 2018.

## Staff Recommendation

That the Finance Committee receives the report.

## Executive Summary

- Accessible Properties New Zealand Limited ("Accessible") purchased Hamilton City Council's Pensioner Housing Portfolio on 7 March 2016 for \$23m.
- The purchase price was split with \$4.2m paid on settlement and the \$18.8m balance payable on 7 March 2019.
- The conditions of sale require Accessible to report regularly to the Council on various aspects of their performance.
- Accessible is fully compliant with the conditions of the Agreement for Sale and Purchase.
- Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

## Reporting Schedule

- The information tabulated below is evaluated by staff to ensure compliance. The information is reported to the Finance Committee every six months in April and October. Staff will report by exception at any time if deemed necessary.

Report	Frequency	Period	Due Date
Q1 Management Accounts	3 months	July - September	31 October
Q2 Management Accounts	3 months	October - December	28 February
Q3 Management Accounts	3 months	January - March	30 April
Q4 Management Accounts	3 months	April - June	31 August
Audited Annual Accounts	12 months	July - June	31 October
Q1 & Q2 Activity Report	6 months	July - December	28 February
Q3 & Q4 Activity Report	6 months	January - June	31 August

## Discussion

### 8. Half-year Financial Statements

9. Accessible is required to provide quarterly and annual management accounts:

- Clause 13.2(c) Quarterly and Annual reporting on Accessible's financial position during the period of vendor financing (three years ending 7 March 2019)

10. The financial statements must contain profit and loss, a balance sheet, and sufficient information to allow the Council to ensure that Accessible is complying with the financial covenants in the Agreement for Sale and Purchase.

11. Council's Finance Unit has reviewed Accessible's management accounts for the six months ending 30 June 2018 and Audited Financial Statements for the full year ending 30 June 2018 and confirms that they show compliance with the agreed financial covenants and other clauses in the agreements between the Council and Accessible.

Financial Covenants (banking covenants in favour of Westpac)		
Measure	Result	Compliance
<u>Quasi Equity Ratio</u> Shareholders' funds not less than 50% of adjusted tangible assets	66%	Compliant
<u>Cash Flow Available for Debt Service (CFADS) Ratio</u> CFADS ratio at least 1.00 times the Debt Servicing Costs	2.9 times	Compliant

### 12. Half-year Activity Reports

13. Accessible is required to provide regular activity reports (Attachment 1):

- Schedule 1 Part 1 (Encumbrance for Donny Avenue) and Schedule 1 Part 2 (Encumbrance for All Other Properties) Appendix 2 Clause 6 six monthly reporting on tenancy related matters during the lifespan of "current tenants".

14. The activity reports must describe:

- The number of units occupied during the period;

**Item 10**

- How many units were occupied by current tenants (in occupation at sale date 7 March 2016) and how many utilised for social housing purposes;
- The rental paid for each unit during the period;
- Any rent increases made during the period, and the basis on which such rent increases were calculated;
- The maintenance spent on the properties during the period.

15. Council staff have reviewed Accessible’s activity report for the period ending 30 June 2018 and confirm that the report shows compliance with the agreed encumbrances and other clauses in the agreements between the Council and Accessible.

Encumbrance (Utilisation and Activity)		
Measure	Result	Compliance
<u>Social Housing</u> Continue to utilise the portfolio for social housing		Compliant
<u>Minimum Number</u> No fewer than 344 social housing units available for continuous occupation	344	Compliant
<u>Current Tenants</u> Current Tenants (as at date of sale) to remain in occupancy	238	Compliant
<u>Bi-Annual Reports</u> Bi-annual reports detailing information in 16 above		Compliant

**Legal and Policy Considerations**

16. Staff confirm that this matter complies with the Council’s legal and policy requirements.

**Risks**

17. There are no risks associated with providing this information to Council.

**Significance**

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

**Attachments**

Attachment 1 - Accessible Properties Limited - Activity Report 30 June 2018 (*Under Separate Cover*) .

# Council Report

Item 11

**Committee:** Finance Committee

**Date:** 16 October 2018

**Author:** Russell Hynd

**Authoriser:** David Bryant

**Position:** Finance Manager

**Position:** General Manager Corporate

**Report Name:** Civic Financial Services Limited - Annual Report December 2017

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<b>Report Status</b>	<i>Open</i>
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## Purpose

1. To inform the Finance Committee regarding the Civic Financial Services Limited Annual Report for the year ended 31 December 2017.

## Staff Recommendation

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

## Discussion

2. Please refer to the attached Annual Report for discussion.

## Attachments

Attachment 1 - Civic Financial Services Ltd - Annual Report December 2017 (*Under Separate Cover*) .

# Council Report

<b>Committee:</b>	Finance Committee	<b>Date:</b>	16 October 2018
<b>Author:</b>	Stephen Halliwell	<b>Authoriser:</b>	David Bryant
<b>Position:</b>	Accounting Manager	<b>Position:</b>	General Manager Corporate
<b>Report Name:</b>	New 10-Year Plan Monitoring Report Structure		

<b>Report Status</b>	<i>Open</i>
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## Purpose

- To inform the Finance Committee of the three, new and improved, 10-Year Plan monitoring reports, that will provide for transparent monitoring of the financial strategy, capital portfolio and everyday revenues and expenditures.

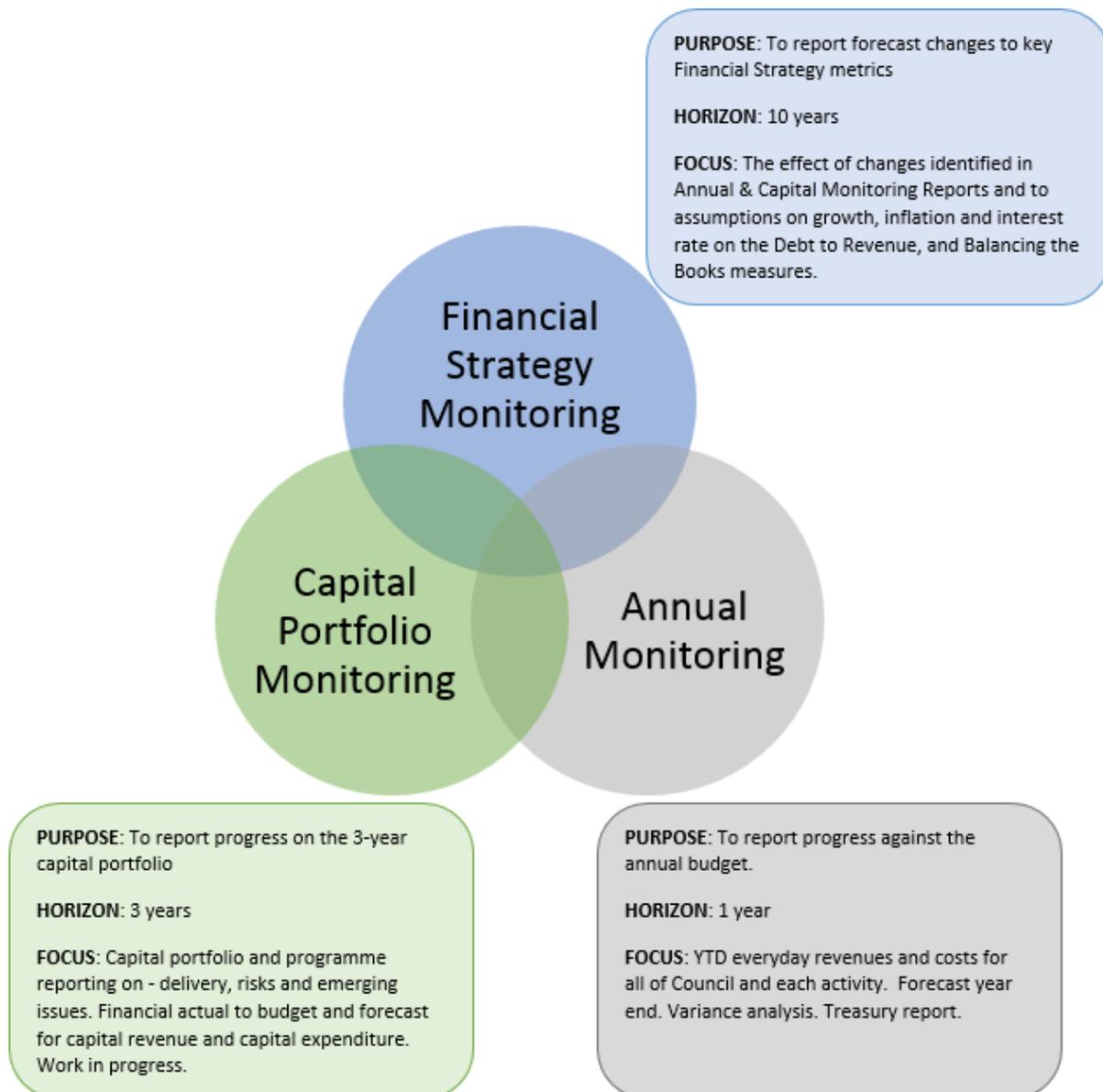
## Staff Recommendation

That the Finance Committee receives the report.

## Executive Summary

- Council adopted the 2018-28 10-Year Plan with a new financial strategy which carries much greater sensitivity to the following factors:
  - Capital spending.
  - Everyday revenues and costs variances to budget.
  - Key assumptions – growth, inflation and interest rates.
- To manage and monitor changes in these matters two major initiatives are being introduced by staff:
  - Creation of the Development Group to focus on capital delivery.
  - Development of financial forecasting systems and processes.
- A new 3 tier financial report has been developed that together addresses the financial monitoring needs of Council in a more comprehensive and transparent way.
- The new reports are:
  - Financial Strategy Monitoring Report
  - Annual Monitoring Report
  - Capital Portfolio Monitoring Report
- Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

## Overview



Item 12

## Financial Strategy Monitoring Report

7. In response to submissions the Council made significant changes to the financial strategy on 31 May 2018. How Council measures its long-term financial performance was unchanged but a significant transfer of risk from rates increases to debt was made. The effect of these changes was to reduce rates increases, increases everyday revenues and costs deficits or reduce surpluses and maximise debt up to the debt limit.
8. Of particular focus was the debt to revenue limits in Year 3 – 6 (2021 -2024) which bump up very close to the debt limit at between 229% to 227%. After Year 6 debt capacity is increased, which will be needed for another investment phase just beyond the 10-year Plan period (see Figure 9 Page 30 of Council's Infrastructure Strategy).
9. The 2018-28 10-Year Plan is also built on some significant forecasting assumptions that, should they change, will have significant effects of the financial strategy. They are:

- Growth
  - Inflation
  - Interest rates
10. The financial strategy monitoring report will focus on the debt to revenue limit and everyday revenues and costs (balancing the books) measures. It will provide an update for changes in forecasts and assumptions.
  11. A lesson from 10 years ago is that Council was slow to react to external changes. This report will provide financial information to management and elected members which could allow for an improved response to unplanned or unexpected events.

### **Annual Monitoring Report**

12. This report focusses on the current financial year. It is like the 10-Year Plan Monitoring of the past with some improvements and two main exceptions.
13. The biggest improvement is the redesigning of the activity reports. The new activity report changes will provide improved variance explanations. The changes include:
  - More focus on direct costs
  - More focus on revenue (due to the influence revenue has on debt capacity).
  - Two new statements have been added – Overheads and General
  - The sum of the statements will add up to the rates requirement for each activity and reconcile to the everyday revenues and costs (balancing the books) total.
  - The sum of all statements will add up to the Operating Surplus/(Deficit) in the Statement of Comprehensive Revenues and Expense (SCRE)
14. The two main exceptions are:
  - Removing the capital items including the Key Projects Report and Work in Progress as these are now covered in the Capital Portfolio Monitoring Report.
  - Replacing and managing differently “Risk and Opportunities” with “Forecasting”. We are changing business processes to better collect changes now and in the future. Forecasting better supports the financial strategy and assists to avoid a big decision being made in the context of a single good year without an eye on the future.
15. The report is also designed around the financial strategy everyday revenues and costs (balancing the books) measure. We will no longer report the 2015 measure but will continue to report the local government measure.

### **Capital Portfolio Monitoring Report**

16. The capital expenditure portfolio has increased from \$102M spent in 2017/18 to \$255M (including deferrals).
17. A new approach to managing the portfolio is being implemented. This includes better accountabilities, new systems (PSODA) and processes, greater consideration of the three-year portfolio, new contracting opportunities and more flexible decision making.
18. This new report focuses on the delivery of the capital portfolio and capital programme.
19. The report is jointly prepared by the Development Group and Finance and brings service performance and financial performance much closer together in a single report.

### **Legal and Policy Considerations**

20. Staff confirm that this matter complies with the Council’s legal and policy requirements.

**Risks**

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

**Significance & Engagement Policy**

**Significance**

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

**Attachments**

There are no attachments for this report.

# Council Report

<b>Committee:</b>	Finance Committee	<b>Date:</b>	16 October 2018
<b>Author:</b>	Stephen Halliwell	<b>Authoriser:</b>	David Bryant
<b>Position:</b>	Accounting Manager	<b>Position:</b>	General Manager Corporate
<b>Report Name:</b>	Financial Strategy Monitoring Report		

<b>Report Status</b>	<i>Open</i>
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## Purpose

- To inform the Council of the present status of the 2018-28 10-Year Plan Financial Strategy.

## Staff Recommendation

That the Finance Committee receives the report.

## Executive Summary

- This report is to be read in conjunction with the Annual Monitoring Report and the Capital Portfolio Monitoring Report.
- This report provides an update of the key financial strategy metrics for the 10-years 2018-2028.
- The 10-Year Plan adopted a new financial strategy designed to focus on minimising borrowing for everyday costs and ensuring debt funding is available to invest in a growing city.
- Based on the budget, for the next three years there is no meaningful debt capacity for operating or capital expenditure over budget.
- The budgeted levels in the financial strategy must be met each year for the strategy to deliver the required financial outcomes over a long-term. When budgeted financial strategy levels are exceeded, staff will need to consider options to reinstate the budgeted outcome. This means for example, where financial strategy debt limits are exceeded staff will need recommendations to either; increase revenue, reduce service levels or reduce the capital portfolio.
- Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

## Background

- Financial Strategy**
- The financial strategy (pages 67-71, 2018-28 10-Year Plan) was developed following consultation and as a response to the community feedback. It is designed to minimise borrowing for everyday costs, keep rates affordable and use borrowing to maximise our

investment necessary to respond to growth. The strategy allows for the sustainable delivery of services, including the maintenance and renewal of assets.

10. The key metrics are:
  - Balancing Everyday Revenues with Costs.
  - Maintaining a Debt to Revenue Ratio under 230%.
  - Setting rates at 9.7% and 3.8% thereafter for existing ratepayers.
11. To ensure that the budgeted capital portfolio can remain funded, attention must be given to:
  - Meeting or exceeding everyday revenue and costs balancing the books.
    - i. Deficits are funded from borrowing that would otherwise be used for capital projects.
    - ii. Surpluses are budgeted to reduce debt, creating debt capacity needed for the next wave of investment beyond the last year of the 10-Year Plan.
    - iii. A savings target to reduce base spending by \$10.4M, resulting in \$94.5M of savings over 10 years is in the budget and must be saved to meet financial strategy targets (the Chief Executive will report on this at December and June Council meetings each year).
  - Meeting or exceeding revenue budgets
    - iv. Revenue creates debt capacity. Every \$1 of revenue creates \$2.30 of debt capacity.
    - v. Should the initial \$1 of revenue have no associated operating expenditure then \$3.30 is available for additional operating or capital spending.
    - vi. Revenue budgets have been set based on forecast growth. This is less conservative than the budgets of the past 6 years. There will be less upside and greater risk and sensitive to actual growth.
  - Capital Budgets
    - vii. We get to spend debt once. If contract prices are higher than budgeted, then debt funding will not be available for future budgets.
12. **Significant Forecasting assumptions**
13. The significant forecasting assumptions (pages 72-81, 2018-28 10-Year Plan) are fundamental building blocks to the financial strategy. Changes in some of these key metrics will result in different financial strategy outcomes.
14. The key metrics that need to be monitored because of their potential material impact on the financial strategy are:
  - Growth
    - i. Revenue budgets for rates, development contributions, building and resource consents are linked to growth assumptions based on the NIDEA Low projections. Sensitivity analysis (page 81, 2018-28 10-Year Plan) shows significant potential financial strategy implications. The quarterly Growth Indicator Report is delivered to Growth and Infrastructure Committee. The financial strategy implications of these indicators will impact the financial strategy.
  - Interest on borrowing
    - ii. Interest rates on debt is forecast at 4.85% reducing to 4.6%. A 1% movement could impact interest costs by \$5.6M p.a. or more depending on actual debt.

- Inflation
  - iii. Inflation was forecast by BERL under contract to SOLGM, with a modification for the Waikato reflecting contract pricing on capital projects showing higher inflation. Movements in forecast inflation will have a compounding effect. These BERL local government forecasts are updated annually (October).

## Financial Strategy Update

15. This report provides a forecast view of the debt to revenue measure and everyday revenues and costs balancing the books measure compared with the adopted 10-Year Plan measures.
16. The forecast is adjusted monthly taking account of:
  - Changes to the capital budgets (approved by the Capital Investment Board, under delegation).
  - Changes to Opex approved by a General Manager under delegation.
  - Changes as a result of a Council decision.
  - Changes recommended in reports to this Finance Committee or other Committees meeting between the agenda deadline and this meeting. These forecasts are included to see the sum of the impacts of all current items. They will be updated based on the final resolutions in the next reporting cycle.
17. When the forecast exceeds financial strategy levels staff will have considered options to reinstate the budgeted outcome.
18. **Consideration of Significant Forecasting Assumptions**
19. Growth
  - The Growth and Infrastructure Committee received "*Hamilton's Housing Market & Economy – Growth Indicator Report August 2018*". The report is retrospective and not forward looking, however all growth indicators are up.
  - There are no indicators supporting a change in the growth assumption.
20. Interest Rates
  - Interest rates remain stable.
  - There are no indicators supporting a change in the interest rate assumption.
21. Inflation
  - Inflation rates remain stable.
  - BERL are due to provide updated local government inflation forecasts in October 2018.
  - There are no indicators supporting a change in the inflation assumption.
22. **Significant Forecasting Decisions**
23. Forecasting adjustments will be made across the business. Some of these will be timing differences of little consequence to the financial strategy and some changes are more significant.

24. Significant forecasting adjustments since the last meeting are:

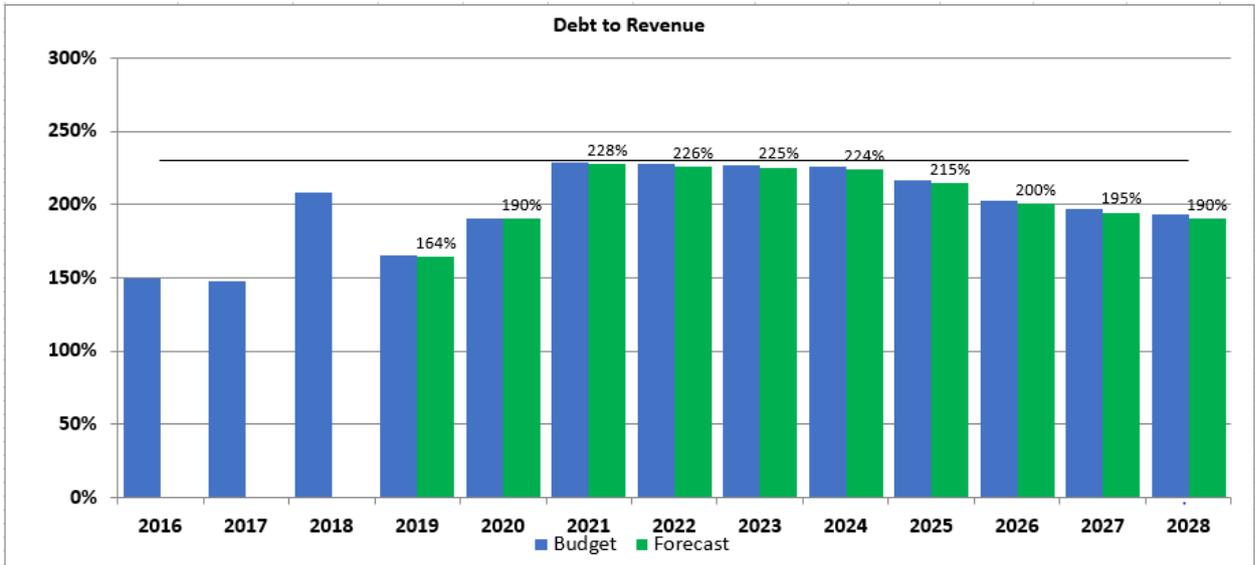
Description	Authoriser	Discussion	Impact on Financial Strategy
Greater than budgeted rates revenue 2018/19	GM Corporate	<p>2018/19 rates are based in rates growth from the previous year, up to 30 June 2018.</p> <p>Staff reviewed over 700 consents to estimate rates growth. Despite this our valuers processed more consents at a higher value than we had estimated.</p> <p>This has meant rates from growth is \$570,000 better than expected. This higher base has cumulative impacts across 10 years.</p> <p>This increase has no effect on existing ratepayers. Growth occurring during 2018/19 is not rated until the following year 2019/20.</p>	<p>Revenue impact Year 1: \$570,000</p> <p>Interest saving Year 1: \$29,000</p> <p>Revenue impact over 10 years: \$7.5M</p> <p>Balancing the books impact over 10 Years: \$9.6M</p> <p>Debt impact at Year 10: \$(9.6M)</p>
Deferred 2017/18 Capex	Finance Committee - 28 August 2018	<p>On 28 August 2018 the Finance Committee approved the carry forward of \$32.1M.</p> <p>The 10-Year plan budget contained 2 related assumptions:</p> <ul style="list-style-type: none"> <li>all 2017/18 capex projects would be completed (used to calculate debt).</li> <li>Interest costs reduced by \$1.5M assuming deferrals at a similar level to previous years.</li> <li>No adjustments were made to capital revenue (forecast at \$0) or depreciation - for timing difference (forecast Year 1 only \$257,000)</li> </ul> <p>With deferrals approved the 2018/19 forecast budgets are being changed to reflect the actual deferral.</p> <p>The same assumptions are applied to each future year.</p>	<p>Capital revenue impact in Year 1: \$0</p> <p>Capital revenue impact over 10 years: \$0</p> <p>Balancing the books impact Year 1 only: \$257,000</p> <p>Debt Impact at Year 10: \$0</p>

Note: Future Financial Strategy Reports is anticipated to have an Appendix recording all significant changes for the next three years.

25. **Debt to revenue**

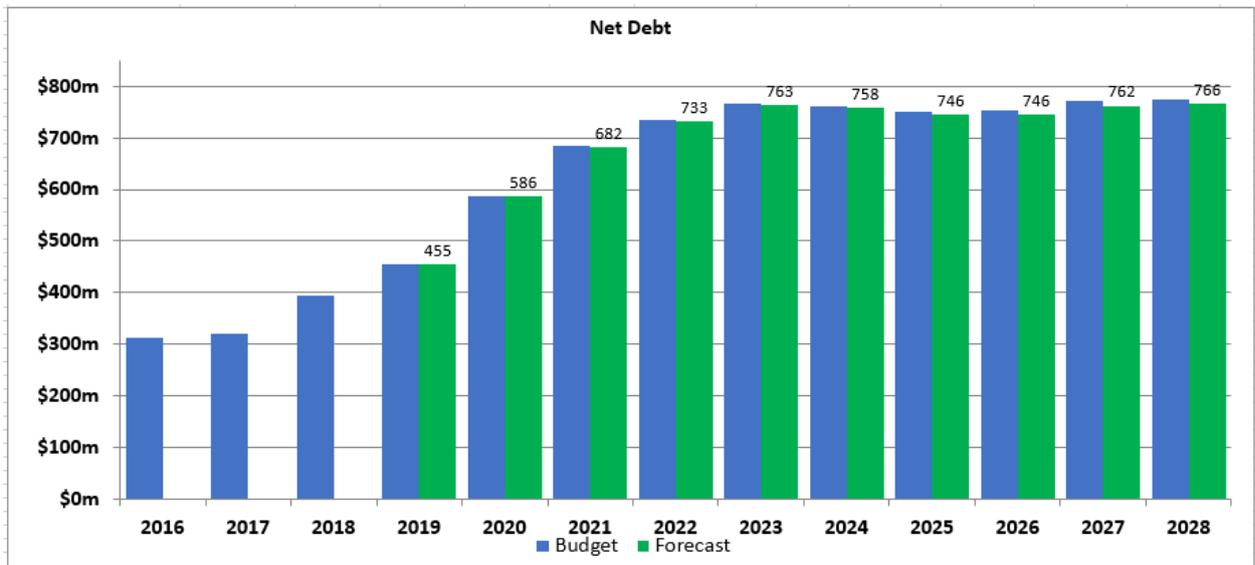
26. When consider this and other graphs the changes appear small and almost imperceptible. Past Risk and Opportunities movements show that unexpected events will occur. The sum of these movements will become more obvious and the need for a response clearer.

