
Finance and Monitoring Committee

Te Komiti Aroturuki me ngaa Puutea

OPEN MINUTES

Minutes of a meeting of the Finance and Monitoring Committee held in Council Chamber and Audio-Visual Link, Municipal Building, Garden Place, Hamilton on Thursday 29 August 2024 at 9:30am.

PRESENT

Chairperson Cr Maxine van Oosten
Heamana

Members Mayor Paula Southgate
Deputy Mayor Angela O’Leary
Cr Maria Huata
Cr Emma Pike
Cr Mark Donovan (via Audio Visual)
Cr Anna Casey-Cox (via Audio Visual)
Cr Tim Macindoe
Cr Ewan Wilson
Cr Louise Hutt
Cr Geoff Taylor
Cr Andrew Bydder
Cr Sarah Thomson
Cr Kesh Naidoo-Rauf

The Chair opened the meeting with a karakia.

1. Apologies – *Tono aroha*

Resolved: (Cr van Oosten/Mayor Southgate)
That the apologies for partial attendance from Cr Macindoe and Cr Donovan, and for full absence from Cr Tauariki are accepted.

2. Confirmation of Agenda – *Whakatau raarangi take*

Resolved: (Cr Hutt/Cr Pike)
That the Finance and Monitoring Committee confirms the agenda, noting the updated attachments for Item 8 Financial Performance and Strategy Report, which will be attached to the open minutes of the meeting as **Appendix 1**.

3. Declarations of Interest – *Tauaakii whaipaaanga*

No members of the Council declared a Conflict of Interest.

4. Public Forum – *Aatea koorero*

Roger Stratford spoke to Item 6 (*Chair’s Report*) about cost benefit analysis being good for transparency, municipal tariffs and the debt to revenue ratio.

5. Confirmation of the Finance and Monitoring Committee Open Minutes of 7 May 2024

Resolved: (Cr Wilson/Cr Thomson)

That the Finance and Monitoring Committee confirm the Open Minutes of the Finance and Monitoring Meeting held on 7 May 2024 as a true and correct record

6. Chair's Report

The Chair took the report as read. The Chair responded to questions from Members concerning debt to revenue ratio, loans from the Local Government Funding Agency, Standard & Poors credit rating, and decisions from the 2024-34 Long-Term Plan.

Resolved: (Cr van Oosten/Cr Hutt)

That the Finance and Monitoring Committee receives the report.

7. Capital Portfolio Monitoring report

The Capital Financial Lead outlined the staff report. Staff responded to questions from Members concerning the funding of planned projects, impact of a reduced subsidy from Waka Kotahi, capital programme adjustments, accrualment of Housing Infrastructure Fund (HIF) interest free loan, Development Contribution revenue below budget and social procurement.

Staff Action: *Staff undertook to investigate the impact of social procurement for the Council.*

Resolved: (Cr van Oosten/Cr Hutt)

That the Finance and Monitoring Committee receives the report.

Mark Donovan left the meeting (10.08am) during the discussion of the above item. He was not present when the matter was voted on.

Deputy Mayor O'Leary left the meeting (10.49am) during the discussion of the above item. She was not present when the matter was voted on.

8. Financial Performance & Strategy Report to 30 June 2024 (recommendation to the Council)

The Accounting Manager outlined the staff report. Staff responded to questions from the Members concerning variations from the projections in the 2021-31 Long-Term Plan.

Resolved: (Cr van Oosten/Cr Thomson)

That the Finance and Monitoring Committee:

- a) receives the report; and
- b) recommends that the Council:
 - i. approves the capital movement as identified in the 29 August 2024 Capital Portfolio Monitoring Report; and
 - ii. notes the revised Financial Strategy position for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 53 to 55 of Appendix 1 of the minutes.
- c) notes that there may be further adjustment in the preparation of the annual report.

9. Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

Resolved: (Cr Wilson/Cr Pike)

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Finance and Monitoring Committee Public Excluded Minutes of 7 May 2024) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987	Section 48(1)(a)
C2. Report on overdue debtors as at 31 July 2024 and Debt write-offs 2023/24		

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

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to protect the privacy of natural persons to maintain the effective conduct of public affairs through protecting persons from improper pressure or harassment	Section 7 (2) (a) Section 7 (2) (f) (ii)

The meeting moved into Public Excluded at 11.10am.

The meeting was declared closed at 11.29am.

Appendix 1

Red defines the changes made in the report

Purpose - Take

1. To inform the Finance and Monitoring Committee on Council's financial performance and strategy for the year ended 30 June 2024.
2. To seek a recommendation from the Finance and Monitoring Committee that the Council approves the capital movement as set out in Item 1 the Capital Portfolio Monitoring Report.

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

3. That the Finance and Monitoring Committee:
 - a) receives the report; and
 - b) recommends that the Council:
 - i. approves the capital movement as identified in the 29 August 2024 Capital Portfolio Monitoring Report; and
 - ii. notes the revised Financial Strategy position for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 53 to 55 of this staff report.
 - c) Notes that there may be further adjustment in the preparation of the annual report.

Executive Summary - *Whakaraapopototanga matua*

4. This report is to be read in conjunction with the 30 June 2024 Capital Portfolio Monitoring Report.
5. The 30 June 2024 financial results are as follows:

Surplus/(Deficit) Result	Actual	Budget	Variance
Accounting Surplus/(Deficit)	\$24.4m	\$118.9m	(\$94.5m) ✖
Balancing the books	(\$34.2m)	(\$14.4m)	(\$19.8m) ✖

6. **Operating revenue \$7.2 million (excluding interest and other revenue) ✓** - Includes \$4.9million of additional NZTA Waka Kotahi revenue offsetting increased Operating & Maintenance costs, \$1.3million favourable fees and charges from event activity, \$500,000 of increased tankered waste charges and recovery from various other activity charges.
7. **Capital revenue (\$29.8 million) ✖** - unfavourable due to capital revenue being (\$28.1million) lower than budget due to reduction in Climate Emergency Response Fund (CERF) funding and development contributions being (\$4.7million) unfavourable due to a softened development market. These variances are offset by higher than budget vesting of \$3million although this is not a cash offset.
8. **Other revenue \$23.7million ✓** – driven by the non-cash revaluation of the interest free Housing Infrastructure Fund (HIF) loan which is higher than budgeted due to higher market interest rates.
9. **Net interest costs (\$12.9 million) ✖** - driven by market increases in interest rates and debt levels.
10. **Operating expenditure, excluding interest and depreciation (\$52.7 million) ✖** - Additional NZTA revenue funded additional maintenance. There was (\$3.9 million) of expenditure that was budgeted as capital but during capitalisation was identified as having to be recognised in line with the Accounting Standards as operational expense. This has a nil impact on the cash expenditure incurred for the projects but has a negative impact on the operational result. There was also (\$8.4 million) of assets written off following decisions to discontinue the capital works including the notice of motion

to discontinue CERF projects. **Council, as agreed, vested the Wairere Cobham Interchange of \$33.9million to Waka Kotahi.**

11. The April forecast was the basis for the opening position for the 2024-34 Long-Term Plan. The comparison between the year-end result and the forecast opening position is:

- debt to revenue is 221% and favourable against a forecast of 237%;
- net debt is \$924 million and favourable against a forecast of \$1billion; and
- **balancing the books deficit of (\$34.2 million) is favourable against a forecast deficit of (\$40.9 million).**

The reduction in net debt and debt to revenue is a result of delayed capital spend. The unfavourable balancing the books result is due to non-cash year-end adjustments and therefore did not have a negative effect on the 2024-25 opening cash position.

