Hamilton City Council
Te kaunihera o Kirikiriroa

## Notice of Meeting:

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

| | |
|---|---|
| **Date:** | **Thursday 21 May 2015** |
| **Time:** | **1.30pm** |
| **Meeting Room:** | **Council Chamber** |
| **Venue:** | **Municipal Building, Garden Place, Hamilton** |

Richard Briggs
Chief Executive

# Finance Committee
# OPEN AGENDA

**Membership**

| | |
|---|---|
| Chairperson | Cr R Pascoe |
| Deputy Chairperson | Cr G Mallett |
| Members | Her Worship the Mayor J Hardaker |
| | Cr G Chesterman |
| | Cr M Forsyth |
| | Cr M Gallagher |
| | Cr K Green |
| | Cr A King |
| | Cr D Macpherson |
| | Cr A O'Leary |
| | Cr L Tooman |
| | Cr E Wilson |
| | Cr P Yeung |
| **Quorum:** | **A majority of members (including vacancies)** |
| **Meeting Frequency:** | **Six weekly** |

Leaney Preiss
Democracy Advisor

**14 May 2015**
Telephone: 07 838 6439
Leaney.Preiss@hcc.govt.nz
www.hamilton.govt.nz

## Terms of Reference:

- To monitor the Council's financial and non-financial performance against the Long Term Plan and Annual Plan.
- To monitor the delivery of key projects.
- To approve and monitor contracts.
- To approve acquisition or sale or lease of properties owned by the Council, or owned by the Municipal Endowment Fund and the Domain Endowment Fund with reference to the strategy developed by the Business and Investment Sub-committee, for any endowment properties.
- To consider and approve deferred capital expenditure.
- To approve changes to projects resulting from staff recommendations within the Key Projects monitoring report.
- To consider and approve business cases referred by the Senior Leadership Team.

## Power to act:

- Write off outstanding accounts greater than $10,000 (in accordance with the Debtor Management Policy).
- To approve all contractual and other arrangements for supply and services and revenue generating contracts where the term of the contract (including renewal periods) and the total value of the contract is within limits set and delegated by Council.
- To approve contracts and other arrangements where the amount of work involved in a decision not to go to public tender exceeds $100,000 (GST excluded) or in accordance with Council's Procurement Policy.
- To approve all other matters in accordance with the terms of reference of this committee.

## Sub-committees:

This Committee will be supported in its work by the:

- Events Sponsorship Sub-committee.
- External Funding Sub-committee.
- Council Controlled Organisations (CCO) Sub-committee.

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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 Democracy 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 Democracy by telephoning 07 838 6772.

Hamilton City Council
Te kaunihera o Kirikiriroa

# council report

| | | | |
|---|---|---|---|
| **Committee:** | Finance Committee | **Date:** | 21 May 2015 |
| **Report Name:** | Finance Committee - Open Minutes - 23 April 2015 | **Author:** | Leaney Preiss |

| | |
|---|---|
| **Status** | *Open* |

## Recommendation

That the Committee confirm and adopt as a true and correct record the Open Minutes of the Finance Committee Meeting held on 23 April 2015.

## 1. Attachments

2. Attachment 1 - Finance Committee - Open Minutes - 23 April 2015

# Finance Committee

## OPEN MINUTES

**Minutes of a Meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Thursday 23 April 2015 at 1.30pm.**

**PRESENT**

| | |
|---|---|
| Chairperson: | Cr R Pascoe |
| Deputy Chairperson: | Cr G Mallett |
| Members: | Her Worship the Mayor J Hardaker<br>Cr G Chesterman<br>Cr M Gallagher<br>Cr K Green<br>Cr D Macpherson<br>Cr L Tooman<br>Cr E Wilson<br>Cr P Yeung |
| In Attendance: | Chief Executive (CE), Chief Financial Officer (CFO), General Manager Organisational Development, General Manager Performance, General Manager City Infrastructure, General Manager Events and Economic Development, City Environments Group Business Manager, Community Group Business Manager, Revenue Manager, Accounting Unit Manager, People and Capabilities Manager, Chief Information Officer, Procurement Manager, Principle Building Advisor, Strategic Property Unit Manager, Parks and Open Spaces Manager, Group Accountants and Senior Communications Advisor.<br><br>James McGillivray – Tompkins Wake Lawyers |
| Democracy Advisor: | Ms L Preiss and Mrs J Pani |

## 1. Apologies

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

That the apologies from Councillors Forsyth, King and O'Leary and for leaving early from Crs Green and Mallet be received and accepted.

## 2. Confirmation of Agenda

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

That the Agenda be confirmed.

## 3. Declarations of Interest

No members of the Council declared a Conflict of Interest.

## 4. Public Forum

Two members of the Public spoke in the Public Forum:

**Kathy Moody, Hamilton Roller Skating Club spoke in relation to Item 10: New lease request at Melville Park**

Ms Moody advised that the Hamilton Roller Skating Club (Skating Club) now had half of the required funding that they needed for the track. They had also applied for funding from the Lotteries Board and should be advised of the outcome by mid June.
Ms Moody emphasised the need for the speed skate track as at the moment skaters were practising in carparks at night with bad lighting and potential dangers with vehicles. She noted that the skating club currently had two national titles, a world championship title and four other world championship medals; a track was needed for skaters to practice.
The proposed track could also be used for other fitness activities including running and long boards.

**Geoff Walpole spoke in relation to Item 8: 10-Year Plan Monitoring Plan, specifically Recycling Matters**

Mr Walpole spoke in relation to Council's proposed change to Wheelie bins from the current green bin system that was in place. He appreciated the letter he received from Her Worship the Mayor and the assistance received from Councillors Chesterman and King.
Mr Walpole urged Council to stay with the current recycling system, as it was not efficient to change to a new system.

Cr Gallagher arrived at the Meeting at 1:35pm during the above item.

## 5. Finance Committee - Open Minutes - 19 February 2015

Councillor Gallagher requested that it be specifically noted in the 19 February 2015 Open Minutes that he had no conflicts of interest regarding Item 6 – Gallagher Drive Intersection.

**Resolved:** (Crs Chesterman/Tooman)

That the Committee confirm and adopt as a true and correct record the Open Minutes of the Finance Committee Meeting held on 19 February 2015, subject to the above being noted.

## 6. Finance Committee - Open Action List - 23 April 2015

The timeframe within which the Waiwhakareke development options would come back to Council, would be clarified, after the 10-Year Plan consultations were completed.

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

That the Report be received.

## 7. Recommended dates for reports to be presented to Finance Committee

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

That the Report be received.

## 8. 10-Year Plan Monitoring Report

The CFO spoke to the Report and noted a correction on page 23, paragraph 18 in that the figure corresponding to subsidies and grants should have been $592,000. He also stated that Hamilton City Council's (HCC) Year-to-date figures were good and that both Balancing the Books and the Accounting Results were on target.

The General Managers gave updates on their areas as set out on Page 27 of the Agenda. Staff responded to questions as follows:

- Page 26 noted that penalties for rates were up. It was explained that late rate payments incurred a 10% penalty fee on the outstanding balance, but that this could be waived in certain circumstances.
- The excess nursery stock was discussed and it was stated that different options were being explored to sell the stock.
- The financial position of the Hamilton Theatres was set out on page 55 of the Agenda and it was noted that there had been an operating deficit with the theatres for the last three years. The reason for the deficit was due to a combination of factors and the CFO was asked to look at the theatres' budget.
- The unfavourable variance for the Customer Relationship Group was questioned and the CFO was asked to reconsider this budget.
- The Capital projects listed on page 31 of the Agenda were discussed and it was stated that the reason for the delays was in relation to waiting on third parties.

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

That the Report and the Risk and Opportunities Schedule be received.

## 9. Procurement Report

It was requested that the font size of the Procurement Report (and all Reports) be of a readable size.

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

That the Report be received.

Item 5

Attachment 1

## 10. New lease request at Melville Park

The Parks and Open Spaces Manager took the Report as read and staff responded to questions as follows:

- In relation to paragraph 38 on page 93 of the Agenda it had been determined that the track could actually be used for overflow parking if/when required.
- All public notification costs would be met by the Skating Club.
- While the proposed track was not specifically mentioned in the Parks Management Plan, it was consistent with the purposes of the plan.
- The Pooches and Parks Plan included a proposed fenced dog exercise area at Melville Park which may impact the Skating Park lease request, and this would be addressed through the consultation process.

**Resolved:** (Crs Chesterman/Tooman)

That:

a) the Report be received;

b) under s54(2) of the Reserves Act 1977, Council gives public notice of its intention to grant a new community group lease to the Hamilton City Roller Skating Club Incorporated to develop a speed skate track on Melville Park;

c) the Finance Committee appoints Councillors Tooman, Green and O'Leary to a Hearings Panel to hear and deliberate on submissions; and

d) The Hearings Panel report back to the Finance Committee for their decision making.

## 11. Te Awa River Ride Easement - Horotiu Landfill

The Parks and Open Spaces Manager took the Report as read and staff responded to questions as follows:

- The landfill site would be fenced off to exclude the public from the area. The fencing costs would be covered by Te Awa Charitable Trust and Waikato District Council. The fencing would still allow access to the River and would fit with the site.
- Passing Red would be placed on the Northern side of the area and Council would retain ownership and maintenance responsibilities. Passing Red would be installed as soon as possible, hopefully within this financial year.

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

That:

a) the Report be received;

b) the Finance Committee recommends to Council to grant an easement in favour of Waikato District Council, for the purpose of Te Awa River Ride over the Horotiu Landfill, subject to Council obtaining partial surrenders of existing leases and licences;

c) Council authorises the Chief Executive to negotiate the terms of the easement and any other instrument required to give effect to this resolution; and

d) Council retain the ownership of public artwork Passing Red.

Item 5

Attachment 1

## 12. Update on Weathertight Buildings

The Principal Building Advisor took the Report as read and responded to questions as follows:

- The Report stated that HCC had nine Weathertight Home claims, of which eight were active. It was also noted that a further claim had been filed.
- Claims that were eligible under the Financial Assistance Package scheme had to be filed by 23 July 2016. However, it was noted that HCC was not part of that scheme.

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

That the Report be received.

## 13. Hamilton Gardens Development Project Progress Report

The Community Group Business Manager spoke to the Report and noted that the Project was on track. Phase 1 of the project was completed with the Tudor Garden's opening in February 2015. Project 2 still required funding of $4.4million.

**Resolved:** (Crs Chesterman/Tooman)

That the Report be received.

## 14. Resolution to Exclude the Public

Item C3 – Six monthly Reports from the Chairs of the Council Controlled Organisations (CCO) Subcommittee External Funding Subcommittee (EFS) and Event Sponsorship Subcommittee (ESS) were discussed as follows:

**CCO Subcommittee Report (Attachment 1 of the Report):**

It was agreed that the CCO Subcommittee six monthly Report could be discussed in Open. The Chair of the CCO Subcommittee took the Report as read.

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

That the Report from the Chairperson of the Council Controlled Organisations Subcommittee be received.

**External Funding Subcommittee Report (Attachment 2 of the Report):**

As the Chair of the EFS was not at the Meeting, it was decided that the EFS Chairperson's Report would be brought back to the 21 May 2015 Finance Committee Meeting.

**Event Sponsorship Subcommittee Report (Attachment 3 of the Report):**

As the ESS six monthly Report had a matter of some urgency to be discussed in the Public Excluded Agenda, it remained under Item C3.

However, to enable the public to hear about the Subcommittee's work it was decided that six monthly Reports should be in the Open Agenda. Accordingly, a further Open Report from the ESS would be available at the next Finance Committee Meeting on 21 May 2015.

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

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

The following motion was 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 - Public Excluded Minutes - 19 February 2015 | ) Good reason to withhold ) information exists under ) Section 7 Local Government ) Official Information and ) Meetings Act 1987 ) | Section 48(1)(a) |
| C2. Finance Committee - Public Excluded Action List - 23 February 2015 | | |
| C3. Six Monthly Report from the Chair of the Event Sponsorship Subcommittee to the Finance Committee | | |
| C4. Report on overdue debtors as at 31 March 2015 & Bad Debts Writeoffs 2014/15 | | |
| C5. Garden Place Carpark Status Update | | |
| C6. Development Contributions Report | | |
| C7. Hamilton Gardens Development Project - External Funding and Sponsorship update | | |
| C8. Future Reserve Land Purchases | | |
| C9. Cartage Contract - CEO Delegation | | |

This resolution was sought 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 prevent the disclosure or use of official | Section 7 (2) (j) |

| | | |
|---|---|---|
| | information for improper gain or improper advantage | |
| Item C3. | to prevent the disclosure or use of official information for improper gain or improper advantage | Section 7 (2) (j) |
| Item C4. | to protect the privacy of natural persons | Section 7 (2) (a) |
| Item C5. | to enable Council to carry out commercial activities without disadvantage<br>to enable Council to carry out negotiations | Section 7 (2) (h)<br>Section 7 (2) (i) |
| Item C6. | to protect the privacy of natural persons | Section 7 (2) (a) |
| Item C7. | to enable Council to carry out negotiations | Section 7 (2) (i) |
| Item C8. | to protect the privacy of natural persons<br>to enable Council to carry out negotiations | Section 7 (2) (a)<br>Section 7 (2) (i) |
| Item C9. | to avoid prejudice to measures protecting the health or safety of members of the public<br>to enable Council to carry out commercial activities without disadvantage | Section 7 (2) (d)<br>Section 7 (2) (h) |

Cr Green retired from the Meeting at 3.00pm during the above Item.

**The Meeting moved into Public Excluded between 3.20pm and 5:30pm.**

**The Meeting was declared closed at 5:30pm.**

Hamilton City Council
Te kaunihera o Kirikiriroa

# council report

Item 6

| | | | |
|---|---|---|---|
| **Committee:** | Finance Committee | **Date:** | 21 May 2015 |
| **Report Name:** | Finance Committee Action List - Open - 21 May 2015 | **Author:** | Leaney Preiss |

| | |
|---|---|
| **Status** | *Open* |

## Recommendation

That the Report be received.

## 1. Attachments

2. Attachment 1 - Finance Committee Action List - Open - 21 May 2015

Updated: 13/05/15 14:39

**Finance Committee - Action List - Open**

D-1385914

| Meeting Date | Item # | Item | GM Responsible | Action | Status |
|---|---|---|---|---|---|
| 24-Sep-13 | 15 | **Waiwhakareke Smart Subdivision – Retention or Disposal Options**<br>Current options for retention and disposal presented to **Council on 29 May 2014**. Council resolved to continue to manage the land status quo and deferred a decision on the disposal or inclusion of the land in Waiwhakareke Natural Heritage Park until the costs and timing of required network infrastructure upgrades, that would allow development of the land to occur, are known. | GM Community & City Environments | Commissioners released their decision to apply a residential zoning to the Smart Subdivision site on **18 February 2015**.<br><br>The network infrastructure upgrades needed to facilitate the development of the Smart Subdivision are being considered within Council's draft LTP. Upon adoption of the LTP later this year, the consequential development options will be reported back to council. | Elected Members notified of commissioners decision on 17 February 2015.<br><br>**Report back to Council once the LTP is finalised.** |
| 03-Jul-14 | 15 | **Reserve Land Purchases** | GM Community | Staff to come back to the Finance Committee in September 2014 with a full report identifying Council obligations from Resource Consents regarding purchasing land.<br>**4 December 2014 Finance Committee Meeting** - Report to come back to the 23 April 2015 Finance Committee Meeting. Report to include comprehensive timeline. | Completed - presented at 23 April 2015 Meeting |
| 02-Oct-14 | 10 | **Hamilton Ring Road Quarterly Update** | GM Infrastructure | Staff to provide an update on the macro scope of the Cobham Dr/Cambridge Road intersection project at the 21 May 2015 Finance Committee. | Matter to be reported on at the next Business and Investment Subcommittee Meeting on 13 May 2015. |
| 19-Feb-15 | 6 | **Subcommittee Chairs' Report** | CFO | External Funding and Event Sponsorship Subcommittee Chair's six monthly reports to be in the Open Agenda at the 21 May 2015 Finance Committee Meeting. | In Progress |
| 19-Feb-15 | 8 | **10-year Plan Monitoring Report** | CFO | ▪ Staff to provide an analysis of **personnel and redundancy costs** in the 23 April 2015 Monitoring Report. Analysis to include mitigation strategies to stay on budget and whether this should be placed on Risks and Opportunities Register.<br>▪ Staff to provide further information on **overheads**, in particular internal vs. external revenue streams.<br>▪ Staff to provide information be provided in relation to the variances and deficits outlined in 'City Prosperity' in future reports. | Completed. Addressed at 23 April 2015 Meeting. |
| 19-Feb-15 | 9 | **IS Programme of Work Update** | GM Organisational Development | Staff to provide an updated table to also show total expenditure on projects to 21 May 2015 Finance Committee. | In progress |
| 19-Feb-15 | 11 | **Rototuna Reservoir and Bulk Water Mains Project** | GM City Infrastructure | This project to be monitored through the Key Projects Report to future Finance Committee meetings. | Completed - on Key Projects Report now. |
| 19-Feb-15 | 12 | **Business Case for New Structure to Extract Water from the Waikato River** | GM City Infrastructure | Upon completion of the project a Completion Report will be provided to the Finance Committee. | In progress |
| 23-Apr-15 | | **All Reports** | All Staff | Font size and all reports to be of a readable size. | Ongoing |
| 23-Apr-15 | 10 | **New Lease Request at Melville Park** | GM Community | Council to give public notice of its intention to grant a new community group lease to the Hamilton City Roller Skating Club Inc to develop a speed skate track on Melville Park.<br>A Hearings Panel is to be formed with Crs Tooman, Green and O'Leary as panel members. The Hearings Panel has to report back to the Finance Committee for decision making.<br>Consultation open from 1 May until 6 June. Hearings Panel will report back to 23 July Finance Committee for decision making. | In progress |
| 23-Apr-15 | 11 | **Te Awa River Ride Easement - Horotiu Landfill** | GM Community | Council to grant an easement in favour of Waikato District Council for the purposes of Te Awa River Ride over the Horotiu Landfill, subject to Council obtaining partial surrender of existing leases and licences.<br>Council to authorise the CE to negotiate the terms of the easement and any other instrument required to give effect to this resolution. | In progress |

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Hamilton City Council
Te kaunihera o Kirikiriroa

# council report

| | | | |
|---|---|---|---|
| **Committee:** | Finance Committee | **Date:** | 21 May 2015 |
| **Report Name:** | Recommended dates for reports to be presented to Finance Committee | **Author:** | Kay Lindsay |

## Recommendation

That the Report be received.

## 1. Attachments

2. Attachment 1 - Recommended dates for reports to Finance Committee

## 3. Purpose of the report

4. This report provides detail of the regular reports that will be presented to this committee as well as estimated timing. Any new reports requested can be added to the attached list.

## Signatory

| | |
|---|---|
| Authoriser | Paul Conder, Chief Financial Officer |

Frequency/Timing 2015

| Reports to Finance and Monitoring Committee | [illegible] | [illegible] | May | July EY 14/15 | August | October Q1 15/16 | November | December | Comments |
|---|---|---|---|---|---|---|---|---|---|
| **Standard Monitoring Reports** | | | | | | | | | |
| List of standard monitoring reports | x | x | x | x | x | x | x | x | |
| Financial Summary | | | x | | x | | x | x | |
| Key Projects Status Report | | | x | | x | | x | x | |
| **Quarterly/Six Monthly Reports (Internal)** | | | | | | | | | |
| Quarterly Financial and Non-financial Report, Key Projects Report (end of Q). Includes Open Development Contributions commentary | Dec-14 | Mar-15 | | Jun-15 | | Sep-15 | | | |
| IS Programme Update (Quarterly) | - | | x | | x | | x | | |
| Procurement Report (Quarterly) | | x | | x | | x | | | |
| Ring Road Progress Report (Quarterly) | | | x | | x | | x | | |
| Weathertight Buildings Update (Six monthly) | | x | | | | x | | | |
| **Confidential Reports** | | | | | | | | | |
| Overdue Debtors/Bad Debt Writeoffs | x | x | x | x | x | x | x | x | |
| Development Contributions Remissions (aligned with Q-reporting) | x | x | | x | | x | | | |

D-41462 (pdf D-1630730)

Updated: 14/05/15 08:56

Hamilton City Council
Te kaunihera o Kirikiriroa

# council report

| | | | |
|---|---|---|---|
| **Committee:** | Finance Committee | **Date:** | 21 May 2015 |
| **Report Name:** | Six Monthly Report from the Chair of the External Funding Subcommittee to the Finance Committee | **Author:** | Leaney Preiss |

| | |
|---|---|
| **Status** | *Open* |

## Recommendation

That the Report be received.

## 1. Attachments

2. Attachment 1 - External Funding Subcommittee - Six Monthly Chairperson's Report

# External Funding Subcommittee
## Chairperson's Report

April 23, 2015

1. This is the six monthly Chairperson's Report to the Finance Committee of Council.

2. Subcommittee Meetings since last report:
   - 4 December 2014
   - 3 March 2015

3. Update on the Subcommittee's Work Programme
   - The Subcommittee meets quarterly to ensure external funding applications are approved by the Subcommittee and are aligned to the Major funding organisations funding deadlines
   - The Subcommittee has identified Councils major projects and have been prioritised for external funding and sponsorship applications.

4. Major Achievements
   - External Funding Guide completed and is regularly updated
   - All priority projects Revenue Generation Plans were approved at the December 2014 Subcommittee meeting.
   - External Funding Monitoring Matrix completed that regularly tracks and monitors the outcome of all external funding and sponsorship applications
   - To date Hamilton City Council has successfully secured \$1.5m in external funding from a total funding amount request of \$13m.
   - External Funding received to date supports the following Council projects:
     i. Tudor Gardens
     ii. 150th Celebrations
     iii. WW1 commerations
     iv. Gully Restoration
     v. PeaceTiles
     vi. City Safety
     vii. Water safety
     viii. Destination Playgrounds

5. Emerging Issues
   - Nil

6. Recommendations
   - That the report be received.

Hamilton City Council
Te kaunihera o Kirikiriroa

# council report

| | | | |
|---|---|---|---|
| **Committee:** | Finance Committee | **Date:** | 21 May 2015 |
| **Report Name:** | Six Monthly Report from the Chair of the Event Sponsorship Subcommittee to the Finance Committee | **Author:** | Leaney Preiss |

| | |
|---|---|
| **Status** | *Open* |

## Recommendation

That the Report be received.

## 1. Attachments

2. Attachment 1 - Event Sponsorship Subcommittee - Six Monthly Chairperson's Report

# Event Sponsorship Subcommittee
## Chairperson's Report

May 21, 2015

1. This is the six monthly Chairperson's Report to the Finance Committee of Council.

2. Subcommittee Meetings since last report:
   - 29 July 2014
   - 11 March 2015

*Please note: The majority of reports to this Subcommittee are taken as publically excluded items to enable Council to carry out negotiations relating to event sponsorship.*

3. Update on the Subcommittee's Work Programme

   **2014/15 Financial Year - $522,596**

   In 2014/15, 5 events received funding. These include the FIFA U-20 (year 3 of 3 yearly instalments), Gallagher Great Race 2014, NZ Ethnic Football Festival 2014, Hamilton Christmas Parade, Tree and Carols Events 2014, Hamilton Gardens Arts Festival 2015 and Balloons over Waikato 2015. $50,000 is also allocated to community events and is administered by Community Development.

   **2015/16 Financial Year - $222,596**

   In March 2015, the first applications to the 2015/16 financial year were heard by the Subcommittee with two events receiving funding. At the writing of this report, communications to the parties are underway. The two events to receive funding include The Gallagher Great Race 2015 and the UCI Track Cycling World Cup 2015.

   **Upcoming Major Event:**

   Planning is in hand for the FIFA U-20 World Cup in May and June 2015. Hamilton is one of seven host cities and will host five match days at Waikato Stadium – including three double headers (pool play), a round of 16 match and the Quarterfinal. An update report will be provided to Council in May 2015 on this event.

4. Emerging Issues

**2015-25 10-Year Plan Review of the Event Sponsorship Fund**

The event sponsorship fund is proposed to reduce to $222,596 in the draft 2015-25 10-Year Plan exclusive of the $50,000 community events which now sits in community grants. Until 2012 the fund was $900,000, reduced to $522,596 in the current 10-Year Plan. The new budget proposed effectively cuts the number of worthy major events down to three to four in a single year. In the 2014/15 year, excluding Community events, only five events received sponsorship funding. By comparison in the 2011/12 year over 25 events were supported.

Currently the application of the event sponsorship fund has been run through an approvals process via a subcommittee of elected members and external/independent members. The approvals have also been limited to a one year commitment. Organisers of Hamilton's long standing iconic events are seeking more certainly of city support through a three year funding agreement. The Subcommittee supports that approach.

As a result of the tighter criterion, reduced funding and the small (but generally larger) number of events supported, consideration should be given by Council to adjust its management of the application of the event sponsorship fund including the cessation of the Event Sponsorship Subcommittee. The Subcommittee believes its work could be managed by staff with a six monthly report to the Finance Committee. The Mayor supports this position.

**Event Sponsorship Subcommittee – External Memberships**

The membership of this Subcommittee comprises of four elected members (one of whom is chair) and two externally appointed members. A meeting quorum requires that at least one external member is present. At the beginning of each new Council triennium external members are to be appointed to the Subcommittee. This has yet to happen however one external member appointed to this Subcommittee by the previous Council remains.

It was recommended by the Subcommittee at its Meeting on 11 March 2015, that the formal appointment of two external members to this Subcommittee is delayed until the future of the Event Sponsorship fund is known once the 2015-25 10-Year Plan is confirmed.

5. Recommendations

That the report be received; and

That consideration is given to amending the Council Governance Structure to remove the Event Sponsorship Subcommittee.

Item 10

Hamilton City Council
Te kaunihera o Kirikiriroa

# council report

| | | | |
|---|---|---|---|
| **Committee:** | Finance Committee | **Date:** | 21 May 2015 |
| **Report Name:** | 10-Year Plan Monitoring Report | **Author:** | Raniel Prasad |

| | |
|---|---|
| **Report Status** | *Open* |
| **Strategy, Policy or Plan context** | *2012-22 10-Year Plan*<br>*2014/15 Annual Plan* |
| **Financial overview** | *Included in the report* |

## 1. Purpose of the Report

2. To provide Council with progress reporting on the financial commitments contained in the 2014/15 Annual Plan. Specifically, this report includes the following components:

**Finances:** The finance section includes commentary on:

- Financial results for the ten months ended 30 April 2015.
- A summary of the projected financial risks and opportunities for the ten months ended 30 April 2015.

## 3. Executive Summary

4. Council has a $5.6m 'Balancing the Books' surplus for the ten months ended 30 April 2015, which is $8.4m positive against the predicted budget deficit of $2.7m. This has improved by $1.0m since the March 2015 position which was reported to the committee in April 2015. Refer paragraph 14.

5. The Accounting Result, the Surplus / (Deficit) before Tax after accounting for the non cash effect of revaluing interest rates swaps, is a surplus of $9.4m. This has improved by $3.6m since the March 2015 position which was reported to the committee in April 2015. Refer paragraph 16.

6. Like all large and complex organisations, Council actively manages its finances to achieve both its 'Balancing the Books' and Accounting Result targets. The year-to-date favourable results reflect the complexity of Council and the intentional actions taken to deliver services in the context of these targets.

7. Council reports at 30 April 2015 a current debt to revenue ratio of 202% (March 199%) compared with the 2014/15 limit of 235%. Total 'Overall Debt' (paragraph 20) as at 30 April 2015 is $379.4m (March $374.2m) which is $37.9m favourable against the year end target of $417.3m. The debt reduction has resulted from good financial performance, asset sales (paragraph 65) and capital expenditure deferrals (paragraph 77).

8. The Risks and Opportunities Schedule shows improving overall financial performance and the year end forecast (paragraph 23) reflects this.

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## 9. Recommendation from Management

That the Report and the Risk and Opportunities Schedule be received.