Item 13



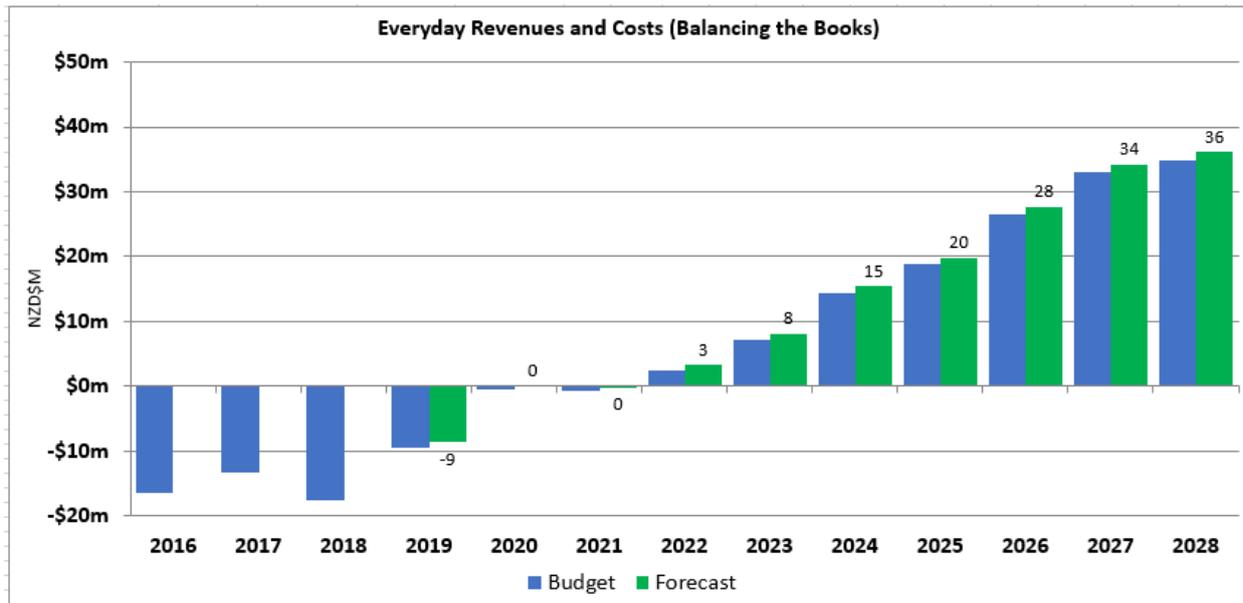
- 27. The above shows that Council has a slightly lower debt to revenue position with a 1.2% reduction at the 2021 peak.
- 28. This widening of the gaps positive, but the impact of several emerging issues would more than negate this improvement.

29. Net Debt



- 30. The above shows a reduction in net debt, with debt at 10 years being \$9.6M lower than forecast.

31. **Everyday Revenues and Costs (Balancing the Books)**



- 32. The above shows a forecast improvement in the Year 1 deficit and largely because of the extra rates growth in Year 1 the deficits of Year 2 and 3 are virtually removed.
- 33. Cumulative rates growth increases the surpluses toward the later years. These surpluses reduce Net Debt.

**Options to Reinstate Budgeted Outcomes**

- 34. The forecast movements, largely impacted by the extra rates revenue lead to improved financial strategy positions. Emerging issues however indicate unfavourable movements are on the horizon.
- 35. It is recommended that no changes to reinstate budgeted outcomes are made at this time.

**Emerging Issues**

- 36. The Annual Monitoring Report identifies emerging issues that could impact the everyday revenues and costs (balancing the books) result. A change in this will impact debt in the current and future years.
- 37. The Capital Portfolio Monitoring Report identified emerging issues that could impact the capital portfolio and consequently debt and everyday revenues and costs (balancing the books). A change in this will impact debt in the current and future years.
- 38. These issues are developing and there is sufficient uncertainty to prevent prudent adjustment to the financial strategy forecast.
- 39. The financial strategy is designed to focus on minimising borrowing for everyday costs and ensuring debt funding is available to invest in a growing city. This means any emerging issue has the potential to be significant to the financial strategy. Financial Strategy decisions should not be made on a “one off basis” or “a first cab of the rank” basis. Staff are developing business processes that will support prudent decision making at the right time.

## **Other Matters**

### **Item 13**

#### **Legal and Policy Considerations**

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

#### **Risks**

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

#### **Significance**

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

#### **Engagement**

43. Staff recommend that no engagement on this matter is required. Matters in this report will be subject to approved delegations or decision-making processes (and as such will include assessment of significance and engagement considerations as required).

#### **Attachments**

There are no attachments for this report.



<b>Accounting Result</b>		
<b>For the two months ended 31 August 2018</b>		
<b>YTD Actual</b>	<b>YTD Budget</b>	<b>YTD Variance</b>
<b>\$3.2M</b>	<b>\$3.7M</b>	<b>\$(0.5M)</b>

9. As advised in the Financial Strategy Monitoring Report, forecasting is being introduced to monitor the financial strategy. This report advises on the annual impact of the reforecast.
10. The annual forecast has been adjusted to reflect better than budgeted rates revenue and the operating impact of deferred capital expenditure from 2017/18. Further explanation of these forecasting adjustments can be found in the Financial Strategy Monitoring Report.
11. The variance between annual budget and annual forecast is reported in the activity statements.

<b>Accounting Result</b>		
<b>Annual Forecast</b>	<b>Annual Budget</b>	<b>Forecasting Variance</b>
<b>\$77.2M</b>	<b>\$76.3M</b>	<b>\$0.9M</b>

12. **Everyday revenues and costs (balancing the books) result**
13. The Council adopted a new balancing the books measure which better focusses on matching everyday revenues with everyday costs. In doing so, capital revenues and costs are excluded from the calculation.
14. The everyday revenue and costs result for the two months ended 31 August 2018 is \$0.2M. This is \$4.2M favourable against a year-to date budget of (\$4.0M).

<b>Everyday Revenues and Costs (Balancing the Books)</b>		
<b>For the two months ended 31 August 2018</b>		
<b>YTD Actual</b>	<b>YTD Budget</b>	<b>YTD Variance</b>
<b>\$0.2M</b>	<b>\$(4.0M)</b>	<b>\$4.2M</b>

<b>Annual Forecast</b>	<b>Annual Budget</b>	<b>Forecasting Variance</b>
<b>\$(8.5M)</b>	<b>\$(9.4M)</b>	<b>\$0.9M</b>

15. The Local Government balancing the books result for the two months ended 31 August 2018 is \$0.5M. This is \$1.5M favourable against a year-to date budget of (\$0.9M).
16. **Understanding the variances**
17. The Statement of Comprehensive Revenue and Expense, Statement of Financial Position, and accompanying notes are contained in Attachment 1.
18. Individual Everyday Revenue and Expense statements for each of the 12 activities Council externally reports, as well as an overheads statement and general statement, are contained in Attachment 2.

19. A reconciliation of the accounting result to the everyday revenues and costs (balancing the books) is provided after the Statement of Comprehensive Revenue.
20. Year-to-date variances between actual and budget that are greater than \$0.1M are explained in each of the activity statements.
21. **Everyday revenue**
22. Achieving revenue budgets is key to achieving financial strategy targets.
23. The 10-Year Plan aligns revenue with growth, more so than any previous budget. As such, budgets for rates, development contributions, and regulatory fees are more sensitive to changes in private sector investment in developing the city.
24. The 10-Year Plan also has the largest capital programme ever and subsequently the largest capital revenue budgets.
25. Year-to-date everyday revenue exceeds budget by \$3.2M.
26. Forecast Year End Rates are expected to be \$0.57M favourable as adjusted in the Financial Strategy Monitoring Report.
27. YTD general rates are \$0.1M favourable and as identified in the Financial Strategy Monitoring Report, this variance is due to greater than expected growth. The remaining variance is due to an accrual error of water by meter rates of \$0.4M and actuals is expected to meet budget.
28. Fees and user charges are \$1.6M favourable YTD, the majority of which arise in the following activities:
  - Venues, Tourism and Major Events – \$0.4M favourable.
  - Planning and Development – \$0.5M favourable.
  - Transport – \$0.4M favourable.

Refer to the activity statements for variance explanations.
29. While the annual forecasting model is still under development the additional rates revenue is permanent and has been forecast in the Financial Strategy Monitoring Report. Other areas will be evaluated as part of the forecasting process to determine how they might affect the year-end result and any future years.
30. **Everyday expenses**
31. Everyday expenses are \$1M favourable against budget.
32. Personnel costs are \$0.4M favourable YTD, the majority of which arise in the following activities:
  - Planning and Development – \$0.1M favourable.
  - Transport – \$0.2M favourable.
  - Overheads – \$0.1M unfavourable.
  - General vacancies across Council make up the remainder of the variance.
33. Depreciation and amortisation is \$0.3M favourable due to Founders Theatre and Municipal Pool being impaired to a zero net book value in 2017/18 after the depreciation budget had been set.
34. Finance costs are \$0.2M favourable due to the timing of floating rate note payments and a decrease in gross cost of funds.
35. Operating and maintenance costs are \$0.4M favourable YTD, the majority of which arise in the following activities:

- Parks and Recreation – \$0.2M favourable.
- Wastewater – \$0.1M favourable.
- Transport – \$0.3M unfavourable.
- General – \$0.1M favourable.

36. Professional costs are \$0.3M favourable due to these costs occurring later than budget.
37. Other costs are \$0.6M unfavourable, which is mainly due to the efficiency savings budget in this expense classification. These savings will be reported in the Chief Executive Savings Report in December 2016.

**38. Vested assets revenue**

39. The timing and recognition of vested assets relies on being aware of when the s224c (clearance of title) is issued. Like DC revenue, vested assets revenue is not consistent month to month. Elevated levels of development activity does equal more vested assets but timing is not easy to predict. \$1.9M of vested assets were received for the first 2 months of the financial year. At this stage of the year it is too early to form a view over whether the level of vested assets revenue will be realised.
40. Vested assets revenue has been budget at \$30M for 2018/19. This budget is broken down by class of asset on page 99 of the 10-Year Plan.

Vested Assets		
For the two months ended 31 August 2018		
YTD Actual	YTD Budget	YTD Variance
<b>\$1.9M</b>	<b>\$5.0M</b>	<b>\$(3.1M)</b>

Asset Class	YTD Actual	Annual Budget
Land	\$1.0M	\$12.1M
Stormwater	\$0.3M	\$5.1M
Transport	\$0.3M	\$8.0M
Wastewater	\$0.2M	\$3.0M
Water supply	\$0.1M	\$1.8M
	<b>\$1.9M</b>	<b>\$30.0M</b>

41. 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 2018-28 10-Year Plan to support the annual vested assets budget.

**42. Forecasting**

43. A consequence of the new financial strategy is that it is necessary to forecast financial results for current and future years. This will provide confidence on the impact of events and decisions happening in 2018/19 on future years.
44. Forecast financial budgets will provide a revised year-end result. The consequence on future years is addressed in the Financial Strategy Monitoring Report.
45. Forecasting replaces Risk and Opportunities from previous monitoring reports.

46. Systems are being developed to record forecasting changes and this first report on the new financial year only includes the two changes identified in the Financial Strategy Monitoring Report.
47. **Forecasting adjustments 2018/19**
48. The annual budget will be forecast monthly to reflect:
- Changes to capital budgets approved by the Capital Investment Board under delegation.
  - Changes to operating budgets approved by CE or GM under delegation.
  - Changes as a result of a Council decision.
  - Changes recommended to the Finance Committee.
49. The following forecasting changes have been made as at 31 August 2018:
- **Changes to operating budgets approved by General Manager:**  
Better the budgeted rates (see Financial Strategy Monitoring Report)
  - **Changes as a result of Council or Council Committee decision:**  
Deferred 2017/18 capex (see Financial Strategy Monitoring Report)
50. **Emerging Issues**
51. The following emerging issues have been identified, which could have a financial impact on the current year and/or which could require forecasting adjustments.
52. The timing and value of these issues cannot be confirmed at this time.
53. The emerging operating issues are:
- Waikato District Council payment for library access (subject to report to Council's 11 October Meeting)
  - River Slips (operating budget implications) being considered by the Capital Investment Board alongside capital implications.
54. These emerging issues could have an adverse effect on debt and the everyday revenue and costs deficit for 2018/19.
55. **Debt and Treasury Management**
56. **Treasury Management**
57. Council is fully compliant with all treasury policy measures as at 31 August 2018.
58. Refer to the Treasury Report in Attachment 3 for further detail.
59. **Debt and Cash Investments**
- External debt, cash investments, and net debt are all favourable as at 31 August 2018, as shown in the table below.

<b>Debt and Cash Investments</b>			
<b>As at 31 August 2018</b>			
	<b>YTD Actual</b>	<b>Annual Budget</b>	<b>Variance</b>
<b>External Debt</b>	<b>\$449M</b>	<b>\$510M</b>	<b>\$61M</b>
<b>Cash Investments</b>	<b>(\$114M)</b>	<b>(\$55M)</b>	<b>\$59M</b>
<b>Net Debt</b>	<b>\$335M</b>	<b>\$455M</b>	<b>\$120M</b>

60. External debt as at 31 August 2018 is \$61M favourable against our annual budget due to the timing of the capital programme and we are only 2 months through the year.
61. Debt is budgeted to increase as progress is made on completing the projects in the capital portfolio.
62. **Interest Rate Risk Management**
63. 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 if the debt is allowed to reach it maturity any gain (or loss) from interest rate movement will not be realised.
64. As at 31 August 2018 our net unrealised loss on revaluation of interest rate swaps was \$2.7M. As at 31 August 2018 our liability balance was \$35.3M.

## **Significance & Engagement Policy**

### **Significance**

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

## **Attachments**

Attachment 1 - Financial Statements

Attachment 2 - Activity Everyday Revenue and Expense Reports

Attachment 3 - Treasury Report .

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE TWO MONTHS ENDED 31 AUGUST 2018

Note	Actual YTD	Budget YTD	Variance YTD favourable/ (unfavourable)	Annual budget	Annual Forecast	Actual August 2017
	\$000	\$000	\$000	\$000		\$000
<b>Revenue</b>						
<b>Operating revenue</b>						
Rates	26,143	25,599	544	179,713	180,283	37,854
Fees and user charges	8,352	6,774	1,578	35,284	35,284	6,895
Subsidies and grants	1,222	1,073	149	7,120	7,120	856
Interest revenue	613	413	200	2,475	2,475	715
Other revenue	1,292	1,119	173	10,860	10,860	1,147
<b>Total Operating revenue</b>	<b>37,622</b>	<b>34,978</b>	<b>2,644</b>	<b>235,452</b>	<b>236,022</b>	<b>47,467</b>
<b>Capital revenue</b>						
Development contributions	3,496	2,920	576	17,518	17,518	4,979
Capital revenue	2,358	1,219	1,139	44,840	44,840	1,260
Vested assets	1,895	5,001	(3,106)	30,000	30,000	3,585
<b>Total Capital revenue</b>	<b>7,749</b>	<b>9,140</b>	<b>(1,391)</b>	<b>92,358</b>	<b>92,358</b>	<b>9,824</b>
<b>Total revenue</b>	<b>45,371</b>	<b>44,118</b>	<b>1,253</b>	<b>327,810</b>	<b>328,380</b>	<b>57,291</b>
<b>Expenses</b>						
Personnel costs	13,386	13,792	406	83,168	83,168	12,262
Depreciation and amortisation expense	11,084	11,414	330	68,473	68,216	10,522
Finance costs	2,815	3,042	227	22,010	21,981	3,500
Operating and maintenance costs	6,119	6,557	438	46,466	46,466	4,555
Professional costs	880	1,192	312	13,268	13,268	756
Administration costs	3,089	2,381	(708)	6,582	6,582	2,313
Property costs	2,116	2,106	(10)	12,067	12,067	2,084
<b>Total expenses</b>	<b>39,489</b>	<b>40,484</b>	<b>995</b>	<b>252,034</b>	<b>251,748</b>	<b>35,992</b>
<b>Operating surplus/(deficit)</b>	<b>5,882</b>	<b>3,634</b>	<b>2,248</b>	<b>75,776</b>	<b>76,632</b>	<b>21,299</b>
Gains	595	47	548	565	565	(3,122)
Losses	(3,301)	-	(3,301)	-	-	-
<b>Total surplus/(deficit)</b>	<b>3,176</b>	<b>3,681</b>	<b>(505)</b>	<b>76,341</b>	<b>77,197</b>	<b>18,177</b>

Refer to Activity Statements for variances against budget.

Unrealised gains and losses on revaluation of interest rate swaps are \$2.7M unfavourable YTD. This is due to market interest rates on swaps decreasing, which increases our liability at a point in time.

## EVERYDAY REVENUE AND EXPENSES (BALANCING THE BOOKS) RESULT FOR THE TWO MONTHS ENDED 31 AUGUST 2018

Note	Actual YTD	Budget YTD	Variance YTD favourable/ (unfavourable)	Annual budget	Annual Forecast	Actual August 2017
	\$000	\$000	\$000	\$000		\$000
<b>Surplus/(deficit)</b>	<b>3,176</b>	<b>3,681</b>	<b>(505)</b>	<b>76,341</b>	<b>77,197</b>	<b>18,177</b>
<b>Remove capital revenue</b>						
Vested assets	(1,895)	(5,001)		(30,000)	(30,000)	(3,585)
Part of development and financial contributions	(2,273)	(1,898)		(11,387)	(11,387)	(3,237)
Capital subsidy (excluding subsidy on transport renewals)	(425)	(678)		(35,012)	(35,012)	(63)
Other capital contributions	(900)	(24)		(4,744)	(4,744)	(593)
Other items not considered everyday operating revenue	-	-		(4,233)	(4,233)	-
<b>Remove (gains)/losses</b>						
All (gains)/losses	2,706	(47)		(565)	(565)	3,122
<b>Remove other expenses</b>						
Other items not considered everyday operating expenses	-	-		197	197	-
<b>Everyday surplus/(deficit)</b>	<b>389</b>	<b>(3,967)</b>		<b>(9,403)</b>	<b>(8,547)</b>	<b>13,821</b>

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

Note	Actual YTD	Budget YTD	Variance YTD favourable/ (unfavourable)	Annual budget	Annual Forecast	Actual August 2017
	\$000	\$000	\$000	\$000		\$000
Surplus/(deficit)	3,176	3,681	(505)	76,341	77,197	18,177
<b>Adjustments for the Local Government Regulations measure</b>						
Gains excluding gains on investment properties	501	-	501	-	-	(3,122)
Losses	(3,245)	(3,301)	(3,245)	-	-	-
Development and financial contributions	3,496	2,920	576	17,518	17,518	4,979
Vested assets	1,895	5,001	(3,106)	30,000	30,000	3,585
<b>Total adjustments</b>	<b>2,647</b>	<b>4,620</b>	<b>(5,274)</b>	<b>47,518</b>	<b>47,518</b>	<b>5,442</b>
<b>LG Regulations balancing the books surplus/(deficit)</b>	<b>529</b>	<b>(939)</b>	<b>1,468</b>	<b>28,823</b>	<b>29,679</b>	<b>12,735</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2018

	Note	Actual	Annual budget	Actual August 2017
		\$000	\$000	\$000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		38,153	49,500	18,804
Receivables	1	183,767	17,910	29,566
Prepayments		1,153	1,670	1,328
Inventory		126	160	159
Other financial assets	2	87,515	2,125	76,040
<b>Total current assets</b>		<b>310,714</b>	<b>71,365</b>	<b>125,897</b>
<b>Non-current assets</b>				
Property, plant and equipment	3	3,908,830	4,371,324	3,833,710
Intangible assets		19,901	22,283	21,146
Investment property		25,255	23,175	22,059
Other financial assets				
- Investment in CCOs and other similar entities		9,823	8,978	15,852
- Other investments		6,400	5,500	28,717
Total other financial assets		16,223	14,478	44,569
Investment in associates		7,430	7,430	
Derivative financial instruments		838		720
<b>Total non-current assets</b>		<b>3,978,477</b>	<b>4,438,690</b>	<b>3,922,204</b>
<b>Total assets</b>		<b>4,289,191</b>	<b>4,510,055</b>	<b>4,048,101</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables and deferred revenue		186,615	33,250	20,500
Employee entitlements		6,020	6,420	7,690
Provisions		1,609	337	1,257
Borrowings	4	83,000	83,300	108,418
Derivative financial instruments	5	82	4,628	579
<b>Total current liabilities</b>		<b>277,326</b>	<b>127,935</b>	<b>138,444</b>
<b>Non-current liabilities</b>				
Employee entitlements		1,092	1,100	1,122
Provisions		15,100	24,413	14,296
Borrowings	4	366,350	427,194	316,719
Derivative financial instruments	5	36,068	19,025	33,411
<b>Total non-current liabilities</b>		<b>418,610</b>	<b>471,732</b>	<b>365,548</b>
<b>Total liabilities</b>		<b>695,936</b>	<b>599,667</b>	<b>503,992</b>
<b>Net assets</b>		<b>3,593,255</b>	<b>3,910,388</b>	<b>3,544,109</b>
<b>Equity</b>				
Accumulated funds		1,802,592	1,801,331	1,709,660
Other reserves		1,790,663	2,109,057	1,834,449
<b>Total equity attributable to Hamilton City Council</b>		<b>3,593,255</b>	<b>3,910,388</b>	<b>3,544,109</b>
<b>Total equity</b>		<b>3,593,255</b>	<b>3,910,388</b>	<b>3,544,109</b>

## NOTES TO THE STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2018

### Note 1: Rates and debtors receivables

	Actual \$000			Actual August 2017		
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Rates</b>	<b>Rates</b>	<b>Arrears</b>	<b>Total</b>	<b>Rates</b>	<b>Arrears</b>	<b>Total</b>
Balance as at 1 July	(2,355)	3,319	964	(2,037)	3,302	1,265
Instalments to date	51,122		51,122	44,933		44,933
Penalties, adjustments & postponed	184		184	491		491
Government rebate	(596)		(596)	(571)		(571)
Council hardship	(99)		(99)	(75)		(75)
Other remissions	(5,964)		(5,964)	(3,361)		(3,361)
Rates receipts	(27,306)	(1,208)	(28,514)	(24,774)	(1,290)	(26,064)
Instalments still to invoice	153,358		153,358			0
<b>Balance as at 30 June</b>	<b>168,343</b>	<b>2,112</b>	<b>170,454</b>	<b>14,606</b>	<b>2,012</b>	<b>16,618</b>
<b>Water by meter</b>			<b>1,230</b>			<b>1,470</b>
<b>Sundry debtors</b>						
Debtors			1,278			3,547
Rentals			436			389
Rates rebates Internal Affairs			594			513
NZTA			161			561
H3 debtors			1,062			1,196
GST refund			0			0
			<b>3,532</b>			<b>6,206</b>
Debtor accruals			7,895			4,273
Parking			3,399			3,620
Provision for doubtful debts			(2,742)			(2,621)
<b>Total Rates and debtors receivables</b>			<b>183,767</b>			<b>29,566</b>

Sundry debtors ageing	Actual \$000		Actual August 2017 \$000	
	as at 31 August 2018		as at 31 August 2017	
Current	4,136		5,109	
0-30 days	689		392	
30-60 days	(1,790)		137	
60-90 days	51		86	
>90 days	445		482	
	<b>3,532</b>		<b>6,206</b>	

### Note 2: Other financial assets - current

	Actual	Actual August 2017
	\$000	\$000
Term deposits	65,000	76,040
Loan investments	22,515	-
<b>Total other financial assets - current</b>	<b>87,515</b>	<b>76,040</b>

## Note 3: Fixed assets work in progress

	Net opening balance	New WIP to date	Capitalisations to date	Closing balance
	\$000	\$000	\$000	\$000
<b>Operational assets</b>				
Land	-	-	-	-
Buildings	10,829	4,374	2,935	12,268
Land - Parks and Gardens	3,646	51	23	3,674
Improvements - Parks & Gardens	3,039	465	1,427	2,077
Plant & equipment	4,673	582	895	4,360
Finance leases	20	-	-	20
Vehicles	233	115	113	235
Library books	137	192	55	274
<b>Restricted assets</b>				
Land	-	-	-	-
<b>Heritage assets</b>				
Museum and library	17	10	10	17
<b>Infrastructure assets</b>				
Land	695	-	-	695
Refuse	327	16	8	335
Roads and traffic network	24,675	8,756	7,915	25,516
Land under roads	169	834	-	1,004
Stormwater system	3,923	508	252	4,180
Wastewater system	14,399	2,461	721	16,138
Wastewater Treatment Plant	4,770	585	290	5,065
Water system	20,811	2,724	702	22,832
Water Treatment Station	5,208	799	694	5,313
<b>Zoological</b>				
Zoo animals	36	19	19	36
<b>Intangible assets</b>				
Intangible assets	3	0	(0)	4
	<b>101</b>	<b>23</b>	<b>(16)</b>	<b>108</b>
Fixed assets vested	23	2	(1)	24
<b>Total Fixed assets work in progress</b>	<b>124</b>	<b>25</b>	<b>(18)</b>	<b>131</b>

## Note 4: Borrowings

	Actual	Annual budget	Actual August 2017
	\$000	\$000	\$000
Borrowings - current	83,000	83,300	108,418
Borrowings - non-current	366,350	427,194	316,719
<b>Total external debt</b>	<b>449,350</b>	<b>510,494</b>	<b>425,137</b>

## Note 5: Derivative financial instruments

	Actual	Annual budget	Actual August 2017
	\$000	\$000	\$000
Interest rate Swaps (current asset)	-	-	-
Interest rate Swaps (non-current asset)	(838)	-	(720)
Interest rate Swaps (current liability)	82	4,628	579
Interest rate Swaps (non-current liability)	36,068	19,025	33,411
<b>Total net derivative financial instrument liabilities</b>	<b>35,312</b>	<b>23,653</b>	<b>33,270</b>

## DEMOCRACY SERVICES

Governance and Public Affairs | Partnership with Maaori

for the two months ended 31 August 2018

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Everyday revenue</b>						
0 Rates	0	0	0	0	0	0
4 Fees and user charges	4	5	(1)	27	27	0
0 Subsidies and grants	0	0	0	0	0	0
0 Interest revenue	0	0	0	0	0	0
0 Other revenue	0	0	0	0	0	0
<b>4 Total everyday revenue</b>	<b>4</b>	<b>5</b>	<b>(1)</b>	<b>27</b>	<b>27</b>	<b>0</b>
<b>Everyday expenses</b>						
27 Personnel costs	24	70	46	421	421	0
0 Depreciation and amortisation	0	0	0	0	0	0
0 Finance costs	0	0	0	0	0	0
4 Operating and maintenance costs	1	7	6	39	39	0
20 Professional costs	46	72	26	435	435	0
0 Property costs	0	0	0	0	0	0
234 Other costs	243	257	14	1,545	1,545	0
<b>285 Total everyday expenses</b>	<b>314</b>	<b>406</b>	<b>92</b>	<b>2,440</b>	<b>2,440</b>	<b>0</b>
<b>(281) Everyday surplus/(deficit)*</b>	<b>(310)</b>	<b>(401)</b>	<b>91</b>	<b>(2,413)</b>	<b>(2,413)</b>	<b>0</b>
<b>(281) OPERATING SURPLUS/(DEFICIT)</b>	<b>(310)</b>	<b>(401)</b>	<b>91</b>	<b>(2,413)</b>	<b>(2,413)</b>	<b>0</b>

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

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

There are no significant variances to explain.