12. As at 30 June 2024 Council is compliant with counterparty credit limits. Council remains compliant with all other treasury policy measures (**Attachment 3**).
13. Council's Investment and Liability Management policy sets out counterparty credit limits. This is the maximum value Council may invest with any approved counterparty. These limits have been reviewed through the 2024-34 Long-Term Plan process and therefore mitigate any instances of non-compliance in the future. The new limits come into effect on 1 July 2024.
14. Council's fixed rate hedging at 30 June 2024 is 54%. Council's external treasury advisors Price Waterhouse Cooper (PWC) review the swap strategy monthly to test Council's hedging.
15. Council saw a loss of (\$4.7million) on the revaluation of swaps as at 30 June 2024. This is not a cash loss, but rather an accounting/book entry and reflects the market swap rate movement as reflected in **Attachment 3**.
16. Staff consider the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

Operating Results

17. The Statement of Comprehensive Revenue and Expense discloses the accounting result in accordance with accounting standards. The surplus of \$24.4million is (\$94.5million) unfavourable compared to the budget surplus of \$118.9million. The Balancing the Books result for the year to 30 June 2024 is **(\$34.2 million). The deficit is (\$19.8 million)** unfavourable than the budgeted deficit of (\$14.4 million).

19. At the May 2

Measure	Actual	Budget	Variance
Accounting Surplus/(Deficit)	\$24.4m	\$118.9m	(\$94.5m) ✖
Balancing the books	(\$34.2m)	(\$14.4m)	(\$19.8m)✖

2024 Finance & Monitoring Committee staff presented the March Year to date (YTD) results along with a fourth quarter forecast year-end position. The table below details the actual variance to that forecast:

Measure	FY24 Forecast Year-End Result	FY24 Actual Year-End Result	Forecast Variance
Accounting Surplus/(Deficit)	\$89.8m	\$24.4m	(\$65.4m) ✖

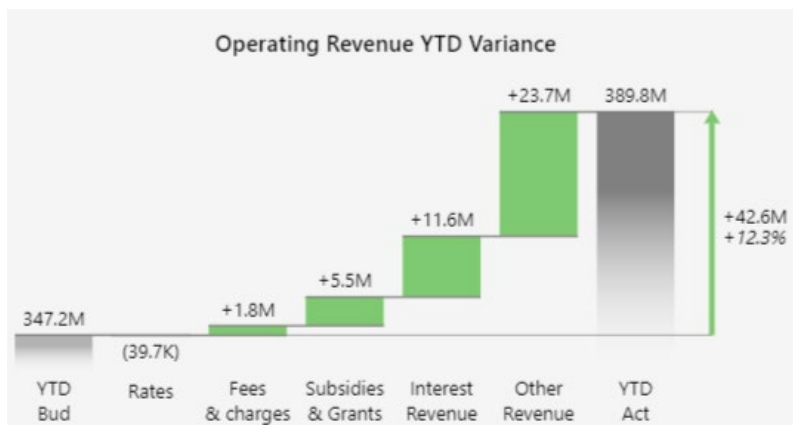
Balancing the books	(\$40.9m)	(\$34.2m)	\$6.7m ✓
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Underst anding material variances

20. The Statement of Comprehensive Revenue and Expense is in **Attachment 1**. This statement compares the result against the 2023-24 Annual Plan.
21. Individual Everyday Revenue and Expense statements for each of Council's activities are in **Attachment 2**.
22. Variances presented as a positive number impact the result in a favourable manner. Variances presented in brackets (\$x.xm) impact the result in an unfavourable manner.

Operating Revenue

23. **Total Operating Revenue \$42.6million** ✓



24. **Fees & charges \$1.8million** ✓ - Favourable variances in the Destination group were observed due to stronger-than-anticipated event activity, driven by the hosting of an unbudgeted NRL game and the timing of rugby events. There were also positive variances in trade and tankered waste as well as revenue from water taken from city water points.

These favourable variances were partly offset by delays in the Hamilton Gardens opening, decreased planning guidance fees, reduced building consent fees, and lower-than-budgeted revenue at Aquatics due to a decline in enrolments for the Learn to Swim programme.

The recovery of operating contributions across Planning, Building Control, and Transportation has supported the delivery of additional operational services and associated costs.
25. **Subsidies & Grants \$5.5million** ✓ – NZTA subsidies are \$4.9million above budget, offsetting operating and maintenance costs. NZTA subsidies are managed in a 3-year interval and NZTA have allocated an additional \$3.4million to Hamilton City Council this year of which \$1.6million has been used to fund maintenance activities.
26. The waste levy on Class 1 landfills has increased and resulted in a favourable variance of \$1.8million however this money is put aside in the reserve for specific Waste Minimisation spending. These favourable variances are offset by lower-than-anticipated revenue from the Better Off grant. The revised programme will be completed in the next few months with grant funding offsetting the costs in the new financial year.
27. **Interest revenue \$11.6million** ✓ - Careful treasury monitoring of financial market movements is ensuring that we obtain optimal returns on operational cash holdings and maximising higher market returns on term deposits held to prefund loan repayments.

28. **Other revenue \$23.7million**✓ - Higher market interest rates year-to-date have driven a \$21million non-cash fair value gain on the Housing Infrastructure Fund (HIF) loan. This change in value of the HIF loan is excluded from the balancing the books result. Insurance claims received totalled \$1.25million, including \$978,000 for emergency outfall work at the Pukete Wastewater Treatment Plant, which helped offset additional expenditures. Dog and parking infringements issued were higher than budgeted due to increased activity in these areas. Rental income exceeded budget expectations due to rent reviews. Waikato Regional Airport paid an unbudgeted dividend of \$273,000.
29. Material variance explanations can be found in the activity statements (**Attachment 2**).

Capital Revenue

30. **Total Capital Revenue YTD (\$29.8 million)**✗
31. **Development Contributions (\$4.7 million)**✗ - consenting pipeline and volume of completion of developments (especially greenfield) is on a downward trajectory resulting in Development Contributions tracking below budget.
32. **Capital revenue (\$28.1 million)**✗ - Key variances relate to Climate Emergency Response Fund (CERF) funding for the year being reduced by (\$19million) from budget. The remainder of the variance relates to the Peacocke programme, which has reintroduced in through the Long-Term Plan.
33. **Vested assets \$3.1 million**✓ – Timing and valuation of vested assets is difficult to estimate. Unbudgeted vested assets relating to Parks and Gardens amounted to \$9million, these are unbudgeted. Offset by an unfavourable variance in transport (\$4.8million), Wastewater (\$800,000) and water (\$700,000). Significant assets vested to Council relate to land under roads and parks and garden land in Kimbrae Drive and Taiatea Drive (\$23million).
34. Vested assets are a non-cash inflow however the addition of vested assets increases operating, maintenance, and depreciation costs for Council. Through the 2021-31 Long-Term Plan increased operational funding was made available for these increased costs.

Asset class	YTD Actual \$000	Full Year Annual Budget \$000	Life Range (Years)	Estimated Annual Depreciation \$000
Wastewater	2,894	3,788	15-100	50
Stormwater	5,958	5,477	30-100	92
Water Supply	1,249	2,042	50-80	19
Roading	10,930	28,056	12-140	144
Parks and Recreation	365	-	0	4
Land	21,041	-	0	0
Total	42,437	39,363		309

Operating Expenditure

35. **Total Operating Expenditure (\$52.8 million)**✗
36. **Personnel costs \$700,000**✓ – Staff remuneration is \$5.9 million less than budget due to staff vacancies and Future Fit role reductions. This is partially offset by (\$600,000) of external contractors filling staff roles, (\$2million) of net redundancy costs, (\$200,000) of recruitment costs and a reduction in labour recoveries due to vacancies held (\$1.5million). Additionally, there is an

unfavourable variance of (\$900,000) for an estimated provision for the remediation of historical calculations to comply with the Holidays Act 2003.