## 10. Attachments

Attachment 1 - Statement of Comprehensive Income

Attachment 2 - Statement of Activity (Summary)

Attachment 3 - Statement Of Financial Position

Attachment 4 - Statement of Cashflow

Attachment 5 - Risk and Opportunity Schedule

Attachment 6 - Treasury Summary Report

Attachment 7 - Capital Expenditure
Attachment 8 - Individual Activity Statements

## 11. Key Financial Strategy Measures

12. This report is for the first ten months of the 2014/15 financial year. Council's financial performance is primarily measured against its 2012-22 Financial Strategy and the 2014/15 Annual Plan, using the 'Balancing the Books' and the 'Debt to Revenue ratio' targets. The Financial Strategy was developed in the 2012-22 10 Year Plan and the 2014/15 Annual Plan is the third year of implementing this strategy. The financial report includes attachments 1-8 listed in paragraph 10.

**13. Balancing the Books**

14. Council has planned to balance the books from 2017. The Balancing the Books measure is more conservative than a traditional accounting surplus/(deficit) as it excludes non cash items such as gains or losses from the valuation of financial instruments, vested assets and capital subsidies on the Ring Road. The annual plan target for 2014/15 is a deficit of $3.3m and Management are actively working to deliver an improved result for the year by seeking additional efficiencies.

**15. Accounting Result**

16. Council complies with Tier 1 Public Benefit Entity accounting standards which include the requirement to report the Surplus / (deficit) before tax. This measure is less conservative than the Balancing the Books target as it includes revenue from non-cash items such as assets vested in Council from developers, the revaluation of interest rate swaps and gains/(losses) on the sale of properties.

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17. **Variance table for the Accounting Result and Balancing the Books**

18. The following table summaries the key contributors to both the Balancing the Books and the Operating Result year to date when compared to budget.

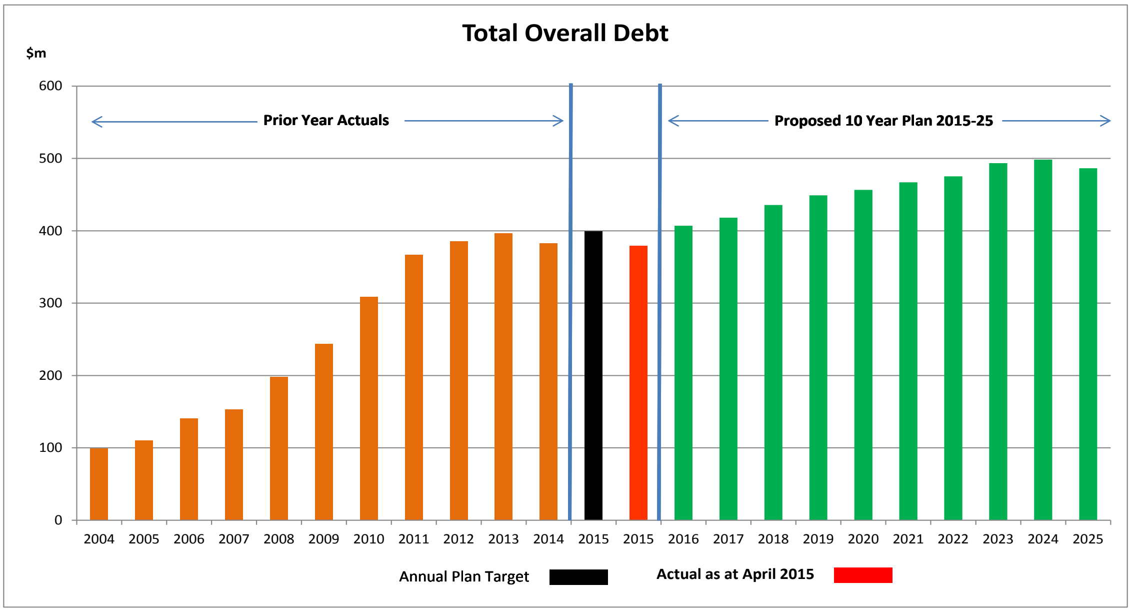
| | **Accounting Result** | **Balancing the Books** |
|---|---|---|
| **Budget as at 30 April - Surplus/(Deficit)** | **9,377** | **(2,736)** |
| Other Expenses | 2,222 | 2,222 |
| Personnel Costs | (1,686) | (1,686) |
| Targeted rate for commercial water | (460) | (460) |
| Other revenue | 1,558 | 1,558 |
| Rates Revenue | 507 | 507 |
| Sundry | 160 | 160 |
| Sub-total | 2,301 | 2,301 |
| Development Contributions | 4,861 | 4,861 |
| Finance Costs | 1,215 | 1,215 |
| Revenue from Vested Assets | 7,504 | - |
| Subsidy on the Ring Rd | (4,333) | - |
| Losses from non-cash Items | (11,531) | - |
| Sub-total | (2,284) | 6,076 |
| Total Variances | 17 | 8,377 |
| **Actual as at 30 April - Surplus/(Deficit)** | **9,394** | **5,641** |

19. **Debt Management**

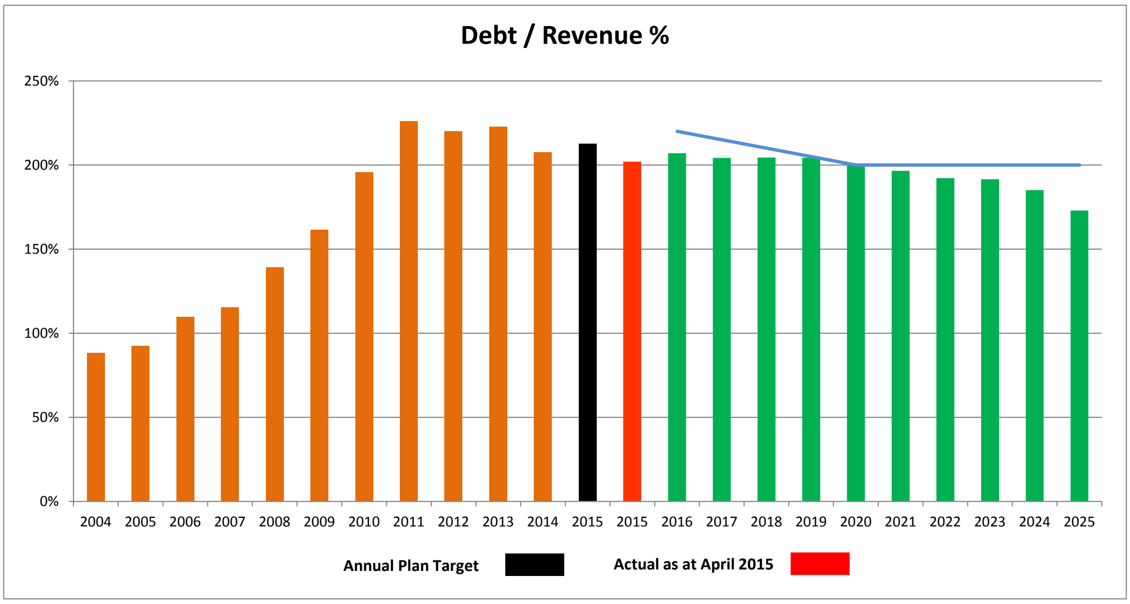
20. 'Total Overall Debt' is currently $379.4m, which is $37.9m less than Council's year end budget target of $417.3m. Good financial performance, assets sales and capital expenditure deferrals have contributed to this improvement. Total overall debt is calculated as follows:

| **As at 30 April 2015 Council's total overall debt is calculated as following:** | **$m** |
|---|---|
| Total external debt | 377.0 |
| plus cash backed reserves | 36.6 |
| less cash investments | 34.2 |
| **'Total Overall Debt' as at 30 April 2015** | **379.4** |

21. As at the end of March external debt was $414.1m and cash investments were $75.5m. The higher debt and investments figure was due to $37m of debt maturing during April. This debt has now been repaid and is reflected in the lower external debt and cash investment numbers.




22. The debt to revenue ratio at 30 April 2015 is 202%. This ratio is calculated as total overall debt as at 30 April 2015, divided by annual budgets for total operating revenue less vested assets, less capital subsidies, less development contributions.




## 23. Year End Forecast

24. The Risks and Opportunities (R&O) Schedule (attachment 5) reflects changes in priorities, financial assumptions or unplanned works, and other events that impact the financial forecasts estimated in the Annual Plan and advises Council of the actions taken to resolve them. The process being that all items included on the R&O Schedule must have a report outlining how the item has arisen and action to resolve the issues along with the approval of the CFO.

25. This is a forecast of the financial outcome of Council for the year ended 30 June 2015. The forecast uses data as at 30 April 2015.

26. The attached R&O Schedule projects a net favourable position against the balancing the books measure of $1.4m in the operating activities. These have been noted in the report as

controllable or uncontrollable, an example of uncontrollable is the impact of the sale of the BNZ building.

27. This is before allowance for favourable movements in Development Contributions (DC) revenue, interest cost, and depreciation. Any favourable impact from interest and DC revenue will be used to reduce debt. The reason these are excluded from the operating activities is because any favourable impact from interest and DC revenue cannot be used within the operating areas of Council.

28. The Accounting Result is further impacted by non-cash items. The unfavourable unrealised loss on interest rate swaps $13.3m, the delay in $4.4m capital subsidies are partially offset by the favourable movement in vested assets $7.5m.

29. A summary of Attachment 5 detailing the Financial estimates for Operating Risks and Opportunities at 30 April 2015 is:

| **Risks and opportunities estimated impact on year end result ($000s)** | **Balancing the Books** | **Accounting Result** |
|---|---|---|
| **Surplus / (Deficit) from Annual Plan** | **(3,266)** | **11,508** |
| Operating activities - Controllable | 1,885 | 1,885 |
| Operating activities - Uncontrollable | (530) | (4,930) |
| DC revenue, interest and depreciation | 6,627 | 6,627 |
| Unrealised gains/(losses) on interest rate swaps | - | (13,329) |
| Vested Assets | - | 7,504 |
| **Total Movement Positive/(Negative)** | **7,982** | **(2,243)** |
| **Projected Surplus / (Deficit) as at 30 April 2015** | **4,716** | **9,265** |

30. The capital expenditure activities' report a favourable variance of $12.9m

31. Included above are three budget transfers where expenditure has been reclassified between operating or capital. The overall impact on funding is NIL, but operating costs are increased and capital costs decreased each, by $380,000. Budgets have not been changed and the actual transactions will be treated correctly. In doing so this creates a known variance to both the operating and capital budgets.

32. Management are working to ensure that by the end of the financial year the R&O Schedule contains a net improved result.

## 33. Variance Analysis (Attachment 2)

34. As noted in paragraph 6, Council actively manages its finances to achieve both its 'Balancing the Books' and Accounting Result targets, and where possible improve its actual results against these targets. The year-to-date favourable results reflect the intentional actions taken by Management to deliver all services while improving Council's overall financial performance.

35. Year-to-date revenue is $9.4m ahead of budget and expenses are $2.1m better than budget.

36. Material variances include:

**37. Revenue**

38. Year to date rates revenue is $507,000 (March $483,000) favourable due mainly to more revenue received from penalties $144,000 and rates remissions being $115,000 less than expected.

39. Targeted rates for commercial water is unfavourable $460,000 (March $636,000). Of this $450,000 is related to a reduced demand by the high water user group and has been included on the R&O Schedule. This is an improvement since March and reflects the ongoing work that was described in March.

40. Waste Water revenue is unfavourable by $465,000 (March $685,000) due to reductions in tanker waste which was prohibited from the waste water plant to protect it during the biological breakdown event and from reductions in trade waste revenue from two significant customers, one which has closed down and the other which is not discharging to the expected levels.

41. Subsidies and Grants are $4.4m unfavourable (March $3.2) due to the deferral of the completion of the Hamilton Ring Road with Year-to-date $4.3m subsidies not received as a result (see paragraph 78). The total subsidy of $4.4m will be received when the project is completed in 2015/16. Other subsidies and grants are slightly behind budget.

42. Development and Financial Contributions (DC) revenue are $4.9m favourable (March $4.4m) (See paragraph 67). Through the Risk and Opportunity Schedule the annual amount has now been assessed at $12.5m which is $4.9m higher than the approved budget.

**43. Expenses**

44. Both interest and depreciation are favourable by $1.2m and $348,000 respectively.

45. The net of Other Expenses and Personnel costs are favourable by $536,000 (March $457,000 unfavourable). Management continue to target an improved year end result overall as outlined in paragraph 6.

46. **City Environment Group** has an unfavourable personnel variance of $516,000. This is due to extra staff being employed to meet consenting demand. Employing staff for most roles is more cost effective than contract arrangements and as a user's pays activity the costs are fully recoverable from the consenting revenue. After balancing the consenting costs and revenue, the City Environment Group has an overall favourable variance of $460,000 (March $523,000), largely driven by Proposed District Plan timing and favourable appeal negotiations.

47. **City infrastructure Group** has a favourable personnel variance of $538,000, this relates to unfilled vacancies. The Group is managing the vacant positions through consultants. After excluding the impact of the Ring Road deferral the group has an overall favourable variance of $104,000 (March $292,000 unfavourable).

48. The **Community Group** has an overall favourable variance of $783,000 (March $494,000). Within this is an unfavourable personnel variance of $591,000 due to higher personnel cost at the Museum, libraries and Aquatic Facilities. These costs are being off-set by increased revenue and other cost savings.

49. **Customer Relationships Group** has an unfavourable personnel variance of $259,000. This is due to increased permanent replacements in the call centre, and extra casual staff to cover peak periods. There were also additional costs for contract staff and consultants to cover vacancies in other areas of the Group and to complete project work. The Group is managing the variance by making significant operational adjustments and holding all vacancies until the end of the financial year. The Customer Relationships Group has an overall unfavourable variance of $166,000 (March $228,000).

50. **Events and Economic Development Group** has an unfavourable personal variance of $463,000. This has been driven by a number of factors including the need for staff positions to conduct economic development work; increased event activity at the stadia and Claudelands; and the implementation of the upgrade operating system at H3. A range of additional cost cutting measures have been put in place for the balance of the year including the non-replacement of up to eight vacant positions at H3 and reductions in contract staffing. The Events and Economic Development Group has an overall unfavourable variance of $633,000 (March $617,000) of which $424,000 relates to lost revenue as a result of the sale of the BNZ and ANZ properties.

51. The **Performance Group** has an overall favourable variance of $166,000 (March $242,000) including a favourable personnel variance of $19,000, the remaining variance is due to fuel, insurance and maintenance savings.

52. The **Organisational Development Group** has an overall favourable variance of $735,000 (March $546,000) including a favourable variance in Support and Licence Agreements of $764,000 and personnel of $6,000.

53. **Finance Group** has an unfavourable personnel variance of $112,000. This is due to the requirement of an additional role in the Development Contributions team (segregation of duties as required by internal audit), additional staff resource for the 10 year plan and back filling of roles for the AX implementation (July to October). Legal and consulting costs associated with Development Contributions revenue have been higher than expected. The Group is attempting to manage the variance from additional external revenue and efficiencies in other expenditures. Finance has an overall unfavourable variance of $175,000 (March $164,000).

54. The annual leave accrual is unfavourable $270,000 (March $269,000). As management actively monitors annual leave, the balance is expected to be back to budget by the end of the financial year.

55. Management continue to search for new efficiencies and as a result there have been reviews within H3, Community Services, City Infrastructure and the Performance Groups. This has lead to $349,000 (March $317,000) in redundancy costs and severance payments. The detail of this item has been reviewed by the Chair and Deputy Chair of the finance committee but as individuals could be identified the detail is not disclosed in this report.

56. Net consultants and legal cost are favourable $1.2m (March $912,000). The main contributors arise ine Strategy and Research, City Planning, Transportation and City Waters.

57. Utility Costs (electricity and gas) are favourable $548,000 (March $430,000). This is due to reduced electricity demand as a result of a Council wide project and utility costs at the water treatment plant.

58. Security costs are favourable $252,000 (March $356,000). There has been a change in the service delivery model within the Community Group resulting in savings which have been

included on the R&O Schedule. The remainder in City Safety is the result of changes in timing of service and will correct by year end.

59. Advertising and Marketing costs are favourable $414,000 (March $349,000). The main contributor to this is within the H3 activity. This is the result of H3 endeavouring to offset the impact of additional staff costs and is reflected on the R&O Schedule.

60. Grants are currently favourable by $334,000 (March $357,000), though these are expected to be fully expended by year end. No amount is include on the R&O Schedule as a result.

61. Recruitment costs are unfavourable $304,000 (March $289,000). Council does not budget for recruitment as it expects these costs to be covered by matching savings in staff costs. The main contributors are CEO, Building Control and Finance.

62. Rates paid to external parties for properties outside Hamilton City boundaries and Waikato Regional Council rates are unfavourable $112,000 (March $162,000).

63. For the ten months ended 30 April 2015 there have been unrealised losses of $13.2m (March $14.8m) against financial instruments (interest rate swaps). This has an unfavourable impact on the Accounting Result but has no impact on the Balancing the Books result.

**64. Impact from Asset Sales**

65. Recent asset sales including Knox St Carpark, ANZ Building and BNZ Building were not budgeted and have resulted in an impact on the operating results year to date. The year end estimate has been included on the R&O Schedule.

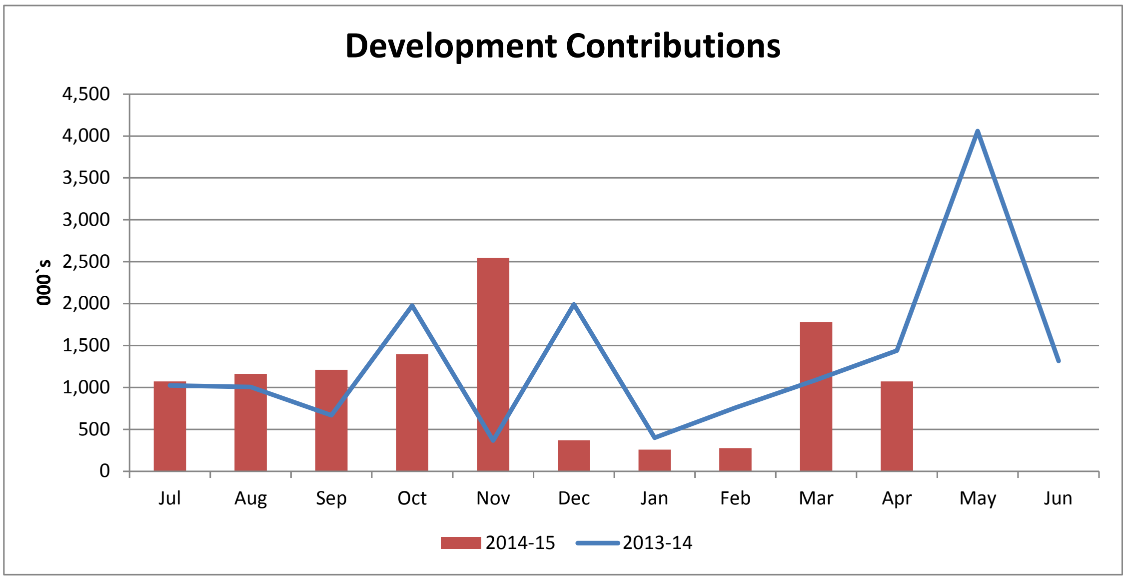
66. The sales impact is as follows:

| **$000`s** | **YTD** | **Year end Estimate** |
|---|---|---|
| Loss of rental revenue | (713) | (1,114) |
| Reduced direct expenditure | 127 | 178 |
| Reduction in Depreciation | 61 | 86 |
| Reduction in Interest | 287 | 450 |
| Net Impact on Operating Result | (238) | (400) |

## 67. Development and Financial Contributions

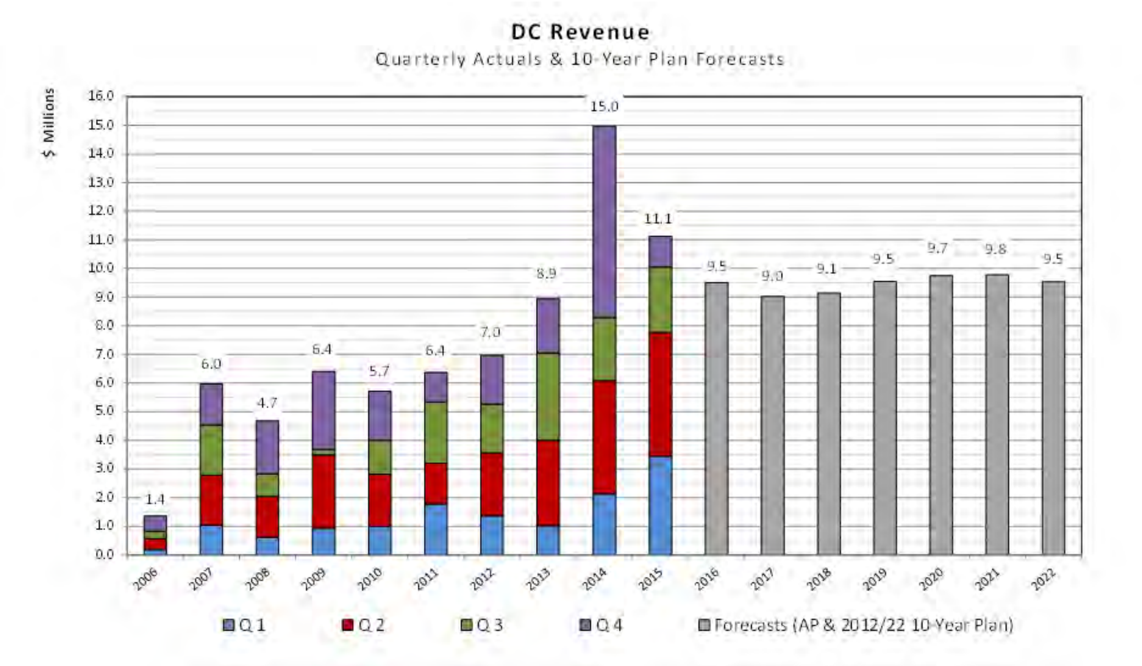
68. The table and graph below shows the actual DC revenue collected month by month beginning from July 2013.

| (000`s) | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2013-14** | 1,025 | 1,006 | 668 | 1,977 | 367 | 1,992 | 401 | 760 | 1,091 | 1,440 | 4,060 | 1,316 | 16,103 |
| **2014-15** | 1,072 | 1,163 | 1,211 | 1,397 | 2,547 | 369 | 259 | 277 | 1,780 | 1,071 | | | 11,146 |




69. Management continue to monitor and review the annual forecast for DC revenue, based on actual amounts for the ten months ended 30 April 2015 along with an assessment of the next two months. The forecast has been revised upwards to $12.5m (previously $11.5m), this is an additional $4.9m and is included on the R&O Schedule.

70. The following graph shows the revenue from development contributions (excluding financial contributions under the Resource Management Act) for the last nine years with the 2014-15 year to April 2015 (last quarter) and the 2012-22 LTP DC revenue estimates. The 2015-25 year plan (yet to be finalised) includes increased DC revenue estimates for 2015-25.



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## 71. Capital Expenditure and Deferred Capital Expenditure

| The capital programme for the 2014/15 financial year is: | $m |
|---|---|
| Approved Annual Plan | 67.9 |
| plus Approved Deferred Projects from 2013-14 | 13.2 |
| **Total Capital Programme for 2014-15** | **81.1** |
| Less Proposed Deferred Projects for 2014-15 | 19.5 |
| Less Other Risk and Opportunity changes | 1.8 |
| **Revised Capital Programme for 2014-15** | **59.8** |

72. For the ten months ended 30 April 2015 Capital Expenditure of $40.2m (March $36.3m) has been expended. This represents 49% of the total programme and is $26.6m behind the approved budget expectation.

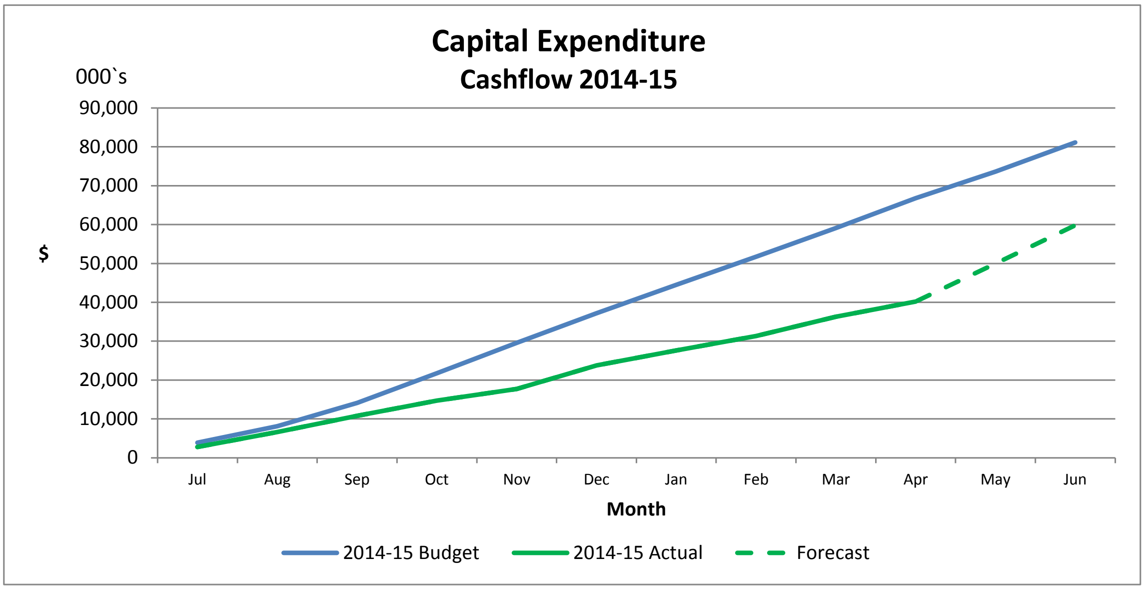
73. In forecasting the end of year position for Capital expenditure two factors have an impact, the value of deferrals and the impact from the R&O Schedule It is now estimated that total capital expenditure of $61.5m will be expended by 30 June 2015.

74. Six large capital programmes account for over half the year to date variance:

| Project | Reason | Impact ($m) |
|---|---|---|
| Hamilton Ring Road | Proposed as a deferral | 7.8 |
| Rototuna Reservoir and Bulk Water Main | Deferral approved – business case confirmed project timing | 4.0 |
| Dewatering Facility at the Water Treatment Station | now not proceeding and that the funding is being allocated to other more urgent priorities | 2.3 |
| Structure to extract water from the Waikato River | Project saving identified through procurement process | 2.9 |
| Roading in Rototuna | Proposed as a deferral | 2.1 |
| Replacement of Property Assets | Timing, the programme will be completed by 30 June 2015. | 1.2 |
| | | 20.3 |

75. Council has a policy of 'just in time' construction for new growth infrastructure related to growth developments and as a result is dependent on developers deciding on proceeding. This can make it difficult to estimate the exact timing for some capital projects, however Council needs to provide in its 10 year and Annual Plans for these projects.

76. The following graph shows the total capital expenditure cash flow against the YTD actual result. Note while each individual project is cash flowed to reflect the expected spend, when the Councils entire programme is consolidated the cash flow appears even. A forecast line has been added, this takes into account the effect of removing the value of the proposed deferred projects.




**Budget includes approved deferrals.**

77. After ten months, eleven projects have been identified that will not be complete by the end of the year.

| | Deferral Approved | $m |
|---|---|---|
| Rototuna Reservoir and Bulk Water Mains | 19 February 2015 | 4.0 |
| Hamilton Ring Road completion* | | 11.0 |
| Peacocke Wastewater* | | 0.4 |
| Rototuna Roading* | | 1.2 |
| Integrated Catchment Management Plans | | 0.8 |
| New Structure to extract water from the Waikato River | | 1.2 |
| Rototuna Wastewater Capacity* | | 0.1 |
| Water Treatment Plant Equipment (Scrubber) | | 0.1 |
| Hamilton Zoo Siamang Exhibit | | 0.1 |
| New Roading Peacockes* | | 0.3 |
| Roading Upgrades in Rotokauri* | | 0.3 |
| **Total Deferred Expenditure** | | **19.5** |
| External subsidy (Ring Road) | | 4.4 |
| **Net Deferral** | | **15.1** |

* Timing of these projects is dependent on Third party agreements being signed.