## VENUES, TOURISM AND MAJOR EVENTS

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

for the two months ended 31 August 2018

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Everyday revenue</b>						
52 Rates	22	31	(9)	124	124	0
652 Fees and user charges	1,245	838	407	5,432	5,432	0
0 Subsidies and grants	0	0	0	0	0	0
135 Interest revenue	59	40	19	240	240	0
145 Other revenue	122	127	(5)	742	742	0
<b>984 Total everyday revenue</b>	<b>1,448</b>	<b>1,036</b>	<b>412</b>	<b>6,538</b>	<b>6,538</b>	<b>0</b>
<b>Everyday expenses</b>						
969 Personnel costs	990	1,038	48	6,268	6,268	0
782 Depreciation and amortisation	869	872	3	5,230	5,230	0
552 Finance costs	277	293	16	1,992	1,992	0
387 Operating and maintenance costs	599	616	17	4,332	4,332	0
26 Professional costs	59	15	(44)	318	318	0
252 Property costs	286	241	(45)	1,461	1,461	0
394 Other costs	412	450	38	1,882	1,882	0
<b>3,362 Total everyday expenses</b>	<b>3,492</b>	<b>3,525</b>	<b>33</b>	<b>21,483</b>	<b>21,483</b>	<b>0</b>
<b>(2,378) Everyday surplus/(deficit)*</b>	<b>(2,044)</b>	<b>(2,489)</b>	<b>445</b>	<b>(14,945)</b>	<b>(14,945)</b>	<b>0</b>
<b>Capital revenue</b>						
0 Capital contributions	0	0	0	100	100	0
<b>0 Total capital revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>100</b>	<b>0</b>
<b>(2,378) OPERATING SURPLUS/(DEFICIT)</b>	<b>(2,044)</b>	<b>(2,489)</b>	<b>445</b>	<b>(14,845)</b>	<b>(14,845)</b>	<b>0</b>

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

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

**Fees and user charges are \$407k favourable.** The favourable variance arises from events at Claudelands and is attributed to a higher than budgeted level of fees and charges relating to business events.

Item 14

Attachment 2

## VISITOR ATTRACTIONS

Hamilton Gardens | Waikato Museum | Hamilton Zoo

for the two months ended 31 August 2018

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Everyday revenue</b>						
159 Rates	108	101	7	595	595	0
440 Fees and user charges	428	399	29	2,872	2,872	0
19 Subsidies and grants	11	13	(2)	85	85	0
4 Interest revenue	5	4	1	22	22	0
20 Other revenue	20	23	(3)	141	141	0
<b>642 Total everyday revenue</b>	<b>572</b>	<b>540</b>	<b>32</b>	<b>3,715</b>	<b>3,715</b>	<b>0</b>
<b>Everyday expenses</b>						
1,203 Personnel costs	1,297	1,318	21	7,930	7,930	0
298 Depreciation and amortisation	343	361	18	2,163	2,163	0
24 Finance costs	25	27	2	180	180	0
263 Operating and maintenance costs	227	293	66	2,306	2,306	0
48 Professional costs	45	45	0	494	494	0
135 Property costs	135	152	17	951	951	0
70 Other costs	75	90	15	573	573	0
<b>2,041 Total everyday expenses</b>	<b>2,147</b>	<b>2,286</b>	<b>139</b>	<b>14,597</b>	<b>14,597</b>	<b>0</b>
<b>(1,399) Everyday surplus/(deficit)*</b>	<b>(1,575)</b>	<b>(1,746)</b>	<b>171</b>	<b>(10,882)</b>	<b>(10,882)</b>	<b>0</b>
<b>Capital revenue</b>						
140 Capital contributions	0	0	0	300	300	0
<b>140 Total capital revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>300</b>	<b>300</b>	<b>0</b>
<b>(1,259) OPERATING SURPLUS/(DEFICIT)</b>	<b>(1,575)</b>	<b>(1,746)</b>	<b>171</b>	<b>(10,582)</b>	<b>(10,582)</b>	<b>0</b>

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

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

There are no significant variances to explain.

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**ARTS AND COMMUNITY**  
 Libraries | Community Development | Arts Promotion | Theatres  
**for the two months ended 31 August 2018**

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Everyday revenue</b>						
(1) Rates	(2)	(3)	1	(24)	(24)	0
96 Fees and user charges	97	97	0	588	588	0
0 Subsidies and grants	0	1	(1)	2	2	0
7 Interest revenue	0	0	0	0	0	0
18 Other revenue	9	11	(2)	66	66	0
<b>120 Total everyday revenue</b>	<b>104</b>	<b>106</b>	<b>(2)</b>	<b>632</b>	<b>632</b>	<b>0</b>
<b>Everyday expenses</b>						
900 Personnel costs	944	944	0	5,697	5,697	0
551 Depreciation and amortisation	424	561	137	3,364	3,364	0
29 Finance costs	1	1	0	4	4	0
29 Operating and maintenance costs	55	82	27	1,646	1,646	0
11 Professional costs	31	34	3	615	615	0
104 Property costs	121	126	5	764	764	0
512 Other costs	1,107	1,144	37	1,973	1,973	0
<b>2,136 Total everyday expenses</b>	<b>2,683</b>	<b>2,892</b>	<b>209</b>	<b>14,063</b>	<b>14,063</b>	<b>0</b>
<b>(2,016) Everyday surplus/(deficit)*</b>	<b>(2,579)</b>	<b>(2,786)</b>	<b>207</b>	<b>(13,431)</b>	<b>(13,431)</b>	<b>0</b>
<b>(2,016) OPERATING SURPLUS/(DEFICIT)</b>	<b>(2,579)</b>	<b>(2,786)</b>	<b>207</b>	<b>(13,431)</b>	<b>(13,431)</b>	<b>0</b>

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

<b>The comments below explain the variance between year-to-date actual results and year-to-date budgets where they exceed \$100k.</b>
<p><b>Depreciation and amortisation is \$137k favourable.</b> Founders Theatre was fully impaired in June 2018. As the asset has been written down to a zero book value there will be no depreciation expense during 2018/19. This occurred after the preparation of the 10-Year Plan and will be adjusted through the forecasting process.</p>

Item 14

Attachment 2

## PARKS AND RECREATION

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

for the two months ended 31 August 2018

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Everyday revenue</b>						
0 Rates	(16)	(15)	(1)	(196)	(196)	0
1,132 Fees and user charges	996	936	60	6,534	6,534	0
23 Subsidies and grants	0	1	(1)	7	7	0
58 Interest revenue	70	47	23	282	282	0
24 Other revenue	48	55	(7)	330	330	0
<b>1,237 Total everyday revenue</b>	<b>1,098</b>	<b>1,024</b>	<b>74</b>	<b>6,957</b>	<b>6,957</b>	<b>0</b>
<b>Everyday expenses</b>						
1,806 Personnel costs	1,896	1,981	85	11,850	11,850	0
738 Depreciation and amortisation	894	983	89	5,898	5,898	0
266 Finance costs	326	345	19	2,344	2,344	0
505 Operating and maintenance costs	679	878	199	6,893	6,893	0
65 Professional costs	49	69	20	529	529	0
225 Property costs	184	213	29	1,212	1,212	0
62 Other costs	201	239	38	920	920	0
(1) Internal capital recoveries	0	0	0	0	0	0
<b>3,666 Total everyday expenses</b>	<b>4,229</b>	<b>4,708</b>	<b>479</b>	<b>29,646</b>	<b>29,646</b>	<b>0</b>
<b>(2,429) Everyday surplus/(deficit)*</b>	<b>(3,131)</b>	<b>(3,684)</b>	<b>553</b>	<b>(22,689)</b>	<b>(22,689)</b>	<b>0</b>
<b>Capital revenue</b>						
3 Capital contributions	3	0	3	300	300	0
<b>3 Total capital revenue</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>300</b>	<b>300</b>	<b>0</b>
<b>(2,426) OPERATING SURPLUS/(DEFICIT)</b>	<b>(3,128)</b>	<b>(3,684)</b>	<b>556</b>	<b>(22,389)</b>	<b>(22,389)</b>	<b>0</b>

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

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

Operating and maintenance costs are \$199k favourable. The programme of works for aquatics and parks is tracking below budget but is expected to be on track at year end.

## SAFETY

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

**for the two months ended 31 August 2018**

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YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Everyday revenue</b>						
0 Rates	0	0	0	0	0	0
1,240 Fees and user charges	1,077	1,051	26	2,139	2,139	0
0 Subsidies and grants	0	0	0	0	0	0
1 Interest revenue	0	0	0	0	0	0
3 Other revenue	4	5	(1)	31	31	0
<b>1,244 Total everyday revenue</b>	<b>1,081</b>	<b>1,056</b>	<b>25</b>	<b>2,170</b>	<b>2,170</b>	<b>0</b>
<b>Everyday expenses</b>						
572 Personnel costs	627	595	(32)	3,568	3,568	0
14 Depreciation and amortisation	12	29	17	173	173	0
4 Finance costs	0	0	0	0	0	0
(72) Operating and maintenance costs	91	114	23	1,176	1,176	0
39 Professional costs	12	35	23	211	211	0
24 Property costs	18	18	0	53	53	0
22 Other costs	33	17	(16)	107	107	0
<b>603 Total everyday expenses</b>	<b>793</b>	<b>808</b>	<b>15</b>	<b>5,288</b>	<b>5,288</b>	<b>0</b>
<b>641 Everyday surplus/(deficit)*</b>	<b>288</b>	<b>248</b>	<b>40</b>	<b>(3,118)</b>	<b>(3,118)</b>	<b>0</b>
<b>641 OPERATING SURPLUS/(DEFICIT)</b>	<b>288</b>	<b>248</b>	<b>40</b>	<b>(3,118)</b>	<b>(3,118)</b>	<b>0</b>

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

<b>The comments below explain the variance between year-to-date actual results and year-to-date budgets where they exceed \$100k.</b>
There are no significant variances to explain.

Attachment 2

## PLANNING AND DEVELOPMENT

City Planning | Planning Guidance | Building Control

for the two months ended 31 August 2018

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Everyday revenue</b>						
0 Rates	0	0	0	0	0	0
1,483 Fees and user charges	2,122	1,592	530	9,254	9,254	0
0 Subsidies and grants	0	0	0	0	0	0
53 Interest revenue	22	15	7	90	90	0
1 Other revenue	1	0	1	0	0	0
<b>1,537 Total everyday revenue</b>	<b>2,145</b>	<b>1,607</b>	<b>538</b>	<b>9,344</b>	<b>9,344</b>	<b>0</b>
<b>Everyday expenses</b>						
1,296 Personnel costs	1,380	1,486	106	8,929	8,929	0
1 Depreciation and amortisation	1	1	0	4	4	0
212 Finance costs	104	110	6	749	749	0
26 Operating and maintenance costs	22	60	38	358	358	0
248 Professional costs	236	283	47	2,055	2,055	0
4 Property costs	7	4	(3)	21	21	0
139 Other costs	203	155	(48)	1,000	1,000	0
(1) Internal capital recoveries	(27)	0	27	0	0	0
<b>1,925 Total everyday expenses</b>	<b>1,926</b>	<b>2,099</b>	<b>173</b>	<b>13,116</b>	<b>13,116</b>	<b>0</b>
<b>(388) Everyday surplus/(deficit)*</b>	<b>219</b>	<b>(492)</b>	<b>711</b>	<b>(3,772)</b>	<b>(3,772)</b>	<b>0</b>
<b>(388) OPERATING SURPLUS/(DEFICIT)</b>	<b>219</b>	<b>(492)</b>	<b>711</b>	<b>(3,772)</b>	<b>(3,772)</b>	<b>0</b>

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

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

**Fees and user charges are \$530k favourable.** This variance is largely due to higher than budgeted activity in Building Control (\$430k) and Planning Guidance (\$96k).

**Personnel costs are \$106k favourable.** This variance is largely due to vacancies in the Building Control Unit which are present due to a national skills shortage.

**WATER SUPPLY**  
Water Treatment | Water Storage | Water Distribution  
**for the two months ended 31 August 2018**

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Attachment 2

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Everyday revenue</b>						
1,615 Rates	1,765	1,361	404	8,107	8,107	0
50 Fees and user charges	(7)	(43)	36	(215)	(215)	0
0 Subsidies and grants	0	0	0	0	0	0
90 Interest revenue	121	82	39	489	489	0
0 Other revenue	0	0	0	0	0	0
<b>1,755 Total everyday revenue</b>	<b>1,879</b>	<b>1,400</b>	<b>479</b>	<b>8,381</b>	<b>8,381</b>	<b>0</b>
<b>Everyday expenses</b>						
563 Personnel costs	656	678	22	4,152	4,152	0
1,179 Depreciation and amortisation	1,264	1,277	13	7,662	7,662	0
583 Finance costs	566	599	33	4,068	4,068	0
322 Operating and maintenance costs	389	437	48	3,448	3,448	0
11 Professional costs	18	37	19	745	745	0
284 Property costs	318	310	(8)	1,754	1,754	0
10 Other costs	16	13	(3)	82	82	0
(249) Internal capital recoveries	(219)	(249)	(30)	(1,494)	(1,494)	0
<b>2,703 Total everyday expenses</b>	<b>3,008</b>	<b>3,102</b>	<b>94</b>	<b>20,417</b>	<b>20,417</b>	<b>0</b>
<b>(948) Everyday surplus/(deficit)*</b>	<b>(1,129)</b>	<b>(1,702)</b>	<b>573</b>	<b>(12,036)</b>	<b>(12,036)</b>	<b>0</b>
<b>Capital revenue</b>						
115 Capital contributions	164	8	156	50	50	0
<b>115 Total capital revenue</b>	<b>164</b>	<b>8</b>	<b>156</b>	<b>50</b>	<b>50</b>	<b>0</b>
<b>(833) OPERATING SURPLUS/(DEFICIT)</b>	<b>(965)</b>	<b>(1,694)</b>	<b>729</b>	<b>(11,986)</b>	<b>(11,986)</b>	<b>0</b>

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

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

**Rates \$404k favourable.** This is due to an accrual error of \$458K for water by meter revenue in August. This has resulted in additional ongoing checks to minimise over-estimation in the future. The actuals will be in line with budget.

**Capital contributions \$156k favourable.** Contributions towards new water connections exceed budget due to higher than budgeted applications. This revenue will offset capital installation costs.

## WASTEWATER

Wastewater Collection | Wastewater Treatment | Wastewater Disposal  
for the two months ended 31 August 2018

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Everyday revenue</b>						
(4) Rates	0	(7)	7	(41)	(41)	0
868 Fees and user charges	1,320	1,207	113	4,466	4,466	0
0 Subsidies and grants	0	0	0	0	0	0
115 Interest revenue	137	92	45	551	551	0
0 Other revenue	0	0	0	0	0	0
<b>979 Total everyday revenue</b>	<b>1,457</b>	<b>1,292</b>	<b>165</b>	<b>4,976</b>	<b>4,976</b>	<b>0</b>
<b>Everyday expenses</b>						
656 Personnel costs	743	809	66	4,941	4,941	0
1,527 Depreciation and amortisation	1,630	1,630	0	9,778	9,778	0
571 Finance costs	637	675	38	4,581	4,581	0
444 Operating and maintenance costs	848	970	122	6,463	6,463	0
10 Professional costs	68	37	(31)	742	742	0
368 Property costs	349	384	35	2,087	2,087	0
18 Other costs	21	14	(7)	149	149	0
(197) Internal capital recoveries	(188)	(214)	(26)	(1,283)	(1,283)	0
<b>3,397 Total everyday expenses</b>	<b>4,108</b>	<b>4,305</b>	<b>197</b>	<b>27,458</b>	<b>27,458</b>	<b>0</b>
<b>(2,418) Everyday surplus/(deficit)*</b>	<b>(2,651)</b>	<b>(3,013)</b>	<b>362</b>	<b>(22,482)</b>	<b>(22,482)</b>	<b>0</b>
<b>Capital revenue</b>						
147 Capital contributions	249	8	241	50	50	0
<b>147 Total capital revenue</b>	<b>249</b>	<b>8</b>	<b>241</b>	<b>50</b>	<b>50</b>	<b>0</b>
<b>(2,271) OPERATING SURPLUS/(DEFICIT)</b>	<b>(2,402)</b>	<b>(3,005)</b>	<b>603</b>	<b>(22,432)</b>	<b>(22,432)</b>	<b>0</b>

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

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

**Fees and user charges \$113k favourable.** This is largely due to extra external recovery of Shared Services costs associated with additional services provided to Waikato and Waipa Districts.

**Operating and maintenance costs \$122k favourable.** This is predominantly due to the impact of incorrect consequential opex phasing. This will be adjusted through the forecasting process.

**Capital contributions \$241k favourable.** Contributions towards new wastewater connections exceed budget due to higher than budgeted applications. This revenue will offset capital installation costs.

# STORMWATER

Stormwater Network

for the two months ended 31 August 2018

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YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Everyday revenue</b>						
0 Rates	0	0	0	(1)	(1)	0
13 Fees and user charges	16	34	(18)	202	202	0
0 Subsidies and grants	0	0	0	0	0	0
11 Interest revenue	37	25	12	151	151	0
0 Other revenue	0	0	0	0	0	0
<b>24 Total everyday revenue</b>	<b>53</b>	<b>59</b>	<b>(6)</b>	<b>352</b>	<b>352</b>	<b>0</b>
<b>Everyday expenses</b>						
414 Personnel costs	482	494	12	3,047	3,047	0
1,371 Depreciation and amortisation	1,458	1,463	5	8,776	8,776	0
81 Finance costs	174	184	10	1,252	1,252	0
101 Operating and maintenance costs	130	119	(11)	765	765	0
9 Professional costs	17	40	23	294	294	0
78 Property costs	62	65	3	392	392	0
7 Other costs	11	7	(4)	48	48	0
(196) Internal capital recoveries	(151)	(160)	(9)	(961)	(961)	0
<b>1,865 Total everyday expenses</b>	<b>2,183</b>	<b>2,212</b>	<b>29</b>	<b>13,613</b>	<b>13,613</b>	<b>0</b>
<b>(1,841) Everyday surplus/(deficit)*</b>	<b>(2,130)</b>	<b>(2,153)</b>	<b>23</b>	<b>(13,261)</b>	<b>(13,261)</b>	<b>0</b>
<b>Capital revenue</b>						
120 Capital contributions	100	8	92	64	64	0
<b>120 Total capital revenue</b>	<b>100</b>	<b>8</b>	<b>92</b>	<b>64</b>	<b>64</b>	<b>0</b>
<b>(1,721) OPERATING SURPLUS/(DEFICIT)</b>	<b>(2,030)</b>	<b>(2,145)</b>	<b>115</b>	<b>(13,197)</b>	<b>(13,197)</b>	<b>0</b>

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

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

There are no significant variances to explain.

Attachment 2

## TRANSPORT

Transport Network | Transport Centre | Parking Management  
for the two months ended 31 August 2018

YTD 2017/18 \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance Fav/(Unfav) \$000	Annual Budget \$000	Annual Forecast \$000	Annual Variance Fav/(Unfav) \$000
<b>Everyday revenue</b>						
1,243 Rates	(3)	(7)	4	(9)	(9)	0
758 Fees and user charges	923	507	416	3,080	3,080	0
664 Subsidies and grants	1,055	916	139	6,460	6,460	0
237 Interest revenue	159	106	53	638	638	0
441 Other revenue	519	412	107	2,521	2,521	0
604 Plus NZTA capital subsidy on renewals	1,033	517	516	5,084	5,084	0
<b>3,947 Total everyday revenue</b>	<b>3,686</b>	<b>2,451</b>	<b>1,235</b>	<b>17,774</b>	<b>17,774</b>	<b>0</b>
<b>Everyday expenses</b>						
714 Personnel costs	872	1,037	165	6,219	6,219	0
3,053 Depreciation and amortisation	3,096	3,108	12	18,652	18,652	0
1,280 Finance costs	738	781	43	5,306	5,306	0
1,527 Operating and maintenance costs	2,127	1,854	(273)	12,269	12,269	0
46 Professional costs	133	185	52	1,322	1,322	0
447 Property costs	441	419	(22)	2,325	2,325	0
153 Other costs	231	124	(107)	772	772	0
0 Internal capital recoveries	(243)	(281)	(38)	(1,683)	(1,683)	0
<b>7,220 Total everyday expenses</b>	<b>7,395</b>	<b>7,227</b>	<b>(168)</b>	<b>45,182</b>	<b>45,182</b>	<b>0</b>
<b>(3,273) Everyday surplus/(deficit)*</b>	<b>(3,709)</b>	<b>(4,776)</b>	<b>1,067</b>	<b>(27,408)</b>	<b>(27,408)</b>	<b>0</b>
<b>Capital revenue</b>						
69 Capital contributions	384	0	384	3,880	3,880	0
667 NZTA capital subsidy (excluding renewals)	1,458	1,195	263	40,096	40,096	0
(604) Less NZTA capital subsidy on renewals	(1,033)	(517)	(516)	(5,084)	(5,084)	0
<b>132 Total capital revenue</b>	<b>809</b>	<b>678</b>	<b>131</b>	<b>38,892</b>	<b>38,892</b>	<b>0</b>
<b>(3,141) OPERATING SURPLUS/(DEFICIT)</b>	<b>(2,900)</b>	<b>(4,098)</b>	<b>1,198</b>	<b>11,484</b>	<b>11,484</b>	<b>0</b>

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

The comments below explain the variance between year-to-date actual results and year-to-date budgets where they exceed \$100k.
<p><b>Fees and user charges \$416k favourable.</b> This is due to increased parking revenue and external recoveries. Off-street car park revenue is up 26% on budget and 11% up on this time last year. On-street recoveries of costs added to infringements. External recoveries for State Highways maintenance, notices for road closures, etc is higher than budget but this directly relates to expenditure incurred in other costs explained below.</p> <p><b>Subsidies and grants \$139k favourable.</b> This is due to unbudgeted spend on new level crossings programme (see operating and maintenance costs) which receives NZTA subsidy.</p> <p><b>Other revenue \$107k favourable.</b> Parking infringement notices and traffic infringement notices revenue were up for both July and August.</p> <p><b>NZTA capital subsidy on renewals \$516k favourable.</b> This is due to receiving unbudgeted subsidy on footpath renewals (this programme previously did not receive subsidy and no subsidy was budgeted); and the LED renewal programme 85% subsidy rate has been extended into 2018/19. This will be adjusted through the forecasting process.</p> <p><b>Personnel costs \$165k favourable.</b> This is due to vacancies, particularly in City Transportation Unit, due mainly to a number of new roles approved for 2018/19 not yet appointed, as well as existing vacant roles. Until recruitment, unfilled positions will contribute to the vacancy savings allocation.</p> <p><b>Operating and maintenance costs \$273k unfavourable.</b> This is largely due to unbudgeted new level crossings programme, which attracts 51% NZTA subsidy (see subsidies and grants).</p> <p><b>Other costs \$107k unfavourable.</b> This is mainly due to recoverable expenses (notices for road closures, etc) which is offset by fees and charges revenue.</p> <p><b>Capital contributions \$384k favourable.</b> This is due to the 43.4% State Highways contribution from NZTA for the Ring Road/Cobham Drive interchange being budgeted to be received May-19 but it is being accrued based on actual costs for the project. This will be adjusted through the forecasting process.</p> <p><b>NZTA capital subsidy (excluding renewals) \$253k unfavourable.</b> This is due to minimal spend on NZTA subsidised components of Peacocks Stage 2 and Transport Centre Rejuvenation projects.</p>

## RUBBISH AND RECYCLING

Refuse Collection | Waste Minimisation | Landfill Site Management  
for the two months ended 31 August 2018

YTD 2017/18 \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance Fav/(Unfav) \$000	Annual Budget \$000	Annual Forecast \$000	Annual Variance Fav/(Unfav) \$000
<b>Everyday revenue</b>						
0 Rates	0	0	0	0	0	0
(19) Fees and user charges	(9)	(11)	2	(64)	(64)	0
150 Subsidies and grants	156	142	14	566	566	0
4 Interest revenue	3	2	1	12	12	0
99 Other revenue	103	111	(8)	445	445	0
<b>234 Total everyday revenue</b>	<b>253</b>	<b>244</b>	<b>9</b>	<b>959</b>	<b>959</b>	<b>0</b>
<b>Everyday expenses</b>						
215 Personnel costs	264	252	(12)	1,595	1,595	0
56 Depreciation and amortisation	90	73	(17)	436	436	0
21 Finance costs	14	15	1	1,267	1,267	0
789 Operating and maintenance costs	858	841	(17)	5,317	5,317	0
24 Professional costs	15	29	14	247	247	0
8 Property costs	41	11	(30)	68	68	0
24 Other costs	2	2	0	(1,486)	(1,486)	0
(38) Internal capital recoveries	(17)	(18)	(1)	(108)	(108)	0
<b>1,099 Total everyday expenses</b>	<b>1,267</b>	<b>1,205</b>	<b>(62)</b>	<b>7,336</b>	<b>7,336</b>	<b>0</b>
<b>(865) Everyday surplus/(deficit)*</b>	<b>(1,014)</b>	<b>(961)</b>	<b>(53)</b>	<b>(6,377)</b>	<b>(6,377)</b>	<b>0</b>
<b>(865) OPERATING SURPLUS/(DEFICIT)</b>	<b>(1,014)</b>	<b>(961)</b>	<b>(53)</b>	<b>(6,377)</b>	<b>(6,377)</b>	<b>0</b>

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

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

There are no significant variances to explain.