37. **Operating & Maintenance costs (\$10.5 million) *** – This result is largely due to additional spend on infrastructure including road and water maintenance due to demands on the network. This is partly offset by increased NZTA subsidies. Additionally, there were Work in Progress (WIP) adjustments amounting to \$6.5million. These relate to both WIP write offs (no asset being built/completed) as well as WIP reclassifications for expenditure incorrectly classified as capital expenditure.
38. **Professional Costs (\$3.7 million) *** - Consultant costs include unbudgeted by-election costs, benchmarking cost modelling and process engagement. Additionally, the cost of the review into the municipal building is required to be an operational cost, and not covered by the Municipal Endowment Fund (MEF) Reserve, as the consultant report concludes there is no investment opportunity for the MEF Fund. The increase in the unfavourability is also due to consultancy costs transferred from capital projects (\$4.0million) as described in paragraph 37.
39. **Administration Expenses (\$37.1 million) *** - The year end Landfill provision adjustment resulted in an unfavourable variance of \$7.5million. This was due to an increase in the budgeted capital and operating costs for landfill activities recently adopted in the 2024-34 Long-Term Plan. This is offset by a \$2.5million grant allocated to the new indoor recreation centre, which did not progress in the financial year. Additionally, favourable results in software licences due to an organisational review and rationalisation of software requirements. **Council, as agreed, vested the Wairere Cobham Interchange of \$33.9 million to Waka Kotahi.**
40. **Property Costs (\$900,000) *** – Higher energy costs (\$600,000) and an unbudgeted Riskpool residual call payment (\$350,000).
41. **Finance costs (\$24.5 million) *** - Costs exceed budget due to increased market interest rates with the 12-month rolling average at 4.68% versus a budgeted 3.38%. This is partially offset by the \$11.6million increase in interest revenue generated through strategic treasury management.
42. **Depreciation (\$13.9 million) *** – The key driver is the revaluation of transport and parks and garden improvement assets as at 30 June 2023 and 30 April 2023. These were significantly higher than budget resulting in a (\$9.6million) unfavourable variance to budget. Compounding the unfavourable variance was expected deferrals for FY22-23 didn't materialise and therefore higher than budgeted depreciation has occurred for infrastructure assets.
43. Please refer to the activity statements (**Attachment 2**) for material variance explanations.

Gains and Losses (\$14.9 million) *

44. **Financial Instrument revaluations (\$4.7million) *** – interest rate fluctuations are driving changes to the value of Council's fixed rate borrowing instruments - see **Attachment 3** for swap interest rate movement.
45. **Loss of disposal of investment (\$3.9million) *** – Council realised a loss of \$3.9million due to the sale of our Council Controlled Organisation Waikato Innovation Growth Limited.
46. **Loss on fair value of investment property (\$1.8million) *** – the annual revaluation of investment property resulted in a loss of \$1.8million for our investment property portfolio.
47. **Loss on disposal of assets (\$5 million) *** – ~~Council vested the Wairere Cobham Interchange of \$33.9million to Waka Kotahi. Other~~ Key losses on disposal to-date are as a result of Settlement Centre Waikato (\$816,000), impacts of the renewals/upgrades to various waters assets (\$1,368,000), (\$631,000) of intangible assets which no longer meet the definition of intangible asset, lifts in the central library museum (\$420,000), various ablutions (\$588,000), various components of the municipal building (\$292,000) and Playground Renewals (\$303,000).

Treasury Management

48. The table below sets out Council's compliance with the Investment and Liability Management Policy (Council Policy) as at 30 June 2024.

Investment and Liability Management		
Measure	Compliance	Required by
Fixed Rate Debt Maturity	✓	Council Policy
Funding Maturity	✓	Council Policy
Counterparty Credit Risk	✓	Council Policy
Liquidity	✓	Local Government Funding Agency (LGFA)
Debt/ Revenue	✓	LGFA
Interest Cost/ Rates Revenue	✓	LGFA
Interest Cost/ Total Revenue	✓	LGFA

Interest Rate Risk Management

49. The movement on interest rate swaps relates to valuations completed at a point in time. These are based on Council's total external debt and the difference between current market interest rates and the fixed rates that Council has locked in. They are unrealised because, on maturity of each interest rate swap contract, no interest gain or loss eventuates.
50. As at 30 June 2024 Council's fixed rate hedging is 54%. This falls within our debt interest rate policy parameters which requires a minimum fixed rate of 40% and a maximum fixed rate of 95%. Current fixed rate portions are lower due to the limitations on fixing waters related debt following the previous Government's indications over debt transfers to the new waters entities and the current high interest rate environment where indications are that it is financially prudent to delay fixing significant values at current rates.
51. Council's gross cost of funds over a 12-month rolling average is 4.68%.

Financial Strategy

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

Financial Strategy Graphs

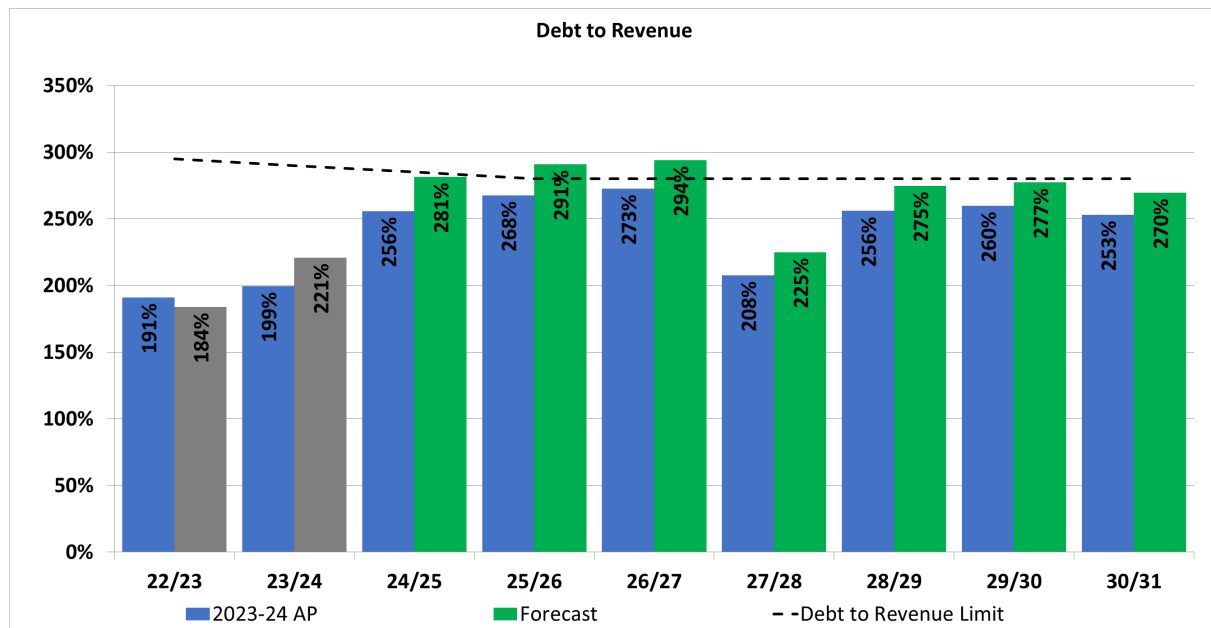
53. The following graphs show the 2023-24 Annual Plan budgets and actual result as set out earlier in this report.

The movement in debt to revenue and net debt in 2023-24 is a result of:

- i. The unfavourable 2023-24 balancing the books result; and
- ii. Capital revenue, capital savings, re-phasing, and delay deferrals from 2023-24 to and from future years as detailed in the Capital Portfolio Monitoring Report.