78. The Ring Road deferral, previously noted in the December report to the Finance Committee, is the final stage of the project and the form of the intersection on Cobham Drive is still to be agreed. This stage of the project is funded by the New Zealand Transport Agency (NZTA) through an advanced funding agreement. As such any deferral has no impact on Council's borrowing requirements.

79. Integrated Catchment Management Plans (ICMP's) are now a necessary requirement of development that allow sensible co-ordination of stormwater, water and wastewater services. The exact form of an ICMP is being developed with stakeholders, including the Waikato Regional Council and the land developers. This engagement has meant that the programme of work has not proceeded as quickly as anticipated. There is no new funding in the 2015-25 10 Year Plan to complete the current priority ICMP's and deferrals of capital will be requested.

80. There are a number of Projects in the current 2014/15 Annual Plan that contribute to the development of ICMP's in Rotokauri and Rototuna and from which the capital deferment request will be based including;

- Project 12018- Stormwater catchment assessment ($440k)
- Project 12059- Rotokauri Stormwater ($215k)
- Project 12068- Waste water network in Rotokauri ($75k)
- Project 12077- Water mains in Rotokauri ($100k)

81. Peacocke Wastewater- Council has now entered into an agreement with a developer in the Peacockes stage 1 area to build a new waste water pump station. To work effectively as the development fills up the existing waste water pipes will need to be upsized. This work was put on hold while the agreement for the wastewater pump station was developed. This delay has meant that the pipe upgrade has to be deferred until after winter to avoid deep trenching in the sensitive Mangatukutuku catchment (project 12071).

82. Rototuna Roading (project 12003) has been dependant on third party agreements with the Ministry of Education and Ryvington Holdings to develop roads in the Rototuna area that have been agreed by Council. The lateness of receiving signed agreements has meant that not all works will be completed this financial year.

83. In addition to the projects above, the following projects have been identified as at risk of potential deferral. Both projects are third party dependant where it had been anticipated that developers of Peacockes stage 1 would partner with Council to build a stormwater facility. Council's contribution could be by way of land purchase. These projects are being monitored by management.

| Project | Reason | $whole |
|---|---|---|
| Project–12060 Peacocke Stormwater | Completion is dependent on third party agreement with developer. | $375,000 |
| Project–12061 Stormwater Local Growth | Completion is dependent on third party agreement with developer. | $80,000 |
| Project -12036 Minogue Park Playground | In Progress, but may not be completed by 30 June 2015 | $50,000 |

## 84. Treasury Management

85. Council is compliant with all Treasury Policy measures. The Counterparty Risk breach reported in March has been resolved.

86. The current 12 month weighted average interest rate applicable to Council debt is 5.82%. This has increased very slightly over recent months along with market interest rate increases.

Council has 87% of debt at fixed interest rates meaning that any future increases or decreases of interest rates will not have a significant impact in the short term.

## 87. Commercial Water by Meter

88. The Committee were advised in April that a review of water billing had identified some deficiencies in the process for water billing and that a number of actions had been put in place to recover revenue from water that had not been billed. Committee were also advised that to the end of March 2015 the targeted rate for commercial water was $636,000 unfavourable with $450,000 of this related to a reduced demand from the high water user group, and $186,000 related to billing delays.

89. There has been continued good progress on implementation of the review identified actions and the unfavourable forecast for end of April is now $460,000 which relates largely to the high water users group. As this is demand driven $450,000 remains in the risks and opportunities schedule which will be reviewed each month.

90. Prior to the start of next financial year a full lean business process review of the end to end process from the time a new building is consented that requires a water meter through to the final water billing will be completed. This will involve a number of units in council and could recommend that some parts of the water meter revenue process are transferred to Finance.

## 91. Rates and Debtors

92. The following tables present a high level summary of the invoicing and collection of rates, rating statistics, and an aged debtors summary as at 30 April 2015.

93. Table1 – **Total Rates**

| | **Apr-15** | | **Apr-14** | |
|---|---|---|---|---|
| **Whole Dollars** | **$** | **%** | **$** | **%** |
| Rates brought forward as at 1 July includes credit balances | 1,612,313 | | 1,792,766 | |
| Instalments to date | 153,969,262 | | 146,580,628 | |
| Penalties, Adjustments & Postponed | 765,733 | | 658,523 | |
| Rates Receipts | -123,241,767 | 78.83% | -117,135,128 | 78.60% |
| Outstanding Balance | 33,105,540 | 21.17% | 31,896,789 | 21.40% |

94. Table 2 – **Rates Arrears**

| | Apr-15 | | Apr-14 | |
|---|---|---|---|---|
| | $ | % | $ | % |
| Arrears brought forward as at 1 July 2014 | 3,322,738 | | 3,194,265 | |
| Collected to Date | 3,192,335 | 96.08% | 2,999,395 | 94.64% |
| Outstanding Balance | 130,403 | 3.92% | 171,248 | 5.36% |

95. Table 3 and 4 – **Sundry Debtors total debt expressed in dollars and percentage**.

| | Total | Current | 0 - 30 Days | 30 -60 Days | 60 -90 Days | >90 Days |
|---|---|---|---|---|---|---|
| Debtors | 3,389,997 | 2,741,156 | 305,296 | 104,789 | 41,459 | 197,296 |
| Rentals | 553,998 | 193,499 | 62,909 | 2,009 | -869 | 296,450 |
| Total | 3,943,995 | 2,934,655 | 368,205 | 106,798 | 40,591 | 493,746 |

| | Total | Current | 0 - 30 Days | 30 -60 Days | 60 -90 Days | >90 Days |
|---|---|---|---|---|---|---|
| % (this year) | 100% | 74.4% | 9.3% | 2.7% | 1.0% | 12.5% |
| % (last year) | 100% | 35.2% | 30.0% | 5.6% | 2.7% | 26.1% |

96. Table 5 - **Water by Meter**

| | Apr-15 | | Apr-14 | |
|---|---|---|---|---|
| **Whole Dollars** | **$** | **%** | **$** | **%** |
| Current | 1,095,924 | 87.32% | 656,739 | 82.42% |
| Past Due date | 159,090 | 12.68% | 140,080 | 17.58% |
| Outstanding Balance | 1,255,014 | 100.00% | 796,819 | 100.00% |

## 97. Ring Road Update

98. The Ring Road project is complete with the exception of the last remaining section from Cambridge Road to Cobham Drive. Finance Committee were advised in the last full project update that consultation was on-going with NZTA about the form and function of the intersection with Cobham Drive following safety auditing and additional traffic modelling findings in relation to a traffic signal solution, and that a roundabout option may be preferred. Any option would include an overbridge from Wairere Drive to the south side of Cobham Drive. Committee were also advised that the implications of this were that there would be a delay to the contract completion date but no increase to the project funding would be required. This remains the expectation.

99. The additional work has included testing the signals and the roundabout with a grade separated (flyover) option and all options have been considered in the context of the section of the state highway from Cobham Bridge to Morrinsville Road where NZTA have commenced the construction of a larger roundabout. The technical work has now been completed and the option assessment is nearing finalisation. A report will be brought to the July 2015 Strategy and Policy Committee meeting seeking macro scope amendment.

## Signatory

| | |
|---|---|
| Authoriser | Paul Conder, Chief Financial Officer |

# STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

## FOR THE TEN MONTHS ENDED 30 APRIL 2015

| | Council | | | | | |
|---|---|---|---|---|---|---|
| | Actual YTD | AX Budget YTD | Variance YTD (AX Budget) | Annual Budget 2015 | Annual AX Budget 2015 | Actual YTD April 2014 |
| | $000 | $000 | $000 | $000 | $000 | $000 |
| **Revenue** | | | | | | |
| Rates, excluding targeted water supply rates | 110,710 | 110,203 | 507 | 132,404 | 132,404 | 105,216 |
| Targeted rates for water supply | 6,592 | 7,052 | (460) | 8,121 | 8,121 | 6,572 |
| Revenue from activities | 35,574 | 35,720 | (146) | 41,280 | 44,793 | 35,583 |
| Subsidies and grants | 8,593 | 12,968 | (4,375) | 14,582 | 15,355 | 7,355 |
| Development and financial contributions | 11,170 | 6,309 | 4,861 | 7,571 | 7,571 | 10,725 |
| Other revenue | 19,281 | 10,219 | 9,062 | 11,141 | 11,141 | 12,617 |
| **Total revenue** | **191,920** | **182,471** | **9,449** | **215,099** | **219,385** | **178,068** |
| **Expenses** | | | | | | |
| Depreciation and amortisation | 46,564 | 46,912 | 348 | 56,295 | 56,295 | 45,710 |
| Finance costs | 19,525 | 20,740 | 1,215 | 24,887 | 24,887 | 18,802 |
| Other expenses | 53,230 | 55,452 | 2,222 | 66,225 | 66,744 | 52,631 |
| Personnel costs | 51,676 | 49,990 | (1,686) | 56,184 | 59,951 | 46,954 |
| **Total expenses** | **170,995** | **173,094** | **2,099** | **203,591** | **207,877** | **164,097** |
| **Operating surplus (deficit)** | **20,925** | **9,377** | **11,548** | **11,508** | **11,508** | **13,971** |
| Gains | 1,798 | - | 1,798 | - | - | 8,876 |
| Losses | (13,329) | - | (13,329) | - | - | (453) |
| Share of associates' surplus/(deficit) | - | | - | - | - | |
| **Surplus (deficit) before tax** | **9,394** | **9,377** | **17** | **11,508** | **11,508** | **22,394** |
| Income tax expense | - | | - | - | - | - |
| **Surplus (deficit) after tax** | **9,394** | **9,377** | **17** | **11,508** | **11,508** | **22,394** |
| **Other comprehensive revenue and expense** | | | | | | |
| Gain/(loss) on property revaluations | - | | - | 143,967 | 143,967 | - |
| Fair value through other comprehensive revenue and expense | - | | - | - | - | - |
| Share of associates' other comprehensive revenue and expense | - | | - | - | - | - |
| **Other comprehensive revenue and expense for the period** | **-** | **-** | **-** | **143,967** | **143,967** | **-** |
| **Total comprehensive revenue and expense for the period** | **9,394** | **9,377** | **17** | **155,475** | **155,475** | **22,394** |

# BALANCING THE BOOKS MEASURE

## FOR THE TEN MONTHS ENDED 30 APRIL 2015

| | Council | | | | | |
|---|---|---|---|---|---|---|
| | Actual YTD | AX Budget YTD | Variance YTD (AX Budget) | Annual Budget 2015 | Annual AX Budget 2015 | Actual YTD April 2014 |
| | $000 | $000 | $000 | $000 | $000 | $000 |
| **Total comprehensive revenue and expense for the period** | 9,394 | 9,377 | 17 | 155,475 | 155,475 | 22,394 |
| **Adjustments for balancing the books measure** | | | | | | |
| Gains | 1,798 | - | 1,798 | - | - | 8,876 |
| Losses | (13,329) | - | (13,329) | - | - | (453) |
| (Loss) gain on property revaluations | - | - | - | 143,967 | 143,967 | - |
| Vested assets (included in Other revenue) | 14,516 | 7,012 | 7,504 | 8,414 | 8,415 | 9,913 |
| Ring Road subsidy (included in Subsidies and grants) | 768 | 5,101 | (4,333) | 6,360 | 6,360 | 1,502 |
| **Total adjustments** | **3,753** | **12,113** | **(8,360)** | **158,741** | **158,742** | **19,838** |
| **Balancing the books surplus (deficit)** | **5,641** | **(2,736)** | **8,377** | **(3,266)** | **(3,267)** | **2,556** |

## STATEMENT OF ACTIVITY (SUMMARY)
### FOR THE TEN MONTHS ENDED 30 APRIL 2015

| | Operating surplus/(deficit) Actual YTD | Budget YTD | Variance YTD | Annual Budget 2015 | Actual YTD April 2014 |
|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | |
| **Activity** | | | | | |
| Arts and Recreation | (20,673) | (21,285) | 612 | (25,777) | (19,958) |
| City Planning and Development | (3,502) | (4,008) | 506 | (4,810) | (3,845) |
| City Prosperity | (16,147) | (15,961) | (186) | (18,726) | (15,676) |
| City Safety | (881) | (1,195) | 313 | (1,679) | (1,755) |
| Community Services | (3,440) | (3,879) | 439 | (4,771) | (3,402) |
| Democracy | (4,165) | (4,339) | 174 | (5,261) | (3,978) |
| Parks and Open Spaces | (10,999) | (11,882) | 883 | (14,370) | (10,612) |
| Solid Waste | (4,269) | (4,700) | 431 | (5,791) | (4,684) |
| Stormwater | (6,197) | (6,550) | 353 | (7,914) | (6,467) |
| Transportation | (20,948) | (16,768) | (4,180) | (19,738) | (20,624) |
| Wastewater | (15,892) | (15,858) | (34) | (18,692) | (16,611) |
| Water Supply | (7,370) | (7,727) | 357 | (9,670) | (6,749) |
| **Total** | **(114,484)** | **(114,152)** | **(332)** | **(137,199)** | **(114,363)** |
| **Reconciliation to Statement of Comprehensive Revenue and Expense** | | | | | |
| **Direct** | | | | | |
| Revenue | 52,645 | 57,752 | (5,106) | 108,860 | 82,314 |
| Expenditure | 94,789 | 96,275 | 1,487 | 115,362 | 115,362 |
| Direct surplus/(deficit) | (42,143) | (38,524) | (3,620) | (35,292) | (33,048) |
| **Indirect** | | | | | |
| Corporate overheads | 17,240 | 18,320 | 1,080 | 21,984 | 16,477 |
| Asset costs (depreciation) | 36,876 | 37,688 | 812 | 56,235 | 46,274 |
| Net finance expense | 18,224 | 19,620 | 1,396 | 23,687 | 18,516 |
| | 72,341 | 75,629 | 3,288 | 101,906 | 81,267 |
| Operating surplus/(deficit) from Activities | (114,484) | (114,152) | (332) | (137,199) | (114,315) |
| **Items not included in the Activities** | | | | | |
| Rates, excluding targeted water supply rates | 111,177 | 110,910 | 268 | 133,247 | 105,778 |
| Development and financial contributions | 11,167 | 6,309 | 4,858 | 7,571 | 10,725 |
| Vested assets | 14,516 | 7,012 | 7,504 | 8,414 | 9,913 |
| Rates paid to Waikato District Council | (526) | (526) | (0) | (525) | (394) |
| Interest on internal borrowings | 869 | | 869 | 0 | |
| Unrealised (Loss) Gain On Revaluation of Interest Rate Swaps | (13,329) | | (13,329) | 0 | 8,049 |
| Miscellenous | 2 | (176) | 178 | | |
| Actuals previously not recored directly against activities | | | | | 2,638 |
| **Operating surplus/(deficit)** | **9,394** | **9,377** | **17** | **11,508** | **22,394** |
| Total comprehensive revenue and expense for the period | 9,394 | 9,377 | 17 | 11,508 | 22,394 |
| Variance | (0) | (0) | (0) | 0 | 0 |

# STATEMENT OF FINANCIAL POSITION
## AS AT 30 APRIL 2015

| | Council | | |
|---|---|---|---|
| | Actual | Annual Budget | Prior YTD |
| | $000 | $000 | $000 |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 31,666 | 25,000 | 14,519 |
| Debtors and other receivables | 22,006 | 17,661 | 21,589 |
| Prepayments | 1,432 | - | 1,135 |
| Inventory | 308 | 533 | 348 |
| Other financial assets | 100 | 242 | 580 |
| Derivative financial instruments | - | - | - |
| Non-current assets held for sale | 38 | - | - |
| **Total current assets** | **55,550** | **43,436** | **38,171** |
| **Non-current assets** | | | |
| Property, plant and equipment | 3,200,889 | 3,901,574 | 3,180,086 |
| Intangible assets | 13,897 | 9,090 | 10,321 |
| Investment property | 23,898 | 57,326 | 41,652 |
| Investment in associates | 7,430 | 7,430 | 13,430 |
| Other financial assets | 8,429 | 9,765 | 8,309 |
| Investment in subsidiaries | 10,150 | 1 | 1 |
| **Total non-current assets** | **3,264,693** | **3,985,186** | **3,253,799** |
| **Total assets** | **3,320,243** | **4,028,622** | **3,291,970** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Employee entitlements | 6,688 | 6,177 | 5,400 |
| Creditors and other payables | 19,404 | 18,183 | 20,132 |
| Borrowings | 51,386 | 107,744 | 76,333 |
| Derivative financial instruments | 196 | - | 65 |
| Provisions | 1,721 | 2,024 | 2,151 |
| **Total current liabilities** | **79,395** | **134,128** | **104,081** |
| **Non-current liabilities** | | | |
| Employee entitlements | 746 | 1,917 | 1,177 |
| Borrowings | 325,607 | 321,446 | 322,439 |
| Derivative financial instruments | 25,140 | - | 13,049 |
| Provisions | 8,085 | 9,479 | 8,297 |
| **Total non-current liabilities** | **359,578** | **332,842** | **344,962** |
| **Total liabilities** | **438,973** | **466,970** | **449,043** |
| **Net assets** | **2,881,270** | **3,561,652** | **2,842,927** |
| **Equity** | | | |
| Accumulated funds | 1,610,119 | 1,611,984 | 1,604,977 |
| Other reserves | 1,271,151 | 1,949,668 | 1,237,950 |
| **Total equity attributable to Hamilton City Council** | **2,881,270** | **3,561,652** | **2,842,927** |
| **Total equity** | **2,881,270** | **3,561,652** | **2,842,927** |

# STATEMENT OF CASH FLOWS
## FOR THE TEN MONTHS ENDED 30 APRIL 2015

| | Council | |
|---|---|---|
| | Actual | Annual Budget |
| | $000 | $000 |
| **Cash flows from operating activities** | | |
| **Cash was provided from:** | | |
| Rates revenue | 113,451 | 140,525 |
| Fees, rents and charges | 29,219 | 41,280 |
| Subsidies and grants | 9,794 | 15,583 |
| Other capital contributions | 13,542 | 7,571 |
| Interest received | 2,049 | 1,200 |
| Dividends received | 132 | 100 |
| Sundry revenue | 794 | 426 |
| | **168,981** | **206,685** |
| **Cash was applied to:** | | |
| Salaries and wages | 52,013 | 56,184 |
| Payments for suppliers | 59,623 | 64,368 |
| Interest paid | 19,216 | 24,887 |
| Net GST paid | (3,825) | 1,917 |
| | **127,027** | **147,356** |
| ***Net cash flow from operating activities*** | **41,954** | **59,329** |
| **Cash flows from investing activities** | | |
| **Cash was provided from:** | | |
| Proceeds from reduction in other financial assets | 489 | - |
| Proceeds from sale of shares | - | - |
| Proceeds from sale of investment property | 17,305 | - |
| Proceeds from sale of property, plant and equipment | 6,446 | 108 |
| | **24,240** | **108** |
| **Cash was applied to:** | | |
| Acquisition of investments | - | - |
| Purchase of investment property | - | - |
| Purchase of intangible assets | 1,153 | - |
| Purchase of property, plant and equipment | 44,322 | 67,903 |
| | **45,475** | **67,903** |
| ***Net cash flow from investing activities*** | **(21,235)** | **(67,795)** |
| **Cash flows from financing activities** | | |
| **Cash was provided from:** | | |
| Loans raised | 15,000 | 25,618 |
| Finance leases raised | 417 | - |
| | **15,417** | **25,618** |
| **Cash was applied to:** | | |
| Loan repayments | 47,000 | 17,152 |
| Finance lease repayments | 437 | - |
| | **47,437** | **17,152** |
| ***Net cash flow from financing activities*** | **(32,020)** | **8,466** |
| Net increase/(decrease) in cash held | (11,301) | - |
| Opening cash and cash equivalents balance | 42,967 | 25,000 |
| **Closing cash and cash equivalents balance** | **31,666** | **25,000** |

## Risks and Opportunities Schedule
### for the year ended 30 June 2015
### Summary

| | Operating Impact | | Balance Sheet Impact | | |
|---|---|---|---|---|---|
| | Balancing the books | Accounting Surplus | Capital Programme impact | Borrowing impact | Following Year |
| **CITY ENVIRONMENTS** | | | | | |
| **Southern Links** - Recovery of expenditure | 192,000 | 192,000 | | | |
| **Proposed District Plan (PDP) Review Programme** - operating savings as costs now estimated to be less tl | 100,000 | 100,000 | | | |
| **CITY ENVIRONMENTS TOTAL** | 292,000 | 292,000 | 0 | 0 | 0 |
| **COMMUNITY** | | | | | |
| **Gym revenue** - is now estimated to be $280,000 less than expected. This has improved from the $371,000 originally advised to the finance committee. | (280,000) | (280,000) | | | |
| **Pools expenditure** - Additional staffing requirements over summer due to high visitor numbers and increased health and safety requirements and a high number of security incidents at Waterworld. Other variances include an increase in chemical costs (with the conversion from gas to liquid), and electricity. | (150,000) | (150,000) | | | |
| **Hamilton Gardens** - Personnel and cleaning budget understated, increased security costs over summer, purchase of new shop merchandise, development project feasibility study, and unfavourable venue hire. Increased maintenance costs due to paint and smaller works associated with $60k underspent in renewals. The construction of the Fantasy Gardens was $87k over budget and funded by contributions received from external parties. Net borrowing impact is the net of the $87k Fantasy Garden overspend and the $60k underspend on renewals) | (273,000) | (273,000) | (27,000) | (27,000) | |
| **Amenity Parks** - contributions received and applied towards construction of WW1 Gardens and Minogue Park net ball courts. | 195,000 | 195,000 | (195,000) | (195,000) | |
| **Museum** - Operating savings from controlling costs. | 75,000 | 75,000 | | | |
| **Nursery** - unfavourable revenue due to less external funding being sourced as was originally forecast | (200,000) | (200,000) | | | |
| **Rototuna Town Centre** - the Rototuna Comprehensive Development Plan (including Area A Town Centre and Area P Sports Park) was originally to be completed 2013/14. Due to the complex nature of this work, it has taken significantly longer than anticipated and $168K has fallen into 2014/15. No budget was allocated for this project in 2014/15. | (168,000) | (168,000) | | | |

## Risks and Opportunities Schedule
### for the year ended 30 June 2015
### Summary

| | Operating Impact | | Balance Sheet Impact | | |
|---|---|---|---|---|---|
| | Balancing the books | Accounting Surplus | Capital Programme impact | Borrowing impact | Following Year |
| **Bryce Street River Slip Remediation -** Overall project cost is $1.357m with $301k carried forward from 13/14. The capital overspend of $1.057m is offset by $670k budgeted in operating and $709k external funding. $168K of the expected saving is available to offset work on the Rototuna Town Centre Comprehensive Development Plan. | 1,379,000 | 1,379,000 | (1,057,000) | (1,057,000) | |
| **Land Purchase Rototuna West Sports Park** - a settlement has been achieved on the purchase of the Rototuna West Sports Park land. The settlement will mean an additional payment by Council $1.602 million (over and above what has been paid to date for the land). $462k of funding is available from an approved deferred capital budget. The shortfall of $1.140million is to be funded from debt as reported to Council as part of the 2014 Financial result. | | | (1,140,000) | (1,140,000) | |
| **Sports Parks** - $96k capital contribution from Athletic Waikato for Porritt stadium track upgrade. | 96,000 | 96,000 | | | |
| **Toilets** - Savings in contract price. | 40,000 | 40,000 | | | |
| **City Landscapes** - reduced car park and fountain renewal budgets due to reprioritised work. | | | 85,000 | 85,000 | |
| **Street and Parks - reduced** tree replacement budgets due to reprioritised work. | 40,000 | 40,000 | | | |
| **COMMUNITY TOTAL** | 754,000 | 754,000 | (2,334,000) | (2,334,000) | 0 |
| **CITY INFRASTRUCTURE** | | | | | |
| **Water revenue** is expected to be $450,000 less than budget due in part to a large customer not requiring water in the quantities expected after refurbishing their own independent water plant and two other high water users who have ceased operation. | (450,000) | (450,000) | | | |
| **Wastewater revenue** is expected to be $654,000 less than budget. Trade waste revenue is expected to be $540,000 less than budget due in part to a major customer who is no longer in operation ($300,000) and another major customer not discharging as much as expected ($240,000). Tankered waste is expected to be $114,000 less than budget due to restrictions at the wastewater treatment plant to facilitate its recovery. | (500,000) | (500,000) | | | |
| **Plants efficiencies** - electricity, gas and chemicals are expected to be $650,000 under budget due to a drier than expected winter, reduced tankered waste processing costs, and one-off reduced processing costs due to unexpected stability at the plant. This is subject to a change in operation resulting from increased conveyance charges. | 650,000 | 650,000 | | | |
| **Water supply expenditure** is expected to be $200,000 favourable by year end due to efficiencies in managing the water alert levels. | 200,000 | 200,000 | | | |

## Risks and Opportunities Schedule
### for the year ended 30 June 2015
### Summary

| | Operating Impact | | Balance Sheet Impact | | |
|---|---|---|---|---|---|
| | Balancing the books | Accounting Surplus | Capital Programme Impact | Borrowing Impact | Following Year |
| **Catchment management plans** have been reclassified as capital expenditure. The total costs of the catchment management plan work is expected to be $500,000 by the end of the year, which will be met within existing stormwater capital budgets. | 500,000 | 500,000 | | | |
| **River outfall improvements** are capital in nature and have been completed within the existing capital expenditure budget, which means the operating budget of $90,000 is surplus to requirements for this work. | 90,000 | 90,000 | | | |
| **Closed landfill maintenance** savings due to optimising the capital programme (instead of maintaining we have renewed). | 220,000 | 220,000 | | | |
| **Plants recovery** - operating costs associated with water and wastewater treatment plants recovery plan funded from PIF 12029 Installation of dewatering facility at the water treatment plant. | (605,000) | (605,000) | | | |
| **Water and Wastewater Treatment Plants** - PIF 12029 Installation of dewatering facility at the water treatment plant has been reprioritised and the funding reallocated in order to fund higher priority projects that have emerged in 2014/15. The first priority is to fund the treatment plant recovery costs of $1,235,000 ($605k operating costs and $630k capital costs). The Finance Committee agreed to allocate the remaining funding of PIF 12029 to off-set additional Health and Safety measures at the water treatment plant. This is expected to cost $1,492,000 (down from an original estimate of $1.7m) | | | 2,807,000<br>(630,000)<br>(1,492,000) | 2,807,000<br>(630,000)<br>(1,492,000) | |
| **Water Supply funding for Carpark** - PIF 9027 Replacement of water works during intersection upgrades has been reprioritized to fund the replacement of Garden Place Car Park access control system. Total cost of $216,000 is no longer required and external funding of $108,000 will not be received either and therefore the funds available to fund parking equipment is $108,000. | (108,000) | (108,000) | 216,000 | 216,000 | |
| **Parking Equipment** - new parking Equipment and access control system for the Underground Car park as approved by the Finance Committee on 2 October 2014. This is funded by PIF 9027 and discretionary transport fund. | | | (350,000) | (350,000) | |
| **Discretionary Transportation Capital Fund** - release of funds for the new Parking equipment for the Garden Place Underground Carpark. | | | 242,000 | 242,000 | |
| **Paid connections revenue** for wastewater connections and stormwater connections will be approximately $240,000 less than budget. However, as this is a user pays services, this is offset by a corresponding decrease in capital expenditure of $240,000 with a net cost to Council of zero. | (240,000) | (240,000) | 240,000 | 240,000 | |