## OVERHEADS

CE's Office | Corporate | Strategy and Communications | Strategic Property  
for the two months ended 31 August 2018

Item 14

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Everyday revenue</b>						
(54) Rates	(57)	(63)	6	(265)	(265)	0
178 Fees and user charges	140	162	(22)	969	969	0
0 Subsidies and grants	0	0	0	0	0	0
0 Interest revenue	0	0	0	0	0	0
396 Other revenue	466	375	91	2,247	2,247	0
<b>520 Total everyday revenue</b>	<b>549</b>	<b>474</b>	<b>75</b>	<b>2,951</b>	<b>2,951</b>	<b>0</b>
<b>Everyday expenses</b>						
2,927 Personnel costs	3,211	3,090	(121)	18,551	18,551	0
952 Depreciation and amortisation	1,003	1,056	53	6,337	6,337	0
9 Finance costs	10	12	2	70	70	0
99 Operating and maintenance costs	93	154	61	928	928	0
199 Professional costs	151	311	160	5,261	5,261	0
155 Property costs	154	163	9	979	979	0
1,610 Other costs	1,446	1,507	61	8,889	8,889	0
(60) Internal capital recoveries	(61)	(57)	4	(343)	(343)	0
<b>5,891 Total everyday expenses</b>	<b>6,007</b>	<b>6,236</b>	<b>229</b>	<b>40,672</b>	<b>40,672</b>	<b>0</b>
<b>(5,371) Everyday surplus/(deficit)*</b>	<b>(5,458)</b>	<b>(5,762)</b>	<b>304</b>	<b>(37,721)</b>	<b>(37,721)</b>	<b>0</b>
<b>(5,371) OPERATING SURPLUS/(DEFICIT)</b>	<b>(5,458)</b>	<b>(5,762)</b>	<b>304</b>	<b>(37,721)</b>	<b>(37,721)</b>	<b>0</b>

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

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

**Personnel costs are \$121k unfavourable.** This variance includes accrued leave, training and development and recruitment costs. Leave accrual balances will continue until December when accumulated leave will be taken.

**Professional costs are \$160k favourable.** This is due to professional costs occurring later than budget. This will be adjusted through the forecasting process.

Attachment 2

**GENERAL**  
for the two months ended 31 August 2018

YTD 2017/18	YTD Actual	YTD Budget	YTD Variance Fav/(Unfav)	Annual Budget	Annual Forecast	Annual Variance Fav/(Unfav)
\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Everyday revenue</b>						
34,844	24,326	24,201	125	171,423	171,993	570
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	4,337	4,337	0
1,275	1,022	1,022	0	6,131	6,131	0
0	0	0	0	(4,233)	(4,233)	0
<b>36,119</b>	<b>25,348</b>	<b>25,223</b>	<b>125</b>	<b>177,658</b>	<b>178,228</b>	<b>570</b>
<b>Everyday expenses</b>						
0	0	0	0	0	0	0
0	0	0	0	0	(257)	257
(132)	(57)	0	57	197	168	29
131	0	132	132	526	526	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	(667)	(667)	(4,000)	(4,000)	0
0	0	0	0	(197)	(197)	0
<b>(1)</b>	<b>(57)</b>	<b>(535)</b>	<b>(478)</b>	<b>(3,474)</b>	<b>(3,760)</b>	<b>286</b>
<b>36,120</b>	<b>25,405</b>	<b>25,758</b>	<b>(353)</b>	<b>181,132</b>	<b>181,988</b>	<b>(856)</b>
<b>Capital revenue</b>						
4,978	3,496	2,920	576	17,518	17,518	0
(1,275)	(1,022)	(1,022)	0	(6,131)	(6,131)	0
3,585	1,895	5,001	(3,106)	30,000	30,000	0
<b>7,288</b>	<b>4,369</b>	<b>6,899</b>	<b>(2,530)</b>	<b>41,387</b>	<b>41,387</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,036</b>	<b>4,036</b>	<b>0</b>
<b>43,408</b>	<b>29,774</b>	<b>32,657</b>	<b>(2,883)</b>	<b>226,555</b>	<b>227,411</b>	<b>(856)</b>

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

**GENERAL**  
**for the two months ended 31 August 2018**

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

**Rates revenue is \$125k favourable.** This is due to achieving higher than expected growth, as detailed in the Financial Strategy Monitoring Report. Rates are expected to be \$0.57M favourable at year end as shown in the annual forecast.

**Operating and maintenance costs are \$132k favourable.** This expense is for the Waikato District boundary change payment, which is paid quarterly. This budget will be adjusted through the forecasting process.

**Other costs are \$667k unfavourable.** This budget is for the efficiency savings. These savings will be reported in the Chief Executive Savings Report in December 2018.

**Development contributions are \$576k favourable.** Council have experienced high growth activity in the first two months of the year, which has meant higher than expected DC revenue.

**Vested assets are \$3,106k unfavourable.** The annual budget for vested assets is \$30M and the budget phasing assumes an even amount of revenue each month. In practice, vested assets revenue is unpredictable in its timing. At this stage of the year it is too early to form a view over whether the level of vested assets revenue will be realised.

**Item 14**

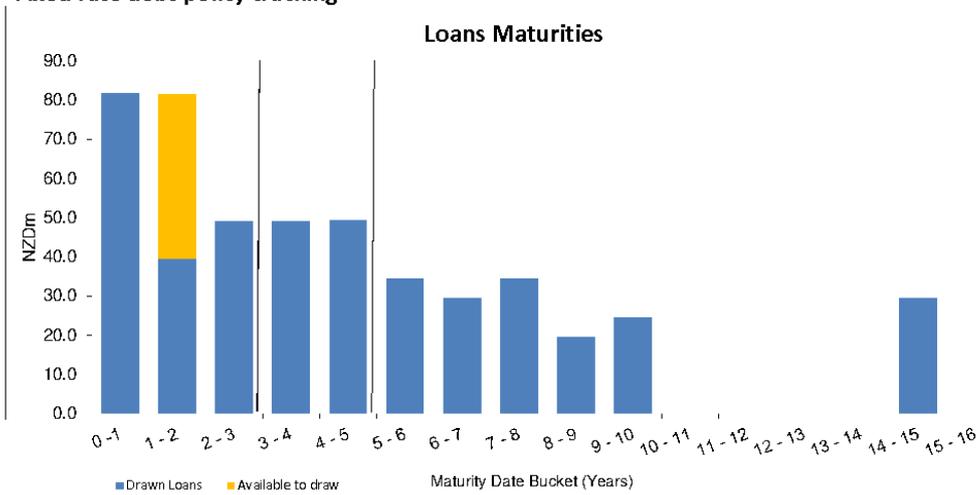
**Attachment 2**

**TREASURY REPORT**  
for the second month ended 31 August 2018

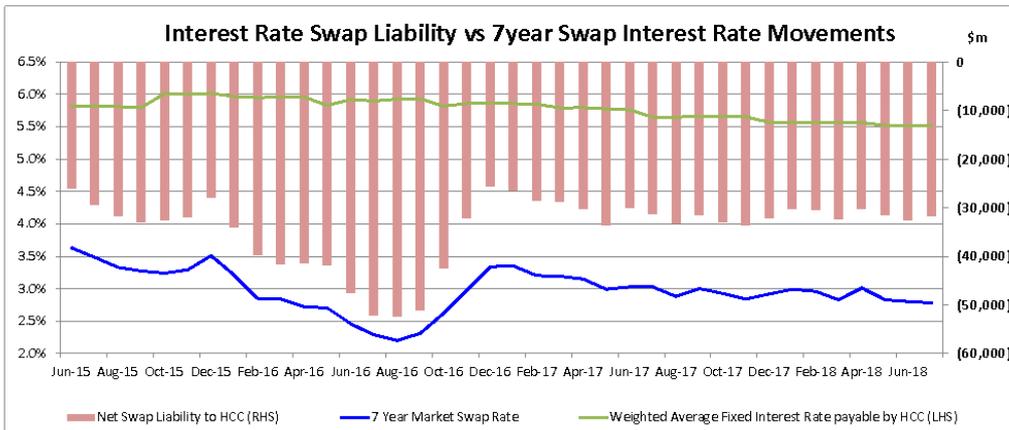
Policy Compliance	Policy	Result @ 31-Aug-18	Policy Compliance
Fixed rate debt maturity	all years	within annual parameters	achieved for all years ✓
Funding maturity	0 - 3 years	15% - 60%	35% ✓
	3 - 5 years	15% - 60%	24% ✓
	5 years plus	10% - 60%	41% ✓
Liquidity ratio	minimum	110%	122% ✓
Counterparty credit risk	maximum	\$75m per bank	achieved ✓

*Comments on policy breaches*  
There are no breaches of policy.

**Fixed rate debt policy tracking**



Debt and Cash Investments (\$'000's)	Result @ 31-Aug-18	Budget @ 30-Jun-19	Variance Fav. / (Unfav.)
External debt	449,351	510,494	61,143
less Cash investments	(114,140)	(55,000)	59,140
<b>Net debt</b>	<b>335,211</b>	<b>455,494</b>	<b>120,283</b>
Gross cost of funds (12 month rolling average)	4.81%	4.31%	-0.50%



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



- The significant Transport design package has been awarded to BBO
  - The significant waste water design package is about to be awarded
  - A pro-active property purchase programme has been initiated using our strategic property unit supported by The Property Group
8. Consistent with our biggest ever capital portfolio, there is a significant increase in the budgeted capital revenue. This carries risk around our ability to meet budget and therefore on delivery.
9. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

## Background

10. Committee were advised at the meeting of 28 August 2018 of the development of a new reporting framework that support changes to the delivery and optimisation of the **capital portfolio**.
11. This new framework is based around portfolio management which is regarded as industry best practice. The following definitions are relevant moving forward.
- Portfolio; refers to the HCC total capital budget \$255M (including approved deferrals of \$32.0M) in Year 1/2018-19 and \$772M over 3 years (2018-21).
  - Programme; refers to the 8 programmes that are referred to in this report, which when added together equal the Portfolio.
  - Project; refers to an individual identified project under a particular programme which may have funding from multiple activities and across multiple years
12. The following 8 programmes have been established and together make up the portfolio (refer also to Attachment 1).

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

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

13. Committee is used to seeing a capital programme report by activity and groups of activity (Arts and Community, Water supply, Transport etc) and this report will still be provided (Attachment 2).
14. Some of the projects that Council delivers are funded from multiple activities, and financial reporting against each activity level doesn't provide a clear view to Committee on the status of the project.
15. An example of this is the current *Rototuna Sports Park and Park Lane* project. Rather than deliver this as separate projects, we are delivering it as one project which is funded from the Community Parks and Transport activities. This project is a key part of developing an attractive and sustainable community in Rototuna and the project will be reported under the Rototuna programme alongside other projects in this area.
16. The portfolio reporting framework has the benefit of:
  - Providing fuller information, including risks, on what projects are being undertaken, where they are located and the interrelationships between the various projects
  - Enables more targeted and useful communication and engagement with the community regarding Council's work programme
  - Providing the ability to track the scope, time, cost and quality performance of programmes and projects, rather than rely on disaggregated financial performance information by activity.
17. As previously advised the new Development Group has been assigned the accountability for delivery of the entire capital portfolio and this combined with the new portfolio reporting framework has the benefit of:
  - Aligning the organisation to deliver its largest ever capital portfolio.
  - Identifying and pursuing efficiency opportunities (such as combining the Rototuna Sports Park and Park Lane into one contract under one project manager)
  - Implementing improved discipline around provision of quality and consistent forecast information on both project expenditure and revenue achievement against budget
  - Using this quality forecasting information to inform the Financial Strategy
  - Responding to changes required in the capital portfolio as a response to the requirements of the Financial Strategy
  - Creating a centre of capital delivery excellence to assist all parts of Council
  - Greater ability to analyse market risks, trends and assumption monitoring through centralised supply chain (consultants and contractors) engagement
  - Creating an opportunity to work across the entire portfolio to identify enhanced delivery models to generate efficiencies.
18. This cross-organisational programme approach to managing the portfolio is being well received by staff and the benefits of the discussions are already assisting in providing good outcomes.

## Portfolio Report

19. This report will address the following matters:

- Delivery of portfolio in accordance with 10-Year Plan programme with a three-year focus
- Work in Progress (WIP) updates for new assets constructed by and vested in Council
- Emerging issues that will affect delivery of the portfolio
- Insights on market trends and portfolio assumptions
- Efficiencies of delivery resulting in innovation and savings

### Delivery

20. A portfolio summary report is attached with two of the underlying programme summary reports (Attachment 3). For this first report we have provided a one-page programme summary report for Rototuna and the Renewals and Compliance Programmes only.
21. These programme reports are under development and will be refined and expanded to all programmes for the next report to Committee.
22. Spend profile year to date against budget (forecasts will be provided from next report) for the current year follows:

2018-19 Capital Expenditure - month by month													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Budget	\$4.2 M	\$6.5 M	\$15.9 M	\$14.6 M	\$19.3 M	\$24.1 M	\$21.4 M	\$20.9 M	\$27.1 M	\$21.1 M	\$28.4 M	\$51.1 M	\$254.8 M
Actuals	\$4.2 M	\$6.6 M											\$10.8 M

23. Spend profile against budget for last financial year:

2017-18 Capital Expenditure - month by month													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Budget	\$3.4 M	\$5.8 M	\$7.3 M	\$7.7 M	\$7.1 M	\$8.1 M	\$8.7 M	\$10.1 M	\$13.9 M	\$16.2 M	\$19.0 M	\$25.7 M	\$132.9 M
Actuals	\$2.6 M	\$6.7 M	\$5.5 M	\$5.9 M	\$6.4 M	\$10.4 M	\$4.7 M	\$9.9 M	\$8.0 M	\$8.3 M	\$11.9 M	\$21.8 M	\$102.2 M

24. The capital portfolio actual spend is consistent with budgeted spend for the two months ended 31 August 2018.

25. Highlights for the portfolio in the first three months include awarding contracts for the following key projects:

- Waste Water Treatment Plant upgrade (\$28M) – contract awarded with works to commence in October 2018 and completion expected by mid-2020.
- Thomas/Gordonton Road Intersection Upgrade (\$2.5M)- construction is underway and is being delivered by the Infrastructure Alliance with works to be complete by early 2019.
- Ruakura Bulk Water Pipe Installation (\$4M)- construction underway and works to be completed in early 2019.
- Peacocke Transport design stage 1 (\$4.8M)- contract awarded
- Three Waters reticulation renewals and minor improvements (\$13M per annum) – three-year contract awarded and works underway.

26. Other key projects currently in the tender phase and due to be awarded in October 2018 include:

- Rototuna Sports Park and Park Lane – combined community and transport project (\$6.8M)
- Wairere/Cobham Bridge interchange (\$36M)
- Western Wastewater Interceptor Capacity Upgrade (\$22M)
- Peacocke Wastewater Design stage one (\$3.8M)

27. The reason there is a high budget set for the last month of the financial year June 2019 is the difficulty of predicting the spend rate for growth works where Council is not in control of the timetable but is likely to be required at some stage during the course of the financial year to make a financial contribution. Future reports to Committee will look to provide more information on these works that are not in our control.

#### *Renewals and Compliance Delivery*

28. The three-year programme of expenditure for the Renewals and Compliance programme has been forecasted at \$79M, \$65M and \$65M for the next three years (including any deferrals from 2017/18). The programme was developed through improved asset management planning and was regarded through the 10-Year Plan as the investment required to look after Council's current assets to be fit for purpose.

29. The lift in investment in existing assets in this 10-Year Plan is significant. The total expenditure in 2017/18 was \$46M and the forecast for 2018/19 is \$79M.

30. The proportional spend in Community has increased in 2018/19. Attachment 3 shows the increase in renewal and compliance funding for community type assets has increased from approx. \$5M to over \$13M. This is allowing for increased investment in looking after assets in Hamilton parks, gardens and other major community assets.

31. Taking a portfolio approach with the level of investment in existing assets (the Renewal and Compliance Programme), allows for reprioritising of renewals if assumptions change or unforeseen events occur.

32. To ensure the increased investment is being spent on the highest priorities and delivering best value to the community, staff have spent the first part of this financial year:

- confirming the relative priorities across each part of the renewals and compliance programme
- procuring contractor services for major renewal projects and programmes
- commencing delivery of many renewal projects and programmes
- evaluating potential changes that may have come about from changes in circumstances or unforeseen events since the original programmes were planned in the previous year.

33. If there is a need for Council decisions on changes to timing or scope of projects in this programme, information will be provided to Committee through future Capital Portfolio Monitoring Reports.

34. As at the end of August 2018, the programme is ahead of forecast expenditure. While there are some emerging issues being monitored (refer to emerging issues section of report), the programme as a whole remains on track.

### Capital Revenue

35. This report provides a much stronger focus on forecasting capital revenue given the increased importance of revenue to the financial strategy. Capital revenue includes any capital contributions to projects including NZTA subsidy and grant monies to support several community projects. The revenue tables below do not include revenue from Development Contributions or Vested Assets.

36. Capital revenue profile year to date against budget for the current year follows;

2018-19 Revenue - month by month													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Budget	\$0.5 M	\$0.7 M	\$1.1 M	\$2.5 M	\$2.2 M	\$2.8 M	\$2.6 M	\$2.9 M	\$1.6 M	\$3.6 M	\$18.6 M	\$5.8 M	\$44.8 M
Actuals	\$1.2 M	\$1.2 M											\$2.4 M

37. Revenue profile against budget for last financial year;

2017-18 Revenue - month by month													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Budget	\$0.4 M	\$0.5 M	\$0.5 M	\$0.6 M	\$0.4 M	\$0.3 M	\$1.5 M	\$0.7 M	\$0.7 M	\$0.4 M	\$0.3 M	\$0.4 M	\$6.9 M
Actuals	\$0.3 M	\$0.9 M	\$0.8 M	\$1.0 M	\$0.7 M	\$0.9 M	\$0.3 M	\$2.5 M	\$1.8 M	\$2.1 M	\$2.1 M	\$3.6 M	\$17.1 M

38. The year to date actual revenue to the end of August 2018 is favourable by \$1.2M.

### Work in Progress (WIP)

39. At the end of August 2018, the Work in Progress balance from Council capital projects was \$107.5M. An additional \$23.8M of WIP was for new assets that have been vested by Council and are being processed for capitalisation. The size of the Work in Progress (WIP) balance is likely to increase as the size of the capital expenditure programme increases. The timely capitalisation of new assets is important, otherwise depreciation is potentially understated which results in the balancing the books and accounting surplus being overstated (i.e. more favourable than it should be).
40. All new assets need to be capitalised whether they have been constructed by Council as part of a capital programme or vested with Council by a third party (generally developers). Our policy is that assets should be capitalised within 90 days of being in service.
41. Before capitalisation is completed the necessary asset data, plans and information is captured in the relevant asset management information system and used for ongoing management of the assets. This can create a delay to financial capitalisation of assets. Staff continue to look for improvements to speed up this process.
42. The timing of the recognition of vested assets relies on being aware of when the s224c (clearance for Title) is issued. Like DC revenue, vested revenue is not consistent month to month. Elevated levels of development activity do result in more assets being vested but timing is not easy to predict. \$1.895M of vested assets was received for the first two months of the financial year. The 10-Year Plan has forecasted \$30M of vested assets in 2018/19. This assumption will continue to be monitored throughout the year. At this stage of the year it is too early to form a view whether this level of vested assets will be realised.
43. Attachment 4 includes a summary of WIP by status. As of the end of August there was \$28.7M of WIP that is not classified as current WIP. WIP that has been classified as "outstanding" or "being processed" is the value of new assets that are likely to have been constructed but have not yet been capitalised. There has not been capitalisation of water and wastewater assets since July 2018 as staff focus has been on undertaking a revaluation of these assets. Capitalisation of these assets will resume within the next month.

44. Asset capitalisation status remains a focus for Council management and is also being evaluated by PwC as part of the Internal Audit programme.

### ***Emerging Issues***

45. There are a number of emerging issues related to the capital portfolio that the organisation is currently working through to understand the implications and actions required to address. The following emerging issues have been identified to date:
- The Seddon Park Lights renewal project is being reviewed in relation to scope and the challenges of delivery timeframes. Further information will be provided as it becomes available.
  - Options for addressing the Kirikirikoa Slip which has closed the river path are being assessed. There was no funding for remediation of slips allowed for in the 2018-28 10-Year Plan.
  - A number of seismic assessments are currently being undertaken on selected Council buildings. This is giving effect to Councils Policy on Seismic Performance of Council buildings. While there have yet to be any new seismic works required at this stage, this is possible over the coming months as assessments are completed.
46. These emerging issues could impact on the financial strategy but as they are still emerging there is insufficient certainty to present prudent adjustment to the financial strategy forecast.

### ***Insights***

47. A number of key forecasting assumptions were included in the 2018-28 10-Year Plan (pages 72-81). A number of assumptions which have an impact on the ability to deliver the capital portfolio such as growth-related revenue, interest rates and inflation will be monitored by the Corporate Group as part of the Financial Strategy Report.
48. It is proposed that this report provides some insights and commentary around key forecasting assumptions that more directly relate to the capital portfolio delivery which include:
- Availability of resource- internal and external
  - Legislative/policy change
  - Inflation – as it relates to the capital portfolio
  - Third party capital funding - NZTA subsidy, grant monies, etc
  - Asset sales - sale of surplus land purchased for capital projects

### ***Availability of Resource***

49. The industry briefing (Hamilton City Council, Waikato District Council, Waipa District Council and NZTA) in June 2018 has provided the industry with confidence in the forward programmes and the opportunity to invest in Hamilton. Quarterly updates will be sent out to consultants and contractors with a view of what will be coming over the next three years.
50. A meeting with Civil Contractors New Zealand on 19 September 2019 provided a good opportunity to discuss resourcing issues. This session confirmed that the industry was busy and that good communication on programmes and tendering intent was important.
51. The biggest risk for contractors is the lack of skilled labour in the market. In order to address this issue contractors need a better view of what is coming over the next three-five years so that they can plan and see that there is continuity of work which will allow them to invest in training staff.
52. We are working on ways to better streamline our procurement processes with suppliers while ensuring that a level playing field is maintained.

*Legislative/Policy/Standard Changes outside HCC Control*

53. Increased seismic standards are placing additional design requirements on projects which is leading to additional cost over that budgeted.

*Capital Inflation*

54. Work is under way to monitor impacts of inflation through the forecasting data by BERL for the local government sector and our own engagement with the supply chain.
55. There is evidence that land prices are continuing to increase and may impact on our ability to acquire the land requirements of the portfolio within the budgets set. This is being seen across the programmes of Peacocke, Rototuna and Rotokauri.