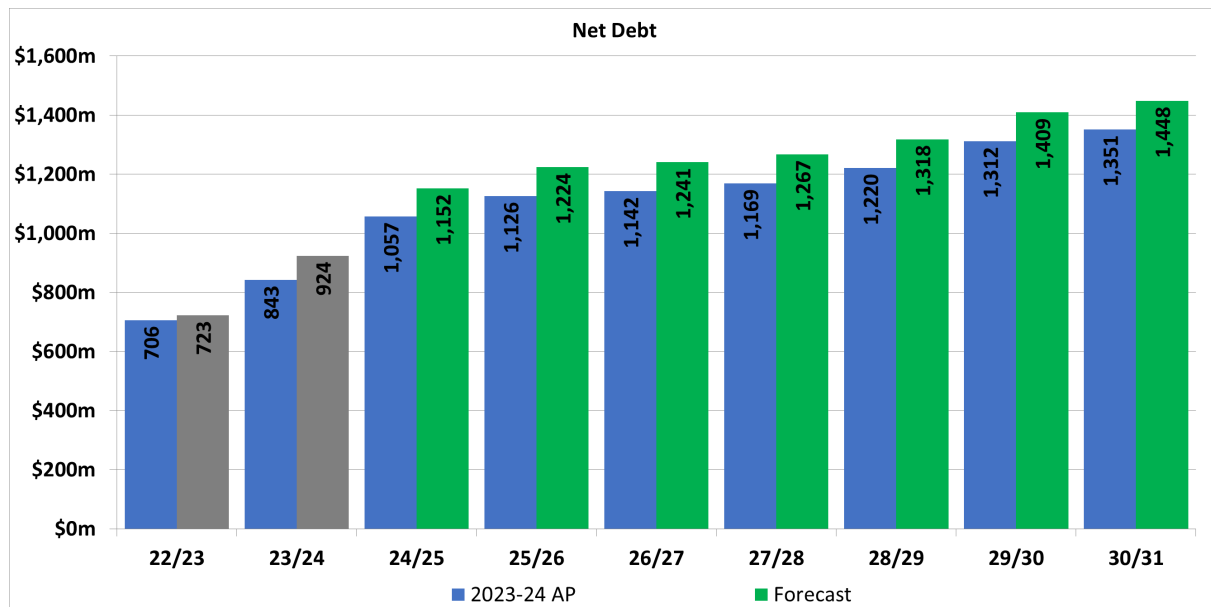
Debt to Revenue

The Debt to Revenue graph includes all adjustments identified in this report and shows that debt to revenue of 221% is unfavourable against a budget of 199%. The limit breaches being forecast through the outer years have been addressed as part of the 2024-34 Long-Term Plan.



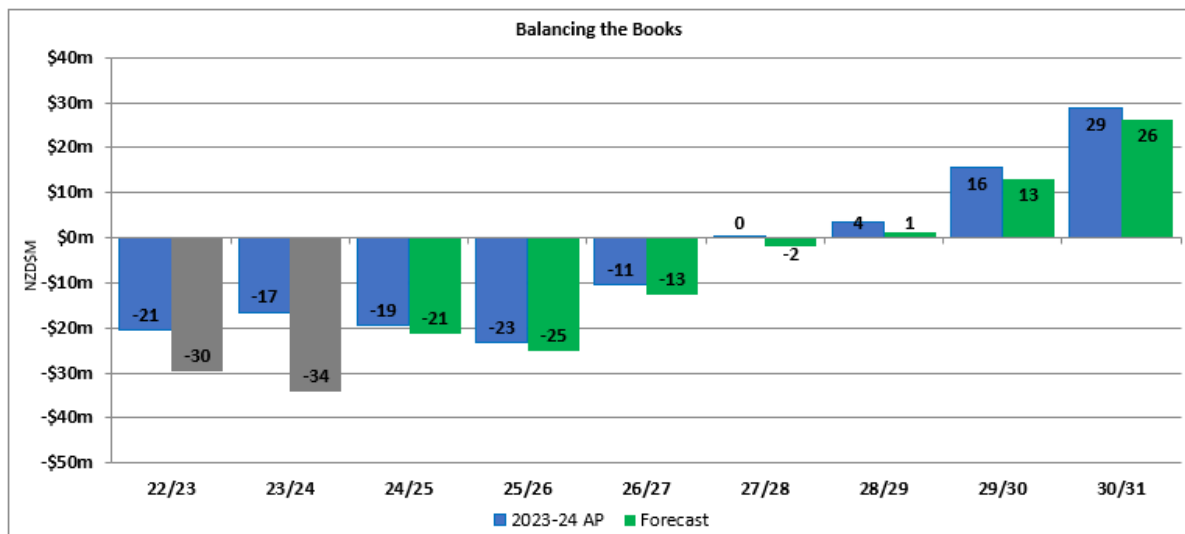
54. Net Debt

The Net Debt graph shows an \$81million increase in net debt against the 2023-24 Annual Plan. Net debt for 2023-24 is \$924million.



55. Balancing the Books

The 2023-24 balancing the books deficit is (\$34.2million).



Legal and Policy Considerations - Whaiwhakaaro-aa-ture

56. Staff confirm that matters in this report complies with Council's legal and policy requirements.
57. Staff have also considered the key considerations under the Climate Change Policy and have determined that an adaptation assessment and emissions assessment is not required for the matters in this report.

Wellbeing Considerations - Whaiwhakaaro-aa-oranga tonutanga

58. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental, and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
59. The subject matter of this report has been evaluated in terms of 'the 4 wellbeings' during the process of developing this report.
60. The recommendations set out in this report are consistent with that purpose.
61. Economic wellbeing is managed through the efficient monitoring of Council's financial results. Diligent management of Council's budget and regular review of forecasts is required to ensure Council is operating effectively and policy compliance is met.
62. The environmental, social, and cultural wellbeings are not directly impacted by the annual monitoring report. However, the efficient review and management of Council's financial position supports the wider business in their delivery of key objectives that enhance these wellbeings.

Risks - Tuuraru

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

Significance & Engagement Policy - Kaupapa here whakahira/anganui

64. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance.
65. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachment 1

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000		\$000	\$000
Last Year		YTD Actual	YTD Budget	variance	
YTD				Fav/(Unfav)	
Operating Revenue					
238,229	Rates	255,719	255,759	(40)	
49,163	Fees & Charges	51,985	50,162	1,823	
12,103	Subsidies & Grants	27,638	22,173	5,465	
11,361	Interest Revenue	17,721	6,124	11,597	
39,888	Other Revenue	36,737	13,011	23,726	
350,745	TOTAL OPERATING REVENUE	389,800	347,229	42,571	
Capital Revenue					
36,502	Development Contributions	31,842	36,605	(4,763)	
71,736	Capital Revenue	55,020	83,137	(28,117)	
64,185	Vested Assets	42,660	39,353	3,307	
172,424	TOTAL CAPITAL REVENUE	129,522	159,095	(29,572)	
523,168	TOTAL REVENUE	519,322	506,324	12,998	
Expenditure					
110,063	Personnel Costs	122,707	122,054	(654)	
83,446	Operating & Maintenance Costs	91,326	80,844	(10,483)	
16,871	Professional Costs	17,083	13,429	(3,654)	
23,945	Administration Expenses	66,471	29,305	(37,167)	
14,392	Property Costs	15,844	14,929	(914)	
40,863	Finance Costs	57,981	33,510	(24,472)	
89,160	Depreciation & Amortisation Expense	108,362	94,405	(13,957)	
378,741	TOTAL EXPENDITURE	479,776	388,475	(91,300)	
144,428	OPERATING SURPLUS/(DEFICIT)	39,547	117,849	(78,302)	
Gains and Losses					
7,820	Gain/(Loss) on revaluation of interest rate swaps	(4,664)	-	(4,664)	
	Gain/(Loss) on fair value of investment properties	(1,831)	1,050	(2,882)	
(9,321)	Gain/(Loss) on property, plant and equipment	(8,466)	-	(8,466)	
(1,501)	TOTAL GAINS AND LOSSES	(14,961)	1,050	(16,012)	
142,927	TOTAL SURPLUS/(DEFICIT)	24,585	118,899	(94,314)	

Refer to Activity Statements for variances against budget.