## Risks and Opportunities Schedule

### for the year ended 30 June 2015

### Summary

| | Operating Impact | | Balance Sheet Impact | | |
|---|---|---|---|---|---|
| | Balancing the books | Accounting Surplus | Capital Programme Impact | Borrowing impact | Following Year |
| **Sale of Knox Street Carpark** - due to the sale of the Knox Street carpark, revenue is expected to be $380,000 less than budget, direct expenditure is expected to be $178,000 less than budget (net direct cost will be $202,000 unfavourable), depreciation is expected to be $86,000 less than budget, and interest from sale proceeds is expected to be $150,000 favourable. This leaves a total net favourable variance of $34,000. | 34,000 | 34,000 | | | |
| **Claudelands Bridge abutment** - protection works have been completed and the final cost of the works is $194,000 ($365,000 capital spend less a subsidy of $171,000 from NZTA). | 171,000 | 171,000 | (365,000) | (365,000) | |
| **Transportation renewals programmes** - the progamme approved by NZTA was less than the Council approved budget. As such, transportation renewals will be $426,000 less than budget and NZTA subsidy will be $426,000 less than budget. The spend in subsidised renewals will be $950k less than budget and the spend in non-subsidised renewals will be $500k more than budget but he net cost to Council will not change. | (426,000) | (426,000) | 426,000 | 426,000 | |
| **New structure to extract water from the Waikato River (PIF 12031)** - the total approved cost for this project will be $900,000 less than the budget per the annual plan. | | | 900,000 | 900,000 | |
| **Replacement of Refuse Transfer Station assets (PIF 9012)** - final market is $400,000 less than expected. | | | 400,000 | 400,000 | |
| **Replacement of channel lining on the Waitawhiriwhiri Stream (PIF 9014)** - this project is no longer required and funding is being released. | | | 270,000 | 270,000 | |
| **Compassionate Property Purchases** - purchase of two properties affected by roading designation on compassionate grounds. Council were advised in approving these purchases that the funding was unbudgeted and the costs would be managed from debt capacity through the Risks and Opportunities schedule. Costs are being charged to PIF 12001 New roading in Peacocke. | | | (980,000) | (980,000) | |
| **Transportation** - Budget surplus in PIF 12053 Roading Upgrades in Rotokauri $140,000. | | | 140,000 | 140,000 | |
| **Stormwater** - budget surplus in PIF 9015 and 12094 total $274,000. | | | 274,000 | 274,000 | |
| **Wastewater** - Budget surplus in PIF 9024, 12067, 12068 total $269,000 less budget overspend in PIF 12009 Treatment Plant Upgrade $117,000 as per Pukete 2 report. | | | 152,000 | 152,000 | |
| **Water supply** - budget surpluses in PIF 12027, 12030, 12077, 12079, 12080 total $407,000. | | | 407,000 | 407,000 | |
| **Ring Road subsidy** - due to delays in the project, a deferral of $11.1m is required. This also results in a reduced subsidy of $4.4m. Both items will occur in later years. As final timing is dependent on third party agreement this is uncontrollable. | | (4,400,000) | 11,100,000 | 11,100,000 | (5,700,000) |
| **CITY INFRASTRUCTURE TOTAL** | (464,000) | (4,864,000) | 13,757,000 | 13,757,000 | (6,700,000) |

## Risks and Opportunities Schedule
### for the year ended 30 June 2015
### Summary

| | Operating Impact | | Balance Sheet Impact | | |
|---|---|---|---|---|---|
| | Balancing the books | Accounting Surplus | Capital Programme impact | Borrowing impact | Following Year |
| **CUSTOMER RELATIONSHIPS** | | | | | |
| **Unfavourable operating costs - personnel** costs of $222k due to permanent replacements in the call centre, and extra casual staff to cover peak periods. There was also additional costs for contract staff and consultants to cover vacancies with other areas of the group and to complete project work. This is offset by favourable variances at group level. | (150,000) | (150,000) | | | |
| **EVENTS AND ECONOMIC DEVELOPMENT** | | | | | |
| **Lost rental revenue - Due to sale of the BNZ and the ANZ.** This is $734,000 less the partial offset by interest savings of $300,000. This was approved by Council. | (434,000) | (434,000) | | | |
| **Lost rental revenue** - From the Beggs Wiseman building not achievable due to non tenancy. | (130,000) | (130,000) | | | |
| **Operating Savings** - Savings in Strategic Property and Economic Development from controlling costs. | 255,000 | 255,000 | | | |
| **Revenue shortfall** - driven by falling Theatres revenue. | (153,000) | (153,000) | | | |
| **Structural assessment** - Additional costs associated with Founders and Clarence St Theatre gifting. | (34,000) | (34,000) | | | |
| **Legal costs** - Associated with Waikato Shows Trust arbitration (Claudelands). | (120,000) | (120,000) | | | |
| **Reduced revenue for the Zoo Strategic Plan** - Expectation that the cost of the Zoo plan would be recovered. | (80,000) | (80,000) | | | |
| Lease **Expense** - Cost of (1) removal of abandoned tyres and (2) extension to term of lease from Kiwi Rail to allow sufficient time to remove the tyres. The tyres have been abandoned by a failed tenant and Council has a legal obligation to remove them prior to returning the site to Kiwi Rail | (290,000) | (290,000) | | | |
| **Hamilton Organic Recycling Centre Wall** - unbudgeted works required to ensure drop off wall structure is safe for public use | | | (120,000) | (120,000) | |
| **EVENTS AND ECONOMIC DEVELOPMENT TOTAL** | (986,000) | (986,000) | (120,000) | (120,000) | 0 |
| **FINANCE** | | | | | |
| **Unfavourable operating costs** - additional role required for the Development Contributions team (segregation of duties as required by Internal Audit). Legal and consulting costs related to Development contributions have also been higher than expected. Additional staff resources were also required for the ten year plan and back filling of roles for the financial system implementation. | (130,000) | (130,000) | | | |

## Risks and Opportunities Schedule
### for the year ended 30 June 2015
### Summary

| | Operating Impact | | Balance Sheet Impact | | |
|---|---|---|---|---|---|
| | Balancing the books | Accounting Surplus | Capital Programme impact | Borrowing impact | Following Year |
| **ORGANISATIONAL DEVELOPMENT** | | | | | |
| **Upgrades to Core Software Applications** - includes Recoveries from another local authority ($304k) and project and programme contingency not used | | | 750,000 | 750,000 | |
| **Finance Lease for Infrastructure Equipment -** As a result of extending the PC lease time from three to four years savings have been achieved. | | | 190,000 | 190,000 | |
| **PERFORMANCE** | | | | | |
| **Insurance** - the insurance programme has been placed through a LASS collective programme and has resulted in a reduction of insurance premiums. | 50,000 | 50,000 | | | |
| **Shared Water Business Case -** contribution to Water CCO business case project (50% share), along with Waikato and Waipa Councils. Estimated cost is $325,000 less $75,000 offset available funding in Performance Admin. This joint project was aproved by Council. | (250,000) | (250,000) | | | |
| **Fuel** - savings resulting from lower fuel prices due to the drop in global price of oil. | 100,000 | 100,000 | | | |
| **Major Painting -** activity management plan work has identified major painting works have been incorrectly classified as capital expenditure. There will be a nil impact on overall cash flow. | (300,000) | (300,000) | 300,000 | 300,000 | |
| **Pensioner Housing** - revenue is ahead of budget and operating expenditure is lower than anticipated. | 100,000 | 100,000 | | | |
| **Art Gallery** - contributions received towards the Art Gallery upgrade. | 87,000 | 87,000 | (87,000) | (87,000) | |
| **Strategy** - professional service are tracking lower than anticipated as various works have been completed in-house. Savings of $177k have been achieved which is offset by an unfavourable personnel cost variance of ($93k). | 84,000 | 84,000 | | | |
| **Partnership with Maori** - professional services lower than expected due to a delay in contract work with the service provider. | 70,000 | 70,000 | | | |
| **Pensioner Housing Renewals** - reduced renewal programme reflecting essential health and safety works following the decision to sell Pensioner Housing portfolios. All costs are reserve funded and any savings remain in a cash backed reserve. | | | 450,000 | | |
| **PERFORMANCE TOTAL** | (59,000) | (59,000) | 663,000 | 213,000 | 0 |
| **COUNCIL WIDE** | | | | | |
| **ACC Levies** - budget is higher than expected outcome by $350k. | 300,000 | 300,000 | | | |
| **Gain on Sale** - of various parcels of land and vehicles. | 1,798,000 | 1,798,000 | | | |
| **COUNCIL WIDE TOTAL** | 2,098,000 | 2,098,000 | 0 | 0 | 0 |
| Net Business Impact before Debt Servicing, Development Contributions, Unrealised Gains/Losses and I | **1,355,000** | **(3,045,000)** | **12,906,000** | **12,456,000** | **(6,700,000)** |

## Risks and Opportunities Schedule
### for the year ended 30 June 2015
### Summary

| | Operating Impact | | Balance Sheet Impact | | |
|---|---|---|---|---|---|
| | Balancing the books | Accounting Surplus | Capital Programme Impact | Borrowing impact | Following Year |
| **DEBT SERVICING AND DEVELOPMENT CONTRIBUTIONS, UNREALISED GAINS/LOSSES, NON CASH ITEMS** | | | | | |
| **Development Levies and Financial Contributions - As** at 30 April they are $4.861 million ahead of budget and expected to total $12.5 million by 30/6/15 and are exceed annual budget by $4.929 million. | 4,929,000 | 4,929,000 | | | |
| **Net interest cost** has a favourable variance year to date for the following reasons:<br>• Asset sales – these are generally not included in budgets, so when they occur the lower debt balance means lower interest costs<br>• Interest rates – the interest rate that Council is paying is lower than the rate assumed when the budget was prepared<br>• Timing – delayed spending on capital expenditure | 1,350,000 | 1,350,000 | | | |
| **Vested assets** - As at 30 April are $7.504 million ahead of target. | | 7,504,000 | | | |
| **Depreciation** - As at 30 April is $348k favourable against budget. | 348,000 | 348,000 | | | |
| **Unrealised loss on the revaluation of financial instruments -** As at 30 April is $13.329 million and we estimate the year end position to be similar. The unrealised gain last year was $9.2 million. | | (13,329,000) | | | |
| **DEBT SERVICING AND DEVELOPMENT CONTRIBUTIONS, UNREALISED GAINS/LOSSES, NON CASH ITEMS** | 6,627,000 | 802,000 | 0 | 0 | 0 |
| Net Business Impact after Debt Servicing, Development Contributions, Unrealised Gains/Losses and N | **7,982,000** | **(2,243,000)** | **12,906,000** | **12,456,000** | **(6,700,000)** |
| **SUMMARY** | | | | | |
| Future Years | 0 | (4,400,000) | 11,100,000 | 11,100,000 | (6,700,000) |
| Permanent Impact | 1,355,000 | 1,355,000 | 1,806,000 | 1,356,000 | 0 |
| **Debt Servicing and Development Levies** | | | | | |
| Development Contributions | 4,929,000 | 4,929,000 | 0 | 0 | 0 |
| Debt Servicing | 1,350,000 | 1,350,000 | 0 | 0 | 0 |
| **Non Cash items** | | | | | |
| Vested Assets | 0 | 7,504,000 | 0 | 0 | 0 |
| Depreciation | 348,000 | 348,000 | 0 | 0 | 0 |
| Unrealised Gains/Losses | 0 | (13,329,000) | 0 | 0 | 0 |
| Surplus (Deficit) | 7,982,000 | (2,243,000) | 12,906,000 | 12,456,000 | (6,700,000) |

# TREASURY - SUMMARY REPORT

**30 April 2015**

## Policy Compliance

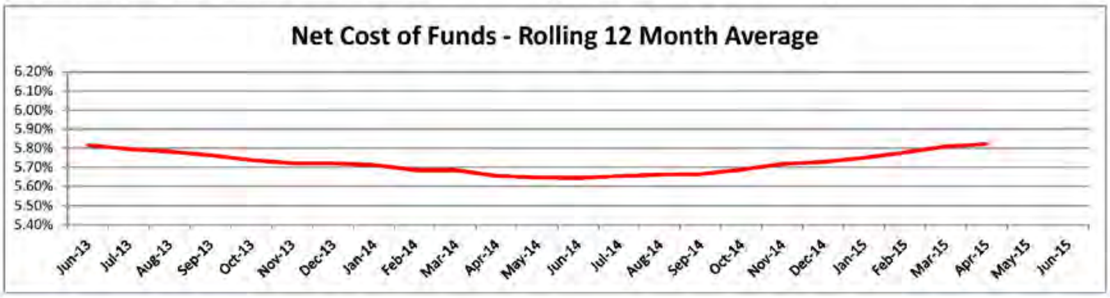
| | | Policy | Result @ 30-Apr-15 | Policy Compliance |
|---|---|---|---|---|
| Fixed debt parameters | fixed | 50% - 95% | **87%** | ✓ |
| Fixed rate maturity | 1 - 3 years | 15% - 60% | **16%** | ✓ |
| | 3 - 5 years | 15% - 60% | **25%** | ✓ |
| | 5 years plus | 15% - 60% | **59%** | ✓ |
| Funding maturity | 0 - 3 years | 15% - 60% | **58%** | ✓ |
| | 3 - 5 years | 15% - 60% | **20%** | ✓ |
| | 5 years plus | 10% - 40% | **22%** | ✓ |
| Liquidity ratio | minimum | 110% | **116%** | ✓ |
| Counterparty credit risk | maximum | $50m per bank | - | ✓ |

***Comments on policy breaches***

There are no breaches of policy.

## Finance Costs ($000's)

| | Result @ 30-Apr-15 | Budget @ 30-Apr-15 | Variance Fav. / (Unfav.) | Annual Budget |
|---|---|---|---|---|
| **Interest and financing costs paid** (net of interest paid to reserves) | 19,525 | 19,841 | 316 | 23,809 |
| *less* **Interest received** | (2,117) | (1,000) | 1,117 | (1,200) |
| **Net finance costs** | **17,408** | **18,841** | **1,433** | **22,609** |
| | | | | |
| **Weighted average net cost of funds** (12 month rolling average) | **5.82%** | - | - | - |




## Debt and Cash Investments ($000's)

| | Result @ 30-Apr-15 | Budget @ 30-Jun-15 | Variance Fav. / (Unfav.) |
|---|---|---|---|
| **External debt** | **376,993** | 429,190 | 52,197 |
| *less* **Cash investments** | **(34,250)** | (29,300) | 4,950 |
| **Net external debt** | **342,743** | 399,890 | 57,147 |
| *add* **Cash-backed reserves** | 36,610 | 17,368 | (19,242) |
| **Total overall debt** | **379,353** | **417,258** | **37,905** |

# CAPITAL EXPENDITURE

## FOR THE TEN MONTHS ENDED 30 APRIL 2015

| STATUS KEY | |
|---|---|
| (green) | Project on track or under budget |
| (orange) | Project over budget as per Risks and Opportunities Register |
| (red) | Project deferral or potential deferral |
| (blue) | Funding reprioritised as per Risks and Opportunities Register |

| | | YTD Total Cost | | | Less YTD External Funding | | | YTD Net Cost | | | Annual Budget | | | | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | PIF | Actual | Budget | Variance | Actual | Budget | Variance | Actual | Budget | Variance | Approved 2014/15 | Approved Deferred | Less External Funding | Net Cost | |
| | | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | |
| **ARTS AND RECREATION** | | | | | | | | | | | | | | | |
| Funding for new Public Art | 12037 | 12 | 0 | (12) | 10 | 0 | 10 | 2 | 0 | (2) | 50 | | 0 | 50 | |
| Te Rapa Sportsdrome | 13005 | 123 | 114 | (9) | | 0 | - | 123 | 114 | (9) | | 114 | 0 | 114 | |
| Replacement of Library Assets | 9036 | 18 | 88 | 70 | | 0 | - | 18 | 88 | 70 | 88 | | 0 | 88 | |
| Collection Purchases | 9037 | 706 | 874 | 168 | | 0 | - | 706 | 874 | 168 | 1,048 | | 0 | 1,048 | |
| Replacement of Sports Parks assets | 9058 | 973 | 981 | 8 | 97 | 0 | 97 | 876 | 981 | 105 | 1,078 | | 0 | 1,078 | |
| Renewal of Waterworld Assets | 9033 | 321 | 273 | (48) | 13 | 0 | 13 | 309 | 273 | (36) | 353 | 20 | 0 | 373 | |
| Replacement of Gallagher Aquatic Centre Assets | 9034 | 55 | 112 | 57 | | 0 | - | 55 | 112 | 57 | 70 | 54 | 0 | 124 | |
| Replacement of Fixed Equipment at Theatres | 9041 | 50 | 58 | 9 | | 0 | - | 50 | 58 | 9 | 70 | | 0 | 70 | |
| Replacement of Technical Equipment at Theatres | 9042 | 75 | 105 | 30 | | 0 | - | 75 | 105 | 30 | 126 | | 0 | 126 | |
| Replacement of Museum Assets | 9035 | 107 | 111 | 4 | | 0 | - | 107 | 111 | 4 | 108 | 25 | 0 | 133 | |
| Hamilton Zoo Animal Enclosures Renewal | 9043 | 73 | 117 | 44 | | 0 | - | 73 | 117 | 44 | 140 | | 0 | 140 | |
| Replacement of Zoo Assets (Including Animals) | 9044 | 98 | 114 | 17 | | 0 | - | 98 | 114 | 17 | 101 | 30 | 0 | 131 | |
| New Saimang Exhibit at Zoo | 12046 | 61 | 338 | 277 | | 0 | - | 61 | 338 | 277 | 405 | | 0 | 405 | |
| | | 2,671 | 3,283 | 612 | 119 | 0 | 119 | 2,551 | 3,283 | 732 | 3,637 | 243 | 0 | 3,880 | |
| **CITY PROSPERITY** | | | | | | | | | | | | | | | |
| Replacement of Fixtures, Fittings and Equipment at Claudelands | 9038 | 52 | 114 | 62 | | 0 | - | 52 | 114 | 62 | 137 | | 0 | 137 | |
| Replacement of Furniture, Fixtures and Equipment Rentals at Stadia | 9039 | 591 | 131 | (461) | 378 | 0 | 378 | 213 | 131 | (83) | 143 | | 0 | 143 | |
| Replacement of Turf Services Equipment at Stadia | 9040 | 34 | 29 | (5) | | 0 | - | 34 | 29 | (5) | 35 | | 0 | 35 | |
| Hamilton Organic Recycling Centre Wall | | 8 | 0 | (8) | | 0 | - | 8 | 0 | (8) | | | 0 | - | |
| | | 686 | 274 | (412) | 378 | 0 | 378 | 308 | 274 | (34) | 315 | - | 0 | 315 | |
| **CITY SAFETY** | | | | | | | | | | | | | | | |
| Installation of Additional Security Cameras | 12301 | 41 | 40 | (1) | | 0 | - | 41 | 40 | (1) | 48 | | 0 | 48 | |
| Quality Improvement Project | | | | | | | | | | | | | | | |
| | | 41 | 40 | (1) | 0 | 0 | - | 41 | 40 | (1) | 48 | - | 0 | 48 | |
| **COMMUNITY SERVICES** | | | | | | | | | | | | | | | |
| Replacement of Furniture & Fittings at Community Facilities | 9032 | | 11 | 11 | | 0 | - | 0 | 11 | 11 | 11 | | 0 | 11 | |
| Replacement of Cemeteries & Crematorium Assets | 9031 | 84 | 167 | 83 | | 0 | - | 84 | 167 | 83 | 167 | | 0 | 167 | |
| | | 84 | 178 | 94 | 0 | 0 | - | 84 | 178 | 94 | 178 | - | 0 | 178 | |

| | |
|---|---|
| (green) | Project on track or under budget |
| (orange) | Project over budget as per Risks and Opportunities Register |
| (red) | Project deferral or potential deferral |
| (blue) | Funding reprioritised as per Risks and Opportunities Register |

| | PIF | YTD Total Cost | | | Less YTD External Funding | | | YTD Net Cost | | | Annual Budget | | | | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Actual | Budget | Variance | Actual | Budget | Variance | Actual | Budget | Variance | Approved 2014/15 | Approved Deferred | Less External Funding | Net Cost | |
| | | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | |
| **PARKS AND OPEN SPACES** | | | | | | | | | | | | | | | |
| Replacement of Parks & Opens Spaces Assets | 9030 | 630 | 1,299 | 669 | 6 | 0 | 6 | 624 | 1,299 | 675 | 1,103 | 196 | 0 | 1,299 | |
| Acquisition of Parks | 12012 | 2,144 | 1,227 | (918) | | 0 | - | 2,144 | 1,227 | (918) | 556 | 781 | 0 | 1,337 | |
| Memorial Gardens | | 121 | 0 | (121) | 95 | 0 | 95 | 26 | 0 | (26) | | | 0 | 0 | |
| Hamilton Gardens Replace Fencing | 13006 | 11 | 15 | 4 | | 0 | - | 11 | 15 | 4 | | 15 | 0 | 15 | |
| Stabilise Riverbank Walkway | 13007 | 1,359 | 301 | (1,058) | 408 | 0 | 408 | 951 | 301 | (650) | | 301 | 0 | 301 | |
| Upgrade of City Playgrounds | 12036 | 335 | 519 | 184 | | 0 | - | 335 | 519 | 184 | 370 | 149 | 0 | 519 | |
| Planting & Track Construction at Waiwhakareke Natural Heritage Park | 12133 | 2 | 40 | 38 | | 0 | - | 2 | 40 | 38 | 54 | | 0 | 54 | |
| Completion of Fantasy Gardens at Hamilton Gardens | 12124 | 324 | 191 | (133) | 87 | 81 | 6 | 237 | 110 | (127) | 216 | | 81 | 135 | |
| Hamilton Gardens Development (Targeted Rate) | | 60 | 0 | (60) | | 0 | - | 60 | 0 | (60) | | | 0 | 0 | |
| | | 4,987 | 3,592 | (1,395) | 596 | 81 | 515 | 4,390 | 3,511 | (880) | 2,299 | 1,442 | 81 | 3,660 | |
| **SOLID WASTE MANAGEMENT** | | | | | | | | | | | | | | | |
| Replacement of Closed Landfill Assets | 9013 | 86 | 63 | (23) | 391 | 0 | (0) | 86 | 63 | (23) | 75 | | 0 | 75 | |
| Replacement of Refuse Transfer Station Assets | 9012 | 397 | 451 | 54 | | 0 | - | 397 | 451 | 54 | 810 | | 0 | 810 | |
| Closed Landfill Management | 12016 | 151 | 225 | 74 | | 0 | - | 151 | 225 | 74 | 161 | 89 | 0 | 250 | |
| | | 633 | 738 | 105 | 391 | 0 | (0) | 634 | 738 | 104 | 1,046 | 89 | 0 | 1,135 | |
| **STORMWATER DRAINAGE** | | | | | | | | | | | | | | | |
| Replacement of Channel Lining on the Waitawhiriwhiri Stream | 9014 | | 0 | - | | 0 | - | 0 | 0 | - | 270 | | 0 | 270 | |
| Replacement of Stormwater Outfalls in Waikato River | 9015 | 38 | 164 | 126 | | 0 | - | 38 | 164 | 126 | 164 | | 0 | 164 | |
| Replacement of Stormwater Assets | 9016 | 204 | 323 | 119 | | 0 | - | 204 | 323 | 119 | 323 | | 0 | 323 | |
| Rototuna Stormwater | 12058 | | 403 | 403 | | 0 | - | 0 | 403 | 403 | 215 | 241 | 0 | 456 | |
| Treatment to Improve Stormwater Recovery | 12017 | | 66 | 66 | | 0 | - | 0 | 66 | 66 | 66 | | 0 | 66 | |
| Stormwater Catchment Assessment for Intensification Areas | 12018 | 126 | 593 | 467 | | 0 | - | 126 | 593 | 467 | 270 | 474 | 0 | 744 | |
| Stormwater Project Watershed Capital Works | 12019 | 19 | 54 | 35 | | 0 | - | 19 | 54 | 35 | 54 | | 0 | 54 | |
| Rotokauri Stormwater Infrastructure | 12059 | 473 | 733 | 259 | | 0 | - | 473 | 733 | 259 | 538 | 250 | 0 | 788 | |
| Peacocke Stormwater Infrastructure | 12060 | | 312 | 312 | | 0 | - | 0 | 312 | 312 | 22 | 373 | 0 | 395 | |
| Local Growth Related Stormwater Projects | 12061 | 22 | 108 | 86 | | 0 | - | 22 | 108 | 86 | 108 | | 0 | 108 | |
| Ruakura Stormwater | 12062 | 14 | 8 | (6) | | 0 | - | 14 | 8 | (6) | | 10 | 0 | 10 | |
| Citywide Stormwater Upgrades | 12094 | 290 | 428 | 138 | | 0 | - | 290 | 428 | 138 | | 551 | 0 | 551 | |
| Stormwater Connections | 12174 | 90 | 226 | 136 | 65 | 226 | (161) | 25 | 0 | (25) | 271 | | 271 | 0 | |
| | | 1,277 | 3,418 | 2,142 | 65 | 226 | (161) | 1,212 | 3,192 | 1,980 | 2,301 | 1,899 | 271 | 3,929 | |

| | |
|---|---|
| | Project on track or under budget |
| | Project over budget as per Risks and Opportunities Register |
| | Project deferral or potential deferral |
| | Funding reprioritised as per Risks and Opportunities Register |

| | PIF | YTD Total Cost | | | Less YTD External Funding | | | YTD Net Cost | | | Annual Budget | | | | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Actual | Budget | Variance | Actual | Budget | Variance | Actual | Budget | Variance | Approved 2014/15 | Approved Deferred | Less External Funding | Net Cost | |
| | | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | |
| **TRANSPORTATION** | | | | | | | | | | | | | | | |
| Replacement of Parking Equipment | 9010 | 14 | 89 | 76 | | 0 | - | 14 | 89 | 76 | 107 | | 0 | 107 | |
| Replacement of Footpaths and Non-Subsidised Renewals | 9001 | 1,528 | 1,482 | (46) | 192 | 0 | (0) | 1,528 | 1,482 | (46) | 1,780 | | 0 | 1,780 | |
| Replacement of Kerbs and Channels | 9002 | 1,023 | 1,242 | 219 | 461 | 559 | (98) | 562 | 682 | 120 | 1,490 | | 671 | 819 | |
| Replacement of Road Base | 9003 | 376 | 649 | 273 | 169 | 292 | (123) | 207 | 357 | 150 | 649 | | 292 | 357 | |
| Road Resurfacing | 9004 | 2,725 | 3,275 | 550 | 1226 | 1473 | (247) | 1,498 | 1,802 | 303 | 4,344 | | 1954 | 2,390 | |
| Replace Bridges and Culverts | 9005 | 365 | 0 | (365) | 171 | 0 | 171 | 193 | 0 | (193) | | | 0 | 0 | |
| Replacement of Retaining Walls and Structures | 9006 | | 0 | - | | 0 | - | 0 | 0 | - | 11 | | 4 | 7 | |
| Replacement of Street Lights | 9017 | 249 | 419 | 171 | 112 | 189 | (77) | 137 | 230 | 93 | 503 | | 227 | 276 | |
| Replacement of Traffic Signals | 9018 | 406 | 200 | (206) | 183 | 90 | 93 | 223 | 110 | (114) | 271 | | 122 | 149 | |
| Replacement of Street Signs | 9019 | 1 | 46 | 45 | 0 | 21 | (20) | 1 | 25 | 24 | 55 | | 25 | 30 | |
| Replacement of Safety Barriers | 9020 | 1 | 45 | 44 | 1 | 20 | (19) | 1 | 25 | 24 | 54 | | 24 | 30 | |
| New Roading in Peacocke | 12001 | 1,318 | 516 | (801) | 4 | 0 | 4 | 1,313 | 516 | (797) | 200 | 471 | 0 | 671 | |
| New Roading in Rototuna | 12003 | 476 | 2,573 | 2,097 | | 0 | - | 476 | 2,573 | 2,097 | 1,527 | 1,380 | 0 | 2,907 | |
| Hamilton Ring Road Completion | 12005 | 4,583 | 12,348 | 7,765 | 768 | 5101 | (4,333) | 3,815 | 7,247 | 3,432 | 11,135 | 4,227 | 6275 | 9,087 | |
| Minor Improvements to the Transport Network | 12020 | 484 | 460 | (24) | 266 | 253 | 13 | 218 | 207 | (11) | 742 | | 408 | 334 | |
| Lower Sppeds in Residential Streets | | | | | | | | | | | | | | | |
| Bus Stop Infrastructure | 12022 | 27 | 90 | 63 | 0 | 45 | (45) | 27 | 45 | 18 | 108 | | 54 | 54 | |
| Integration of Existing Areas with New Developments in the City | 12051 | 111 | 158 | 47 | | 0 | - | 111 | 158 | 47 | 189 | | 0 | 189 | |
| Roading Upgrades in Rotokauri | 12053 | 23 | 325 | 302 | | 0 | - | 23 | 325 | 302 | 390 | | 0 | 390 | |
| Transport Network Planning | 12056 | 7 | 85 | 78 | | 0 | - | 7 | 85 | 78 | 85 | | 0 | 85 | |
| Integration of New Transport Modes | 12172 | 1,046 | 1,607 | 561 | 456 | 769 | (313) | 590 | 838 | 248 | 2,007 | | 961 | 1,046 | |
| | | 14,762 | 25,609 | 10,847 | 3818 | 8813 | (4,995) | 10,944 | 16,796 | 5,852 | 25,647 | 6,078 | 11017 | 20,708 | |
| **WASTEWATER** | | | | | | | | | | | | | | | |
| Replacement of Wastewater Pump Station Assets | 9022 | 682 | 740 | 58 | | 0 | - | 682 | 740 | 58 | 888 | | 0 | 888 | |
| Replacement of Wastewater Assets | 9023 | 3,571 | 2,911 | (660) | | 0 | - | 3,571 | 2,911 | (660) | 3,493 | | 0 | 3,493 | |
| Upgrade Existing or Build New Wastewater Network in Rototuna | 12008 | | 215 | 215 | | 0 | - | 0 | 215 | 215 | 27 | 241 | 0 | 268 | |
| Treatment Plant Upgrade | 12009 | 432 | 282 | (150) | | 0 | - | 432 | 282 | (150) | | 363 | 0 | 363 | |
| Increase Capacity of Wastewater Pump Stations | 12024/25 | 296 | 562 | 265 | | 0 | - | 296 | 562 | 265 | 674 | | 0 | 674 | |
| Increase Capacity of Wastewater Network in Rototuna | 12066 | | 72 | 72 | | 0 | - | 0 | 72 | 72 | 5 | 86 | 0 | 91 | |
| Integrate Wastewater Network in New Areas with Existing Network | 12067 | 18 | 60 | 42 | | 0 | - | 18 | 60 | 42 | 87 | | 0 | 87 | |
| Increase Capacity of Wastewater Network in Rotokauri | 12068 | 52 | 300 | 248 | | 0 | - | 52 | 300 | 248 | 453 | | 0 | 453 | |
| Increase Capacity of Wastewater Network in Peacocke | 12069 | 7 | 35 | 28 | | 0 | - | 7 | 35 | 28 | 22 | 16 | 0 | 38 | |
| Increase Capacity of Wastewater Network Throughout the City | 12071 | 11 | 400 | 389 | | 0 | - | 11 | 400 | 389 | 432 | | 0 | 432 | |
| Wastewater Connections | 12175 | 171 | 226 | 55 | 154 | 226 | (72) | 17 | 0 | (17) | 271 | | 271 | 0 | |
| Replacement of Wastewater Treatment Plant Assets | 9024 | 235 | 875 | 640 | | 0 | - | 235 | 875 | 640 | 893 | | 0 | 893 | |
| Upgrade of Wastewater Treatment Plant Systems | 12026 | 240 | 350 | 110 | | 0 | - | 240 | 350 | 110 | 378 | | 0 | 378 | |
| Plant Recovery (WWTP) | | 276 | 0 | (276) | | 0 | - | 276 | 0 | (276) | | | 0 | 0 | |
| | | 5,989 | 7,026 | 1,037 | 154 | 226 | (72) | 5,835 | 6,800 | 965 | 7,623 | 706 | 271 | 8,058 | |