*Third Party Capital funding*

56. There is a significant increase in third party funding required to support the 2018-28 capital portfolio.
57. Of the total revenue budgeted of \$44.8M, \$40.1M is budgeted as NZTA funding assistance subsidy. There is a high risk at this stage that not all subsidy budgeted will be received and further work analysis of this risk will be provided in the next report to Committee.
58. Opportunities to collaborate with developers and other organisations is a focus for realising any funding opportunities for the city.

*Asset Sales*

59. There is a large land procurement process underway for Peacocke. At times it will be necessary to purchase entire properties to obtain the land needed for infrastructure and it is important that any net land sale proceeds are accounted for in capital budgets.
60. Discussions are ongoing in relation to the potential sale of land area Q in Rototuna. This is surplus land purchased through the capital programme for transport.

*Efficiency*

61. Council requested the Chief Executive to report to the Finance Committee with an update on progress on savings by December 2018. A six monthly Chief Executive Savings Report will be provided that incorporates any savings from the capital portfolio delivery.
62. Further reports will provide commentary on innovation that is being applied to the capital portfolio delivery.

**Changes required to Capital Portfolio to Remain within Financial Strategy**

63. No Changes are required at this stage to the Capital Portfolio to remain within the Financial Strategy.

**64. Legal and Policy Considerations**

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

**Cultural Considerations**

66. There are no known cultural considerations related to this report noting that these are considered at a programme/project level

## **Significance & Engagement Policy**

### **Significance**

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

### **Engagement**

68. Staff recommend that no engagement on this matter is required. Matters in this report will be subject to approved delegations or decision-making processes (and as such will include assessment of significance and engagement considerations as required).

## **Attachments**

Attachment 1 - Programme Costs

Attachment 2 - Capital Expenditure by Activity August 2018

Attachment 3 - Capital Portfolio Report .



PROGRAMME	Peacocke	Rototuna	Rotokauri	Ruakura	City wide Waters	Transport Improvement	City Wide Community
<b>Renewals and Compliance</b> Looking after the assets we have and making sure they are fit for purpose	Enabling the development of an attractive and sustainable community in the Peacocke growth area	Enabling the development of an attractive and sustainable community in the Rototuna growth area	Enabling the development of an attractive and sustainable community in the Rotokauri growth area	Enabling the development of an attractive and sustainable community in the Ruakura growth area	Ensuring the provision of essential water services that allow for future growth and compliance	Delivering a balanced transport system through; - enabling growth, - improving safety, and - improving transport choice	Improving the vibrancy of our social and creative spaces
<b>ROUNDED BUDGET YR 1-3</b> \$209m    \$79m \$65m \$65m	\$177m    \$38m \$73m \$66m	\$69m     \$25m \$25m \$19m	\$31m     \$12m \$10m \$9m	\$38m     \$16m \$14m \$8m	\$104m    \$34m \$42m \$28m	\$124m    \$39m \$56m \$29m	\$20m     \$12m \$3m \$5m
Capital Budget – 10-Year Plan (Years 1-3) = \$772m (gross, inflated including \$32m deferrals from 17/18) Year 1 = \$255m							



**CAPITAL EXPENDITURE**  
for the two months ended 31 August 2018

	Type	YTD Expenditure			Annual Budget			Capital Revenue	
		Actual	Total YTD Budget	Variance	2018/19 Approved Budget	2017/18 Deferrals	Total Capital Budget	Actual	Annual Capital Revenue Budget
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>ARTS AND COMMUNITY</b>									
<b>Libraries</b>									
CE10005 - Library collection purchases	R	160	177	17	1,135		1,135		0
CE10006 - Library asset renewal	R	95	92	(3)	121		121		0
CE10007 - Library building asset renewal programme	R		0	0	343		343		0
CE19015 - Libraries Facilitation Plan	LOS	4	10	6	80		80		0
<b>Total libraries</b>		<b>258</b>	<b>279</b>	<b>20</b>	<b>1,679</b>	<b>0</b>	<b>1,679</b>	<b>0</b>	<b>0</b>
<b>Theatres</b>									
CE10013 - Technical services equipment renewals	R		0	0	386		386		0
<b>Total Theatres</b>		<b>0</b>	<b>0</b>	<b>(0)</b>	<b>386</b>	<b>0</b>	<b>386</b>	<b>0</b>	<b>0</b>
<b>Community Development</b>									
CE19070 - Community Facilities Building Renewals	R	1	0	(1)	49		49		0
<b>Total Community Development</b>		<b>1</b>	<b>0</b>	<b>(1)</b>	<b>49</b>	<b>0</b>	<b>49</b>	<b>0</b>	<b>0</b>
<b>TOTAL ARTS AND COMMUNITY</b>		<b>259</b>	<b>279</b>	<b>20</b>	<b>2,114</b>	<b>0</b>	<b>2,114</b>	<b>0</b>	<b>0</b>
<b>VENUES, TOURISM AND MAJOR EVENTS</b>									
CE10041 - Claudelands plant and equipment	R	89	0	(89)	214	200	414		0
CE10042 - Seddon Park plant and equipment	R		0	0	2	52	54		0
CE10043 - Waikato Stadium plant and equipment	R	(0)	0	0	330		330		0
CE10044 - Turf services plant and equipment	R	16	0	(16)	52		52		0
CE10046 - Seddon Park property renewals	R		0	0	60	160	220		0
CE10047 - Waikato Stadium property renewals	R	39	0	(39)	33		33		0
CE10048 - Stadia building renewals	R	83	0	(83)	3,070		3,070		(100)
CE10049 - Claudelands building renewals	R	20	0	(20)	413		413		0
CE15050 - Claudelands capital improvement programme	LOS		0	0	100		100		0
CE15051 - Stadia capital improvement function	LOS		0	0	970		970		0
<b>TOTAL VENUES, TOURISM AND MAJOR EVENTS</b>		<b>247</b>	<b>0</b>	<b>(247)</b>	<b>5,244</b>	<b>412</b>	<b>5,656</b>	<b>0</b>	<b>(100)</b>
<b>PARKS AND RECREATION</b>									
<b>Pools</b>									
CE10001 - Aquatic facilities building renewals	R	781	820	39	442	3,911	4,353		0
CE10003 - Waterworld operational asset renewals	R	104	157	53	734		734		0
CE10004 - Gallagher Aquatic Centre operational asset renewal	R	11	37	26	185		185		0
<b>Total Pools</b>		<b>896</b>	<b>1,014</b>	<b>118</b>	<b>1,361</b>	<b>3,911</b>	<b>5,272</b>	<b>0</b>	<b>0</b>
<b>Cemeteries and Crematorium</b>									
CE10021 - Building renewals cemeteries	R	104	0	(104)	1,679	318	1,997		0
CE10022 - Renewal of crematorium assets	R		0	0	21	24	45		0
CE10023 - Hamilton Park east and west cemeteries renewals	R		0	0	53		53		0
CE19001 - Hamilton Park Cemetery Accessible Toilet Block	LOS	(5)	0	5	427	28	455		0
CE15024 - Hamilton Park cemetery, burial and ash lawn extension	G		0	0	75		75		0
<b>Total Cemeteries and Crematorium</b>		<b>99</b>	<b>0</b>	<b>(99)</b>	<b>2,255</b>	<b>370</b>	<b>2,625</b>	<b>0</b>	<b>0</b>
<b>Community Parks</b>									
CE10029 - Toilet and changing room renewals	R		0	0	104		104		0
CE10030 - Building renewals parks and open spaces	R	0	0	(0)	83		83		0
CE10032 - Parks and open spaces assets and playgrounds renewals (R)	R	10	0	(10)	1,349		1,349	(3)	0
CE19004 - Destination Parks Renewals	R		0	0	977		977		0
CE15036 - Playground development programme	LOS	0	0	0	900		900		(300)
CE16001 - Victoria On The River Development	LOS	0	0	0			0		0
CE17004 - River Plan	LOS	27	0	(27)	7,000	962	7,962		0
CE19012 - Day's Park Erosion Remediation	LOS	3	3	0	242		242		0
CE19013 - Pooches and Parks	LOS	0	0	0	177		177		0
CE19014 - Waiwhakareke Natural Heritage Park Development	LOS		0	0	710		710		0
CE19022 - Alternative Weed Control	LOS		0	0	20		20		0
CE15033 - Land Purchase future Reserves	G		0	0		541	541		0
CE19007 - Peacocke Parks Development	G		0	0	2,250		2,250		0
CE19009 - Rotoruna Parks Development	G		0	0	1,094		1,094		0
<b>Total Community Parks</b>		<b>40</b>	<b>3</b>	<b>(37)</b>	<b>14,905</b>	<b>1,503</b>	<b>16,408</b>	<b>(3)</b>	<b>(300)</b>
<b>Sports Parks</b>									
CE10031 - Sports area renewals	R		0	0	473		473		0
CE19003 - Parks Toilets Development/Upgrade	LOS	3	0	(3)	1,052		1,052		0
CE15035 - Rotoruna Park Development	G	3	1	(2)	3,862	69	3,931		0
<b>Total Sports Parks</b>		<b>6</b>	<b>1</b>	<b>(5)</b>	<b>5,387</b>	<b>69</b>	<b>5,456</b>	<b>0</b>	<b>0</b>
<b>TOTAL PARKS AND RECREATION</b>		<b>1,041</b>	<b>1,018</b>	<b>(23)</b>	<b>23,909</b>	<b>5,853</b>	<b>29,762</b>	<b>(3)</b>	<b>(300)</b>
<b>VISITOR ATTRACTIONS</b>									
<b>Hamilton Gardens</b>									
CE10026 - Hamilton Gardens renewals	R	0	120	120	210	15	225		0
CE10028 - Hamilton Gardens building renewals	R	42	37	(5)	50		50		0
CE19023 - Hamilton Gardens Development	LOS	56	110	54	1,900	486	2,386		(300)
<b>Total Hamilton Gardens</b>		<b>98</b>	<b>267</b>	<b>169</b>	<b>2,160</b>	<b>501</b>	<b>2,661</b>	<b>0</b>	<b>(300)</b>
<b>Hamilton Zoo</b>									

CE10015 - Zoo animal enclosure renewals	R	21	0	(21)	388		388		0
CE10016 - Zoo building renewals	R		0	0	33		33		0
CE10017 - Property renewals	R	0	0	(0)	49		49		0
CE10020 - Zoo animal replacement	R	0	0	(0)	60		60		0
CE19021 - Water and Stormwater Reticulation	R	0	0	(0)	845		845		0
CE19019 - Zoo Safety Improvements	LOS	4	0	(4)	1,710	57	1,767		0
CE19020 - Hamilton Zoo Improvement programme	LOS		0	0	75		75		0
CE19030 - Zoo and Waiwhakareke Entrance Precinct	LOS		0	0	250		250		0
<b>Total Hamilton Zoo</b>		<b>26</b>	<b>0</b>	<b>(26)</b>	<b>3,409</b>	<b>57</b>	<b>3,466</b>	<b>0</b>	<b>0</b>
<b>Waikato Museum</b>									
CE10008 - Museum asset renewal	R	0	0	(0)	110		110		0
CE19028 Collection Acquisition Fund	R	10	10	0	50		50		0
CE10010 - Public art support fund	R	12	10	(2)	30	58	88		0
CE10011 - Museum activity building renewals	R	10	30	20	589	41	630		0
CE10009 - ArtsPost earthquake strengthening	LOS		0	0	800		800		0
<b>Total Waikato Museum</b>		<b>32</b>	<b>50</b>	<b>18</b>	<b>1,579</b>	<b>99</b>	<b>1,678</b>	<b>0</b>	<b>0</b>
<b>TOTAL VISITOR ATTRACTIONS</b>		<b>156</b>	<b>317</b>	<b>161</b>	<b>7,148</b>	<b>657</b>	<b>7,805</b>	<b>0</b>	<b>(300)</b>
<b>SAFETY</b>									
CE10037 - CCTV renewals	R		0	0	50		50		0
<b>TOTAL SAFETY</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>	<b>0</b>	<b>50</b>	<b>0</b>	<b>0</b>
<b>RUBBISH AND RECYCLING</b>									
CE10054 - Replacement of closed landfill assets	R	5	0	(5)	519		519		0
CE10056 - Replacement of RTS & HOC assets	R	2	0	(2)	342		342		0
CE15055 - Closed landfill management	LOS	1	0	(1)	90		90		0
<b>TOTAL RUBBISH AND RECYCLING</b>		<b>8</b>	<b>0</b>	<b>(8)</b>	<b>951</b>	<b>0</b>	<b>951</b>	<b>0</b>	<b>0</b>
<b>STORMWATER</b>									
CE10058 - Replacement of stormwater assets	R	7	0	(7)	516	397	913		0
CE15067 - Comprehensive stormwater consent implementation	LOS		0	0	30		30		0
CE19026 - Erosion Control Works	LOS	9	5	(4)	1,306		1,306		(14)
CE15059 - Rototuna stormwater infrastructure	G	3	5	2	4,532		4,532		0
CE15060 - Rotokauri stormwater infrastructure stage 1	G	100	75	(25)	900	1,275	2,175		0
CE15062 - Peacocke stormwater infrastructure stage 1	G		2	2	998		998		0
CE15063 - Peacocke stormwater infrastructure stage 2	G		0	0	2,334		2,334		0
CE15064 - Stormwater pipe upgrade - growth	G		0	0	150		150		0
CE15066 - Existing network improvements in new areas	G	16	5	(11)	105		105	(31)	0
CE15068 - Stormwater customer connections to the network	G	21	8	(13)	50		50	(69)	(50)
CE15162 - Integrated catchment management plan	G	130	134	4	920	558	1,478		0
<b>TOTAL STORMWATER</b>		<b>286</b>	<b>234</b>	<b>(52)</b>	<b>11,841</b>	<b>2,230</b>	<b>14,071</b>	<b>(100)</b>	<b>(64)</b>
<b>TRANSPORT</b>									
<b>Parking Management</b>									
CE10069 - Resurfacing off street carparks	R		0	0	25		25		0
CE10070 - Replacement of parking enforcement equipment	R	1	0	(1)	188	83	271		0
CE10071 - Parking building renewal	R	0	0	0	408	279	687		0
<b>Total Parking Management</b>		<b>1</b>	<b>0</b>	<b>(1)</b>	<b>621</b>	<b>362</b>	<b>988</b>	<b>0</b>	<b>0</b>
<b>Transport Network</b>									
CE10072 - Replacement of footpath	R	504	445	(59)	4,552		4,552	(252)	0
CE10074 - Replacement of drainage (kerb and channel)	R	410	246	(164)	1,531		1,531	(209)	(662)
CE10075 - Replacement of road base	R	54	40	(14)	1,192		1,192	(28)	(611)
CE10076 - Road resurfacing	R	185	418	232	4,986		4,986	(95)	(2,542)
CE10077 - Replacement of bridges and culverts	R	39	42	3	1,245		1,245	(20)	(625)
CE10080 - Replacement of lighting	R	473	225	(248)	1,185		1,185	(389)	(381)
CE10081 - Replacement of traffic equipment	R	78	48	(30)	365		365	(40)	(262)
CE10098 - Building and property renewals	R	0	0	0	252		252	(25)	0
CE15085 - Minor improvements to transport network	LOS	75	334	259	2,000		2,000	(38)	(1,020)
CE15086 - Bus stop infrastructure	LOS	3	108	105	650		650	(2)	(332)
CE19052 - Intersection Safety Upgrade Programme	LOS		5	5	310		310		(157)
CE19054 - Bridge Safety Improvements	LOS		7	7	130		130		(66)
CE19062 - Bridge Resilience Programme	LOS		20	20	500		500		(255)
CE19064 - Transport Centre Rejuvenation	LOS	7	158	151	950		950		(485)
CE15087 - Network upgrades to allow new development	G	1	0	(1)	175		175		0
CE15088 - Roading upgrades and development in Peacocke stage 1	G	40	142	102	3,868		3,868		(1,973)
CE15089 - Roading upgrades and development in Peacocke stage 2	G	1,028	610	(417)	20,638	468	21,106	0	(9,181)
CE15090 - Roading upgrades and development in Rotokauri stage 1	G	14	0	(14)	8,247		8,247		(426)
CE15092 - Roading upgrades and development in Rototuna	G	200	160	(40)	15,284	3,206	18,490	(12)	(9,570)
CE15093 - Roading upgrades and development in Ruakura	G	0	15	15	325		325		(165)
CE15095 - Integrated transport initiatives	G	272	250	(22)	1,500		1,500	(138)	(765)
CE19057 - Biking Plan Implementation	G	54	250	196	3,750		3,750		(1,913)
CE19058 - Mass Transit	G		30	30	6,750		6,750		(3,442)
CE19037 - Hamilton Transport Model	G		0	0	50		50		0
CE19036 - Ring Road	G	839	1,800	961	12,122	3,931	16,053	(594)	(8,760)
CE19038 - Rotokauri rail platform	G		0	0	750		750		(383)
<b>Total Transport Network</b>		<b>4,276</b>	<b>5,352</b>	<b>1,076</b>	<b>93,307</b>	<b>7,605</b>	<b>100,912</b>	<b>(1,841)</b>	<b>(43,976)</b>
<b>TOTAL TRANSPORT</b>		<b>4,277</b>	<b>5,352</b>	<b>1,075</b>	<b>93,928</b>	<b>7,967</b>	<b>101,895</b>	<b>(1,841)</b>	<b>(43,976)</b>
<b>WASTEWATER</b>									
<b>Wastewater Reticulation</b>									
CE10100 - Replacement of wastewater pump stations	R	153	90	(63)	1,058		1,058		0
CE10101 - Replacement of wastewater assets	R	1,044	412	(632)	3,036		3,036		0
CE15103 - Increase capacity of wastewater pump stations	LOS	1	5	4	323	500	823		0
CE15104 - Wastewater pipe upgrade - growth	G		0	0	300		300		0

CE15105 - Increase capacity of wastewater network - Rototuna	G	0	0	0	312		312		0
CE15106 - Wastewater network upgrades to allow development	G	1	5	4	80		80	(13)	0
CE15107 - Increase capacity of network in Rotokauri stage 1	G	0	0	(0)	681		681		0
CE15109 - Increase capacity of network in Peacocke stage 1	G		35	35	189		189		0
CE19040 - Increase capacity network Peacocke Stage 2	G		31	31	4,090		4,090		0
CE15111 - Increase capacity of network throughout the city	G	39	0	(39)		250	250		0
<b>Total Wastewater Reticulation</b>		<b>1,238</b>	<b>578</b>	<b>(660)</b>	<b>10,069</b>	<b>750</b>	<b>10,819</b>	<b>(13)</b>	<b>0</b>
<b>Wastewater Treatment Plant</b>									
CE15160 - Wastewater model	R		0	0	70		70		0
CE10115 - Replacement of wastewater treatment plant assets	R	40	115	74	2,632	1,105	3,737		0
CE19029 - Wastewater Seismic Strengthening	LOS	244	0	(244)	100	297	397		0
CE15120 - Wastewater treatment plant compliance	LOS	36	85	49	1,657		1,657		0
CE15161 - Wastewater Master Plan	G	28	7	(21)	150		150		0
CE15117 - Upgrade wastewater treatment plant (Pukete 3)	G	12	300	288	10,000	5,232	15,232		0
CE15121 - Wastewater customer connections to the network	G	126	8	(118)	50		50	(237)	(50)
CE19041 - Increase capacity WW Far East Network	G	219	10	(209)	2,000	2,065	4,065		0
CE19042 - Increase capacity WW South Network	G		10	10	3,300		3,300		0
CE19043 - Increase capacity WW West Network	G	68	40	(28)	6,963	535	7,498		0
CE19044 - Increase capacity WW East Network	G		5	5	250		250		0
CE19050 - Increase capacity WW Central Network	G	1	15	14	3,664		3,664		0
<b>Total Wastewater Treatment Plant</b>		<b>775</b>	<b>595</b>	<b>(180)</b>	<b>30,836</b>	<b>9,234</b>	<b>40,070</b>	<b>(237)</b>	<b>(50)</b>
<b>TOTAL WASTEWATER</b>		<b>2,013</b>	<b>1,173</b>	<b>(840)</b>	<b>40,905</b>	<b>9,984</b>	<b>50,889</b>	<b>(249)</b>	<b>(50)</b>
<b>WATER SUPPLY</b>									
<b>Water Reticulation</b>									
CE10123 - Replacement of watermains	R	1,331	215	(1,116)	2,744		2,744		0
CE10124 - Replacement of water meters, valves and hydrants	R	71	75	4	1,135		1,135		0
CE10145 - Tools of trade renewals	R	7	0	(7)	50		50		0
CE15133 - Water demand management - network water loss	LOS	1	0	(1)	500		500		0
CE15126 - Upgrade or build new watermains in Rototuna	G	4	25	21	1,625		1,625		0
CE15127 - Water pipe upgrade - growth	G		0	0	300		300		0
CE15128 - Upgrade/build new watermains in Rotokauri stage 1	G	457	0	(457)	576	500	1,076		0
CE16004 - Eastern Bulk Main Slip	G		0	0	800	247	1,047		0
CE19046 - Upgrade/Build New Watermains - Peacockes Stage 2	G		0	0	163		163		0
CE15132 - Water network upgrades to allow new development	G		5	5	80		80		0
CE15134 - Water demand management - Pukete reservoir zone	G		0	0	135		135		0
CE15135 - Upgrade/build distribution watermains in Peacocke	G		10	10	85		85		0
CE15137 - Water demand management - Newcastle reservoir zone	G		0	0	50		50		0
<b>Total Water Reticulation</b>		<b>1,871</b>	<b>330</b>	<b>(1,541)</b>	<b>8,243</b>	<b>747</b>	<b>8,990</b>	<b>0</b>	<b>0</b>
<b>Water Treatment Plant</b>									
CE10138 - Replacement of treatment plant and reservoir assets	R	257	235	(21)	2,101	68	2,169		0
CE15158 - Water model	R	(2)	0	2	60	339	399		0
CE15139 - Water treatment plant compliance - minor upgrades	LOS	19	532	513	1,610		1,610		0
CE15141 - Water demand management - Hillcrest reservoir zone	G		0	0	1,119		1,119		0
CE15144 - Upgrade water treatment plant	G	5	0	(5)	1,900	910	2,810		0
CE15146 - Water customer connections	G	33	8	(25)	50		50	(164)	(50)
CE15148 - Upgrade or build new watermains in Ruakura	G		0	0	500		500		0
CE15159 - Water master plan	G	2	3	1	150		150		0
CE19045 - Ruakura Reservoir & Associated Bulk Mains	G	76	325	249	9,698	976	10,674		0
CE19049 - Water Demand Management - Fairfield Reservoir Zone	G		0	0	514		514		0
<b>Total Water Treatment Plant</b>		<b>390</b>	<b>1,104</b>	<b>713</b>	<b>17,702</b>	<b>2,293</b>	<b>19,995</b>	<b>(164)</b>	<b>(50)</b>
<b>TOTAL WATER SUPPLY</b>		<b>2,261</b>	<b>1,434</b>	<b>(827)</b>	<b>25,945</b>	<b>3,040</b>	<b>28,985</b>	<b>(164)</b>	<b>(50)</b>
<b>OVERHEAD AND SUPPORT UNITS</b>									
<b>Facilities</b>									
CE10151 - Renewals program	R	11	236	225	1,651		1,651		0
CE19034 - Key Control Project	R		0	0	44		44		0
CE10158 - Replacement of fleet vehicles	R	152	567	415	3,401		3,401		0
<b>Total Facilities</b>		<b>163</b>	<b>803</b>	<b>640</b>	<b>5,096</b>	<b>0</b>	<b>5,096</b>	<b>0</b>	<b>0</b>
<b>Information Services</b>									
CE10152 - Network and infrastructure	R	0	0	(0)	968	549	1,517		0
CE10153 - Core business applications	R	41	30	(11)	775	325	1,100		0
CE10154 - Minor applications	R		0	0	25		25		0
CE10156 - Lease funding of equipment	R	(2)	40	42	1,287		1,287		0
CE15155 - Mobility and eservices	R	14	8	(6)	355	529	884		0
CE19024 - IS Major Upgrades	R		0	0	1,898		1,898		0
CE15157 - Authority replacement	R		0	0		425	425		0
<b>Total Information Services</b>		<b>54</b>	<b>78</b>	<b>24</b>	<b>5,308</b>	<b>1,828</b>	<b>7,136</b>	<b>0</b>	<b>0</b>
<b>Customer Services</b>									
CE19025 - Smart Hamilton Initiatives	LOS		42	42	250		250		0
CE17001 - Customer Services Projects	LOS		0	0		100	100		0
<b>Total Customer Services</b>		<b>0</b>	<b>42</b>	<b>42</b>	<b>250</b>	<b>100</b>	<b>350</b>	<b>0</b>	<b>0</b>
<b>Strategic Property</b>									
CE10053 - Tenancy inducement renewals	R		12	12	75		75		0
<b>Total Strategic Property</b>		<b>0</b>	<b>12</b>	<b>12</b>	<b>75</b>	<b>0</b>	<b>75</b>	<b>0</b>	<b>0</b>
<b>TOTAL OVERHEADS AND SUPPORT UNITS</b>		<b>217</b>	<b>935</b>	<b>718</b>	<b>10,729</b>	<b>1,928</b>	<b>12,657</b>	<b>0</b>	<b>0</b>
<b>TOTAL COUNCIL</b>		<b>10,764</b>	<b>10,741</b>	<b>(23)</b>	<b>222,764</b>	<b>32,071</b>	<b>254,835</b>	<b>(2,357)</b>	<b>(44,840)</b>

# Hamilton City Council Capital Portfolio Report

Portfolio Status				
	Last Month Status	Current Month	Forecast Year-end	Comments
Scope	G	G	G	No known issues for scope. Currently on track.
Time	G	G	G	At this stage of the financial year there are no known delays to projects and the portfolio is currently on track for delivery.
Cost	G	G	G	The current forecast is in line with budget.
Revenue	G	G	G	The capital revenue is ahead of budget YTD, at this time it is forecast that the budget will be met.