BALANCING THE BOOKS RESULT FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)
142,927	Surplus/(Deficit)	24,585	118,899	(94,314)
Remove capital <u>revenue</u>				
(64,185)	Vested assets	(42,660)	(39,353)	(3,307)
(23,881)	Part of Development and Financial contributions	(20,697)	(23,793)	3,096
(42,338)	Capital Subsidy (excluding subsidy on transport renewals)	(28,414)	(29,442)	1,028
(20,868)	Other Capital Contributions & Grants	(16,216)	(43,730)	27,514
(30,930)	Other items not considered everyday operating revenue	(26,688)	(5,668)	(21,019)
Remove (gains)/ <u>losses</u>				
1,501	All Gains/(Losses)	14,961	(1,050)	16,012
Remove other <u>expenses</u>				
8,024	Other items not considered everyday operating expenses	60,889	9,788	51,101
(29,749)	EVERYDAY SURPLUS/(DEFICIT)	(34,239)	(14,350)	(19,889)

Attachment 2

COUNCIL

FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)
Operating Revenue				
238,229	Rates**	255,719	255,759	(40)
49,163	Fees & Charges	51,985	50,162	1,823
12,103	Subsidies & Grants	27,638	22,173	5,465
11,361	Interest Revenue	17,721	6,124	11,597
39,888	Other Revenue	36,737	13,011	23,726
350,745	Total Operating Revenue	389,800	347,229	42,571
Operating Expenditure				
110,063	Personnel Costs	122,707	122,054	(654)
83,446	Operating & Maintenance Costs	91,326	80,844	(10,483)
16,871	Professional Costs	17,083	13,429	(3,654)
23,945	Administration Expenses	66,471	29,305	(37,167)
14,392	Property Costs	15,844	14,929	(914)
40,863	Finance Costs**	57,981	33,510	(24,472)
89,160	Depreciation & Amortisation Expense**	108,362	94,405	(13,957)
1,501	Gains & Losses	14,961	-	(14,961)
380,241	Total Operating Expenditure	494,737	388,475	(106,262)
(29,496) Operating Surplus/(Deficit)*		(104,937)	(41,246)	(63,691)
Capital Revenue				
36,502	Development Contributions**	31,842	36,605	(4,763)
71,736	Capital Revenue**	55,020	83,137	(28,117)
64,185	Vested Assets**	42,660	39,353	3,307
172,424	Total Capital Revenue	129,522	159,095	(29,572)
142,927 Total Surplus/(Deficit)		24,585	117,849	(93,263)

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

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

Material variances as explained below:**Finance Costs**:** (\$24,472k) unfavourable.

An increase in debt levels and an approximate 1.3% increase in average interest rates has increased the interest expense on floating rate debt. This is partially offset by the \$11.6m increase in interest received on term investments.

Depreciation & Amortisation Expense:** (\$13,957k) unfavourable.

The key driver in the unfavourability of depreciation is due to the revaluation of transport and parks and garden improvement assets as at 30 June 2023 and 30 April 2023 which were significantly higher than budget resulting in a \$9.6m unfavourable variance to budget. Compounding the unfavourable variance is that expected deferrals for FY22/23 did materialize and therefore higher than budgeted depreciation has occurred for infrastructure assets.

Gains & Losses: (\$14,961k) unfavourable.

Interest rate swaps had an unfavourable movement of \$4.6m. The movement on interest rate swaps relates to valuations completed at a point in time. These are based on Council's total external debt and the difference between current market interest rates and the fixed rates that Council has locked in. They are unrealised because, on maturity of each interest rate swap contract, no interest gain or loss eventuates.

A further (\$3.9m) loss was realised on the disposal of WIGL.

Included in gains and losses are the following key losses on disposal to date as a result of Settlement Centre Waikato (\$816k), impacts of the renewals/upgrades to various waters assets (\$930k), (\$631k) of intangible assets which no longer meet the definition of intangible asset, lifts in the central library museum (\$405k), various ablutions (\$453k), (300k) various intangible assets, various components of the municipal building (\$190k) and Playground Renewals (\$112k). The revaluation of investment properties resulted in a loss of (\$1.8m).

Attachment 2

COUNCIL

FOR THE PERIOD ENDED 30 JUNE 2024

Development Contributions:** (\$4,763k) unfavourable.

Revenue is tracking behind budget, with variations between areas. All areas except for water supply are behind budget. Consenting pipeline and volume of completion of developments (especially in the greenfield) is on a downward trajectory that has not been seen since the GFC, against a backdrop of a soft demand, high borrowing costs and high capital/materials costs.

Capital Revenue:** (\$28,117k) unfavourable.

Key variances relate CERF funding for the year has been reduced by (\$19m) from budget. The remainder of the variance relates to the Peacocke programme which has reintroduced in through the LTP.

Vested Assets:** \$3,307k favourable.

Timing and valuation of vested assets is difficult to estimate. Vested assets relating to Parks and Gardens amounted to \$9m, these are unbudgeted. Offset by an unfavourable variance in transport (\$4.8m), Wastewater (\$0.8m) and water (\$0.7m). Significant assets vested to Council relate to land under roads and parks and garden land in Kimbrae Drive and Taiatea Drive (\$23m).

Attachment 2

COMMUNITY SERVICES

Libraries | Customer | Aquatics

FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000		\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)
Operating Revenue				
17,411	Rates**	18,647	18,599	48
4,246	Fees & Charges	4,610	4,640	(30)
264	Subsidies & Grants	95	2	93
391	Interest Revenue**	610	245	365
71	Other Revenue	58	24	34
22,383	Total Operating Revenue	24,019	23,509	510
Operating Expenditure				
11,728	Personnel Costs	12,440	12,931	491
2,280	Operating & Maintenance Costs	2,802	2,401	(401)
343	Professional Costs	90	86	(4)
743	Administration Expenses	858	899	41
1,237	Property Costs	1,340	1,207	(133)
1,364	Finance Costs**	1,916	1,161	(755)
5,587	Depreciation & Amortisation Expense**	6,500	5,797	(703)
37	Gains & Losses	347	-	(347)
23,319	Total Operating Expenditure	26,292	24,481	(1,811)
(936)	Operating Surplus/(Deficit)*	(2,273)	(972)	(1,301)
Capital Revenue				
	Capital Revenue**	50	-	50
	Total Capital Revenue	50	-	50
(936)	Total Surplus/(Deficit)	(2,223)	(972)	(1,251)

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

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

Material variances as explained below:**Personnel Costs: \$491k favourable.**

The favourable variance in personnel costs relates to vacancies held within the activities during Future Fit and lower staffing levels required to meet Learn to Swim demand.

Operating & Maintenance Costs: (\$401k) unfavourable.

The unfavourable variance relates to the discontinuation of the Rototuna Village Pool Project in 2023, which resulted in early project costs being expensed (\$367k). These costs were unbudgeted.

Property Costs: (\$133k) unfavourable.

The unfavourable variance is due to a delay in the installation of the Hot Water Heat Pump (heating) system. The HWHP was scheduled to be installed this financial year, however, has been delayed until July 2025. The budget had factored in the gas savings that were to be realised from the new system.