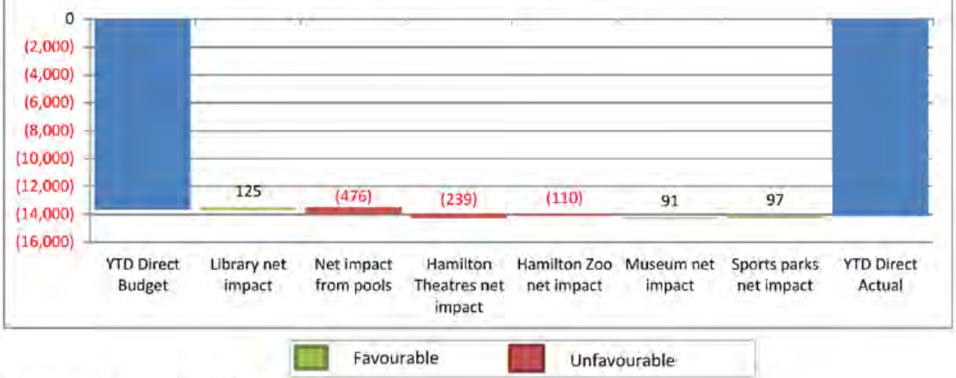
| | |
|---|---|
| | Project on track or under budget |
| | Project over budget as per Risks and Opportunities Register |
| | Project deferral or potential deferral |
| | Funding reprioritised as per Risks and Opportunities Register |

| | PIF | YTD Total Cost | | | Less YTD External Funding | | | YTD Net Cost | | | Annual Budget | | | | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Actual | Budget | Variance | Actual | Budget | Variance | Actual | Budget | Variance | Approved 2014/15 | Approved Deferred | Less External Funding | Net Cost | |
| | | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | |
| **WATER SUPPLY** | | | | | | | | | | | | | | | |
| Replacement of Water Mains | 9025 | 2,021 | 2,450 | 429 | | 0 | - | 2,021 | 2,450 | 429 | 2,938 | | 0 | 2,938 | |
| Replacement of Water Meter Valves and Hydrants | 9026 | 169 | 245 | 76 | | 0 | - | 169 | 245 | 76 | 293 | | 0 | 293 | |
| Replacement of Water Works During Intersection Upgrades | 9027 | | 216 | 216 | | 108 | (108) | 0 | 108 | 108 | 216 | | 108 | 108 | |
| Software for Growth Planning | 12027 | 92 | 297 | 205 | | 0 | - | 92 | 297 | 205 | | 396 | 0 | 396 | |
| Upgrade or Build New Watermains in Rototuna | 12073 | | 0 | - | | 0 | - | 0 | 0 | - | 49 | | 0 | 49 | |
| Additional Water Supply Storage in Rototuna | 12074 | 279 | 4,200 | 3,921 | | 0 | - | 279 | 4,200 | 3,921 | 4,857 | | 0 | 4,857 | |
| City Wide Upgrade of Water Pipes | 12076 | 127 | 283 | 156 | | 0 | - | 127 | 283 | 156 | 340 | | 0 | 340 | |
| Upgrade or Build New Water Mains in Rotokauri | 12077 | 2 | 420 | 419 | | 0 | - | 2 | 420 | 419 | 370 | 65 | 0 | 435 | |
| Upgrade or Build New Water Mains in Peacocke | 12079 | | 78 | 78 | | 0 | - | 0 | 78 | 78 | 16 | 80 | 0 | 96 | |
| Integrate Water Mains in New Areas with Existing Network | 12080 | 16 | 70 | 54 | | 0 | - | 16 | 70 | 54 | 87 | | 0 | 87 | |
| Ruakura Water Growth | 12081 | (27) | 13 | 40 | | 0 | - | (27) | 13 | 40 | | 16 | 0 | 16 | |
| Assessment of Demand for Water and Water Loss in the Network | 12173 | 410 | 358 | (52) | | 0 | - | 410 | 358 | (52) | 430 | | 0 | 430 | |
| Water Connections | 12176 | 302 | 226 | (76) | 247 | 226 | 21 | 55 | 0 | (55) | 271 | | 271 | 0 | |
| Replacement of Water Reservoir Assets | 9028 | 11 | 88 | 77 | | 0 | - | 11 | 88 | 77 | 162 | | 0 | 162 | |
| Replacement of Water Treatment Plant Assets | 9029 | 316 | 378 | 62 | | 0 | - | 316 | 378 | 62 | 523 | | 0 | 523 | |
| Installation of Dewatering Facility at the Water Treatment Plant | 12029 | 48 | 2,339 | 2,291 | | 0 | - | 48 | 2,339 | 2,291 | 2,807 | | 0 | 2,807 | |
| Upgrade of Water Treatment Plant Equipment | 12030 | 437 | 510 | 73 | | 0 | - | 437 | 510 | 73 | 810 | | 0 | 810 | |
| New Structure to Extract Water from the Waikato River | 12031 | 253 | 3,140 | 2,887 | | 0 | - | 253 | 3,140 | 2,887 | 3,240 | | 0 | 3,240 | |
| Plant Recovery (WTP) and Chlorine Scrubber | | 374 | 0 | (374) | | 0 | - | 374 | 0 | (374) | | | 0 | 0 | |
| | | 4,829 | 15,312 | 10,482 | 247 | 334 | (87) | 4,582 | 14,978 | 10,395 | 17,409 | 557 | 379 | 17,587 | |
| **SUPPORT SERVICES** | | | | | | | | | | | | | | | |
| Extension of Events Booking Management System | 12040 | 35 | 0 | (35) | | 0 | - | 35 | 0 | (35) | | | 0 | 0 | |
| Upgrade of Specialist Software Applications | 9045 | 1 | 30 | 29 | | 0 | - | 1 | 30 | 29 | 38 | | 0 | 38 | |
| Finance Lease Funding Infrastructure Equipment | 12014 | 144 | 848 | 704 | | 0 | - | 144 | 848 | 704 | 1,017 | | 0 | 1,017 | |
| Upgrade of Council's Core Software Applications | 12015 | 1,169 | 1,584 | 415 | | 0 | - | 1,169 | 1,584 | 415 | 584 | 1,500 | 0 | 2,084 | |
| Development of Online Services & Mobile Applications | 12049 | 336 | 487 | 151 | | 0 | - | 336 | 487 | 151 | 640 | 625 | 0 | 1,265 | |
| Management of IT Environment Including Security Software | 12050 | 23 | 0 | (23) | | 0 | - | 23 | 0 | (23) | 530 | | 0 | 530 | |
| Replacement of Property Assets | 9046 | 1,931 | 3,081 | 1,150 | 76 | 0 | 76 | 1,855 | 3,081 | 1,225 | 3,122 | 69 | 0 | 3,191 | |
| Replacement of Pensioner Housing Assets | 9047 | 71 | 531 | 461 | | 0 | - | 71 | 531 | 461 | 566 | | 0 | 566 | |
| Replacement of Fleet Vehicles | 9048 | 499 | 721 | 223 | | 0 | - | 499 | 721 | 223 | 866 | | 0 | 866 | |
| Upgrade of Council Owned Buildings | 12047 | 3 | 32 | 29 | | 0 | - | 3 | 32 | 29 | 38 | | 0 | 38 | |
| | | 4,212 | 7,313 | 3,102 | 76 | 0 | 76 | 4,136 | 7,313 | 3,177 | 7,401 | 2,194 | 0 | 9,595 | |
| **Total** | | 40,170 | 66,782 | 26,613 | 5452 | 9679 | (4,227) | 34,718 | 57,103 | 22,385 | 67,904 | 13,208 | 12019 | 69,093 | |

## ARTS AND RECREATION
### for the ten months ended 30 April 2015

| Prior YTD Actual $000 | | Year to Date Actual $000 | Year to Date Budget $000 | Variance Favourable/(Unfavourable) $000 | Annual Budget $000 |
|---|---|---|---|---|---|
| | **Direct** | | | | |
| 5,597 | Revenue | 6,065 | 6,802 | (738) | 7,830 |
| 19,152 | Expenditure | 20,215 | 20,440 | 225 | 24,430 |
| (13,555) | Direct surplus/(deficit) | (14,150) | (13,638) | (512) | (16,600) |
| | **Indirect** | | | | |
| 3,755 | Corporate overheads | 3,886 | 4,463 | 577 | 5,356 |
| 2,157 | Asset costs (depreciation) | 2,153 | 2,663 | 510 | 3,196 |
| 491 | Net finance revenue (expense) | 483 | 521 | 38 | 625 |
| 6,403 | | 6,523 | 7,647 | 1,125 | 9,177 |
| (19,958) | **Operating surplus/(deficit)** | (20,673) | (21,285) | 612 | (25,777) |

**Variance analysis - Direct surplus/(deficit)**
**for the ten months ended 30 April 2015**




Variance explanations on next page.

**Variance explanation:**

The Arts and Recreation activity comprises Theatres, The Zoo, Sports Parks, Libraries, Museum and Arts, Active Communities, Swimming and Recreation. The activity is $738K unfavourable in revenue and $225K favourable in expenditure. This results in a net direct deficit of $513K with the big variances explained as follows:

**Hamilton theatres** - net direct deficit $239K unfavourable. Theatres have a revenue shortfall against budget of $521K, this is primarily driven by revenue shortfall and unbudgeted cost associated with structural assessment for Founders and Theatres gifting $34K. Forward bookings are as expected but will not improve the current under budget result.

**Hamilton Zoo** - net direct deficit $110K unfavourable. Revenue is behind budget targets by $65K, revenue targets for this year included an additional $80K to offset the cost of the Zoo Strategic Plan, this $80K has been identified as a risk on the Risk and Opportunity Report dated 31 January 2015. As reported previously increased Zoo expenditure of $45K is due to unbudgeted reactive maintenance required following tree fall damage and an increase in food cost for the zoo animals. Hamilton Zoo will continue its tight cost containment.

**Active communities** - grants previously received and allocated to fund community based projects have been reduced by $135k from previous years. Overall there is a nil impact on the bottom line as allocated expenditure is capped at the level of funding received.

**Pools** revenue is ($171K) unfavourable against budget and includes Club Aqua gym income which is tracking better than the original expected annual shortfall of ($371k) previously reported to the Finance Committee. Membership has increased from 600 to 1000 members from 1 July. Gym expenditure is currently tracking $75k favourable against budget. There is an overall net cash contribution towards pool operations of $159k year to date from the gym activity.

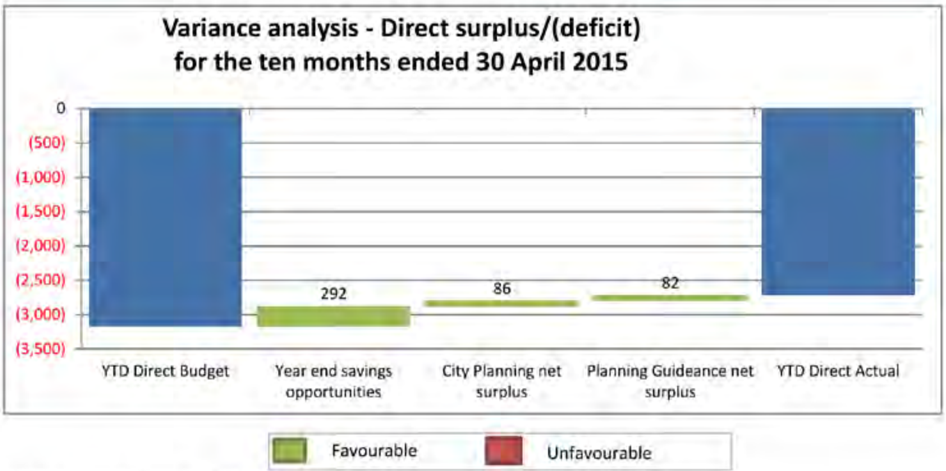
**Pools** expenditure is ($305k) unfavourable against budget. Salaries are $167k over budget due to higher than usual summer staffing requirements. Additional staff were also required over a busy and challenging summer period. Other variances include chemicals, shop stock, and electricity. All efforts are being made to reduce costs.

**Sports Parks -** 96k favourable revenue due to an external capital contribution received for the Porritt Stadium Upgrade.

**Museum & Library** - Unfavourable salary variances Museum ($54k)and Library ($87k) are offset by favourable revenue. Museum World War 1 exhibit costs are $86k YTD lower than the budget anticipated.

## CITY PLANNING AND DEVELOPMENT
### for the ten months ended 30 April 2015

| Prior YTD Actual $000 | | Year to Date Actual $000 | Year to Date Budget $000 | Variance Favourable/(Unfavourable) $000 | Annual Budget $000 |
|---|---|---|---|---|---|
| | **Direct** | | | | |
| 1,370 | Revenue | 1,239 | 933 | 307 | 1,119 |
| 4,513 | Expenditure | 3,953 | 4,107 | 153 | 4,928 |
| (3,143) | Direct surplus/(deficit) | (2,714) | (3,174) | 460 | (3,809) |
| | **Indirect** | | | | |
| 702 | Corporate overheads | 788 | 834 | 46 | 1,001 |
| 0 | Asset costs (depreciation) | 0 | 0 | 0 | 0 |
| 0 | Net finance revenue (expense) | 0 | 0 | 0 | 0 |
| 702 | | 788 | 834 | 46 | 1,001 |
| (3,845) | **Operating surplus/(deficit)** | (3,502) | (4,008) | 506 | (4,810) |




Variance explanations on next page.

**Variance explanation:**

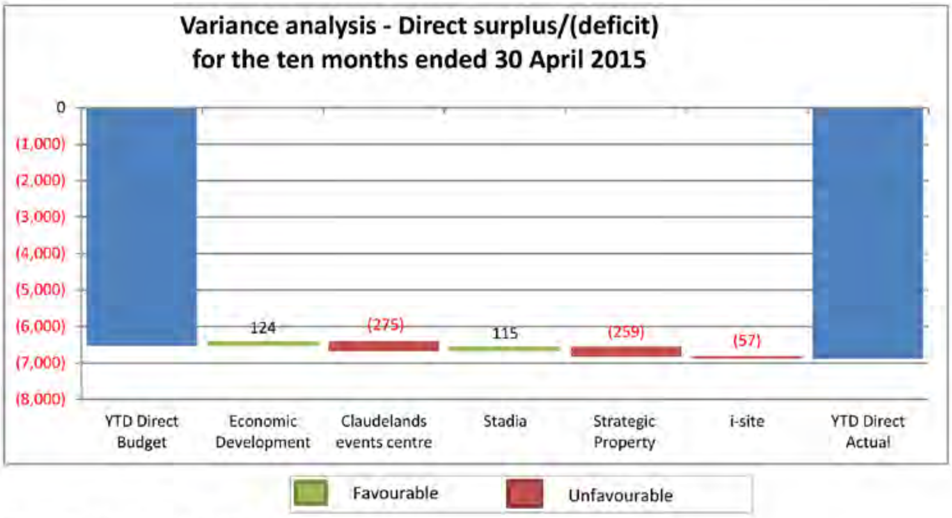
The City Planning and Development activity comprises City Planning and Planning Guidance. The activity is showing a $307K increase in revenue and a $153K decrease in costs. This results in a net direct surplus of $460K with key drivers of this variance explained as follows:

**City Planning** - net surplus $379K favourable. Expenditure is $375K favourable YTD due to District Plan Review timing and progress in resolving the appeals. $292K is identified as an opportunity and has been reported on Risk and Opportunities.

**Planning Guidance** - net surplus $82K favourable. Revenue is $303K favourable YTD, offseting unfavourable expenditure of $221K. The favourable revenue is due to the increase in resource consents processed and is the key driver for increased expenditure.

## CITY PROSPERITY
### for the ten months ended 30 April 2015

| Prior YTD Actual $000 | | Year to Date Actual $000 | Year to Date Budget $000 | Variance Favourable/(Unfavourable) $000 | Annual Budget $000 |
|---|---|---|---|---|---|
| | **Direct** | | | | |
| 8,335 | Revenue | 8,751 | 8,118 | 634 | 9,924 |
| 14,606 | Expenditure | 15,638 | 14,648 | (990) | 17,333 |
| (6,270) | Direct surplus/(deficit) | (6,887) | (6,531) | (356) | (7,409) |
| | **Indirect** | | | | |
| 1,588 | Corporate overheads | 1,714 | 1,798 | 84 | 2,158 |
| 2,343 | Asset costs (depreciation) | 2,146 | 1,820 | (326) | 2,184 |
| 5,475 | Net finance revenue (expense) | 5,399 | 5,812 | 413 | 6,975 |
| 9,406 | | 9,260 | 9,431 | 171 | 11,317 |
| (15,676) | **Operating surplus/(deficit)** | (16,147) | (15,961) | (186) | (18,726) |




Variance explanations on next page.

**Variance explanation:**

The City Prosperity activity comprises Economic Development, i-Site, Claudelands Event Centre, Stadia (Waikato Stadium and Seddon Park) and Strategic Property. The activity is showing a net direct deficit of $356K with the big variances shown as follows:

**Economic Development** - net surplus $124K favourable. This is due to the timing of large events and sponsorships. Continued tight cost containment and the ceasing of temporary staffing in February 2015 are the drivers of the forecasted year end favourable variance of $200K. This opportunity has been identified on Risk and Opportunities.

**Claudelands Events Centre** - net deficit $275K unfavourable. Revenue is $72K or 1% unfavourable and continues to trend close to budgeted revenue expectations. Claudelands expenditure is $203K unfavourable, predominantly due to legal costs for the Waikato Shows Trust arbitration (refer Risk and Opportunity report) YTD spend $99K and the cost of staff which is on par with 2013/14 actuals.

**Stadia** - net surplus $115K favourable. Capital Contributions for Seddon Park contributed $378K to the favourable revenue. Extraordinary Cricket World Cup activity delivered a small surplus. Expenditure over-run driven by increased contractor costs for temporary stand.

**Strategic Property** - net deficit $259K unfavourable. Revenue $518K unfavourable due to the continued non tenancy of the Beggs Wiseman building $108K and the sale of investment properties $424K. Commercial revenue is forecast to be down on budget target at year end by $863K primarily as a result of property sales. Associated short term interest savings of $300K will be achieved as a result of asset sales.

**i-Site** - net deficit $57K unfavourable. Revenue $18K unfavourable and expenditure $39K unfavourable.

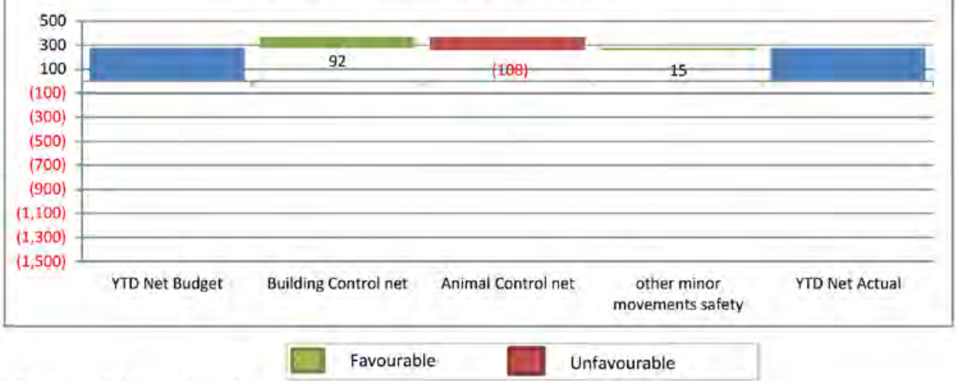
## CLAUDELANDS EVENTS CENTRE
### for the ten months ended 30 April 2015

| Prior YTD Actual | | Year to Date Actual | Year to Date Budget | Variance | Annual |
|---|---|---|---|---|---|
| $000 | | $000 | $000 | $000 | $000 |
| | **Direct** | | | | |
| 2,395 | Revenue | 2,457 | 2,529 | (72) | 3,035 |
| 5,839 | Expenditure | 6,024 | 5,821 | (203) | 6,985 |
| (3,444) | Direct surplus/(deficit) | (3,567) | (3,291) | (275) | (3,950) |
| | **Indirect** | | | | |
| 468 | Corporate overheads | 494 | 576 | 82 | 691 |
| 759 | Asset costs (depreciation) | 755 | 739 | (16) | 887 |
| 3,488 | Net finance revenue (expense) | 3,441 | 3,704 | 263 | 4,445 |
| 4,715 | | 4,690 | 5,019 | 329 | 6,023 |
| (8,159) | **Operating surplus/(deficit)** | (8,257) | (8,310) | 54 | (9,972) |

## CITY SAFETY
**for the ten months ended 30 April 2015**

| Prior YTD Actual |  | Year to Date Actual | Year to Date Budget | Variance Favourable/ (Unfavourable) | Annual Budget |
|---|---|---|---|---|---|
| $000 |  | $000 | $000 | $000 | $000 |
|  | **Direct** |  |  |  |  |
| 6,860 | Revenue | 7,037 | 6,388 | 649 | 7,457 |
| 7,408 | Expenditure | 6,761 | 6,112 | (650) | 7,372 |
| (548) | Direct surplus/(deficit) | 275 | 276 | (1) | 86 |
|  | **Indirect** |  |  |  |  |
| 1,126 | Corporate overheads | 1,084 | 1,406 | 322 | 1,687 |
| 51 | Asset costs (depreciation) | 42 | 33 | (10) | 39 |
| 30 | Net finance revenue (expense) | 30 | 32 | 2 | 39 |
| 1,207 |  | 1,157 | 1,471 | 314 | 1,765 |
| (1,755) | **Operating surplus/(deficit)** | (881) | (1,195) | 313 | (1,679) |

**Variance Analysis - Direct surplus/(deficit)**
**for the ten months ended 30 April 2015**




Variance explanations on next page.

**Variance explanation:**

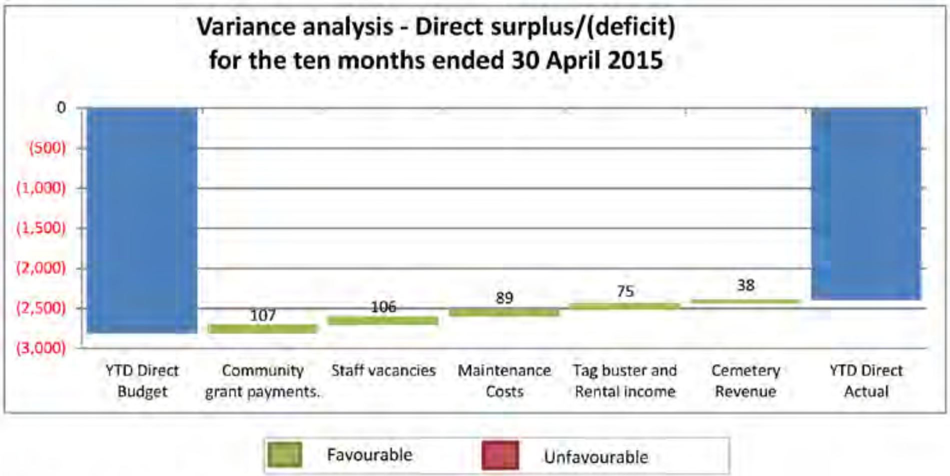
The City Safety activity comprises building control, animal control, city safe operations, food premises, public health, environmental control and liquor licensing. The activity is showing a $649K increase in revenue and a $650K increase in costs. This results in a net direct deficit of $1K with key drivers of this variance explained as follows:

**Building control's** direct revenue is $617K favourable YTD offsetting unfavourable expenditure of $526K - a net favourable result of $92K. Drivers of the unfavourable expenditure are personnel costs and contractors to meet building consent processing demand and statutory timeframes. The favourable result is being applied to speed up the digitisation of paper building records to allow the effective implementation of the Mobile solutions for inspectors in June 2015.

**Animal Control** direct revenue is $2K favourable due to locating more dogs that have previously been unregistered and cost recovery of some vet fees. Direct expenditure is $110K unfavourable -the three major contributors to the increased expenditure are legal fees associated with prosecutions, court fees and staff costs. Measures are being put in place to reduce legal fees by upskilling staff to process prosecutions in house. Staff budgets have historically not fully reflected actuals and this has been corrected through the LTP 2015-25.

## COMMUNITY SERVICES
### for the ten months ended 30 April 2015

| Prior YTD Actual | | Year to Date Actual | Year to Date Budget | Variance Favourable/ (Unfavourable) | Annual Budget |
|---|---|---|---|---|---|
| $000 | | $000 | $000 | $000 | $000 |
| | **Direct** | | | | |
| 3,114 | Revenue | 3,165 | 3,051 | 113 | 3,698 |
| 5,501 | Expenditure | 5,561 | 5,863 | 302 | 7,187 |
| (2,386) | Direct surplus/(deficit) | (2,396) | (2,811) | 415 | (3,489) |
| | **Indirect** | | | | |
| 845 | Corporate overheads | 889 | 876 | (13) | 1,051 |
| 98 | Asset costs (depreciation) | 85 | 116 | 31 | 139 |
| 73 | Net finance revenue (expense) | 70 | 76 | 6 | 91 |
| 1,016 | | 1,044 | 1,068 | 24 | 1,281 |
| (3,402) | **Operating surplus/(deficit)** | (3,440) | (3,879) | 439 | (4,771) |




Variance explanations on next page.