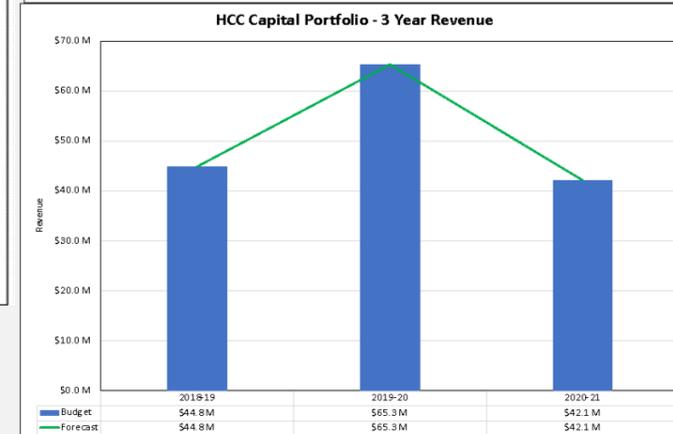
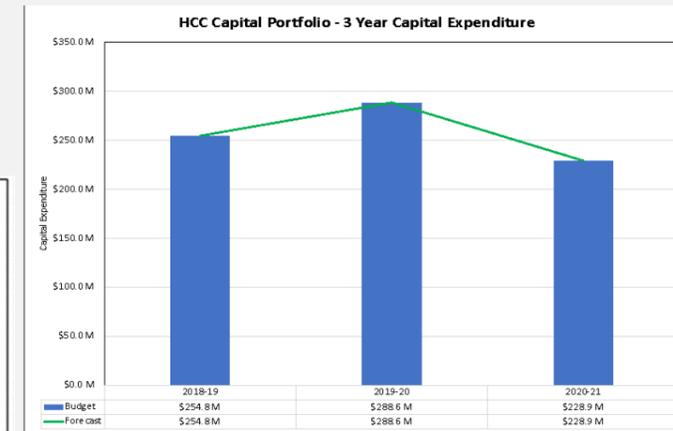
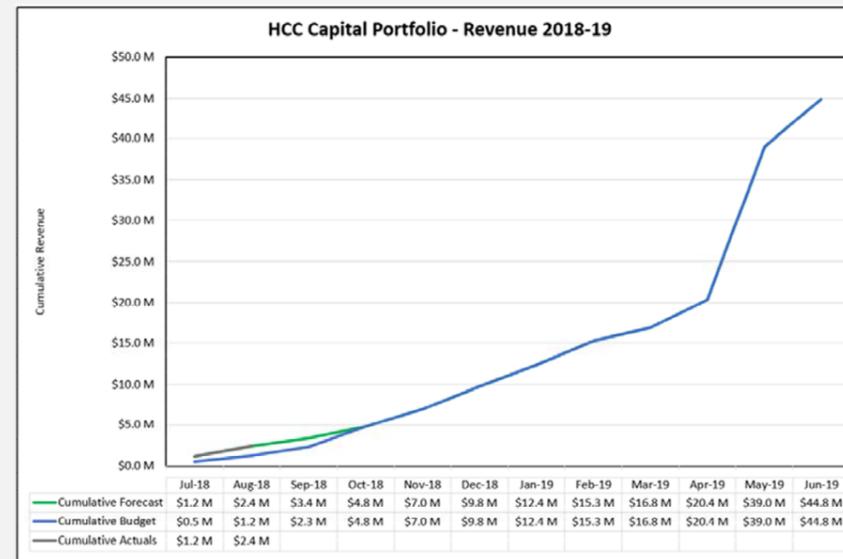
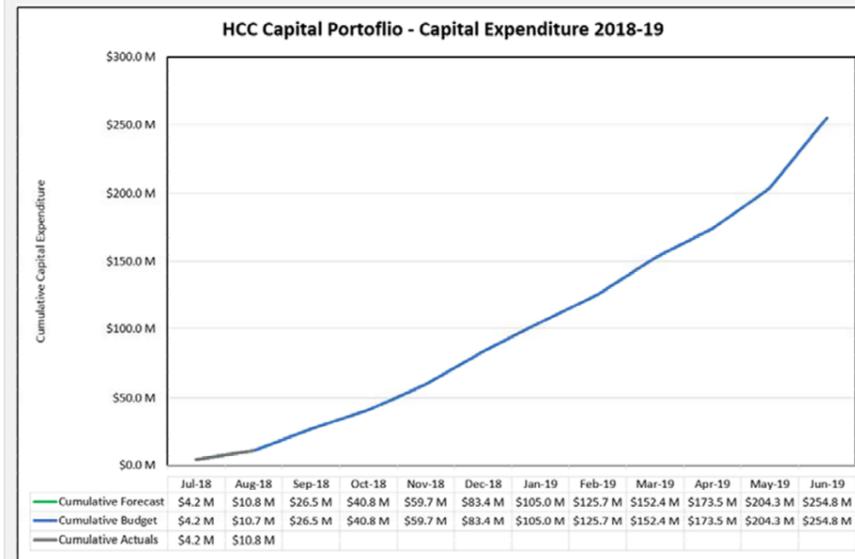
Green: Project is on track for delivery against scope, time and cost.	Amber: Project is off track but there is a plan to get it back on track.	Red: Project is off track and requires intervention.
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### Portfolio Commentary/Highlights

- The capital portfolio for 2018-19 is made up of;
 

Approved 2018-19 Capital Expenditure	\$222.8M
Plus Approved Capital Expenditure Deferrals from 2017-18	\$32.0M
<b>Total Capital Expenditure 2018-19</b>	<b>\$254.8M</b>
- At this stage of the financial year it is forecast that expenditure and revenue will be achieved to budget at year end. As the year progresses it will become clearer where any issues exist and forecasting will be used to communicate changes to the expenditure and revenue profiles. This will be tested against the financial strategy to understand any impacts.
- More than often in the past a significant amount of early planning and procurement has been undertaken to help achieve the portfolio requirements. Changes to managing projects over a 3 year rolling portfolio will have significant planning and procurement benefits minimising this impact.
- Across the portfolio we already have a majority of the large physical works contracts contractually committed for delivery in the summer season.
- The budgeted revenue for 2018-19 of \$44.8M represents a significant increase from actual capital revenue received in 2017-18 of \$17.1M. There is a further increase in 2019-20 to \$65.5M. The dependency on third parties and their approval processes means that this risk is ongoing and this is represented in the revenue graph for 2018-19 with revenue being loaded in the back end of the financial year due to the uncertainty around timing and approvals.

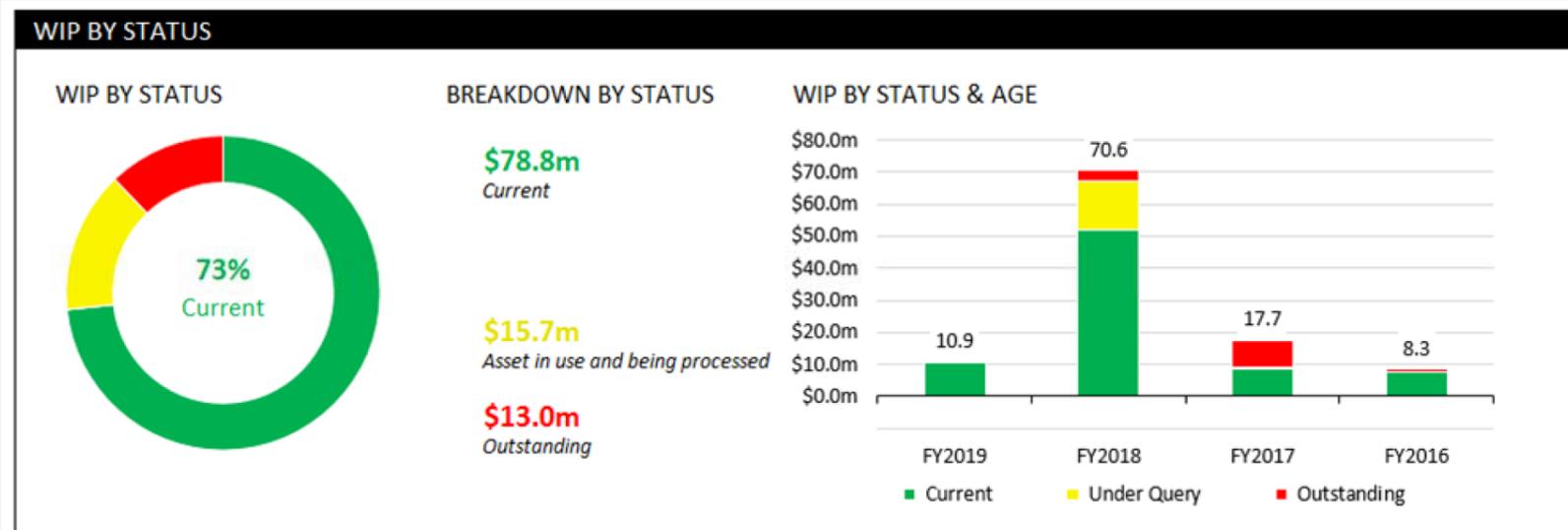
### Financial Performance



Total Capital Expenditure (\$M)								Total Capital Revenue (\$M)						Overall Commentary
Programme	Status	Capex YTD Actual	Capex YTD Budget	Capex YTD Variance Fav/-Unfav	Capex Annual Budget	Capex Annual Forecast	Capex 3 Year Budget	Revenue YTD Actual	Revenue YTD Budget	Revenue YTD Variance Fav/-Unfav	Revenue Annual Budget	Revenue Annual Forecast	Revenue 3 Year Budget	
Renewals & Compliance	G	\$6.804	\$5.659	(\$1.145)	\$78.566	\$78.566	\$209.214	\$1.036	\$0.531	\$0.505	\$5.506	\$5.506	\$20.544	A number of works contracts were awarded early in the financial year which has allowed for early progress on the renewals and compliance programme. The positive variance for revenue is due to NZTA subsidy for footpaths and LED lighting.
Rototuna	G	\$0.087	\$0.146	\$0.059	\$25.284	\$25.284	\$69.378	\$0.012	\$0.005	\$0.007	\$5.133	\$5.133	\$8.219	YTD expenditure and revenue are on-track. Minor YTD expenditure variance is due to slight variances from original phasing for the Borman Road extension and water trunk main installation projects.
Rotokauri	G	\$0.598	\$0.075	(\$0.523)	\$11.704	\$11.704	\$30.900	\$0	\$0	\$0	\$0.426	\$0.426	\$4.808	The Rotokauri bulk water pipe installation is now substantially complete, which is in advance of the original budget phasing and results in the YTD expenditure variance.
Peacocke	G	\$1.068	\$0.840	(\$0.228)	\$38.384	\$38.384	\$177.955	\$0	\$0.192	(\$0.192)	\$11.154	\$11.154	\$43.677	YTD costs reflect the commencement of land acquisition and transport design and investigation. The ability to achieve the annual budget spend will be dependent on third parties through developer driven activity and land acquisition over the first 3 years.
Ruakura	G	\$0.295	\$0.350	\$0.055	\$15.564	\$15.564	\$37.480	\$0	\$0	\$0	\$0.165	\$0.165	\$2.947	The overall programme is on track. Expenditure for the Ruakura bulk water pipe installation is slightly behind the original phasing, but works are progressing well.
City Wide - Waters	G	\$0.446	\$0.543	\$0.097	\$34.546	\$34.546	\$103.835	\$0.513	\$0.024	\$0.489	\$0.164	\$1.447	\$0.990	The overall programme is on track. Expenditure for the Pukete Wastewater Treatment Plant Upgrade is slightly behind the original forecast, but works are now contractually committed and progressing well. YTD revenue is currently in excess of budget, which is primarily due to a large number of customer water and wastewater connections (cost neutral).
City Wide - Community	G	\$0.083	\$0.110	\$0.027	\$11.789	\$11.789	\$19.236	\$0	\$0	\$0	\$0.600	\$0.600	\$4.424	YTD expenditure reflects the completion of the Mansfield Garden for the November 2018 opening and the commencement of planning for the new gardens. Specialist contractor for the Hamilton gardens is currently working for Peter Jackson which has delayed some work.
Transport Improvement	G	\$1.385	\$2.980	\$1.596	\$38.998	\$38.998	\$124.307	\$0.796	\$0.468	\$0.0329	\$21.692	\$21.692	\$66.680	The year to date capex variance is due to expenditure for the Wairere Drive extension and transport minor works programme being slightly behind the budgeted expenditure, however projects are on track. The YTD revenue variance is due to NZTA project subsidy being received slightly in advance of the original forecast. This programme has an overall revenue risk in regard to third party revenue approvals – primarily via NZTA project funding assistance.
<b>TOTAL Portfolio</b>	<b>G</b>	<b>\$10.765</b>	<b>\$10.703</b>	<b>(\$0.061)</b>	<b>\$254.835</b>	<b>\$254.835</b>	<b>\$772.305</b>	<b>\$2.357</b>	<b>\$1.219</b>	<b>\$1.1378</b>	<b>\$44.840</b>	<b>\$4.840</b>	<b>\$152.288</b>	<b>We are currently on schedule with delivery of the overall portfolio.</b>

WIP Balance

Refer to Paragraph 38



# Rototuna Programme Capital Report

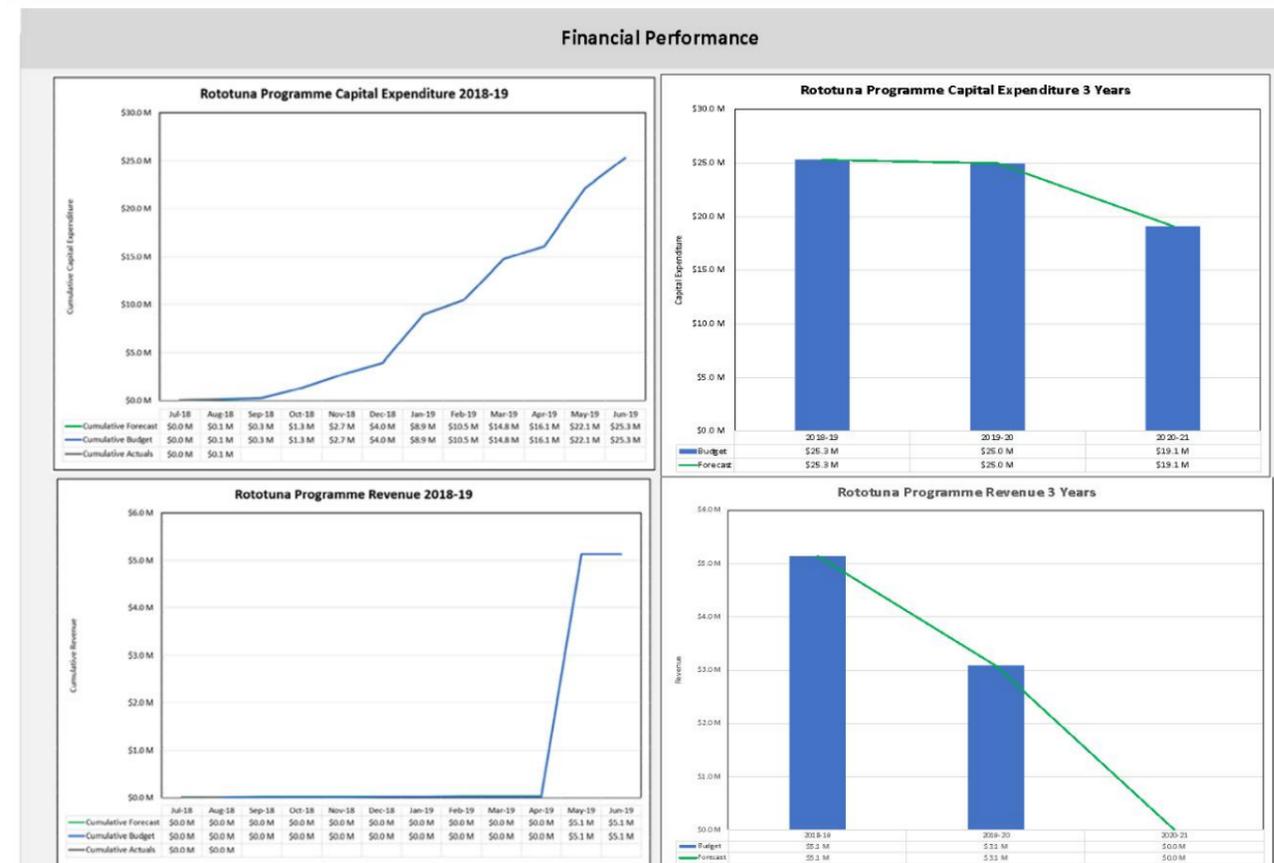
Programme Status				
	Last Month Status	Current Month	Forecast Year-end	Comments
Scope	G	G	G	On track
Time	G	G	G	On track
Cost	G	G	G	On track
Revenue	G	G	G	The primary revenue for the Rototuna Programme is made up NZTA subsidies for Resolution Drive which is being delivered by NZTA and will be invoiced as a lump sum in May 2019 (revenue reflects this expenditure profile).

Definitions:

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

**Portfolio Commentary/Highlights**

- Hare Puke destination playground was completed and opened to the public on 10 July 2018. This project has not only achieved the aim of providing a much-needed playground for the community, it has also proven to be a place where locals meet providing a valued community hub feel. The project was successfully delivered on budget and time.
- A combined Sports Park and Park Lane Road contract has gone out to market for tender and is on track for contract commencement this summer.
- Borman Road extension to Kay Road is on track for completion by the end of 2018.
- Thomas/Gordonton Road Intersection enabling works are underway and is on track for completion by end of 2018.
- Resolution Drive construction is underway under the Expressway Alliance with NZTA. Expected completion is 2020 in line with the Expressway opening.
- Work is underway with schools (primary & secondary) in the Rototuna area to co-ordinate access to schools in alignment with the works staging of the programme.
- Rototuna Community Facilities options and feasibility study Expressions of Interest (EOI) are in the process of being shortlisted. The estimated start date for the contract is 9 October 2018.
- Through careful planning we have delivered efficiencies and the opportunity for a residual land disposal in Rototuna. The associated unbudgeted revenue will be able to recognised a direct contribution to the councils efficiency programme.



# Renewals & Compliance Programme Capital Report



Attachment 3

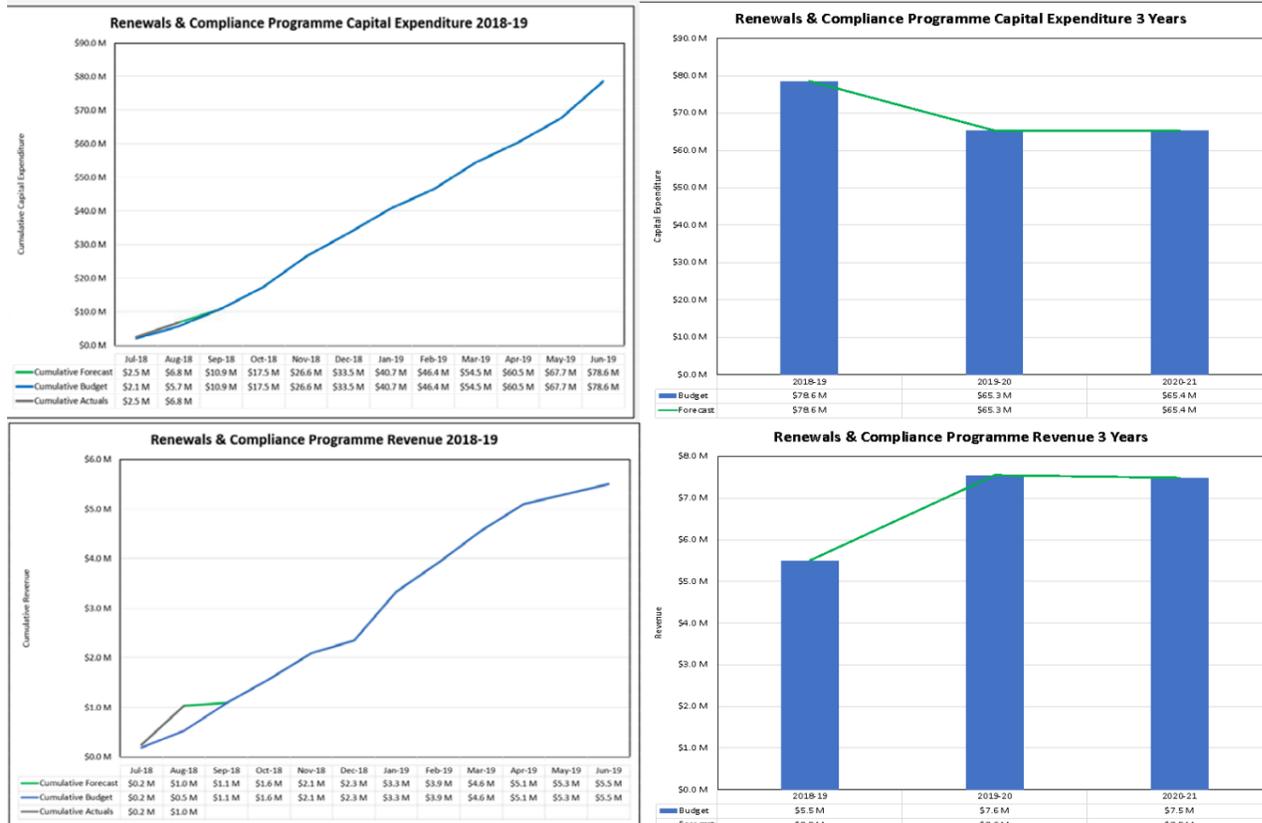
Item 15

Programme Status				
	Last Month Status	Current Month	Forecast Year-end	Comments
Scope	G	G	G	On track.
Time	G	G	G	On track
Cost	G	G	G	The programme actuals are ahead of budget due to a significant amount of pre-programme preparation and getting contracts secured early in the year.
Revenue	G	G	G	The programme revenue is ahead of budget due to NZTA subsidy being received in advance of original forecast.

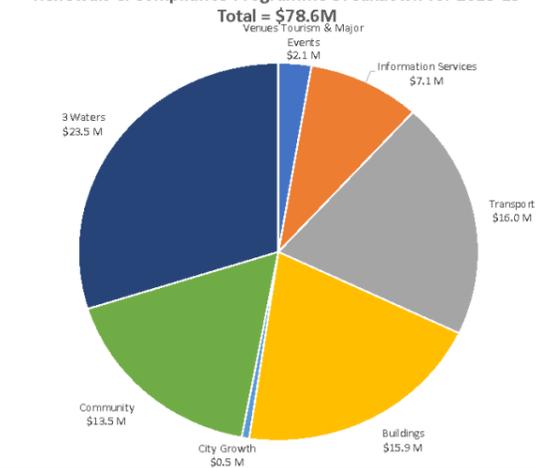
## Portfolio Commentary/Highlights

- Through confirmation of the 10YP there has been a significant increase in the budget for renewals and compliance type works (\$46M in 2017/18 to \$78.6M in 2018/19)
- The expenditure and revenue budgets for the 2018/19 year have been forecasted across the 12 months and the expenditure to the end of August (6.8M) is ahead of the forecasted budget for the period. Forecasting will occur on a monthly basis to track progress.
- Earlier planning and procurement of a number of large renewals has occurred earlier than in previous years and this has helped create good momentum in the 2018/19 financial year.
- A new contract for water reticulation and wastewater renewals is in place and delivery in this area is ahead of forecast.
- Building contracts have been awarded and as a result, over \$5M of this sub-programme is now contractually committed.
- Ruakiwi Reservoir structural improvements have been prioritised and sub-programme has been revised to allow for this work to be completed.
- Major building projects underway include;
  - Crematorium
  - Municipal HVAC – contract is in place and work is due to be completed November 2018 to February 2019.
  - Garden Place Carpark Lifts
- Matters being reviewed/potential changes
  - Kirikiriroa slip – options are being evaluated
  - Seddon Park Lights – business case is being prepared
  - Park bridge renewals – options are being evaluated

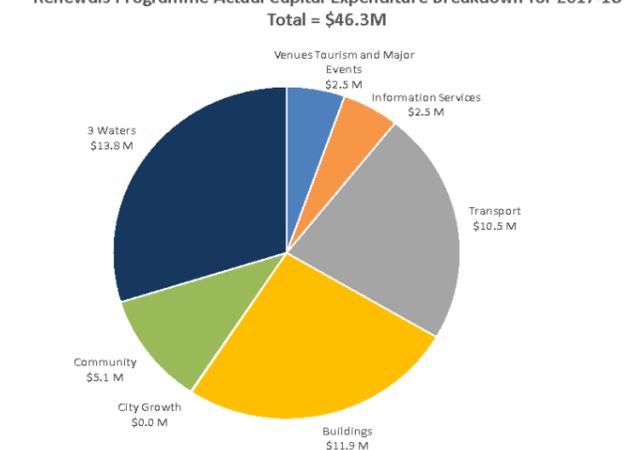
## Financial Performance



## Renewals & Compliance Programme Breakdown for 2018-19



## Renewals Programme Actual Capital Expenditure Breakdown for 2017-18





6. On 31 July 2018 Eeva-Liisa Wright (General Manager – Infrastructure Operations), Maire Porter (City Waters Manager) and Matthew Bell (Rates and Revenue Manager) met with Irene Strangwick and Thomas Beuker at Netherville Retirement Village.
7. Clarification was provided by staff with regards to the questions put forward in the petition, namely:
  - The rates are applied correctly in accordance with legislation and the Council’s policies.
  - The Council considered a record number of submissions as part of the 2018-28 10-Year Plan and decided on the current rating system as being the most appropriate for the allocation of rates amongst Hamilton ratepayers.
  - The Council provides the services to Netherville Village, as it does for other residential ratepayers.
  - The body corporate fees referred to are an agreement between the residents and village. These fees are for services which are additional to those that the Council provides to other ratepayers.
  - There is no provision under the Council’s rating system to discount or remit rates to offset body corporate fees.
  - The rating valuations (of which the rates are based) are assessed in accordance with the rating valuation legislation.
  - Netherville Retirement Village is private land; therefore, the Council is not responsible for maintenance and upkeep of assets.
8. Irene and Thomas appreciated clarification around these matters and understandably were disappointed that we were unable to do anything further within the context of the Council’s current 10-year plan and rating policies.
9. The discussion moved to upcoming opportunities as Netherville Village expressed a desire to work collaboratively with the Council around the provision of services, particularly rubbish and recycling management.
10. This conversation was largely positive, and timely considering the Council’s intention to move to wheelie bins, and the need to consider bespoke solutions for these types of properties.
11. This has resulted in further discussions between Netherville Village and the Council’s Waste Minimisation team.