Gains & Losses: (\$347k) unfavourable.

The loss on disposal of assets relates to works undertaken as part of the renewal programme such as the Central library's lift, Central library's toilet renewals and Waterworld facility renewals. These losses were unbudgeted.

Attachment 2

GOVERNANCE

Democracy Services | Mayor's Office | Mayoral Support Services
FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)
Operating Revenue				
2,825	Rates**	3,028	3,027	2
177	Fees & Charges	-	-	-
1	Subsidies & Grants	-	-	-
	Interest Revenue**	-	-	-
6	Other Revenue	3		3
3,008	Total Operating Revenue	3,031	3,027	4
Operating Expenditure				
519	Personnel Costs	540	445	(95)
26	Operating & Maintenance Costs	21	19	(2)
508	Professional Costs	383	214	(169)
1,662	Administration Expenses	1,644	1,833	189
	Property Costs	-	-	-
	Finance Costs**	-	-	-
	Depreciation & Amortisation Expense**	-	-	-
	Gains & Losses	-	-	-
2,715	Total Operating Expenditure	2,588	2,511	(77)
294	Operating Surplus/(Deficit)*	443	516	(73)
294	Total Surplus/(Deficit)	443	516	(73)

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

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

Material variances as explained below:**Professional Costs: (\$169k) unfavourable.**

Includes unbudgeted spend for the Hamilton East bi-election which was approved through the Finance and Monitoring Committee.

Administration Expenses: \$189k favourable.

The favourable variance relates to Councillor Conferences and Honoraria as a result of leave without pay taken, and a councillor resignation and conservative spending in these areas.

Attachment 2

GROWTH

Urban & Spatial Planning | Planning Guidance | Growth Programmes | Growth Funding & Analytics | Sustainability & Climate Change

FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000		\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)	
Operating Revenue					
12,233	Rates**	13,116	13,136	(20)	
2,812	Fees & Charges	2,792	3,099	(307)	
17	Subsidies & Grants	470	750	(280)	
75	Interest Revenue**	118	-	118	
2	Other Revenue	7	-	7	
15,139	Total Operating Revenue	16,502	16,985	(482)	
Operating Expenditure					
8,527	Personnel Costs	9,106	10,001	895	
91	Operating & Maintenance Costs	531	60	(471)	
5,045	Professional Costs	3,706	3,881	175	
1,403	Administration Expenses	989	1,290	302	
86	Property Costs	97	98	1	
263	Finance Costs**	369	1,147	778	
326	Depreciation & Amortisation Expense**	13	326	313	
	Gains & Losses	3,956	-	(3,956)	
15,742	Total Operating Expenditure	18,766	16,803	(1,963)	
(602)	Operating Surplus/(Deficit)*	(2,264)	182	(2,445)	
Capital Revenue					
	Capital Revenue**	-	-	-	
	Total Capital Revenue				
(602)	Total Surplus/(Deficit)	(2,264)	182	(2,445)	

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

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

Material variances as explained below:**Fees & Charges: (\$307k) unfavourable.**

The resource consent revenue tracked below budget during the year due to the types of consents being processed. There has been a positive trend in the last quarter of the financial year resulting in an increase in consent revenue.

Subsidies & Grants: (\$280k) unfavourable.

\$156k from the Better Off funding was redirected to support other sustainable capital initiatives within Council. Additionally, \$114k is earmarked for expenditure during July through to September 2024, which aligns with the extended period covered by the Better Off fund.

Personnel Costs: \$895k favourable.

Underspend is due to staff vacancies and the length of time to recruit in the current market. Some positions have had to be filled by externally contracted staff/consultants due to the tight labour market.

Operating & Maintenance Costs: (\$471k) unfavourable.

Unfavourable variance in operating and maintenance costs is offset by an underspend in professional costs.

Professional Costs: \$175k favourable.

Efficiencies stemming from the Greenfield Growth Programme has contributed positively to the variance. The windup and recovery process relating to the disposal of the Waikato Innovation Growth Ltd has also had a favourable impact on consultant spend. Legal work was less than initially anticipated which resulted in cost savings, as well as the slowing down of communication activities due to the emphasis on the Long-Term Plan. Overspend in Plan Change 9 due to additional consultant and panel costs for a third tranche of hearings has contributed unfavourably to the variance, as well as the additional costs for the implementation of a network capacity assessment tool which has also contributed unfavourably to the overall result.

Administration Expenses: \$302k favourable.

Communication activities relating to the Greenfield growth programme around advertising, promotion and engagement has slowed down due to the emphasis on the Long-Term Plan which has resulted in cost savings.

Gains & Losses: (\$3,956k) unfavourable.

The loss was realised on the disposal of WIGL.

Attachment 2

PARKS AND RECREATION

Parks | Cemeteries and Crematorium | Nursery | Community Facilities

FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000		\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)
Operating Revenue				
27,021	Rates**	28,931	28,913	17
5,104	Fees & Charges	5,580	5,135	444
82	Subsidies & Grants	1,927	1,875	52
854	Interest Revenue**	1,332	367	965
352	Other Revenue	339	189	150
33,415	Total Operating Revenue	38,109	36,480	1,629
Operating Expenditure				
10,905	Personnel Costs	11,879	11,579	(300)
9,043	Operating & Maintenance Costs	7,783	7,542	(241)
1,076	Professional Costs	889	922	33
458	Administration Expenses	465	2,965	2,500
524	Property Costs	651	667	17
2,979	Finance Costs**	9,349	5,213	(4,136)
5,778	Depreciation & Amortisation Expense**	7,337	6,360	(977)
378	Gains & Losses	1,655	-	(1,655)
31,141	Total Operating Expenditure	40,007	35,248	(4,759)
2,274	Operating Surplus/(Deficit)*	(1,898)	1,232	(3,130)
Capital Revenue				
1,747	Development Contributions**	1,657	1,651	6
2,640	Capital Revenue**	2,163	3,496	(1,333)
7,970	Vested Assets**	9,423	-	9,423
12,357	Total Capital Revenue	13,243	5,147	8,096
14,631	Total Surplus/(Deficit)	11,345	6,379	4,966

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

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

Material variances as explained below:**Fees & Charges: \$444k favourable.**

Maintenance work on Hamilton's street landscapes has resulted in increased revenue under the Hamilton Connect subcontract. This additional revenue offsets additional costs under personnel costs and operating & maintenance costs. The Cemetery & Crematorium has also seen an increase on revenue in this financial year.

Other Revenue: \$150k favourable.

Insurance settlement for Cyclone Gabrielle.

Personnel Costs: (\$300k) unfavourable.

Unfavourable due to redundancy and final pays resulting from the organisational restructure, increases in overtime and allowances due to nightworks being undertaken.

Operating & Maintenance Costs: (\$241k) unfavourable.

Unfavourable due to additional cost for temporary traffic management related to tree maintenance works compliance, nursery stock purchases and additional costs related to street landscapes partially offset by lower than anticipated building costs related to community facilities and increased revenue.

Administration Expenses: \$2,500k favourable.

A grant of \$2.5m allocated to the new indoor recreation centre did not progress in this financial year.

Gains & Losses: (\$1,655k) unfavourable.

The loss on disposal of assets largely relates to the transfer of ownership of the Settlement Centre (\$816K), toilet replacements (\$300k) and various works undertaken as part of the building renewals programme.