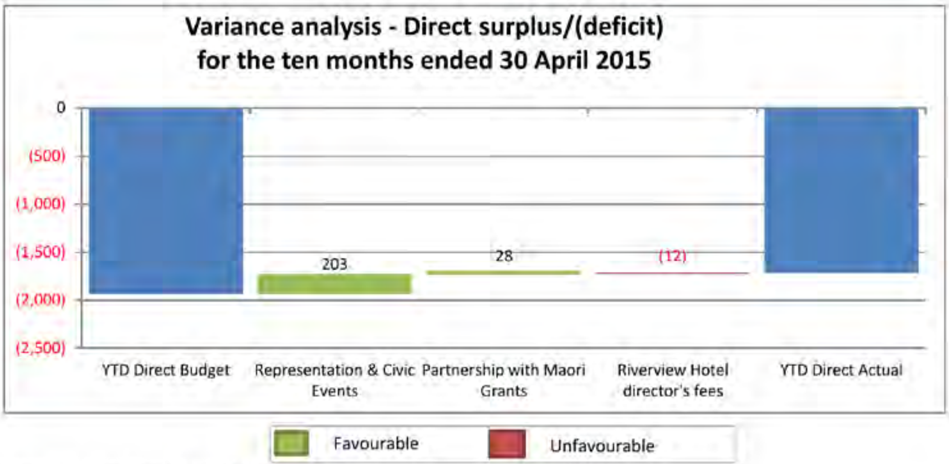
**Variance explanation:**

Revenue - favourable variances of $38k for Cemetery plot sales and burials, $19k graffiti removal and $56k rental of Community Centres and Pensioner Housing.

Expenditure is favourable as $107k of multi-year community grant allocations have yet to be made. Other favourable variances include $106k staff costs (the result of vacancies that existed earlier in the year) and $89k lower than budgeted maintenance and programme works. The latter is expected to be favourable at year end.

# DEMOCRACY
## for the ten months ended 30 April 2015

| Prior YTD Actual $000 | | Year to Date Actual $000 | Year to Date Budget $000 | Variance Favourable/ (Unfavourable) $000 | Annual Budget $000 |
|---|---|---|---|---|---|
| | **Direct** | | | | |
| 212 | Revenue | 14 | 25 | (12) | 30 |
| 1,869 | Expenditure | 1,726 | 1,957 | 231 | 2,403 |
| (1,657) | Direct surplus/(deficit) | (1,712) | (1,932) | 219 | (2,373) |
| | **Indirect** | | | | |
| 2,321 | Corporate overheads | 2,453 | 2,407 | (46) | 2,888 |
| 0 | Asset costs (depreciation) | 0 | 0 | 0 | 0 |
| 0 | Net finance revenue (expense) | 0 | 0 | 0 | 0 |
| 2,321 | | 2,453 | 2,407 | (46) | 2,888 |
| (3,978) | **Operating surplus/(deficit)** | (4,165) | (4,339) | 174 | (5,261) |




Variance explanations on next page.

**Variance explanation:**

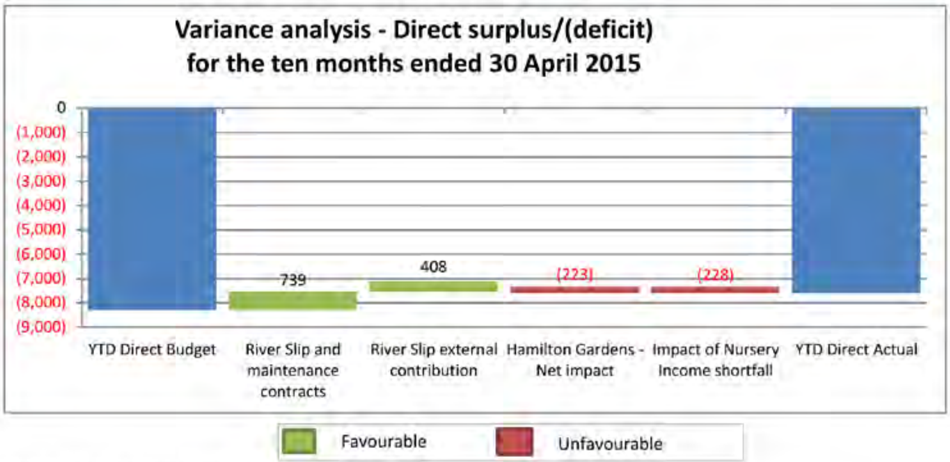
Unfavourable revenue of $12k relates to the loss of the Riverview Hotel's directorship income as Council's interest in the venture has been sold.

Partnership with Maori - professional service costs favourable as the use of the new service providers has been less than expected. $70k is included as a saving on the risk and opportunities report.

Representation and Civic Affairs. Various favourable variances including training, civic ceremony costs, photocopying and elected member remuneration. The latter is expected to be favourable at year end.

## PARKS AND OPEN SPACES
### for the ten months ended 30 April 2015

| Prior YTD Actual | | Year to Date Actual | Year to Date Budget | Variance Favourable/ (Unfavourable) | Annual Budget |
|---|---|---|---|---|---|
| $000 | | $000 | $000 | $000 | $000 |
| | **Direct** | | | | |
| 948 | Revenue | 1,622 | 1,113 | 509 | 1,347 |
| 7,991 | Expenditure | 9,202 | 9,389 | 187 | 11,390 |
| (7,043) | Direct surplus/(deficit) | (7,580) | (8,276) | 696 | (10,043) |
| | **Indirect** | | | | |
| 1,035 | Corporate overheads | 1,099 | 1,073 | (26) | 1,288 |
| 1,388 | Asset costs (depreciation) | 1,190 | 1,317 | 127 | 1,580 |
| 1,145 | Net finance revenue (expense) | 1,130 | 1,216 | 87 | 1,460 |
| 3,569 | | 3,419 | 3,606 | 187 | 4,327 |
| (10,612) | **Operating surplus/(deficit)** | (10,999) | (11,882) | 883 | (14,370) |




Variance explanations on next page.

**Variance explanation:**

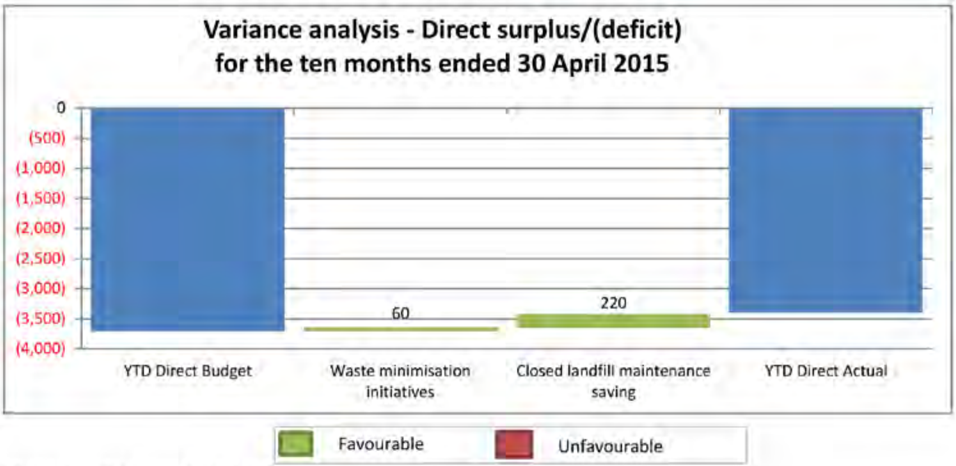
**Parks and Open Spaces.** Favourable revenue includes contributions received for Bryce Street Riverbank Slip remediation work $408k. This has been included on the risk and opportunities report.
Favourable expenditure as the project has been incorrectly budgeted as operating expenditure. The project value is $670k is flat phased over the year and the overall impact is nil as any operating expenditure underspend will be offset by increased capital expenditure. The favourable variance is offset by charges from the Nursery. (Refer next item below)

**Nursery** revenue is $228k below budget and as the Nursery is a Support Unit, the unfavourable variance is reflected in Parks & Open Spaces direct expenditure. A review of operations is in progress and the Committee will be advised of the outcome of the review.

**Hamilton Gardens** is ($223k) unfavourable against budget forecast. Part of the variance relates to increased planned maintenance as items fell beneath the capitalisation threshold. Other unfavourable variances include personnel ($121k), cleaning costs ($64k). Also included are unbudgeted costs involved in the purchase of shop stock from the Friends of the Gardens. Unfavourable variances will be managed within existing budgets at group level. This is offset by favourable revenue - capital contribution towards gardens.

## SOLID WASTE
### for the ten months ended 30 April 2015

| Prior YTD Actual $000 | | Year to Date Actual $000 | Year to Date Budget $000 | Variance Favourable/(Unfavourable) $000 | Annual Budget $000 |
|---|---|---|---|---|---|
| | **Direct** | | | | |
| 291 | Revenue | 786 | 755 | 31 | 755 |
| 4,108 | Expenditure | 4,175 | 4,465 | 289 | 5,358 |
| (3,817) | Direct surplus/(deficit) | (3,390) | (3,710) | 320 | (4,602) |
| | **Indirect** | | | | |
| 519 | Corporate overheads | 555 | 538 | (17) | 646 |
| 233 | Asset costs (depreciation) | 209 | 329 | 121 | 395 |
| 115 | Net finance revenue (expense) | 115 | 123 | 8 | 148 |
| 867 | | 879 | 991 | 112 | 1,189 |
| (4,684) | **Operating surplus/(deficit)** | (4,269) | (4,700) | 431 | (5,791) |




Variance explanations on next page.

**Variance explanation:**

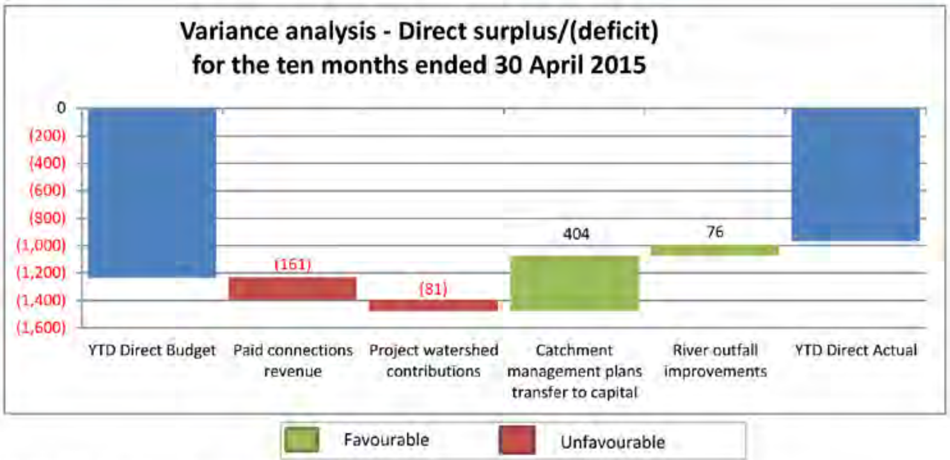
The solid waste activity is showing a direct favourable variance of $320k with the larger variances being:

Operating expenditure year to date is $289k favourable.
Waste minimisation initiatives are currently $60k favourable and this work, which is waste levy funded, is expected to be $35k favourable at year end. Any favourable variance will be treated as income in advance for the waste levy reserve. It is expected that this reserve will be fully spent during the next two years, leading up to a waste service change.
Closed landfills are favourable due to $220k of maintenance savings due to optimising the capital programme (instead of maintaining we have renewed). This saving has been reported on the risks and opportunities register.

## STORMWATER

### for the ten months ended 30 April 2015

| Prior YTD Actual $000 | | Year to Date Actual $000 | Year to Date Budget $000 | Variance Favourable/ (Unfavourable) $000 | Annual Budget $000 |
|---|---|---|---|---|---|
| | **Direct** | | | | |
| 115 | Revenue | 284 | 523 | (238) | 574 |
| 1,363 | Expenditure | 1,250 | 1,756 | 506 | 2,107 |
| (1,248) | Direct surplus/(deficit) | (965) | (1,233) | 268 | (1,533) |
| | **Indirect** | | | | |
| 224 | Corporate overheads | 239 | 232 | (7) | 279 |
| 4,685 | Asset costs (depreciation) | 4,686 | 4,755 | 69 | 5,706 |
| 311 | Net finance revenue (expense) | 307 | 330 | 24 | 396 |
| 5,219 | | 5,232 | 5,317 | 86 | 6,381 |
| (6,467) | **Operating surplus/(deficit)** | (6,197) | (6,550) | 353 | (7,914) |




Variance explanations on next page.

**Variance explanation:**

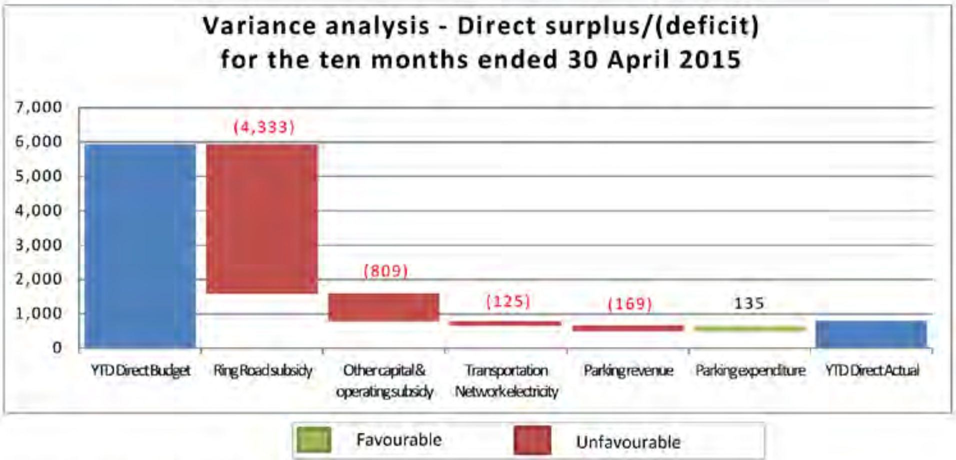
The stormwater activity is showing a direct favourable variance of $268k with the larger variances being:

Operating revenue year to date is $238k unfavourable.
Capital contributions for paid connections are $161k below budget but as this is a user pays service this is offset by reduced capital expenditure. This unfavourable revenue won't be made up and is estimated to be $170k by end of year (it is included on risks and opportunities together with other revenue implications from other connections).
Project watershed contributions are $81k below budget due to the budget assuming the contribution would be received at the start of the quarter but it will actually be received at the end of the quarter.

Operating expenditure year to date is $506k favourable.
Catchment management plans are $404k favourable due to it being reclassified as capital expenditure. The total cost of the catchment management plan work is expected to be $500k by the end of the year, which will be met within existing stormwater capital budgets. This leaves a forecast $500k operational favourable variance, which has been reported on the risks and opportunities register.
River outfall improvements are $76k favourable due to the works being capital in nature and being completed within the existing capital budget. The leaves a forecast $90k operational favourable variance, which has been reported on the risks and opportunities register.

## TRANSPORTATION
### for the ten months ended 30 April 2015

| Prior YTD Actual $000 | | Year to Date Actual $000 | Year to Date Budget $000 | Variance Favourable/(Unfavourable) $000 | Annual Budget $000 |
|---|---|---|---|---|---|
| | **Direct** | | | | |
| 12,585 | Revenue | 12,851 | 18,151 | (5,300) | 22,631 |
| 11,599 | Expenditure | 12,057 | 12,224 | 167 | 15,136 |
| 986 | Direct surplus/(deficit) | 793 | 5,927 | (5,134) | 7,495 |
| | **Indirect** | | | | |
| 2,343 | Corporate overheads | 2,437 | 2,429 | (8) | 2,915 |
| 13,843 | Asset costs (depreciation) | 13,953 | 14,505 | 552 | 17,406 |
| 5,423 | Net finance revenue (expense) | 5,351 | 5,761 | 410 | 6,912 |
| 21,610 | | 21,742 | 22,695 | 953 | 27,233 |
| (20,624) | **Operating surplus/(deficit)** | (20,948) | (16,768) | (4,180) | (19,738) |




Variance explanations on next page.

**Variance explanation:**

The transportation activity comprises Transportation Network (including Travel Demand Management), Parking, and Transport Centre. The transportation activity is showing a direct unfavourable variance of $5,134k with the larger variances being:

Operating revenue year to date is $5,300k unfavourable.
NZTA subsidy received for the Ring Road project is $4,333k lower than expected due to delays in the project. As this project will now occur in 2015/16 this revenue will be collected then. The end of year revenue shortfall for the Ring Road will be $4,400k and this is included on the risks and opportunities register.

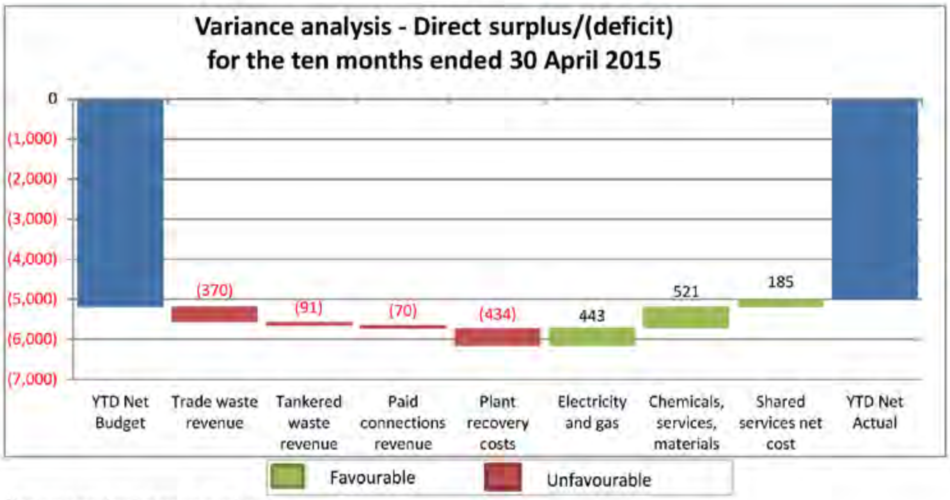
Other capital subsidy is $666k below budget but this is offset by reduced subsidised capital expenditure due to the NZTA approved work programme being less than the approved budget. We expect renewals to be $426k less than budget and subsidy to be $426k less than budget and this has been reported on the Risks and Opportunities Register. Other operating subsidy is $143k below budget but this is offset by reduced subsidised expenditure due to non-subsidised maintenance work programmes, such as litter control and landscape maintenance, being prioritised.

Parking revenue is $169k unfavourable due largely to the sale of Knox Street but offset by increased parking revenue elsewhere. Knox Street revenue is also offset by reduced expenditure, depreciation, and interest, which is reported on the risks and opportunities register.

Operating expenditure year to date is $167k favourable.
Transportation Network is $125k unfavourable due to an unfavourable electricity expense but this will be managed within existing Transportation budgets.
Parking expenditure is $135k favourable largely due to the sale of Knox Street.
Transport Centre expenditure is $107k favourable (but this offsets unfavourable revenue of $69k).

## WASTEWATER
### for the ten months ended 30 April 2015

| Prior YTD Actual |  | Year to Date Actual | Year to Date Budget | Variance Favourable/ (Unfavourable) | Annual Budget |
|---|---|---|---|---|---|
| $000 |  | $000 | $000 | $000 | $000 |
|  | **Direct** |  |  |  |  |
| 4,204 | Revenue | 3,758 | 4,222 | (465) | 5,402 |
| 9,881 | Expenditure | 8,769 | 9,417 | 649 | 11,299 |
| (5,677) | Direct surplus/(deficit) | (5,011) | (5,195) | 184 | (5,897) |
|  | **Indirect** |  |  |  |  |
| 1,125 | Corporate overheads | 1,221 | 1,218 | (3) | 1,462 |
| 6,716 | Asset costs (depreciation) | 6,608 | 6,159 | (449) | 7,391 |
| 3,093 | Net finance revenue (expense) | 3,052 | 3,286 | 234 | 3,943 |
| 10,934 |  | 10,881 | 10,663 | (218) | 12,795 |
| (16,611) | **Operating surplus/(deficit)** | (15,892) | (15,858) | (34) | (18,692) |




Variance explanations on next page.

**Variance explanation:**

The wastewater activity comprises wastewater and shared services. The wastewater activity is showing a direct favourable variance of $184k with the larger variances being:

Operating revenue year to date is $465k unfavourable due to:
- $371k unfavourable trade waste revenue
- $91k unfavourable tankered revenue
- $70k unfavourable paid connections revenue
- $67k favourable shared services revenue

Capital contributions for paid connections are $70k below budget but as this is a user pays service this is offset by reduced capital expenditure. This unfavourable revenue won't be made up and is estimated to be $70k by end of year (it is included on risks and opportunities together with other revenue implications from other connections).

$500k is included on the risks and opportunities schedule to include:
- $400k for trade waste revenue from 2 major customers, one which has closed and one which is not discharging as predicted.
- $100k from reductions in tankered waste, which was prohibited to protect treatment plant during breakdown event.

Unfavourable revenue is offset by corresponding favourable expenditure on consumables (power, gas, chemicals).

Operating expenditure year to date is $649k favourable due to:
- $435k unfavourable year to date plant recovery costs
- $964k favourable year to date consumable and processing costs
- $118k favourable shared services costs

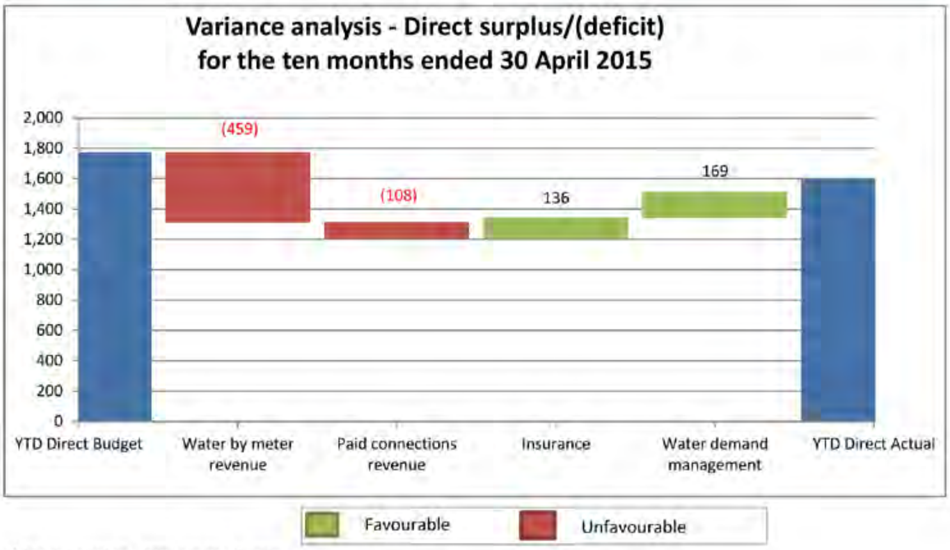
Operating plant recovery costs are on track with $434k spent year to date. Plant recovery operating costs are expected to be $605k by the end of the year and this is reported on the risks and opportunities register.

The plant recovery costs are being offset by favourable variances on processing resources (e.g. electricity and gas $443k, and chemicals, services and materials $521k) due to one-off reduced processing costs due to stability at the plant, a drier than expected 2014 winter, and reduced tankered waste processing costs.

Consumable and processing costs are expected to be $650k favourable by the end of the year allowing for increased seasonal consumables, which will help to offset unfavourable revenue, and this is reported on the risks and opportunities register.

## WATER SUPPLY
### for the ten months ended 30 April 2015

| Prior YTD Actual | | Year to Date Actual | Year to Date Budget | Variance Favourable/ (Unfavourable) | Annual Budget |
|---|---|---|---|---|---|
| $000 | | $000 | $000 | $000 | $000 |
| | **Direct** | | | | |
| 7,173 | Revenue | 7,075 | 7,670 | (596) | 8,807 |
| 5,389 | Expenditure | 5,481 | 5,898 | 417 | 7,078 |
| 1,785 | Direct surplus/(deficit) | 1,594 | 1,772 | (178) | 1,729 |
| | **Indirect** | | | | |
| 892 | Corporate overheads | 873 | 1,045 | 173 | 1,254 |
| 5,324 | Asset costs (depreciation) | 5,804 | 5,992 | 188 | 7,190 |
| 2,318 | Net finance revenue (expense) | 2,287 | 2,462 | 175 | 2,955 |
| 8,533 | | 8,964 | 9,499 | 535 | 11,399 |
| (6,749) | **Operating surplus/(deficit)** | (7,370) | (7,727) | 357 | (9,670) |




Variance explanations on next page.

**Variance explanation:**

The water activity is showing a direct unfavourable variance of $178k with the larger variances being:

Operating revenue year to date is $596k unfavourable due to water by meter revenue ($460k), and a project with assumed subsidy not proceeding ($108k).

Project 9027 to replace water mains during an intersection upgrade has not proceeded and has not received $108k of assumed subsidy. The local share of funding has been reprioritised on risks and opportunities to fund the Garden Place car parking equipment.

Water by meter revenue is $460k unfavourable due to a $450k reduction in use by major customers with the biggest reduction from a customer who has completed their own private plant upgrades resulting in less water than expected from Council. Water revenue from high users is expected to be $450k less than budget at year end and this has been reported on the risks and opportunities register.

Operating expenditure year to date is $417k favourable due largely to:

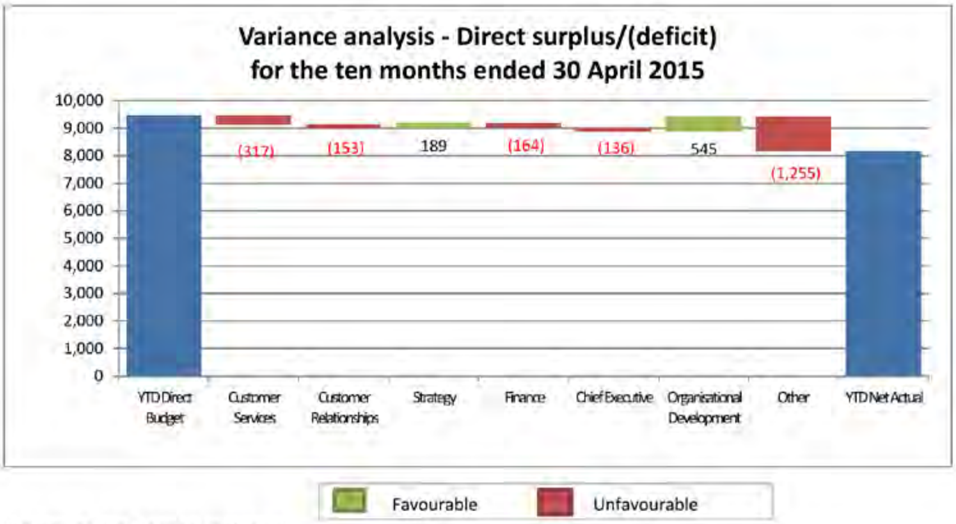
Insurance is $136k favourable year to date due to the timing of the premium for insurance on underground assets and the total premium being less than expected. The savings component forms part of the overall insurance saving on the risks and opportunities register.

Water demand management expenditure is under budget by $169k. Savings have been made in the water alert level campaign due to a shorter than expected alert period this summer and from only managing one alert level (i.e. we did not move from one alert level to another). Savings have also been achieved in the water demand management plan actions.

Operating expenditure is expected to be $200k favourable at year end, which will help to offset unfavourable revenue, and this has been reported on the risks and opportunities register.

## OVERHEADS
### for the ten months ended 30 April 2015

| Prior YTD Actual | | Year to Date Actual | Year to Date Budget | Variance Favourable/ (Unfavourable) | Annual Budget |
|---|---|---|---|---|---|
| $000 | | $000 | $000 | $000 | $000 |
| | **Direct** | | | | |
| 31,511 | Revenue | 31,456 | 32,737 | (1,281) | 39,285 |
| 21,984 | Expenditure | 23,017 | 23,276 | 259 | 28,132 |
| 9,527 | Direct surplus/(deficit) | 8,440 | 9,462 | (1,022) | 11,153 |
| | **Indirect** | | | | |
| 0 | Corporate overheads | 0 | 0 | 0 | 0 |
| 9,437 | Asset costs (depreciation) | 8,387 | 9,174 | 787 | 11,009 |
| 41 | Net finance revenue (expense) | 52 | 120 | 68 | 144 |
| 9,478 | | 8,440 | 9,294 | 855 | 11,153 |
| 49 | **Operating surplus/(deficit)** | 0 | 167 | (167) | (0) |




Variance explanations on next page.