## **Background**

12. Netherville Retirement Village is situated off Admiral Crescent in Flagstaff and comprises 103 residential dwellings, each on its own unit title.
13. Each dwelling is individually owned and is treated as a separate rating unit as required under legislation. Each has its own rating valuation applied, which is used to set rates.
14. The entire area of Netherville Village, including roads, is privately owned land.
15. Under the unit title structure, the Body Corporate owns the common property and the owners of the units are beneficially entitled to the common property.
16. Netherville Village is responsible for maintaining the assets within their private area, as the Council does not maintain these.
17. Council services are provided to the property boundary, as is the case with all unit title properties.

## Discussion

### Rates

18. Each standard residential rating unit has rates applied to it in the same way. This includes a capital value general rate, a uniform annual general charge per separately used or inhabited part (SUIP) and targeted rates (Transitional rate on land value and the Hamilton Gardens rate per SUIP). Except for the Hamilton Gardens rate, the rates contribute funding towards all services provided by Council.
19. It is the properties rating valuation which largely determines how much an individual's rates are. The variation of different residential property structures (such as fee simple or unit title) is considered as part of the overall rating valuation.
  - The average 2018/19 rates for a unit in Netherville Village is approximately \$1,936.
  - The average 2018/19 rates across all residential property is approximately \$2,440.
20. The Rates Remission policy caters for the situation where either water, wastewater or rubbish and recycling collection is unable to be provided by Council.
21. This remission does not apply to Netherville Village as the Council provides the same services as are provided to any other residential property.
22. Residents of Netherville Village may apply for the Government and Council rates rebate, and if eligible, will be credited to the individual rates accounts. Rates staff visit Netherville Village each year to assist applicants in completing their applications.

### Rubbish and Recycling

23. The Council provides rubbish and recycling collection services to Netherville Village.
24. The private roads within Netherville Village are too narrow to safely allow access of a collection truck to pick up rubbish from each unit, which would also have potential to cause damage.
25. By agreement with the management of Netherville Village, collection is made from a designated area within the Village, rather than from the public roadside.
26. The residents of Netherville Village have chosen to pay for additional private services that are not provided by Council to any other ratepayer.
27. On 11 September 2018 Charlotte Catmur (Waste Minimisation Advisor) met with Thomas Beuker at Netherville Retirement Village to discuss the provision of rubbish and recycling collection services for residents at the site and the new city collection service that will be implemented from July 2020.
28. In those discussions Netherville Village indicated a desire to make improvements to their current rubbish and recycling collection area, however they want to ensure that any changes are aligned to the new service that will be provided.
29. To allow these changes to be implemented, Netherville Village will be visited by staff and EnviroWaste (the contractor for the new service from July 2020) to confirm site collection options for when the new service is implemented.

### Maintenance of Private Infrastructure

30. Netherville Retirement Village is private land; therefore, the Council is currently not responsible for maintenance and upkeep of any private infrastructure within that site.

31. Council could consider providing maintenance services under agreement with Netherville Village for site infrastructure such as roads, street lights, footpaths, water, wastewater, stormwater assets.
32. If a maintenance contract was agreed, a charge to recover the cost of any maintenance services would need to be negotiated as the infrastructure is privately owned by Netherville Village and any maintenance costs for that site should not be covered by funding allocated for public infrastructure.
33. This option providing maintenance services is not recommended by staff as it would not realise the benefit the residents are seeking in terms of reducing maintenance costs associated with privately owned transportation and three wastewater assets on their site.
34. Alternatively, Council could consider vesting some of the private transportation and three waters infrastructure of the Netherville Village site to public ownership. However, prior to vesting, Council would require a full assessment of the infrastructure assets value, condition, compliance to Councils technical infrastructure specifications, maintenance requirements and life expectancy to fully understand the financial impact of this option.
35. Vesting of Netherville Village existing private assets to Council will depend on the assessment outcomes and the financial impact arising from that assessment. Council could be taking on risk of managing aging infrastructure that may not meet the Councils technical infrastructure specifications requirements. Netherville Village may need to fund the renewal of existing assets to meet Councils technical infrastructure specifications requirements prior to vesting.
36. The option of vesting some of the private Netherville Village infrastructure assets to public ownership is not recommended by staff as it would not realise the benefit the residents are seeking in terms of reducing costs to residents on their site and maintaining private access into the Village for residents only.

### **Legal and Policy Considerations**

37. Staff confirm that the rates which have been set for the Netherville Retirement Village, complies with the Council's legal and policy requirements, specifically the Local Government (Rating) Act 2002, and has been through legal review as part of the 2018-28 10-year plan process.

### **Risks**

38. There are no significant known risks associated with this matter, noting that the matters discussed in this report will apply to other ratepayers within a similar property structure, therefore any consideration needs to recognise this.

### **Significance & Engagement Policy**

#### **Significance**

39. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have a low significance.
40. Although there are no changes to the way rates are applied, consideration will be given to the way rubbish and recycling is managed for these types of properties as part of the introduction of bins.

#### **Engagement**

41. Community views and preferences are already known to the Council through the engagement as part of the 2018-28 10-Year plan, and subsequent public submissions and feedback.

## **Attachments**

Attachment 1 - Netherville Petition 28 June 2018 - Finance Committee

Attachment 2 - Netherville letter 29 June 2018 - Finance Committee

Attachment 3 - Netherville Summary of questions from 28 June 18 petition and 29 June 18 letter .

**Item 16**

We are here today, from Netherville Village, to present to council a petition regarding the rate increases.

Council refer to their budget. We as pensioners also have extremely tight and fixed budgets to adhere to.

At Netherville all our residents are at a disadvantage when it comes to rates.

Unlike other villages, all residents pay for our own roads, street lights, the underground maintenance of services, and also pay contractors to collect our rubbish and take this to a central point so that the rubbish collection is made easier and more convenient for the contractors engaged by the council.

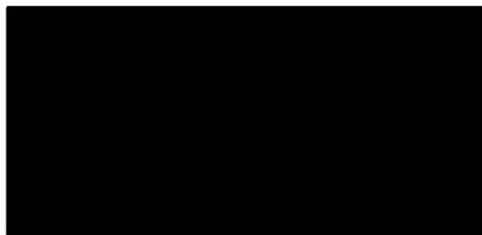
So realistically speaking we are paying twice for these services. Once to the village, which we pay in our levies, and once again to the council. No one else that we residents know of is penalized in such a way having to pay twice for such services.

We are henceforth asking that Council restructure the way rates are determined in Netherville Village so our residents are not paying twice the amount others pay.

Alternatively commit to take over the responsibilities of the Village in regards to the up keep of the roads, lighting etc so our levies can be reduced accordingly.

Thank you for listening to our concerns and we hope we get your cooperation in this matter remembering that next year is election year so we will all be watching and waiting in anticipation that you are doing the right thing.

Thank you.



### Main Concerns of Proposed Rates Increase of Residents in Netherville.

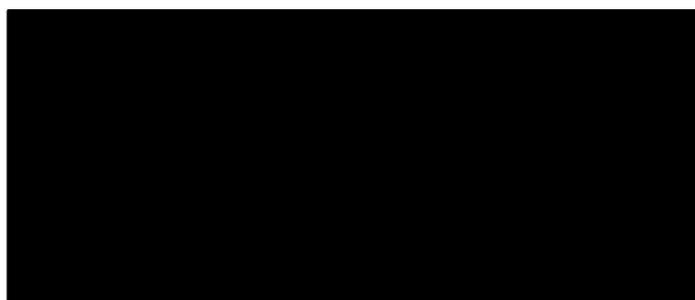
That Council has to increase rates in order to maintain running cost and future development is accepted.

That when a Petrol Tax is introduced, Every one will be effected.

That when new valuations are introduced, Every one will, be effected.

### THE MAIN OBJECTIVE of Residents in Netherville is:

- Our land values are at present 27.5% higher than a new section in Flagstaff. These sections have roading, street lights, footpath, power, sewer, stormwater, gas and rubbish collection at their doorstep. WE PAID FOR ALL THESE SERVICES OURSELVES AND COLLECT ALL RUBBISH WHICH RESIDENTS PAY FOR.
- The letter from the CEO states: Your rates will go up 9.5 % In Netherville, they go up 31%. How does he explain that. The letter states: If the proposal goes ahead YOUR RATES GO UP.....
- Rates are partly used to maintain all services, roads, sewer, rubbish collection etc. Our residents pay for maintaining Councils services in their rates AND ALSO PAY FOR THEIR OWN, including RUBBISH COLLECTION. THEY PAY TWICE FOR THE SAME.





4 Admiral Crescent, Flagstaff, PO Box 21073, Hamilton 3249  
 Telephone 07- 854 0131. Facsimile 07- 854 0139. Email: nethervillevillage@xtra.co.nz

Hamilton 29 June 2018.

Chris Allen  
 General Manager City Infrastructure  
 Hamilton City Council

Dear Sir,

**Re: 10 Year Plan**

Further to our submission and verbal presentations on May 16 and June 28, we hereby send you information in regards to the infrastructure of Netherville Retirement Village.

- Total Land Area 14 Acres.
- All infrastructure owned and maintained by residents.
- \$ 100.000,00 paid in insurance premium per annum of which major part is for insurance of infrastructure, paid by residents through their levy.
- All rubbish collected by private contractor throughout the village and stored at point to be collected by Council Contractor. Private contractor paid by residents.
- All glass, plastic and paper in recycle area to be picked up by Council Contractor.
- Tarmac (tarseal) roading not suitable for trucks to turn in side streets and pick up rubbish at each unit.

**Charges:**

- Average Unit size 124 m<sup>2</sup> + 16 m<sup>2</sup> courtyard = 140 m<sup>2</sup>.
- Land value outside village \$ 840.00/m<sup>2</sup> (see yellow marked area)
- Land value inside the village \$ 1071.00/m<sup>2</sup>. **27 % overcharged**
- Rates over the 2017 – 2018 financial year, and before, were based on land value and therefore overcharged by 27%.
- Owners of units pay their own rates, but also the rates for common ground and buildings.
- The average rate increase for the first year is **31%**. (your rates would be, letter CEO of 29 March 2018)
- Council maintains and insures infrastructure for which all residents pay. Residents in Netherville also pay for this as well as for their own infrastructure.

We would appreciate a discussion between your Department of Infrastructure and representatives of our village at your earliest convenience to look at options which will satisfy both parties.

Yours sincerely,

Thomas Beuker  
President



Irene Strangwick  
Representative Netherville Village



Attached: Copy of Village outlay.







NOT TO SCALE

20 JUNE 1997

UPDATED

JUNE 2016



Re-cycle and rubbish site

April 2018 500M<sup>2</sup> section sold for \$420000. = \$840.00/m<sup>2</sup>.  
 April 2018 land value in Netterville \$1071.00/m<sup>2</sup>.

***Our land values are at present 27.5% higher than a new section in Flagstaff.***

Netherville is made up of individual rating units on unit titles. Each is treated as its own separate rating unit as required under legislation and is individually owned.

Each rating unit has its own rating valuation applied, which is used to set rates.

The figure of 27.5% as stated in the petition was calculated by comparing the per m<sup>2</sup> value of units in Netherville Village against the per m<sup>2</sup> value of larger fee simple sections in Flagstaff.

This is not a correct methodology for comparing different types of property as the market value of land is not linear in this way.

For example, a 600 m<sup>2</sup> section is very unlikely to sell for twice the price of a 300 m<sup>2</sup> section.

Rating values are determined from market evidence, including actual sale prices of properties, around the time of the revaluation (1 September 2015). In a unit title situation, the individual rating valuations also consider the common areas within the unit plan.

The average land (rating) value for unit in Netherville Village is approximately \$150,000.

***These sections have roading, street lights, footpaths, power, sewer, stormwater, gas and rubbish collection to their doorstep. We paid for these services ourselves and collect all rubbish which residents pay for.***

The entire area of Netherville Village, including roads, is privately owned land.

Netherville Village is responsible for maintaining the assets within their private area, as the Council does not maintain these.

Council services are provided to the property boundary, as is the case with all unit titles.

Rubbish and recycling collection is provided by Council. The private roads within Netherville Village are too narrow to safely allow access of a collection truck, which would also have potential to cause damage.

By agreement with Netherville Village, collection is made from a designated area within the village, rather than from the public roadside.

***The letter from the CEO state: Your rates will go up 9.5%. In Netherville, they go up 31%. How does he explain that?***

The petition was drafted based on the Consultation Document preferred option of a 9.5% for 2 years and 3.8% thereafter, full capital value rating and the introduction of a Uniform Annual General Charge (UAGC). The final rates decision was an average general rate increase to existing residential ratepayers of 9.7%, with the introduction of a UAGC and maintaining a (shortened) transition to capital value.

These changes affect the way that rates are distributed between individual properties.

Properties where more of the value is in the land may decrease, or increase by less than the average, and properties where more of the value is in the buildings may increase by more than the average.

The average (2015) rateable land value for a unit in Netherville Village is approximately \$150,000. This is in the 15-20<sup>th</sup> percentile range of all residential properties by land value.

The average rateable capital value for a unit in Netherville Village is approximately \$393,000. This is in the 45-50<sup>th</sup> percentile of all residential properties by capital value.

These units will pay a bigger share of rates under capital value rating.

For 2018/19, the average rates per unit in Netherville Village is approximately \$1,936 (up from \$1,672 in 2017/18).

The average residential rates for the city is \$2,440.

***Rates are partly used to maintain all services, roads sewer rubbish collection etc. Our residents also pay for their own, including rubbish collection. They pay twice for the same.***

The Council provides the same services to Netherville Village as are provided other residential property, including rubbish and recycling collection.

The residents of Netherville Village pay for private services (through a body corporate structure) which are additional to those that the Council provides to other ratepayers.

The Council has a remission as part of the Rates Remission Policy for the situation where either water, wastewater or rubbish and recycling collection is unable to be provided. This remission does not apply, as the Council does provide these services to Netherville Village.

***We are henceforth asking that Council restructure the way rates are determined in Netherville Village so our residents are not paying twice the amount that others pay.***

The rating system was reviewed as part of the 2018-28 10-year plan process and adopted by Council on the 28<sup>th</sup> of June 2018.

The Council has chosen a rating system whereby the general rates are based on a property's rating valuation, with a Uniform Annual General Charge (UAGC) and a small number of targeted rates.

It is the properties rating valuation which largely determines how much an individual's rates are. The variation of different residential property structures (such as fee simple or unit title) is considered as part of the overall rating valuation.

Any changes to the rating system would need to be adopted by Council as part of a consultative process in conjunction with the 10-year or Annual plan.

Residents may apply for the Government and Council rebate, and if eligible, a credit is added to the rates account to reduce the balance. Rates staff visit Netherville Village each year to assist applicants in completing their applications.

*Alternatively, commit to take over the responsibilities of the Village in regard to the up keep of the roads, lighting etc so that our levies can be reduced accordingly.*

Netherville Retirement Village is private land; therefore, the Council is currently not responsible for maintenance and upkeep of any private infrastructure within that site.

Council could consider providing maintenance services under agreement with Netherville Village for site infrastructure such as roads, street lights, footpaths, water, wastewater, stormwater assets.

If a maintenance contract was agreed, a charge to recover the cost of any maintenance services would need to be negotiated as the infrastructure is privately owned by Netherville Village and any maintenance costs for that site should not be covered by funding allocated for public infrastructure.

This approach would not realise the benefit the residents are seeking in terms of reducing maintenance costs associated with privately owned transportation and three wastewater assets on their site.

Council could also consider vesting some of the private transportation and three waters infrastructure of the Netherville Village site to public ownership. However, prior to vesting, Council would require a full assessment of the infrastructure assets value, condition, compliance to Councils technical infrastructure specifications, maintenance requirements and life expectancy to fully understand the financial impact of this option.

Vesting of Netherville Village existing private assets to Council will depend on the assessment outcomes and the financial impact arising from that assessment. Council would need to consider the risk of taking on the management of aging infrastructure that may not meet the Councils technical infrastructure specifications requirements.

Netherville Village may need to fund the renewal of existing assets to meet Councils technical infrastructure specifications requirements prior to vesting.

This approach is unlikely to realise the benefit the residents are seeking in terms of reducing costs to residents on their site and maintaining private access into the Village for residents only.

# Council Report

<b>Committee:</b>	Finance Committee	<b>Date:</b>	16 October 2018
<b>Author:</b>	Sean Murray	<b>Authoriser:</b>	Sean Murray
<b>Position:</b>	General Manager Venues, Tourism and Major Events	<b>Position:</b>	General Manager Venues, Tourism and Major Events
<b>Report Name:</b>	H3 Report Quarter 1 - 1 July to 30 September 2018		

<b>Report Status</b>	<i>Open</i>
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## Purpose

1. To inform the Finance Committee on the performance of the H3 including financial and non-financial reporting.
2. The report focuses the 2018-19 FY quarter 1 results.

## Staff Recommendation

That the Finance Committee receives the report.

## Executive Summary

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

## Attachments

Attachment 1 - H3 Q1 Report - 1 July to 30 September 2018 .

# H3 Group Limited Quarter 1 Report 1 July – 30 September 2018

Item 17

Attachment 1



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

**Venues, Tourism and Major Events Group Purpose:**

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

**H3 Purpose:**

- To attract and deliver exceptional event experiences.

**Report Purpose:**

- This report focuses on Quarter 1 2018/19 and has been produced for Hamilton City Council's Finance Committee meeting on 16 October 2018.





*Kids for Kids performers in Claudelands Arena – August 2018*

## 1. HIGHLIGHTS

### SUMMARY OF ACTIVITY FOR QUARTER ONE

- 1.1. H3 venues hosted a wide variety of events in Q1. This is traditionally a busy time for the business. The first quarter saw over 111,400 people attend events at H3 Venues.

### CLAUDELANDS

- 1.2. At Claudelands, the venue hosted two games of the ANZ Premierships (Magic v Steel and Magic v Tactix), alongside performance shows from Chopper, NZSO concerts, Kids for Kids, Show Quest 2018, Dr Suess' Cat in the Hat, International comedian Bill Bailey, and cultural concerts from Celtic Illusion and the Hamilton Punjabi festival.
- 1.3. The quarter is traditionally a busy time for meetings, exhibitions, functions and conferences with the venue hosting a large number of events including the Waikato Tainui AGM, Fonterra dinner, KuDos Annual Science Awards, The Travel Bazaar, Craft and Quilt Fair 2018, Quarry NZ Conference, Holiday Parks Conference and Trade Exhibition, ACENZ/CCNZ Conference, Downer NZ Leadership Conference, OfficeMax Supplier Expo 2018, Water NZ 60<sup>th</sup> Conference and Expo and the Indigenous Mapping Wananga Conference 2018.
- 1.4. A new event ("The Gourmet Garage") began in the Claudelands Barn and proved to be a popular event and good use of the space over the winter months. This event took place on a Friday night from late June to the end of September 2018. This weekly seasonal event was developed by the creators of the "Gourmet in the Gardens" food event at Hamilton Gardens.

### STADIA

- 1.5. FMG Stadium Waikato hosted two Super XV matches (Chiefs v Brumbies and Chiefs v Hurricanes) and three Mitre 10 Cup games against Wellington, Hawkes Bay and North Harbour.



## 2. FINANCIAL SUMMARY

2.1 TABLE 1 – H3 RESULT FOR THE PERIOD 1 JULY - 30 SEPTEMBER 2018

Prior YTD Actual 2017-18		Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
\$000		\$000	\$000	\$000	\$000
	<b>Revenue</b>				
0	Subsidies and Grants	0	0	0	0
0	Capital Revenue	0	0	0	0
1,431	Revenue from Activities	1,958	1,662	297	6,072
<b>1,431</b>	<b>Total Revenue</b>	<b>1,958</b>	<b>1,662</b>	<b>297</b>	<b>6,072</b>
	<b>Direct Operating Costs</b>				
2,056	Cost of Sales	725	550	(175)	2,219
1,210	Personnel Costs	1,206	1,340	135	5,359
-	Operating & Maintenance Costs	206	456	250	2,053
1,253	Professional Costs	46	53	7	245
32	Administrative Costs	323	289	(34)	1,335
252	Property Costs	404	371	(34)	1,527
375					
<b>2,673</b>	<b>Total Direct Operating Costs</b>	<b>2,911</b>	<b>3,059</b>	<b>148</b>	<b>12,737</b>
<b>(1,242)</b>	<b>Direct Operating Surplus/(Deficit)</b>	<b>(952)</b>	<b>(1,397)</b>	<b>445</b>	<b>(6,665)</b>
	<b>Indirect Revenue</b>				
203	Interest Income	99	60	39	240
	<b>Indirect Overhead Costs</b>				
1,161	Depreciation and Amortisation	1,269	1,306	36	5,223
594	HCC Overhead Allocation	527	650	122	2,601
809	Finance Costs	482	459	(22)	1,992
2,564	<b>Total Indirect Operating Costs</b>	<b>2,278</b>	<b>2,415</b>	<b>136</b>	<b>9,816</b>
<b>(2360)</b>	<b>Net Indirect Costs</b>	<b>(2,179)</b>	<b>(2,355)</b>	<b>176</b>	<b>(9,576)</b>
<b>(3,602)</b>	<b>Net Surplus/(Deficit)</b>	<b>(3,131)</b>	<b>(3,752)</b>	<b>621</b>	<b>(16,241)</b>
0	Gains and Losses	0	0	0	0
0	Total Gains and (Losses)	0	0	0	0
<b>(3,602)</b>	<b>Surplus/(Deficit)</b>	<b>(3,131)</b>	<b>(3,752)</b>	<b>621</b>	<b>(16,241)</b>

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





*NZ Symphony Orchestra set up – Claudelands Arena*

## **OPERATING EXPENDITURE**

### **COST OF SALES**

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

### **PERSONNEL COSTS**

- 2.3 Favourable budget due to a delay in filling some vacant positions.

### **OPERATING AND MAINTENANCE COSTS**

- 2.4 Favourable due the timing of maintenance programmes across H3 venues. Expected to catch up in Q2 and Q3.