Attachment 2

PARTNERSHIPS, COMMUNICATION & MAAORI

Amorangi Maaori | Communication & Engagement | Community Partnerships, Funding & Events

FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000		\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)	
Operating Revenue					
4,138	Rates**	4,437	4,435	2	
46	Fees & Charges	116	32	84	
319	Subsidies & Grants	2,241	2,461	(220)	
	Interest Revenue**				
	Other Revenue				
4,503	Total Operating Revenue	6,794	6,927	(133)	
Operating Expenditure					
3,280	Personnel Costs	4,519	4,756	237	
146	Operating & Maintenance Costs	527	655	128	
440	Professional Costs	359	831	472	
2,477	Administration Expenses	2,399	2,508	109	
166	Property Costs	98	98	()	
	Finance Costs**	-	1	1	
	Depreciation & Amortisation Expense**	1	1		
	Gains & Losses	-	-	-	
6,511	Total Operating Expenditure	7,902	8,848	946	
(2,007)	Operating Surplus/(Deficit)*	(1,108)	(1,922)	814	
Capital Revenue					
	Capital Revenue**	-	-	-	
	Total Capital Revenue	-	-	-	
(2,007)	Total Surplus/(Deficit)	(1,108)	(1,922)	814	

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

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

Material variances as explained below:**Subsidies & Grants: (\$220k) unfavourable.**

\$225k of Better Off Funding was diverted from Amorangi Maaori in the last quarter of the financial year to help cover costs of Local Water Done Well.

Personnel Costs: \$237k favourable.

Personnel costs are favourable, mostly due to higher labour internal recoveries. This is a result of more communications work being done on capital projects (recovered) than expected in the budget. There have also been savings in staff remuneration, due to the Future Fit restructure.

Operating & Maintenance Costs: \$128k favourable.

Following a CE directive to save funds, savings were able to be found in service provider budget lines without affecting levels of service in Research & Insights, City Wide Activation, Social Wellbeing projects and the Welcoming Communities project.

Professional Costs: \$472k favourable.

\$225k of Better Off Funding that was budgeted as a consultant cost was diverted from Amorangi Maaori in the last quarter of the financial year to help cover costs of Local Water Done Well. Also, in order to save additional funds, consultant spend across the Group was heavily reduced.

Administration Expenses: \$109k favourable.

To action the CE directive to save funds, cuts were made to the Communication & Engagement advertising spend.

Attachment 2

RESOURCE RECOVERY

Refuse Collection | Waste Minimisation | Landfill Site Management

FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)
Operating Revenue				
8,967	Rates**	9,594	9,644	(50)
(146)	Fees & Charges	(88)	(75)	(13)
1,607	Subsidies & Grants	2,449	659	1,790
26	Interest Revenue**	41	-	41
449	Other Revenue	475	468	7
10,903	Total Operating Revenue	12,472	10,696	1,775
Operating Expenditure				
1,193	Personnel Costs	1,476	1,578	103
7,915	Operating & Maintenance Costs	9,200	9,417	217
432	Professional Costs	760	629	(131)
(1,440)	Administration Expenses ***	6,777	(893)	(7,670)
69	Property Costs	68	84	16
655	Finance Costs**	657	547	(110)
579	Depreciation & Amortisation Expense**	557	595	38
26	Gains & Losses			
9,430	Total Operating Expenditure	19,494	11,957	(7,537)
1,474	Operating Surplus/(Deficit)*	(7,023)	(1,261)	(5,762)
Capital Revenue				
	Capital Revenue**	279	-	279
	Total Capital Revenue	279	-	279
1,474	Total Surplus/(Deficit)	(6,744)	(1,261)	(5,483)

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

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

*** Annual Provision for Closed Landfill included in Annual Budget

Material variances as explained below:**Subsidies & Grants: \$1,790k favourable.**

Existing budgets for the revenue from the waste levy were set prior to the expansion of waste levy rates proposed from 1 July 2023. It was unknown at the time of setting budgets what revenue HCC would receive.

Personnel Costs: \$103k favourable.

Favourability due to the high level of vacancies throughout the organisation.

Operating & Maintenance Costs: \$217k favourable.

Favourability in Contractors for the Rubbish & Recycling Contract part of which offsets the unfavourability for Legal Services.

Professional Costs: (\$131k) unfavourable.

Unfavourability for Legal services within the Rubbish & Recycling Contract has been offset by the favourability in Operating & Maintenance costs.

Administration Expenses *: (\$7,670k) unfavourable.**

The year end Landfill provision adjustment resulted in an unfavourable variance of \$7.5m which was as a result of the increase in budgeted capital and operating costs for landfill activities in future years based on the adopted Long -Term Plan 2024-34, as well as increases to interest rates. Earlier provision updates this year were based on Long-Term Plan 2021-31. The timing of the recognition of this expense is recorded earlier but has nil overall effect for the organisation as it is offset against cash outgoings and expenses throughout the Long-Term Plan years.

Capital Revenue **: \$279k favourable.

Contributions toward reconfiguration of the Lincoln Street Transfer station construction and demolition area. Revenue from the Waste Minimisation Levy offsets capital installation costs.

Attachment 2

REGULATORY & SAFETY

Building Control | Animal Education and Control | Environmental Health | Liquor Licensing | City Safety | Civil Defence

FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000	\$000	\$000
YTD 2019/20		YTD Actual	YTD Budget	Variance Fav/(Unfav)
Operating Revenue				
5,033	Rates**	5,395	5,397	(1)
10,247	Fees & Charges	9,995	10,401	(405)
94	Subsidies & Grants	3,441	3,440	1
	Interest Revenue**		-	
227	Other Revenue	205	31	174
15,600	Total Operating Revenue	19,037	19,268	(231)
Operating Expenditure				
10,321	Personnel Costs	10,583	11,102	519
1,671	Operating & Maintenance Costs	1,660	1,775	115
495	Professional Costs	500	416	(84)
509	Administration Expenses	(137)	352	489
69	Property Costs	50	47	(2)
	Finance Costs**	1	12	11
101	Depreciation & Amortisation Expense**	127	102	(24)
	Gains & Losses	3	-	(3)
13,166	Total Operating Expenditure	12,786	13,807	1,021
2,434	Operating Surplus/(Deficit)*	6,251	5,461	790
Capital Revenue				
	Capital Revenue**	400	-	400
	Total Capital Revenue	400	-	400
2,434	Total Surplus/(Deficit)	6,651	5,461	1,190

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

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

Material variances as explained below:**Fees & Charges: (\$405k) unfavourable.**

The unfavourable variance is due to fewer consent applications in the current challenging economic environment. This has been partially offset by a favourable variance in operating contributions due to increased revenue from a cost recovery process.

Other Revenue: \$174k favourable.

Animal infringements are tracking higher than expected, along with additional investment made to follow up on unregistered dogs.

Personnel Costs: \$519k favourable.

Favourable variance is as a result of vacancies, Future Fit changes as well as a reduction in use of externally contracted staff in the building control unit.

Operating & Maintenance Costs: \$115k favourable.

Favourable variance is due to fewer engineering reviews for consents and more favourable contract prices with service providers.

Administration Expenses: \$489k favourable.

Favourable variance is due to the resolution of two building defect claims, resulting in the release of a previously established provision.

Attachment 2

STORMWATER

Stormwater Network

FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000		\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)	
Operating Revenue					
19,068	Rates**	20,445	20,477	(32)	
452	Fees & Charges	473	288	184	
120	Subsidies & Grants	86	30	56	
529	Interest Revenue**	826	367	458	
63	Other Revenue	-	-	-	
20,233	Total Operating Revenue	21,829	21,163	666	
Operating Expenditure					
2,380	Personnel Costs	2,179	2,271	92	
2,099	Operating & Maintenance Costs	264	358	94	
512	Professional Costs	412	420	8	
53	Administration Expenses	49	47	(2)	
473	Property Costs	494	573	79	
1,846	Finance Costs**	2,593	1,707	(886)	
10,832	Depreciation & Amortisation Expense**	11,537	11,512	(25)	
319	Gains & Losses	198	-	(198)	
18,514	Total Operating Expenditure	17,726	16,887	(839)	
1,718	Operating Surplus/(Deficit)*	4,103	4,276	(173)	
Capital Revenue					
4,482	Development Contributions**	5,646	6,211	(565)	
2,407	Capital Revenue**	2,477	2,152	326	
8,307	Vested Assets**	5,627	5,477	150	
15,196	Total Capital Revenue	13,751	13,840	(89)	
16,915	Total Surplus/(Deficit)	17,854	18,116	(262)	

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

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

Material variances as explained below:

Fees & Charges: \$184k favourable.