**Variance explanation:**

**Customer Services ($177k) Unfavourable** - Variance is due to recruitment and training of new call centre staff, timing of income and expenditure. Operational adjustments are being made to address the variance.

**Customer Relationships ($135k) Unfavourable**. Variances include unbudgeted spend on business activities covered by contract staff and consultants which will be addressed through timing and phasing.

**Communication and Marketing ($44k) Unfavourable.** Variances due to additional marketing expenditure during this period and timing with revenue income for sponsorship.

**Strategy $134k Favourable** - professional service costs track lower than budget as various works have also been completed in-house. Savings of $229k have been achieved which is offset by an unfavourable personnel cost variance of ($145k).

**Performance ($111k) Unfavourable.** Contribution to Water CCO business case project (50% share), along with Waikato and Waipa Councils. Total estimated cost HCC $325,000 less $75,000 available funding in Performance Admin. This item is included in the Waters Business Case report to full Council on 30 October 2014. This will be offset by savings from within the Performance group.

**Portfolio Management ($34k) Unfavourable.** Variance relates to a revenue target that is unachievable. This has been corrected in the ten year plan and will be managed within existing budgets at Performance group level.

**Property Management ($45k) Unfavourable.** Fleet revenue is ($124k) unfavourable and offset by 75k Capital contributions for Museum art gallery upgrade . The unfavourable expenditure variance includes ($266k) of painting work reclassified as operating expenditure to capital offset by favourable fuel and insurance variances. Items related to insurance, fuel and paint reclassification are included on the risk and opportunities report.

**Finance ($175k) Unfavourable.** Variances due to costs associated with development levy support, external support for the ten year plan, and the recruitment of the interim Chief Financial Officer. Operating adjustments will be made to reduce the unfavourable variance.

**Chief Executive ($145k) Unfavourable.** Variance relates to recruitment costs associated with the Chief Executive appointment and an annual subscription of $81k with a 30th April anniversary date. Ten months of the annual subscription will be transacted in 2015/16 and the correction made in the May financials.

**Organisational Development $734k Favourable.** Variances include the timing of computer licence payments $763k.

## STATEMENT OF OVERHEADS (SUMMARY)
### FOR THE TEN MONTHS ENDED 30 APRIL 2015

| | YTD External Revenue | YTD Internal Revenue | Total YTD Revenue | Total YTD Expenditure | Net YTD Recovery | YTD Budget |
|---|---|---|---|---|---|---|
| **Overhead Areas** | | | | | | |
| **Approved Budget** | 290 | 14,127 | 14,417 | 32,570 | 18,153 | 18,320 |
| Chief Executive's Office | 0 | | 0 | 630 | 629 | 483 |
| Finance | 127 | 133 | 260 | 3,446 | 3,186 | 3,190 |
| Performance Group | 151 | 11,727 | 11,878 | 15,026 | 3,147 | 3,993 |
| Organisation and Development Group | 6 | 1,835 | 1,841 | 9,047 | 7,205 | 7,887 |
| Customer Relationships | 236 | | 236 | 3,309 | 3,073 | 2,768 |
| **Total** | **521** | **13,695** | **14,216** | **31,457** | **17,241** | **18,320** |

*The net recovery from the Overheads are allocated across the 12 Council activities.*

| **Council Activities** | Net YTD Recovery | YTD Budget |
|---|---|---|
| Arts and Recreation | 3,886 | 4,463 |
| City Planning | 788 | 834 |
| City Prosperity | 1,714 | 1,798 |
| City Safety | 1,084 | 1,406 |
| Community Services | 889 | 876 |
| Democracy | 2,453 | 2,407 |
| Parks and Open Spaces | 1,099 | 1,073 |
| Solid Waste | 555 | 538 |
| Stormwater | 239 | 232 |
| Transportation | 2,437 | 2,429 |
| Wastewater | 1,221 | 1,218 |
| Water Supply | 873 | 1,045 |
| | **17,240** | **18,320** |

Hamilton City Council
Te kaunihera o Kirikiriroa

# council report

Item 11

**Committee:** Finance Committee **Date:** 21 May 2015

**Report Name:** Key Projects Report **Author:** Carol Serra

| | |
|---|---|
| **Report Status** | *Open* |
| **Strategy, Policy or Plan context** | *Long Term Plan – 2012-2022* |
| **Financial status** | *There is budget allocated*<br>*Budget is as per project – noted in detailed report* |
| **Assessment of significance** | *Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance* |

## 1. Purpose of the Report

2. To provide an overview of the key projects underway at Hamilton City Council for the April 2015 period.
3. To provide an overview of PMO activity in relation to key projects, across the organisation.

## 4. Executive Summary

5. A summarised project activity report for April 2015 is provided as Attachment 1.
6. Three projects are showing amber – all have associated time delays which have been well signaled.
7. PMO continues to work with City Transportation to establish final HCC business case related process (specifically for City Transportation) for projects seeking funding from NZTA.
8. Project status and risk changes are highlighted in the Status Summary Report – April 2015 at Attachment 1.
9. Consolidation of key activity (arising from the 10 year plan) requiring a business case will be provided to SLT in early June.
10. PMO continues to address PWC review recommendations.
11. The full project activity report for April 2015 is available on request (via Leaney Preiss).

## 12. Recommendation from Management

That the Report be received.

## 13. Attachments

14. Attachment 1 - Key Projects Monitoring Status Summary Report - April 2015

## 15. Key Issues

16. Three projects are showing amber:

- 2015/25 10 year plan (project has missed key milestone dates – however remaining project timeframes are expected to be met)
- Financial System IT Implementation (the original project timeline has been exceeded- however no other project impact is foreseen and completion is scheduled for June 2015)
- Hamilton Ring Road Upgrade and Extension (time delays associated with specimen design scope – however end dates are expected to be met)

17. Since the last report, PMO activity in relation to projects has covered the following:

- governance participation: EBMS project (successfully completed), Building Unit Quality Improvement Programme (ongoing), District Plan Review Phase VIII, Customer Services Project – My Front Door and Customer Measurement Framework and Better Business Services Plan.

18. PMO will be bringing consolidated view of Business Cases to SLT in early June for consideration and finalisation. This will cover years 1-3 of the 10 year plan and will identify those projects to be included in the key projects report going forward.

19. PMO is continuing to work through a process in conjunction with City Transportation staff to finalise the business case process which will be required to be applied to all projects seeking NZTA funding.

20. The first pilot project governance training session was delivered to 12 senior Staff in February. The second training session capturing another 12 senior staff is scheduled for 11 June.

## 21. Financial and Resourcing Implications

22. Nil new

## 23. Risk

24. Project risks are identified on a project specific basis and are actively managed and monitored by the assigned project manager in conjunction with the relevant project governance group/GM project sponsor.

25. Any change to risk profile or risk rating is included in the summarised report for each project for April 2014.

26. As previously reported (Finance Committee 23 April 2014) the PWC assurance review of HCC's project management framework identified two high risks and six moderate risks. Progress as follows.

27. PWC have reviewed progress on the actions being undertaken to implement the recommendations arising from PWC's review of HCC's Project Management Framework. It is understood PWC's detailed review report will be released to the Audit and Risk Committee in due course. Progress to date is summarised as below, and as reported to Finance Committee 23 April 2015.

28. One recommendation fully closed – Item 3 – PMO Cost recoverability has been removed

29. Seven remaining recommendations have been well progressed to date.

| Issue/PWC comment | Progress Update | Resolution date |
|---|---|---|
| 1. No Project Portfolio management framework is in place | A project portfolio management framework is under development with PMO for review by SLT July 2015.<br>A project management reporting tool is being developed as part of an overarching reporting tool development project currently underway for business plans and quarterly reporting purposes<br>Following the establishment of an approved PMO framework it is anticipated SLT will establish bi monthly meetings to review and establish project priorities | First quarter 2015/16 FY |
| 2. Maturity of PM practices requires improvement | A single project lifecycle is reflected in HCC PM Policy documentation<br>PM Community of Practice (CoP) is established and meeting monthly (monthly newsletter is also circulated)<br>PM training (3 module approach) continues to be provided<br>PM Governance training has commenced – with a focus on UM attendance<br>Benefits Management Excellence Training is about to be piloted (April/May)<br>PMO is providing buddying services but expectations are that CoP members will be able to provide more capacity over time | First quarter 2015/16 FY |
| 3. The PMO does not have oversight of all HCC programmes/projects | Action being taken under Item 1 will result in further addressing this issue.<br>Key Projects Report moving to simplified format with detail for exception reporting only (full report remains available if required) | First quarter 2015/16 FY |
| 4. Reporting of Project Progress requires improvement | New reporting tool as referenced for Point 1 above will assist with fully implementing this recommendation.<br>As for point 4 – Format of the Key Projects report has been further refined for the Finance Committee | First quarter 2015/16 FY<br>Completed (April 2015) |
| 5. Early project controls are not broadly implemented | All Business Case related findings were fully implemented in association with this comment.<br>Stage Gate documents have been developed by PMO and internally peer reviewed – this has resulted in the need to make a number of changes to accommodate helpful feedback from | Completed (September 2014)<br>First quarter 2015/16 FY |

| | | |
|---|---|---|
| | users. The ability to capture smaller (price, risk and impact) projects is also being addressed through this process.<br>PMO have a benefits tracking process and report to SLT on benefits in relation to projects<br>Benefits Management training is scheduled for staff (Pilot) with a view to providing on going capability building | |
| 6. Project Resourcing Processes are inadequate | Specific HCC related PM training, PMO buddying and HCC PM orientation is all being provided<br><br>Under action, and associated with item one. It is anticipated the broader issues associated with resourcing will begin to be more effectively addressed through the implementation of action item 1 – appointment of a resourcing manager as recommended by PWC would be influenced by the outcome of the Support Services Review process (currently underway) | First quarter 2015/16 FY |
| 7. Sub-optimal PM System and Tools | As per item 1 – a project reporting tool is currently under development as part of the wider reporting tool (Business Plans and Quarterly Reports) development project<br>MS Project is available to all staff under a Citrix login<br>PMO managed PM templates continue to be effectively provided and maintained. | First quarter 2015/16 FY |

## Signatory

| | |
|---|---|
| Authoriser | Blair Bowcott, General Manager Performance Group |

Hamilton City Council
Te kaunihera o Kirikiriroa

# Key Projects Monitoring Status Summary Report - April 2015

Full report available in Trim D-1758106

| Total Number of Projects | Count | Project Status | Risks |
|---|---|---|---|
| Project Status – On Track | 7 | Green | Increased = ↑ |
| Project Status – Needs to be Monitored | 3 | Amber | Unchanged = → |
| Project Status – Needs urgent management attention | 0 | Red | Decreased = ↓ |

| Project/Programme Name | Project Sponsor | Project Manager | Project Status | Project Exception Report | Risks |
|---|---|---|---|---|---|
| 2015-25 10-Year Plan Project | Richard Briggs | Paul Gower and Sarah Ward | Amber | All time contingencies for the 10-Year Plan process to date have been used and key milestone dates have been missed. On this basis, this project will remain in an Amber status until it is completed in June 2015. Remaining project timeframes are expected to be achieved. | → |
| Financial System IT Implementation | Richard Briggs | Mark Donnelly | Amber | The timing has been exceeded for this project, therefore it will remain in an Amber status until completed. Following a change request, this project is now due to be completed in June 2015. No other project impact arising. | → |
| Hamilton Ring Road Upgrade and Extension | Chris Allen | Chris Barton | Amber | There are current timing delays for this project in confirming the specimen design scope, this drives its Amber status. Resolutions are being sought prior to a full report to the Strategy and Policy Committee meeting in July. Original project timing is expected to be achieved. | ↓ |
| Asset Management System – Hansen 8 | Lance Vervoort/Blair Bowcott | Susan Souren | Green | | → |
| District Plan Review – Phase VIII | Brian Croad | Luke O'Dwyer | Green | | → |
| Hamilton Gardens Development | Lance Vervoort | Helen Paki | Green | | → |
| Rototuna Town Centre – New Agreement Phase | Lance Vervoort | Helen Paki | Green | | → |
| Southern Links – Designation as part of the Peacocke Structure Plan | Chris Allen | Tony Denton | Green | 1 new risk added (Low) – Risk 5. The process to resolve the appeal may lead to delays in confirming the designation. | ↑ |
| Sub-regional waters business case | David Hall (External) | Peter Winefield (External) | Green | | → |
| Rototuna Reservoir and Bulk Watermains Development | Tony Denton | Chris Barton | Green | | → |

1

D-1758324

Hamilton City Council
Te kaunihera o Kirikiriroa

# council report

**Committee:** Finance Committee **Date:** 21 May 2015

**Report Name:** Update of Investment and Liability Management Policy **Author:** Brett Brinkworth

| | |
|---|---|
| **Report Status** | *Open* |
| **Strategy, Policy or Plan context** | *Investment and Liability Management Policy review and update* |
| **Financial status** | *Not applicable* |
| **Assessment of significance** | *Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance* |

## 1. Purpose of the Report

2. The Investment and Liability Management Policy is due for review and update. A revised policy is presented for consideration and adoption.

## 3. Executive Summary

4. The Investment and Liability Management Policy has been updated to enhance our ability to manage Council's investments and liabilities while ensuring it is legislatively compliant and reflects best practice.

## 5. Recommendations from Management – *Recommendation to Council*

That:

a. The Report be received;

b. The Committee recommends the policy be adopted by Council.

## 6. Attachments

7. Attachment 1 - Investment and Liability Management Policy

## 8. Investment and Liability Management Policy

9. It is a requirement of the Local Government Act 2002 for Council to maintain an Investment Policy and a Liability Management Policy.

10. The reviewed Investment and Liability Management Policy meets the legislative requirements in a single policy.

11. Council reviews the Investment and Liability Management Policy every three years to coincide with preparing the 10-Year Plan.

Item 12

12. The updates to the existing policy ensure that the flexibility required to effectively manage Council's investments and liabilities is enhanced while retaining appropriate controls. The Treasury Policy is a related Management Policy that guides management in meeting the Investment and Liability Management Policy.

13. PWC treasury advisors have been fully involved in the review of the policy and ensuring it is legislatively compliant and reflects best practice.

14. The limits contained in this policy are Council's limits and not the limits on management reflected in the Financial Strategy (which are lower). The Financial Strategy limits are reflected in the Treasury Management Policy that govern day-to-day treasury.

## Signatory

| | |
|---|---|
| Authoriser | Paul Conder, Chief Financial Officer |

| | |
|---|---|
| *First adopted:* | |
| *Revision dates/version:* | 21 May 2015 |
| *Next review date:* | By 30 June 2018 |
| *Engagement required:* | Not required |
| *Document number:* | D-1733840 |
| *Associated documents:* | Treasury Management Policy |
| ***Sponsor/Group:*** | Chief Financial Officer/Finance |

Hamilton City Council
Te kaunihera o Kirikiriroa

# INVESTMENT AND LIABILITY MANAGEMENT POLICY

## PURPOSE AND SCOPE

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

## INVESTMENT POLICY

### 1. Objectives

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

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

### 2. Policy

2.1 The Council's general policy on investments is that:

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

### 3. Acquisition and Disposal of Investments

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

3.2 The authority to acquire financial investments is delegated to the Chief Financial Officer.

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

## 4. Investment Mix

### 4.1 Equity Investments

4.2 Equity investments, including investments held in CCO/CCTO and other shareholdings.

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

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

4.5 Any purchase or disposition of equity investments requires Council approval. Council may also acquire shares that are gifted or are a result of restructuring.

4.6 Dividends received from CCO's/CCTO's and unlisted companies not controlled by Council are used firstly to repay debt in relation to that investment, and then used to reduce other Council debt unless otherwise directed by Council.

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

### 4.8 New Zealand Local Government Funding Agency Limited Investment

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

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

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

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

### 4.11 Property Investments

4.12 Council owns property investments for strategic and commercial purposes.

4.13 Council reviews ownership through assessing the benefits, including financial returns, in comparison to other arrangements that could deliver similar results.

4.14 Surpluses generated from property investments are treated as income in the related Council activity.

4.15 Property disposals are managed to ensure compliance with statutory requirements and where appropriate consultation with the community.

4.16 Property purchases are supported by registered valuations and where appropriate a full business case analysis. Council will not purchase properties on a speculative basis.

### 4.17 Financial investments

4.18 Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in section 12. Credit ratings are monitored and any changes are reported to Council.

4.19 Council may invest in approved financial instruments as set out in the Treasury Management Policy. These investments are aligned with Council's objective of investing in high credit quality and highly liquid assets.

4.20 Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due. Council prudently manages liquid financial investments as follows:

- Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections.
- Council may choose to hold specific reserves in cash and direct what happens to that investment income. In effect the income from financial investments will be an interest income stream into general funds. Interest is paid to reserves from general funds.
- Financial investments do not include shares.

### 4.21 Reserve funds

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

### 4.23 Trust funds

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

4.25 Loan Advances

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

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

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

5. Investment management and reporting procedures

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

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

5.3 Details on the performance of investments are reported to Council, or the appropriate Council Committee, on a regular basis.

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

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

## LIABILITY MANAGEMENT POLICY

6. Introduction

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

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

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

## 7. Borrowing Limits

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

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

- **Total Revenue for HCC** is defined as total revenue less vested assets, capital subsidies, gains and development contributions.
- **Total Revenue for LGFA** is defined as total revenue less vested assets, gains and development contributions.
- **Total Overall Debt** is defined as total external debt less cash and cash equivalents, plus reserves required to be held in cash.
- **Net Debt** is defined as total external debt less liquid financial assets and investments.
- **Liquidity** is defined as external term debt plus committed bank facilities and liquid investments, divided by current external debt.
- **Net Interest on External Debt** is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period.
- **Annual Rate Income** is total rates including targeted water rates.

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

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

## 8. Borrowing mechanisms

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

- Available terms from banks, LGFA, debt capital markets and loan stock issuance.
- Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates and margins relative to term for loan stock issuance, LGFA, debt capital markets and bank borrowing.

- The market's outlook on future interest rate movements as well as its own.
- Legal documentation and financial covenants considerations.
- For internally funded projects, to ensure that finance terms for those projects are at least as equitable with those terms from external borrowing.
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

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

## 9. Debt repayment

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

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

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

## 10. Interest rate risk

### 10.1 Risk recognition

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

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

### 10.4 Interest rate risk control limits

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

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

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

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

- **Fixed Rate** is defined as an interest rate repricing date beyond 3 months.
- **Floating Rate** is defined as an interest rate repricing within 3 months.
- The percentages are calculated on the rolling projected net debt level calculated by management (signed off by the Chief Financial Officer).
- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Any interest rate swaps with a maturity beyond 12 years must be approved by the Chief Executive through a specific approval.
- Hedging outside the above risk parameters must be approved by Council.

## 11. Liquidity risk/funding risk

11.1 Risk recognition

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

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

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

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

### 11.5 Liquidity/funding risk control limits

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

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

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

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

## 12. Counterparty credit risk

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

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

12.3 Counterparties and limits can only be approved on the basis of long-term Standard & Poor's (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A and above and/or short term rating of A-1 or above.

12.4 Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

12.5 The following matrix guide will determine limits:

| Counterparty/Issuer | Minimum S&P long term / short term credit rating | Total maximum per counterparty ($m) |
|---|---|---|
| NZ Government | N/A | Unlimited |
| Local Government Funding Agency (LGFA) | N/A | Unlimited |
| NZ Registered Bank | AA- / A-1 | 75.0 |
| NZ Registered Bank | A /A-1 | 30.0 |

## REFERENCES

- Section 102 of the Local Government Act 2002

Hamilton City Council
Te kaunihera o Kirikiriroa

council report

Item 13

**Committee:** Finance Committee **Date:** 21 May 2015

**Report Name:** Proposed Amendments to New Zealand Local Government Funding Agency (NZLGFA) Documents **Author:** Brett Brinkworth

| | |
|---|---|
| **Report Status** | *Open* |
| **Strategy, Policy or Plan context** | *Investment and Liability Management Policy* |
| **Financial status** | *Not applicable* |
| **Assessment of significance** | *Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance* |

## 1. Purpose of the Report

2. The New Zealand Local Government Funding Agency (NZLGFA) is proposing to amend documents of which Hamilton City Council is party to. This report presents what the proposed changes are for consideration and adoption.

## 3. Executive Summary

4. The NZLGFA is proposing to amend its documents to:
   (i) Comply with the Financial Markets Conduct Act 2013
   (ii) Update the borrowing process for Councils so that it reflects what now happens in practice
   (iii) Update the Shareholders Agreement to remove a redundant clause and provide for flexibility of service provider where appropriate

5. The amended documents have no significant impact on Hamilton City Council's relationship with the NZLGFA but do allow maximum flexibility under the new legislation.

## 6. Recommendations from Management – *Recommendation to Council*

That:

a. The Report be received; and

b. The Committee recommends that the changes to the documents be approved by Council.

## 7. Attachments

8. Attachment 1 - Amendments to NZLGFA Documents (Simpson Grierson)

## 9. Key Issues

10. Background

- The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand.
- Hamilton City Council is one of 31 shareholders of NZLGFA comprising 30 local authorities and the New Zealand Government.
- Hamilton City Council is also a guarantor of the NZLGFA and has current borrowings with the agency of $205m and cash invested with the agency of $3.28m.

11. The NZLGFA has advised local authorities of proposed amendments to its documentation to ensure they are compliant with the new Financial Markets Conduct Act 2013 (FMCA) (so that Councils may continue to borrow) and to update the borrowing process for Councils so that it reflects what actually happens in practice.
12. Legal firm Simpson Grierson is acting on behalf of each of the Councils in the review of the amending documents (as drafted by NZLGFA's lawyers) as they acted for the initial Councils on the establishment of the NZLGFA.
13. The most material changes to the documents is due to the Financial Markets Conduct Act 2013 (FMCA) which, as from 1 June, will provide permission for offers of securities to certain classes of people to be wholesale issues and so not subject to the requirements of the FMCA.
14. It is desirable to use these permissions and avoid the requirements of the FMCA by restricting the class of persons whom the securities (either shares in NZLGFA, borrower notes or council debt securities) can be issued and sold. The amendments allow the maximum flexibility to be maintained.
15. Accordingly, each of the Multi Issuer Deed (MID), Equity Commitment Deed (ECD) and Note Subscription Agreement (NSA) are being amended to ensure only "wholesale investors" will be offered such securities.
16. As the relevant securities are only being offered to Councils and the NZLGFA (each of which are "wholesale investors") this change is not prejudicial to Councils but provides comfort to NZLGFA in relation to the process.
17. In addition, the requirement for Principal Shareholders (includes Hamilton City Council) to borrow a certain percentage of their debt from NZLGFA has been removed from the Shareholder Agreement as its effect expired in December 2014. The Shareholder Agreement also would now allow the NZLGFA to have the flexibility to use entities other than the Treasury Debt Management Office to provide services where appropriate.
18. The NZLGFA Shareholders Council (SC) has reviewed the documents and has incorporated their feedback into the draft documents. The SC view is the amendments are necessary to ensure ongoing legislative compliance and provide flexibility of service provider where appropriate.
19. To comply with the Financial Markets Conduct Act the amended documents need to be in place prior to **1 June 2015**.
20. As the amendments will be effected by deeds, execution by two elected representatives will be required.
21. The amended documents will be available at the meeting.

22. The proposed changes have been discussed with Council's treasury advisor (PWC). They have raised no concerns with the amendments. Stuart Henderson of PWC is attending the Finance Committee meeting.



## Signatory

| | |
|---|---|
| Authoriser | Paul Conder, Chief Financial Officer |

Simpson Grierson

**AMENDMENTS TO LGFA DOCUMENTS**

**Changes applicable to each document**

1. *Financial Markets Conduct Act (FMCA)*

The most material changes to the documents is due to the Financial Markets Conduct Act which, as from 1 June, will provide for offers of securities to certain classes of people to be wholesale issues and so not subject to the requirements of the FMCA, including the need for product disclosure documents.

It is desirable to avoid the requirements of the FMCA, in the same way as the original documents avoid the Securities Act requirements, by restricting the class of persons to whom the securities (either shares in LGFA, borrower notes or council debt securities) can be issued and sold.

Accordingly, each of the Multi Issuer Deed (**MID**), Equity Commitment Deed (**ECD**) and Note Subscription Agreement (**NSA**) are being amended to ensure only "wholesale investors" will be offered such securities.

As the relevant securities are only being offered to Councils and LGFA (each of which will fall within the "wholesale investor" category) this change is not prejudicial to Councils but provides comfort to LGFA in relation to the process.

[See Condition 4.5 of Schedule 2 of MID, clause 2.13 of ECD and clause 15.4 of NSA]

2. *Notices Provisions*

Each document's Notices provisions have been updated to provide for email communication rather than facsimile. This puts some onus on each Council to ensure email details are up to date and monitored. However, we understand from LGFA that, in practice, this is how communication has worked between LGFA and each Council and so assume this should not be of concern. If it is of concern please let us know.

**Changes specific to particular documents**

3. *Multi-Issuer Deed (MID)*

The process in clauses **4.1 to 4.5** of the MID by which Councils borrow from LGFA has been amended to reflect what actually happens in practice. The current process documented (but never observed) for a Council to borrow from LGFA is:

(a) three months prior to borrowing date Council gives a non-binding notice to LGFA of what it intends to borrow;

(b) one month prior to borrowing the Council confirms its intent to borrow, which confirmation is binding on the Council;

(c) three days later LGFA agrees to lend.

The new process is:

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(a) at least eight business days before the borrowing date, LGFA gives notice to Council with the terms (other than pricing) on which LGFA is prepared to lend;

(b) at least six business days before the borrowing date, Council sends a binding e-mail to LGFA of its borrowing intentions;

(c) at least three business days before the borrowing date, LGFA signs the Final Terms.

A new clause (clause **4.8**) provides that if LGFA settles the agreed borrowing late, the Council nevertheless will issue securities (**LG Securities**) to LGFA and recover interest on the late payment at the OCR. We understand from LGFA that this provision has previously been included in the Final Terms Sheet and so it has always been LGFA's position so that inserting clause 4.8 is simply reflecting the status quo.

Clauses **4.3 and 4.6** of the MID provided some limit on the margin LGFA could charge Councils on their borrowing in that LGFA was required to advise, before the Council was committed to borrow, the maximum additional margin LGFA would charge above what LGFA is required to pay on its own borrowing.

The requirement for LGFA to pre-advise the maximum margin has been removed. We understand from LGFA that, in practice, LGFA has never advised a maximum margin as contemplated by these clauses but that Councils were aware of what would be charged from discussions with LGFA. LGFA see the removal of the formal requirement as again reflecting what actually has been happening.

Clause **7.1(i)** and Condition **4.6** of the Conditions in Schedule 2 are amended to recognise that where a holder holds its securities through NZClear (which LGFA now do) it needs to be treated as the person to whom the debt is owed as it (rather than NZClear) is the holder of the Security Stock Certificate. Clause 7.1(i) also provides for the possibility that an all-obligations Security Stock Certificate may not need to be surrendered when only some of the securities have been transferred by LGFA. This is for administrative convenience and is subject to any restrictions in this regard in the relevant Council's Debenture Trust Deed.

Clauses **7.4(b)** – so that LGFA can best meet its obligations when it is raising debt from the market it requires Councils to advise of matters affecting information that Council has provided that would make such information "false, misleading or likely to mislead". This follows the obligation now on LGFA under the FMCA.

Schedule 2 – condition **2.1** – a minimum subscription amount for LG Securities of $750,000 has been set (up from $500,000). However this is not a change in practice given that LGFA's policy is to not issue for less than $1 million.

*4. Notes Subscription Agreement (NSA)*

Currently on any issue of securities by a Council (**LG Securities**) to LGFA the Council was required to, in turn, subscribe for Borrower Notes issued by LGFA in an amount equivalent to 1.6% of the principal amount of the relevant LG Securities.