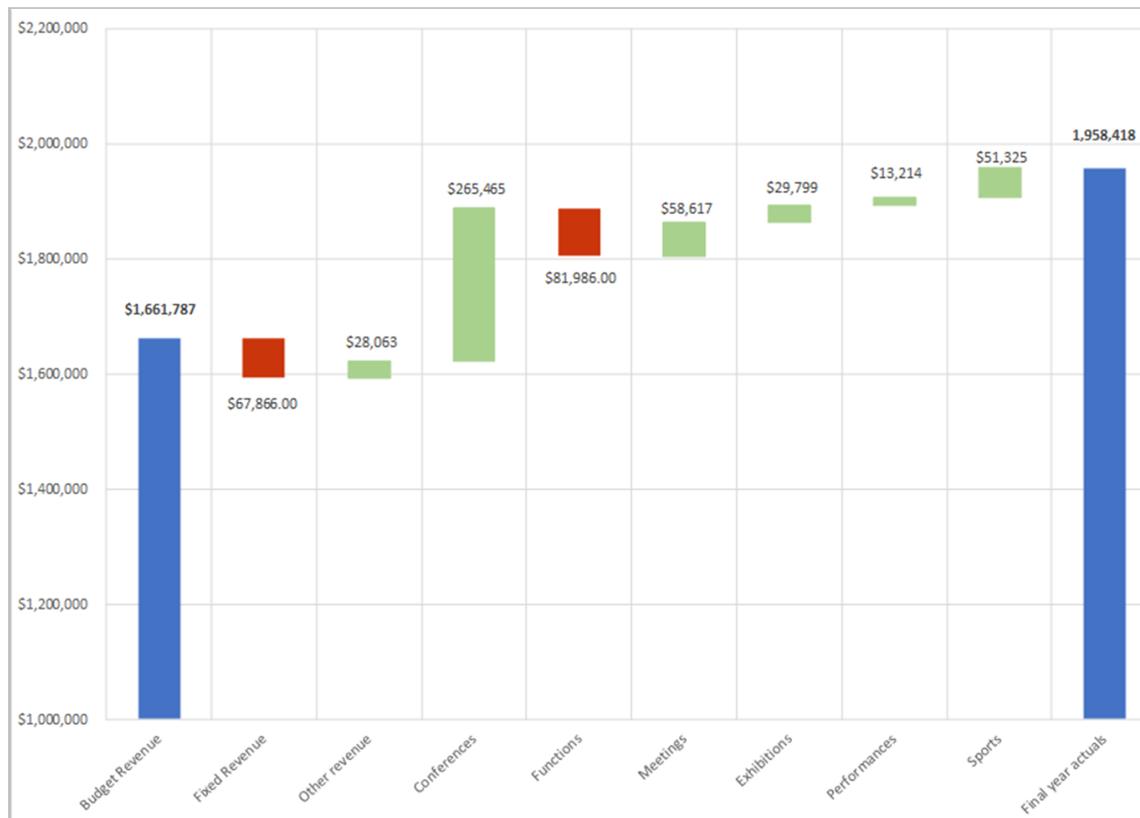
## **INDIRECT EXPENDITURE**

### **INDIRECT OVERHEADS**

- 2.5 Council overhead recharges were favourable by \$122k.

## 2.6 H3 REVENUE SUMMARY

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



2.6.1 Total revenue was above budget by \$296,631 (18%).

2.6.2 Conference revenue was over \$265k above budget due to longer conferences, which drove a higher yield.

2.6.3 Meetings revenue was \$59k above budget with much higher event volumes, partly offset by a lower yield due to the shorter length and lower attendees per event.

2.6.4 Exhibitions revenue was \$30k over budget, driven by higher attendance figures.

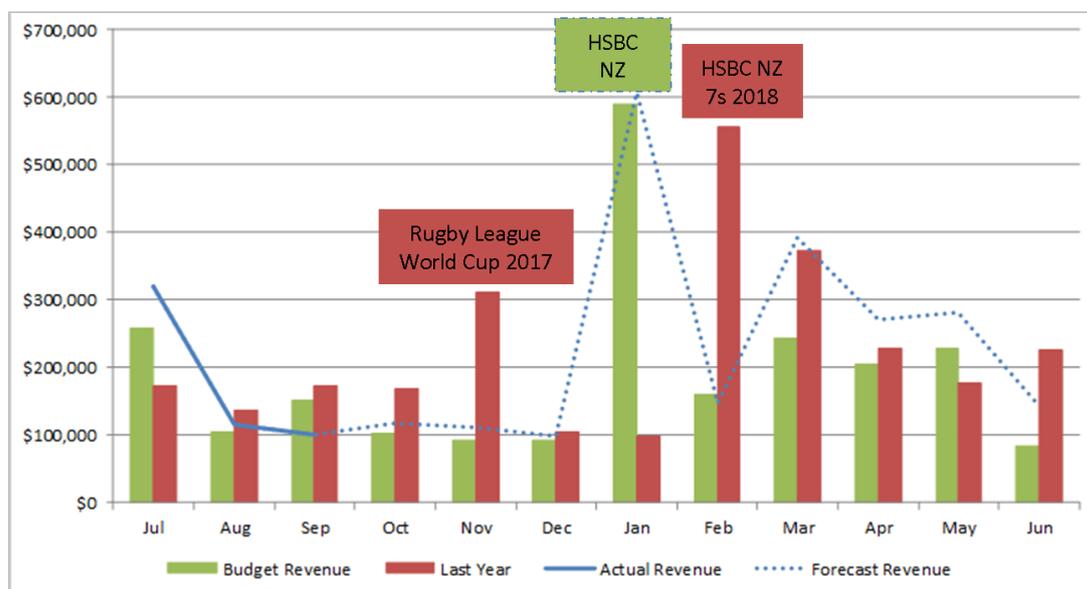
2.6.5 Performance revenue was \$13k above budget. Sporting events revenue variance was \$51k above budget due to the additional Stadium events.

2.6.6 Year end, revenue is forecast to finish 13% (\$765k) above budget with positive variances across all venues and event types.



## 2.7 2018/19 Q1 STADIA RESULT

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



2.7.1 Total revenue YTD was 4% above budget, driven by event revenue which was partially offset by a negative variance in fixed.

2.7.2 Meetings revenue has been strong, with a 54% positive revenue variance and double the event volume. Sport revenue had a 18% positive variance, with over twice the events and attendees than budget.

2.7.3 Year end, revenue is forecast to finish above budget by 17% driven by sport events.

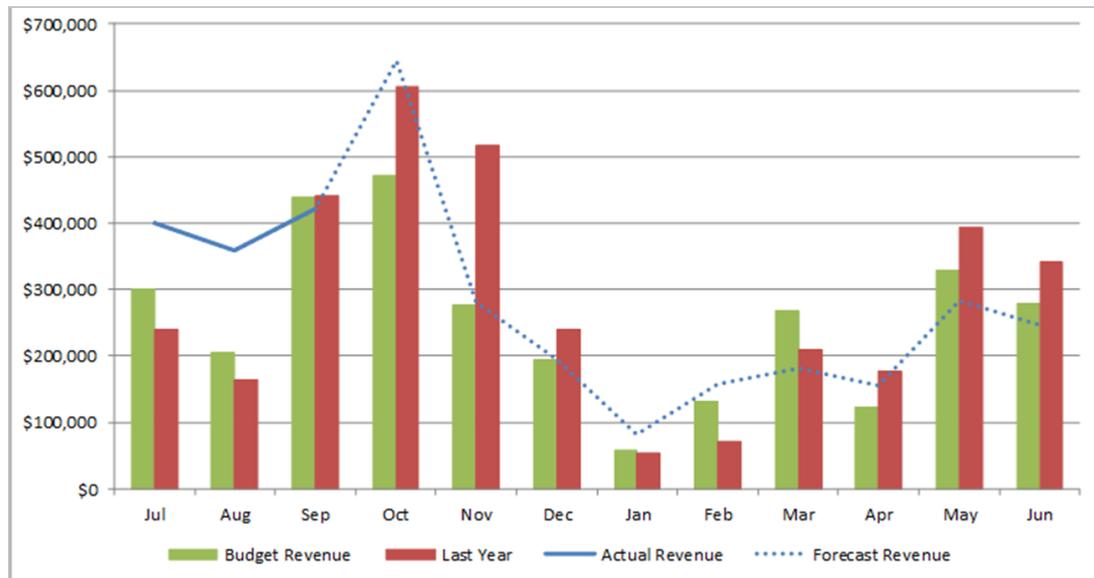
TABLE 2 – STADIA FINANCIAL SUMMARY FOR THE PERIOD 1 JULY - 30 SEPT 2018

	Actual YTD \$000	Budget YTD \$000	Variance Favourable/ (unfavourable) \$000	Annual Budget \$000
<b>Revenue</b>				
Subsidies and Grants	0	0	0	0
Capital Revenue	0	0	0	0
Revenue from Activities	569	546	23	2,411
<b>Total Revenue</b>	<b>569</b>	<b>546</b>	<b>23</b>	<b>2,411</b>
<b>Direct Operating Costs</b>				
Cost of Sales	249	211	(38)	1,112
Personnel Costs	426	531	105	2,106
Operating and Maintenance Costs	140	298	158	1,416
Professional Costs	30	26	(4)	131
Administrative Costs	135	103	(32)	496
Property Costs	207	200	(7)	817
<b>Total Direct Operating Costs</b>	<b>1,186</b>	<b>1,369</b>	<b>184</b>	<b>6,078</b>
<b>Direct Operating Surplus/(Deficit)</b>	<b>(616)</b>	<b>(823)</b>	<b>207</b>	<b>(3,667)</b>



## 2.8 2018/19 CLAUDELANDS RESULT

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



2.8.1 Claudelands revenue finished 25% above budget driven by longer conference events bringing in a higher yield. Meetings and exhibitions also finished above budget by 48% and 44% respectively.

2.8.2 Year-end Claudelands is forecast to finish 11% above budget with strong performance across all event types.

TABLE 3 – CLAUDELANDS FINANCIAL SUMMARY FOR THE PERIOD 1 JULY - 30 SEPT 2018

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
Subsidies and Grants	0	0	0	0
Capital Revenue	0	0	0	0
Revenue from Activities	1,389	1,116	273	3,642
<b>Total Revenue</b>	<b>1,389</b>	<b>1,116</b>	<b>273</b>	<b>3,642</b>
<b>Direct Operating Costs</b>				
Cost of Sales	418	310	(108)	1,014
Personnel Costs	780	809	30	3,227
Operating and Maintenance Costs	125	187	62	739
Professional Costs	16	27	11	114
Administrative Costs	189	187	(2)	836
Property Costs	197	170	(27)	710
<b>Total Direct Operating Costs</b>	<b>1,725</b>	<b>1,690</b>	<b>(35)</b>	<b>6,640</b>
<b>Direct Operating Surplus/(Deficit)</b>	<b>(336)</b>	<b>(574)</b>	<b>238</b>	<b>(2,998)</b>



Function set up at The Grandstand, Claudelands

### 3. ACTIVITY SUMMARY

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

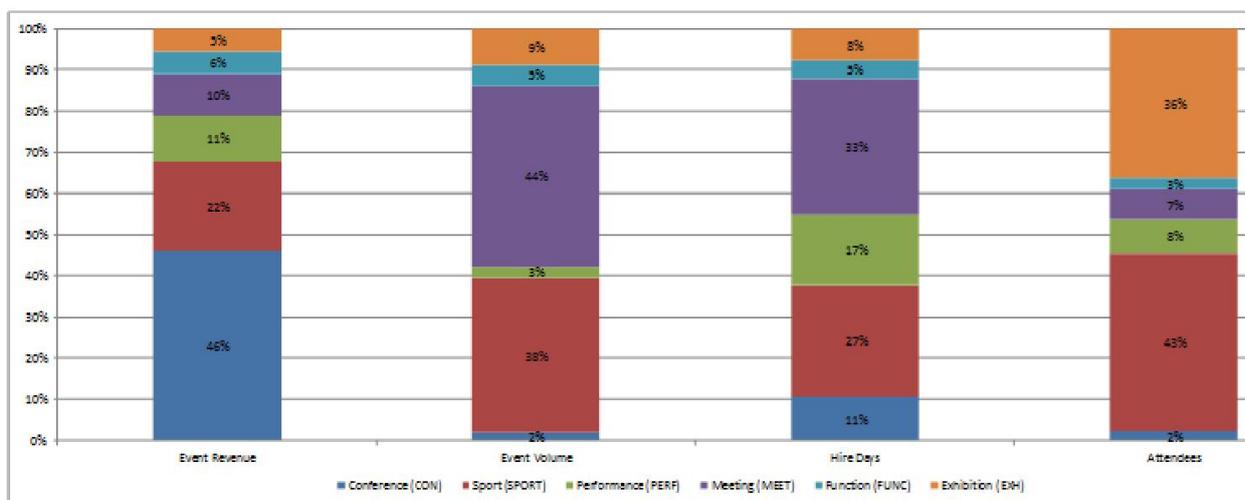
TABLE 4: FOR THE PERIOD 1 JULY 2018 – 30 SEPTEMBER 2018

Event Type	Number of Events Q1	Hire Days Q1	Attendance Q1
Business Events	188	124.50	13,609
Exhibition	32	20	40,408
Performance	10	44.25	9,344
Sport	138	70.50	48,138
<b>Total</b>	<b>368</b>	<b>259.25</b>	<b>111,449</b>
FY 2017/18 comparison	338	235.75	104,528

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

#### 3.2 BUSINESS MIX BY EVENT TYPE

GRAPH 4: FOR THE PERIOD 1 JULY 2018 – 30 SEPTEMBER 2018



3.2.1 Conference events made up the highest revenue percentage following the usual pattern.

### 3.3 2018-2028 10-YEAR PLAN KEY PERFORMANCE INDICATORS

**TABLE 5: FOR THE PERIOD 1 JULY 2018 – 30 SEPTEMBER 2018**

Measure	Annual Target	Q1	Comment
The number of people attending events at H3 Venues	438,000	111,449	We are on track to exceed budget year end, with 584k attendees forecast.

## 4. OTHER NON-FINANCIAL KPIS

### 4.1 CUSTOMER SATISFACTION

**TABLE 6: FOR THE PERIOD 1 JULY 2018 – 30 SEPTEMBER 2018**

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

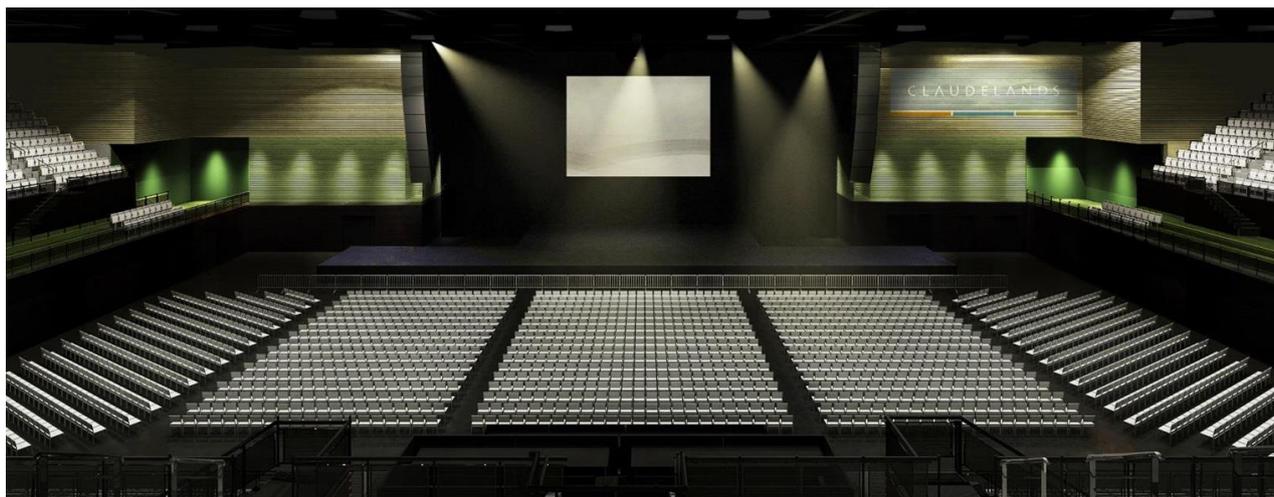
### KEY SUPPLIERS

- 4.1 One contract was awarded in Q1, for a supply contract relating to H3 Venues:
- Contract 17437 – Event Security for H3 Venues (August 2018)

### SOCIAL MEDIA HIGHLIGHTS

- 4.2 HLive promotes to a core email subscriber database of approximately 66,000 people. Promotion includes major events of special significance across the city including those staged within H3 venues, those supported through council's event sponsorship fund, or
- 4.3 those of significance staged by other organisations in Hamilton and the immediate region or any other venue/event who contracts their services.
- 4.4 The HLive NZ Facebook page (launched on 1 March 2017) had a positive increase of 485 likes over the past quarter, going from 8,751 on 1 July 2018 to 9,236 on 30 September 2018.
- 4.5 From the period 1 July to 30 September 2018, the Claudelands NZ Facebook page experienced an increase of 637 likes, growing from 13,720 to 14,357, while FMG Stadium Waikato's page following grew very slightly during this period, from 6,345 to 6,402.





*Tiered seating set up – Claudelands Arena*

4.6 The H3 Marketing team is continuously reviewing and refining their social media approach to maximise its effectiveness, with video content, event announcements and competitions currently proving most successful at generating organic reach and engagement via these channels.

#### PEOPLE

4.7 In Q1, H3's permanent staff turnover was 0%.

#### HEALTH AND SAFETY

**TABLE 7: INJURIES, MEDICAL TREATMENT AND LOST TIME INJURIES FOR THE PERIOD 1 JULY – 30 SEPTEMBER 2018**

	Q1	Comments
Injuries	4	3 staff members, 1 visitor
Medical Treatment	0	
Lost Time Injuries	0	

4.8 The following Health and Safety actions were completed by H3 during Q1:

- Analysis of H&S risks with Hall D sides completed in consultation with H3 staff, H&S advisors and management. Solution initiated to eliminate risks
- Implemented process for efficiently communicating emergency safety messages to public.
- Review of hazardous substances processes and information to align with new Regulations

- Purchased anemometer (wind monitor) to assist with management of risks with temporary infrastructure and event activities during high wind weather events
- Work at height training including rope rescue completed by technical services staff
- Key staff visit to Waikato District Council CD exercise to observe activation of a CDC in preparation for standing up H3 venues at CDC
- Emergency Response Plan completed, and processes added to H3 Promapp



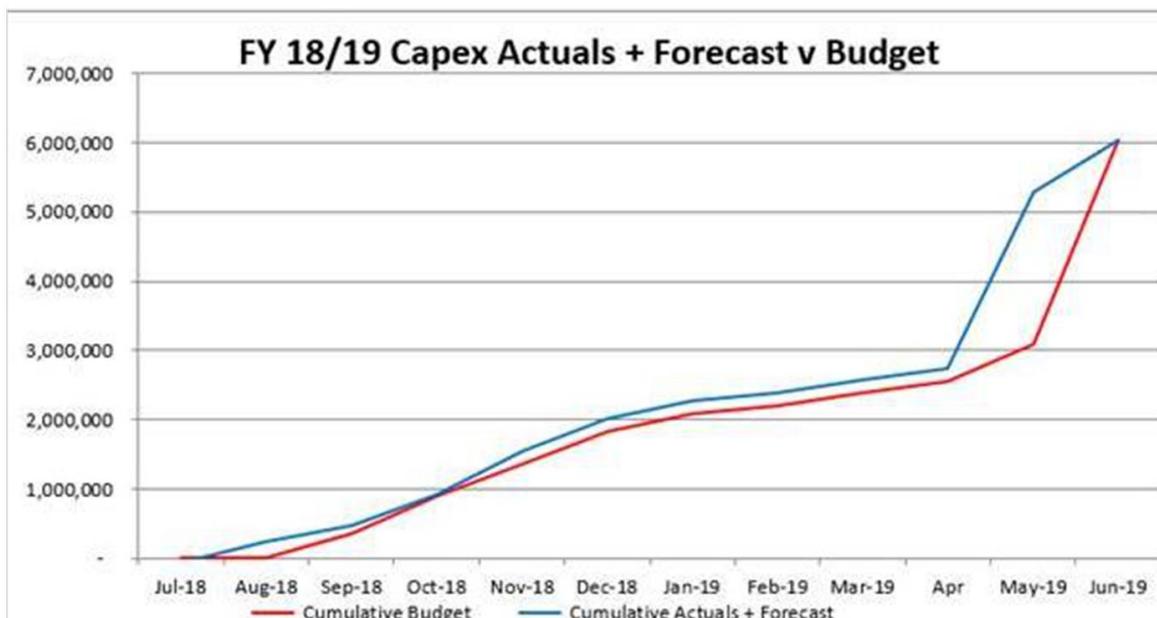


Light Towers at FMG Stadium Waikato

## 5. CAPEX AND ASSET MANAGEMENT

### 5.1 2018-19 CAPEX SPEND ACTUALS + FORECAST VERSES BUDGET

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



### ASSET MANAGEMENT

#### SEDDON PARK – LIGHT TOWERS

5.2 Planning for the replacement of lights continued over Q1. A business case to be presented at the December Council meeting. Structural issues identified through investigations will affect pricing, with the need to replace the head frames. Installation work is now scheduled at the end of the cricket season with physical works to occur during April/May 2019.



**FMG STADIUM WAIKATO – LIGHT TOWERS**

- 5.3 We are now seeing early signs of deterioration of the light fittings at FMG Stadium Waikato, consistent with the condition of Seddon Park. Renewals funding has been provided in the 2018-2028 10-Year Plan. It had been thought that an opportunity could exist to leverage procurement work from the Seddon Park light towers replacement. However, with technology changing so rapidly in this area, evaluating the works for this project at a future time is advisable.

**FMG STADIUM WAIKATO - TIE RODS (LIGHT TOWERS)**

- 5.4 During 2016/17 rust was identified on the tie rods at the stadium with remedial work undertaken to give us time to complete preparation for replacement work. A design report has been received back from consultants outlining project methodology. Work is underway to go to tender for the work to commence in Q4.

**FMG STADIUM WAIKATO - CHILLER**

- 5.6 The new chiller has been installed (17/18), and the previously mentioned electrical certification has been received. The capital budget amount of \$450k was allocated based on an initial engineer estimate. After the development of detailed design, the costs are now at \$723k (\$273k unfavourable). The installation costs are where the significant increase has occurred.

**FMG STADIUM WAIKATO AND CLAUDELANDS – DIGITAL SIGNAGE**

- 5.7 The integrated television system (IPTV) replaces our existing ad-hoc control systems and provide improved management of digital signage, advertising and event coverage to screens throughout the venues.
- 5.8 The project is complete across both venues. We are moving to establish digital signage as part of business as usual with revenue opportunities available through the provision of commercial advertising through the screens.





*Chiefs Corporate Hospitality Suites – FMG Stadium Waikato History wall (concept)*

### **FMG STADIUM WAIKATO – CHIEFS CORPORATE BOXES**

5.9 Further to previous reports to council, resource consent has been received and application for a building consent has begun. The Chiefs have begun procuring the boxes with construction expected to commence in Q2. Construction is to be completed before the HSBC NZ Sevens event in January 2019. A story wall concept is being worked through to go along the front ground level of the boxes telling the history of the Stadium.

### **FMG STADIUM WAIKATO – TURF REPLACEMENT**

5.10 We are planning for the replacement of the turf at the end of 2019 (within FY 2019-20). A specialist consultant has been engaged to assist in the planning and procurement of this project. Budgeted cost is \$1.5m, with detailed costings to be completed. The business case is currently underway with the project is expected to go to tender in Q3 of FY18-19 year.

### **CLAUDELANDS – STORAGE FACILITIES ROOF REPLACEMENT**

5.11 The storage shed rooftops at Claudelands have been replaced as part of the renewals programme. Project completed on budget and scope.

### **MULTIPLE VENUES – INITIAL SEISMIC ASSESSMENTS (ISA)**

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

## 6. HOT TOPICS

### 6.1 AREAS OF FOCUS

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

### 6.2 THE YEAR AHEAD 2018/19

- 6.2.1 The forward sales position across H3 venues is very strong, particularly at Claudelands. At the same time H3's business development team is very busy with enquiries and quotations including some potentially large-scale conferences.
- 6.2.2 H3 remains challenged with peak season activity and this has had to turn down several large opportunities in the peak months i.e. September through December. Similarly, some impact events have been unable to secure availability at the Claudelands Arena which is increasingly under demand for larger conference activity.
- 6.2.3 Planning ahead and activating our capital works programme will continue to challenge the business.





# Council Report

<b>Committee:</b>	Finance Committee	<b>Date:</b>	16 October 2018
<b>Author:</b>	Russell Hynd	<b>Authoriser:</b>	David Bryant
<b>Position:</b>	Finance Manager	<b>Position:</b>	General Manager Corporate
<b>Report Name:</b>	Waikato Innovation Growth Limited and Group - Annual Report 30 June 2018		

<b>Report Status</b>	<i>Open</i>
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## Purpose

- To inform the Finance Committee regarding the Waikato Innovation Growth Limited (WIGL) Group Annual Report for the year ended 30 June 2018 and their performance against the measures as specified in their 2018 Statement of Intent. This includes the subsidiary New Zealand Food Innovation (Waikato) Limited (NZFIW).

## Staff Recommendation

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

## Discussion

- Please refer to the attached Annual Reports for discussion.

## Attachments

Attachment 1 - WIGL Annual Report June 2018 *(Under Separate Cover)*

Attachment 2 - NZFIW Annual Report June 2018 *(Under Separate Cover)*

Attachment 3 - NZFIW - Audit opinion June 2018 - Signed *(Under Separate Cover)*

Attachment 4 - WIGL - Audit opinion June 2018 signed *(Under Separate Cover)* .

## Resolution to Exclude the Public

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

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Finance Committee Meeting Minutes - Public Excluded - 28 August 2018	) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Report on overdue debtors as at 30 September 2018 & Debt write-offs 2018/19	)	
C3. Contract 17525 - Rototuna Sports Park and Park Lane Construction		

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

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