The NSA now provides that if these LG Securities are Commercial Paper then the Council is not required to subscribe for Borrower Notes issued by LGFA. The administrative burden of requiring Borrower Notes for short term Commercial Paper was considered too great.

The definition of the Interest Rate to be paid by LGFA to Councils on Borrower Notes has been reworded, but without any substantive effect, as a consequence of the changes to clause 4.3 of the MID. That is, the description of "issuance margin" in clause 4.3 of the MID has been deleted so it is now required to be spelt out in the NSA.

*5. Shareholder Agreement*

The requirement in clause **11** for Principal Shareholders to borrow a certain percentage of their debt from LGFA has been removed as its effect expired in December 2014.

The DMO role set out in the Services Agreement has now been brought into LGFA and so the restrictions around those services being carried out by someone other than the DMO have been removed (clauses **3.9(c) and 5.1(e)).**

Some flexibility has also been provided under the Foundation Policies in Schedule 1 for the Board to enter into derivatives with parties other than the DMO.

Hamilton City Council
Te kaunihera o Kirikiriroa

council report

Item 14

**Committee:** Finance Committee **Date:** 21 May 2015

**Report Name:** IS Programme of Work - Quarterly Update **Author:** David Gunn

| | |
|---|---|
| **Report Status** | *Open* |
| **Strategy, Policy or Plan context** | *PIF12015 - LTP - Phoenix Capital Funding Request for LTP*<br>*PIF12049 LTP - Corporate Mobile Applications and Online Services*<br>*PIF12050 LTP - Infrastructure security software, network infrastructure renewal & DR capability* |
| **Financial status** | *There is budget allocated*<br>*Amount varies by PIF* |
| **Assessment of significance** | *Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance* |

## 1. Purpose of the Report

2. To provide an overview of the status of the IS Programme of work for the period January to April 2015, including the programme's financial position, programme activity, current programme plan and key risks.

## 3. Recommendation from Management

4. That the Report be received.

## 5. Attachments

6. Attachment 1 - Plan to manage costs associated with consumption model

## 7. Discussion

8. The IS Programme of work is made up of PIF12015 - Phoenix programme of work, PIF12049 - Corporate Mobile Applications and Online services, PIF12050 - Infrastructure security software, network infrastructure renewal & DR capability, and projects generated out of Contract 10032 - referred to as Infrastructure as a Service (IAAS).

9. **Hosting and Managed Services Transition**

The transition from Dimension Data to Fujitsu is the most significant project within IS currently. This project is consuming most of the capacity in the IS Technical and Operations Area. Non-essential work is being prioritized to ensure that the key milestone of 1 July is achieved with minimal impact to business as usual activities. The project is progressing as planned, the first significant change has been the Go Live on 1 May of the Fujitsu Level 2 Service Desk. Other changes will be phased to occur over the next two months to allow for a smooth transition to the new partner.

10. At the December 2014 Council meeting, staff were asked to provide a report to Council on how costs associated with the consumption model will be managed. This can be found in Attachment 1.

**11. Mobility Project**

This project consists of two streams; Asset management mobility and Inspector mobility (incorporating building and environmental health inspections).The Asset mobility stream of this project is progressing well. The solution is currently being built and is expected to be delivered to HCC for testing later in the month. The sign-off on the Statement of Work for the Inspections stream has been delayed while some scope and design issues are resolved with the vendor. Other internal development required for the stream has continued. Both streams still expect to go live in June as planned.

**12. Assets Project**

This is now moving into close-out phase. The final system changes went live on the 22nd of April. Remaining tasks are to complete the load of property asset data and implement asset revaluation processes with business users.

**13. eServices Phase 3: Liquor Licensing**

The Statement of Work with the Vendor (Leapthought) has been signed off. To progress this piece of work it was necessary to vary the eServices contract with Rotorua District Council (RDC), so that HCC could complete this piece of work independently. RDC do not have an active eServices programme.

**14. HR Payroll Phase 3 - Learning & Development**

The requirements phase for this project are complete. The requirements for the Personal Performance Module have been delayed by the changes to the Organisatoinal Goals and new behaviours, which are incorporated into that module. Negotiations are ongoing with the vendor to confirm a suitable timeframe to complete the implementation.

**15. Online Submissions**

10 year plan online submission has been completed and went live to the public on the 13th of April. All systems work required for this project has been completed, however the project will remain open to ensure that support is available for the analysis of the responses to the 10 year plan.

**16. Infocouncil**

The vendor has now provided the necessary fixes, and the project will be restarted in the new Financial Year, after the successful conclusion of the Managed Services Transition Project.

**17. Financials**

As previously reported HCC went live with Microsoft Dynamics AX in July 2014. The release of the AX Budget Planning module was deferred due to issues with the performance of that module. Microsoft have subsequently provided fixes for the issues identified, and testing recommenced in March with the expectation of releasing the module at the end of April. Testing has identified a number of new high priority issues in the AX Budgeting module. The issues have been escalated within Microsoft to senior management level and Microsoft has confirmed that they will resolve these high priority issues. As the module will not be used by HCC until August a decision was made to delay the Go live until the remaining fixes were available. There are no additional costs to Council of these delays, beyond what we would have incurred through the normal process of testing. As we have fixed the costs associated with the delivery of the Budgeting module, the project will still be delivered on budget.

Item 14

18. All projects expected to be completed under Contract 10032 with Dimension Data have now been completed. A new programme of work will be agreed with Fujitsu following the completion of transition.

19. A summary of the projects by PIF is outlined below:

**PIF12049 and 12050:**

| | Total LTP Budget 2012-15 | Total Expenditure to Date | 2014/15 Approved Budget | 2014/15 Expenditure | 2014/15 Forecast YE Expenditure | Comments |
|---|---|---|---|---|---|---|
| **PIF 12049 - Online Services/Mobility** | 1,388,000 | 460,597 | 1,265,000 | 335,819 | 1,260,000 | Business Case for Mobility approved by SLT in Dec 14. Next phase of eServices (Liquor Licensing) currently being scoped. |
| **PIF 12050 - Renewal/Refresh of Networking Technology** | 901,000 | 231,913 | 530,000 | 22,750 | 530,000 | Significant expenditure under this PIF planned in Q3 and Q4 of 14/15 FY. Combination of Transition and upgrade projects. |

20. The above table outlines the total budget and expenditure under this PIF in the LTP period 2012-2015, as well as the budget and expenditure within the current financial year.

21. PIF12015:

| Activity | Budget inc. Contingency | Expenditure to Date | Remaining budget | Project Contingency | Shared Service Recoveries | Project Status |
|---|---|---|---|---|---|---|
| Cross Programme costs | 1,816,672 | 1,518,633 | 31,367 | 266,672 | | Includes integration, probity & audit, legal, general administration, system architecture, business process modelling, communication, change management and programme contingency. Does not include Shared services recoveries |
| Authority financial management application - failed installation (now written off) | 248,466 | 248,466 | 0 | 0 | | Closed - Complete |
| Community Facilities and Events | 312,853 | 312,853 | 0 | 0 | | Closed - Complete |
| Upgrade of Microsoft Office | 25,793 | 25,793 | 0 | 0 | | Closed - Complete |
| Library management system | 217,224 | 217,224 | 0 | 0 | | Closed - Complete |
| Geographical Information System (GIS) | 518,928 | 518,928 | 0 | 0 | | Closed - Complete |
| GIS External Viewer | 41,583 | 41,583 | 0 | 0 | | Closed - Complete |
| Electronic document management system | 1,313,068 | 1,313,068 | 0 | 0 | | Closed - Complete |
| City Growth and Development (Regulatory) | 909,966 | 909,966 | 0 | 0 | | Closed - Complete |
| Human Resources and Payroll | 289,520 | 265,750 | 0 | 23,770 | | Core HR and Payroll now finished. Project Close report completed. Health and Safety phase of the project is now live. Learning and Development in progress (final phase). Contingency is expected to be consumed for this project. |
| Asset management | 1,328,635 | 1,261,383 | 67,252 | 0 | | Go Live Phase 1 occured in July 2013. Phase 2 go live Go Live in November 2014. Further Go Lives planned in February and March 15. |
| Financial management | 2,312,740 | 2,301,253 | 11,487 | 0 | | Project in Testing/Go Live preparations. Expected Go live 1 July. |
| **Customer Engagement Programme (Web programme and CRM)** | | | | | | |
| SharePoint Platform and Internet | 611,967 | 611,967 | 0 | 0 | 100,000 | Closed - Complete |
| Intranet | 248,524 | 248,524 | 0 | 0 | 48,000 | Closed - Complete |
| E-services and Integration | 1,185,662 | 1,027,750 | 3,260 | 154,652 | 156,000 | Project in Close out Phase |
| CRM (Service Request Management) | 250,000 | 112,741 | 107,259 | 30,000 | 0 | SRM Project completed. |
| **Application Currency until 2019** | **1,256,500** | 187,659 | **1,068,841** | | | Centaman upgraded in June/July 14, Vernon upgraded in Nov 14. Previously completed upgrades include Authority, GIS, Library Management System. |
| **Total Budget** | **12,888,100** | **11,123,540** | **1,289,466** | **475,094** | **304,000** | |

## 22. Financial and Resourcing Implications

23. The budget outlined above represents the capital cost of the Programme. Operational costs such as internal staff resourcing and ongoing software licence maintenance and support are included within the IS Operating budget, which is $5.7M for the 14/15 financial year.

24. The programme remains on track to deliver the outcomes outlined in respective business cases within allocated budgets.

25. The shared service recoveries identified are a result of a commercial agreement with Rotorua District Council (RDC) to share the cost of the development of the Web/eServices functionality. This figure represents the 40% of agreed costs that have been recovered from RDC.

## 26. Risk

27. An IS Executive Governance sub-committee meets on a quarterly basis to review and evaluate IS risks using the organisational risk framework. The organisation's risk framework continues to be applied to the Programme. Key risks that have the potential to prevent the programme

Item 14

meeting its business objectives are changes to the organisation's business model, the organisation's capacity to engage with the programme and the speed at which technology evolves.

28. Risks are currently being managed and mitigated by ensuring all future projects have a business case, having committed executive sponsorship and partnering with mature proven vendors and consultants. Other controls include using proven project methodologies and governance structures including utilising Audit NZ and other professional entities for peer review.

29. The next Audit NZ audit on the IS Programme of Work is scheduled for June 2015, the results of which will be presented to the Audit and Risk Committee.

## Signatory

| | |
|---|---|
| Authoriser | Olly Te Ua, General Manager Organisational Development |

**Attachment 1 –Plan to manage costs associated with consumption model**

1. At the Council meeting in December 2014, it was requested that staff report to council prior to the contract commencing in June 2015, outlining how the organisation will manage the costs associated with the new consumption based IT contract. As our understanding of the consumption model has increased it has become apparent that there will be few differences in the way IT procurement occurs.

2. To mitigate the risk of unacceptable cost increases, Information Services has established a model where IS will retain full control over the provision of technology associated with the Fujitsu contact.

3. The tools in place to manage the consumption of technology include:
   - The 10-Year Plan and Annual Plan processes where budgets are set and projects are identified. Business units, including IS, are required to manage within these budgets, including for the provision of technology.
   - The business case process where additional requirements for technology are outlined, and the funding source for provision of the technology is identified.
   - Council's internal procurement process that has separation of duties to ensure that approvals in line with delegated financial authority are given for any purchases.
   - Information Services' internal processes including the Project Management Methdology, change control, the Information Technology Management Policy and contract management that ensure technology requirements are included in project planning and that any changes are aligned with the organisation's technology approach.

The below table outlines how these tools control consumption in some of the key areas of consumption:

| Consumption Area | | How consumption will be controlled |
|---|---|---|
| Storage | General use by the organisation | Through the use of a robust document and content management system implemented throughout Council. This allows us to forecast and budget for increases in storage requirements.<br>An internal programmeof work in the Information management team works with the business to properly manage the creation and storage of content |
| | | IS has forecast BAU growth assumptions into the contract and IS operational budgets. |
| | Requirements above general use - An example of this is the capturing of historic documents by Hamilton Libraries, or increases to the CCTV capacity by City Safe | Significant additional use would be subject to the preparation of a business case to SLT/IS Executive Governance that would include provision for funding the purchase of additional storage capacity, and identify the Operational Budget where this would be funded from. |

| Consumption Area | | How consumption will be controlled |
|---|---|---|
| Server | Operational BAU | The existing change control process within IS allows for strict controls over the creation and retiring of servers. This is under the direct control of the CIO.<br><br>IS have a staff member who has primary responsibility for ensuring the most efficient use of server capability including monitoring usage and turning off servers when not in use. |
| | Requirements in addition to BAU | This would typically be caused by the installation of new systems. These systems would require a business case identifying the technology requirements and identify the Operational or Capital Budget where this would be funded from. Business Cases would be approved and overseen by SLT/IS Executive Governance. |
| Service Desk Calls | Operational BAU | While there are no specific controls over consumption in this area, within the contract both Fujitsu and Council are incentivised to reduce the numbers of calls, and direct call traffic to the most cost efficient method of logging calls<br>Staff have forecast expected volumes of Service Desk calls into the contract |
| Desktop | Operational BAU | Controlled as it is currently through cost recovery to the business. Business units budget for the provision of Desktops through Annual Plan and 10-Year Plan budgeting process. |

4. The existing governance oversight that will have visibility of the performance and effectiveness of the above measures includes:

   - Council – through the major project reporting, financial reporting, and business case and contract approval (where above CEO delegated authorities or on request).

   - SLT/CEO/GMs – through monthly financial reporting, business case approval, contract approval, and the procurement process.

   - IS Executive Governance – through monthly operational reporting, business case process, contract process and ongoing project reporting.

5. Information Services will be working with business managers to apply best practice consumption management across the organisation.

6. Staff are confident that these mechanisms will allow the organisation to retain the flexibility that a consumption model gives us without the risk of unmanaged or ungoverned cost increases.

Hamilton City Council
Te kaunihera o Kirikiriroa

# council report

**Committee:** Finance Committee | **Date:** 21 May 2015

**Report Name:** Community Occupancy Applications - Graham Park and Beetham Park | **Author:** Linda Kelm Handley

| | |
|---|---|
| **Report Status** | *Open* |
| **Strategy, Policy or Plan context** | *Community Occupancy Policy, Operative Sports Park Management Plan 2009* |
| **Financial status** | *There is not budget allocated* |
| **Assessment of significance** | *Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance* |

## 1. Purpose of the Report

2. To consider an assignment of lease from the Hamilton Childcare Services Trust (Hamilton Childcare) at Beetham Park and a variation of the River Glade Archers Incorporated (River Glade Archers) Licence at Graham Park.

## 3. Recommendations from Management – *Recommendation to Council*

That:

a) The Report be received;

b) Council consents to the Hamilton Childcare Services Trust assignment of lease at Beetham Park to the Waikato Kindergarten Association; and

c) Council approves a variation to Clause 30(a) of the River Glade Archers Incorporated Licence to Occupy at Graham Park.

## 4. Attachments

5. Attachment 1 - Hamilton Childcare Services Trust
6. Attachment 2 - River Glade Archers Incorporated

## 7. Key Issues

8. <u>Hamilton Childcare Services Trust Assignment of Lease</u>

9. Hamilton Childcare has leased land at Beetham Park since December 1998 for childcare activities and administration. Their current lease commenced in November 2001 for a term of 20 years and expires in November 2021.

10. The leased area is shown in Attachment 1 and includes 1,701m$^2$ of land encompassing the carpark and Hamilton Childcare-owned building.

11. Hamilton Childcare is handing over their operations to the Waikato Kindergarten Association. As part of this, they would like to assign their lease at Beetham Park to the Waikato Kindergarten Association. The reason for handing over was based on ongoing financial losses across their centers; two of which are located on privately-owned land.

12. Clause 27 of the Hamilton Childcare Lease requires written consent of Council, as the Lessor, to assign the lease, and states that written consent cannot be arbitrarily or unreasonably withheld.

13. Staff recommend Council consent to the assignment of lease to the Waikato Kindergarten Association, subject to the terms of the lease remaining the same. If consent is granted, then the parties will enter into a Deed of Assignment of Lease. The application is for assignment of the lease only; all other conditions remain the same including the term of the lease.

14. Waikato Kindergarten Association meets the eligibility criteria for community occupancy as set out in the Community Occupancy Policy (Policy).

15. Waikato Kindergarten Association has a long standing relationship with Council holding two existing community leases; at Hillcrest Park and Storey Avenue where they provide quality care and education to pre-school children.

16. Waikato Kindergarten Association will pay $662.63 plus GST per annum rental in accordance with clause 5.6 of the Policy. All other terms and conditions of the lease will remain the same.

17. Pt Lot 21 Town of Hamilton West is reserve land classified for the purpose of recreation reserve under the Reserves Act 1977 (Act).

18. Beetham Park is covered by the Operative Sports Park Management Plan 2009 (Management Plan). The activity of childcare is contemplated in the Management Plan and for this reason public notification is not required.

19. A resource consent was granted in 1991 for childcare activities at Beetham Park.

20. <u>River Glade Archers Incorporated Variation</u>

21. River Glade Archers have used Graham Park for archery since 1976 and have an existing Licence to Occupy (Licence) for the sport of archery and associated activities. Their most recent Licence commenced in September 2012 for a term of 10 years and expires in August 2022.

22. The Licence area is shown in Attachment 2 and includes 6,800m$^2$ of land.

23. Clause 30(a) of the Licence restricts hours of use to Saturday and Sunday 7.00am to 6.00pm. This restriction was requested by the group at the time of their initial application in 2007.

24. The Archers have requested a variance of Clause 30(a) to extend the use of hours to 7.00am to 8.00pm daily to provide for their growing membership. Staff recommend Clause 30(a) be removed in its entirety and there is no restriction on hours of use.

25. There are no other formal users of this area of the Park but the Park is used informally by runners and walkers. The Archers are mindful of such users and have safety measures in place including signage when the site is being used.

26. The Archers currently pay $1,312.50 plus GST per annum rental in accordance with 5.6 of the Policy. There will be no change in rental as a result of increased hours of use.

27. Sec 1 SO 337569 is reserve land classified for the purposes of recreation under the Act. The activity of archery is contemplated in the Management Plan and for this reason, public notification is not required.

28. Staff recommend Council approve the proposed variation of the River Glade Archers Incorporated's Licence to remove Clause 30(a).

## 29. Financial and Resourcing Implications

30. Legal costs associated with the Deed of Assignment of Lease and Deed of Variation of Lease will be met by the Community Groups.

31. There will be no change in projected annual income arising from the recommendations in this report.

32. Council loss is zero.

## 33. Risk

34. In considering Hamilton Childcare's request for assignment of lease and determining whether or not it consents to the assignment, Council must act reasonably.

35. There is minimal risk to Council is approving the proposed variation to the Archers.

## Signatory

| | |
|---|---|
| Authoriser | Lance Vervoort, General Manager Community |


Leased Area
1,701m²
N
Hamilton City Council
Te kaunihera o Kirikiriroa
GIS & CAD Services


Licence Area
6,900m²
Hamilton City Council
Te kaunihera o Kirikiriroa
GIS & CAD Services
N

Hamilton City Council
Te kaunihera o Kirikiriroa

# council report

**Committee:** Finance Committee
**Date:** 21 May 2015
**Report Name:** Refuse Transfer Station - Proposed Fee Changes
**Author:** Maire Porter

| | |
|---|---|
| **Report Status** | *Open* |
| **Strategy, Policy or Plan context** | *The proposed RTS fee increase is consistent with the objectives of the Waste Management and Minimisation Plan* |
| **Financial status** | *There is no budget allocated* |
| **Assessment of significance** | *Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance* |

## 1. Purpose of the Report

2. To update Council on the notified fee increases at the Refuse Transfer Station (RTS) by Waste Management Ltd (WM) to offset increased operational costs.

3. Confirm whether Council wishes to provide any subsidy.

## 4. Executive Summary

5. WM have formally notified Council of a proposed annual increase in public refuse drop off fees at the RTS. The date of the last increase was 1 July 2014.

6. RTS fees are proposed to increase to recover costs associated with increased operational costs for the management of the site, and will come into effect 1 July 2015. Staff consider these increases to be appropriate.

7. Under its lease agreement Council has the opportunity to consider a subsidy of RTS gate fees if the effects of the increase are deemed to be adverse to the community.

8. Staff do not recommend a subsidy of the RTS gate fees on the basis that the notified increase is a true cost of this service that should be borne by the end user.

9. The RTS will remain comparable to alternate waste disposal sites in the region.

## 10. Recommendations from Management

That:

a. The Report be received; and

b. Council notes the increase in RTS gate fees proposed by Waste Management to be implemented 1 July 2015 and declines the opportunity to offer a Council funded subsidy of these fees as detailed in lease arrangements.

## 11. Attachments

12. Attachment 1 - 2015 Comparison of Refuse Transfer Station Fees

## 13. Key Issues

**14. Proposed New Refuse Transfer Station Fees at gate**

15. WM advised Council, on the 15 April 2015, of a proposed increase to the public charges for the drop off of refuse at the RTS.

16. The proposed rates are as follows:

| Load Measurement | Current Rate | New Rate (1 July 2015) | % change |
|---|---|---|---|
| Bag drop off (per bag) | Minimum car | $4.00 | New rate |
| Cars | $13.00 | $15.00 | 15.4 % |
| Vans & Utilities | $36.00 | $37.00 | 2.8 % |
| Small Trailers (up to 300kgs) | $41.00 | $42.00 | 2.4 % |
| Other Trailers & Trucks (per tonne) | $152.50 | $157.00 | 3.0 % |
| Test Weighs | $10.00 | $10.00 | No change |
| Penalty for Avoiding Weighbridge | $100.00 | $100.00 | No change |

17. The percentage increase is variable for Vans, Utilities, Trailers and Trucks due to rounding for ease of cash handling.

18. There is a noticeable increase for the proposed fee for car disposals, as it has been identified that the majority of household chemical waste received at the RTS is being disposed of by these users. The cost of disposing chemical wastes is substantially higher than standard solid waste and other private waste providers are not currently obliged to receive this type of material which results in the majority of it being directed to the RTS.

19. WM have considered establishing a new rate specifically for the disposal of household chemical waste at the RTS, but have chosen not to so as to minimise the risk of people hiding these substances in normal waste which could result in additional safety and environmental issues.

20. To minimise the impact of the increase in disposal costs for car users, a new rate is being proposed for those users only wanting to dispose of one bag of refuse. This new rate is proposed to ensure the gate fee remains affordable for small standard solid waste disposers.

21. The proposed fee increase is to reflect the actual operational costs incurred with providing the disposal service by WM for the operation of the RTS site.

22. These fee increases are reported to Council annually and provides council with the opportunity to offer a subsidy to keep the gate fees down.

23. Clause 16.6 of the Deed of Lease between HCC and WM states:

    "The Landlord shall have the option of subsidising the fee payable by the public to keep the advertised fees at a lower level. Any such subsidy shall be confidential to the parties and shall not be disclosed to the public".

24. The notification of fee increase provides Council the opportunity to consider subsidising gate fees.

25. Staff have reviewed the fee increases and are satisfied that they are justifiable. They are in line with what other Councils and service providers are charging. WM are also in a competitive environment with other private waste providers located in Hamilton, so market forces are in effect.

26. Council does not currently subsidise the RTS operation, the income to operate the facility is sourced by the operator from the gate fees charged for the deposit of waste.

27. The increases still result in reasonable gate fees which are comparable to other Transfer Station services within the region, and accordingly, no significant increases in illegal dumping are anticipated. Cost comparisons are outlined in Attachment One.

28. A subsidy of the RTS gate fees is not recommended as the fee increase is not likely to result in adverse effects to the community and providing any subsidy is counter productive to the waste minimisation message.

**29. Waste Minimisation Act**

30. Under the Waste Minimisation Act 2008, Territorial Authorities are required to encourage and promote waste minimisation within the District.

31. The proposed increase in gate fees at the RTS further incentivises the reduction, reuse, recovery and recycling of solid waste thus promoting waste minimisation.

32. The gate fee increase further increases the price differential between the Hamilton Organic Centre (HOC) and the RTS. Accordingly, although not a suitable justification for WM to increase the RTS gate fees, the increase may further incentivise the deposal of green waste to the Hamilton Organic Centre and/or may encourage the public to utilise other recycling opportunities.

33. The gate fees at the HOC are maintained at less than 90% of the RTS gate fees and are currently set as follows:

| Size | Approx Volume/Weight | Price GST Included |
|---|---|---|
| Car | Up to 0.5m3 | $ 8.20 |
| Single Axle Trailer (6'X4') | 1 $m^3$ | $ 18.50 |
| Van / Ute | 1 $m^3$ | $ 18.50 |
| Tandem Trailer Small | 2 $m^3$ | $ 26.00 |
| Tandem Trailer Large | 3 $m^3$ | $ 31.00 |
| Public Truck on Weighbridge | Tonne | $ 82.00 |
| Commercial on Weighbridge | Tonne | Negotiated price |

## 34. Financial and Resourcing Implications

35. There is no current provision within budgets for the provision of a subsidy to offset the increased gate charges.

36. If the staff recommendation is confirmed, and there are no subsidies provided to offset increased gate fees, then there is no financial impact on Council budgets.

## 37. Risk

**38. Public Perception**

39. For those who use the RTS regularly and frequently, the gate fee increases will undoubtedly be received negatively, as any such increases are treated. However, for the occasional user the price increase is relatively small and unlikely to create a negative perception.

## Signatory

| | |
|---|---|
| Authoriser | Chris Allen, General Manager City Infrastructure Group |

| Category | Current Rates | Proposed Rates | Te Awamutu | Papakura | Te Kuiti | Hamilton | Cambridge | Huntly |
|---|---|---|---|---|---|---|---|---|
| Operating Company | **Waste Management** | **Waste Management** | **Waste Management** | **Waste Management** | **Waitomo DC** | **Envirowaste** | **Envirowaste** | **Metrowaste** |
| Dates Prices were physically observed | **1st July 2014** | **1st July 2015** | **1st July 2015** | **1st April 2015** | **1st April 2015** | **1st April 2015** | **1st April 2015** | **1st April 2015** |
| Bag drop off | Minimum Car | $4.00 | $4.00 | $9.50 | $8.00 | $9.00 | $9.80 | $5.00 |
| Cars up tp 300kg, then weighed | $13.00 | $15.00 | $15.00 | $33.00 - $44 .00 | $26.00 | $15.50 | $22.30 | $25.00 |
| Vans,Utes & Station Wagons up to 300kg then weighed | $36.00 | $37.00 | $44.00 | $71.00 | $48.00 | $36.00 | $61.60 | $40.00 |
| Small Trailers up to 300kg then weighed | $41.00 | $42.00 | $67.00 | $77.00 | $55.00 | $39.00 | $61.60 | $50.00 |
| Large Trailers & Small Trucks weighed | Per tonne | Per tonne | Per tonne | Per tonne | Per tonne | Per tonne | All Weighed | Per tonne |
| Weighbridge per Tonne | $152.50 | $157.00 | $165.00 | $175.00 | $157.00 | $154.00 | $187.50 | $165.00 |
| Test Weighs | $10.00 | $10.00 | NA | $20.00 | NA | NA | NA | NA |
| Penalty for Avoiding Weighbridge | $100.00 | $100.00 | NA | NA | NA | NA | NA | NA |

http://www.waitomo.govt.nz/publications/fees-and-charges/
https://www.wastemanagement.co.nz/services/

## 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 - Public Excluded Minutes - 23 April 2015<br>C2. Finance Committee Action List - Public Excluded - 21 May 2015<br>C3. Report on overdue debtors as at 30 April 2015 & Bad Debts Writeoffs 2014/15<br>C4. Update for Weathertight Commercial Buildings | ) Good reason to withhold<br>) information exists under<br>) Section 7 Local Government<br>) Official Information and<br>) Meetings Act 1987<br>) | Section 48(1)(a) |

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 prevent the disclosure or use of official information for improper gain or improper advantage | Section 7 (2) (j) |
| Item C3. | to protect the privacy of natural persons | Section 7 (2) (a) |
| Item C4. | to enable Council to carry out negotiations | Section 7 (2) (i) |