Favourability is due to additional Operating Contributions received from Waikato Regional Council under the Project Watershed Service Level Agreement.

Gains & Losses: (\$198k) unfavourable.

Unfavourability relates to the disposal of various assets across the Stormwater Activity.

Attachment 2

SUPPORT SERVICES

CE's Office | People, Organisational & Performance | Business Services | Strategic Property | Asset Strategy

FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)
Operating Revenue				
(387)	Rates**	(365)	(353)	(13)
613	Fees & Charges	939	591	348
42	Subsidies & Grants	1,874	3,329	(1,455)
269	Interest Revenue**	419	122	297
2,846	Other Revenue	2,853	2,415	438
3,384	Total Operating Revenue	5,720	6,105	(385)
Operating Expenditure				
24,079	Personnel Costs	26,980	25,889	(1,091)
12,791	Operating & Maintenance Costs	10,736	12,807	2,071
3,377	Professional Costs	2,875	2,648	(227)
8,103	Administration Expenses	8,605	9,699	1,094
780	Property Costs	1,187	815	(372)
(401)	Finance Costs**	(871)	(1,040)	(169)
6,752	Depreciation & Amortisation Expense**	7,405	6,637	(768)
(2,407)	Gains & Losses	7,351	(1,050)	(8,402)
53,075	Total Operating Expenditure	64,268	56,406	(7,862)
(49,691)	Operating Surplus/(Deficit)*	(58,547)	(50,300)	(8,247)
Capital Revenue				
118	Capital Revenue**	72	-	72
118	Total Capital Revenue	72	-	72
(49,573)	Total Surplus/(Deficit)	(58,475)	(50,300)	(8,175)

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

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

Material variances as explained below:**Fees & Charges: \$348k favourable.**

Favourability relates to an increase in the recovery of rates and other compliance charges.

Subsidies & Grants: (\$1,455k) unfavourable.

Some of the Better Off Funding programme has been delayed so revenue will be recognised when the spending occurs in the next financial year. Therefore programme expenditure is favourable, with no impact on the total operating result.

Other Revenue: \$438k favourable.

Relates to additional rental income based on rent review increases on Strategic Property and \$250k of dividends paid by Waikato Regional Airport.

Personnel Costs: (\$1,091k) unfavourable.

This includes a \$910k provision as an estimation for the remediation of historical calculations for compliance with the Holidays Act 2003. Annual leave remediation was completed in 2022. Remediation for other leave types is expected to be completed within the 2024-25 financial year.

Operating & Maintenance Costs: \$2,071k favourable.

Favourability relates to timing differences in delivering the revised programme (refer Subsidies & Grant explanation above).

Professional Costs: (\$227k) unfavourable.

Unfavourability relates to the cost of the review into the Municipal Building which will not be picked up by the MEF Reserve as the consultant report concludes that there is no investment opportunity for the MEF Fund.

Administration Expenses: \$1,094k favourable.

Favourability is a result of the recent software prioritisation review.

Property Costs: (\$372k) unfavourable.

The unbudgeted Riskpool insurance payment of (\$347k), approved at the Finance and Monitoring Committee is the main cause of unfavourability.

Attachment 2

TRANSPORT

Transport Network | Transport Centre | Parking Management
FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)
Operating Revenue				
51,005	Rates**	54,668	54,578	90
4,731	Fees & Charges	4,857	5,039	(182)
8,936	Subsidies & Grants	14,074	8,868	5,206
5,618	Interest Revenue**	8,762	3,062	5,700
18,174	Other Revenue	16,763	5,904	10,859
88,464	Total Operating Revenue	99,124	77,451	21,674
Operating Expenditure				
6,847	Personnel Costs	10,721	9,333	(1,388)
21,511	Operating & Maintenance Costs	28,803	20,345	(8,458)
1,804	Professional Costs	5,743	1,904	(3,838)
1,360	Administration Expenses	35,597	800	(34,797)
2,849	Property Costs	2,969	2,912	(58)
20,558	Finance Costs**	24,267	10,480	(13,787)
24,292	Depreciation & Amortisation Expense**	38,032	27,859	(10,173)
8	Gains & Losses	178	-	(178)
79,230	Total Operating Expenditure	146,310	73,633	(72,677)
9,233	Operating Surplus/(Deficit)*	(47,186)	3,818	(51,004)
Capital Revenue				
10,408	Development Contributions**	8,592	12,608	(4,017)
56,775	Capital Revenue**	41,266	70,818	(29,552)
41,405	Vested Assets**	23,249	28,056	(4,807)
108,588	Total Capital Revenue	73,106	111,482	(38,376)
117,822	Total Surplus/(Deficit)	25,920	115,300	(89,380)

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

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

Material variances as explained below:**Fees & Charges: (\$182k) unfavourable.**

Due to the slow down in development, the associated fees and charges for development consent is tracking lower than estimated for the financial year.

Subsidies & Grants: \$5,206k favourable.

Operational subsidies received from NZ Transport Agency Waka Kotahi (NZTA) is favourable partly due one-off additional revenue received from NZTA in December. The additional favourable balance is attributable to subsidy being redirected from Capital to the Operating revenue associated with the WIP cost transfers, mainly due to the CERF programmes being stopped prior to construction as requested by NZTA. Projects that were not completed cannot be capitalised and are required to move across to maintenance and operations.

Other Revenue: \$10,859k favourable.

Favourability driven by rental income, infringements, and the favourable non-cash fair value adjustment due to the upward trend in market interest rates on the Housing Infrastructure Fund (HIF) loan.

Operating & Maintenance Costs: (\$8,458k) unfavourable.

The unfavourable result is mainly due to capital expenditure that has been reclassified as operating expenditure. The need to reclassify was identified as staff undertook a comprehensive review of the WIP balances during the capitalisation process in compliance with accounting standards and Council's Capitalisation policy.

Professional Costs: (\$3,838k) unfavourable.

The unfavourable expenditure is due to capital expenditure that has been reclassified as operating expenditure due to a project not proceeding following investigation and final design. This largely relates to CERF projects and the IAF River Crossing being stopped as a result of Central Government direction to withdraw funding and subsequent Council decisions at the 5 March 2024 Infrastructure and Transport Committee and the 2024-34 LTP Council meetings.

Attachment 2

TRANSPORT
Transport Network | Transport Centre | Parking Management
FOR THE PERIOD ENDED 30 JUNE 2024

Administration Expenses : (\$34,797k) unfavourable.

(\$34.9m) relates to the vesting of Wairere Cobham roundabout to Waka Kotahi, which has been classified as a capital grant. Increase in infringements issued has resulted in an increase in associated administrative expenses. This is partially offset by the infringement revenue.

Gains & Losses: (\$178k) unfavourable.

Unfavourability relates to the disposal of various assets across the Transport Activity as part of the renewals programme.

Attachment 2

VENUES, TOURISM AND MAJOR EVENTS

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

FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)
Operating Revenue				
20,307	Rates**	21,795	21,737	58
9,780	Fees & Charges	10,753	9,440	1,313
7	Subsidies & Grants	-	-	-
471	Interest Revenue**	735	245	490
1,062	Other Revenue	778	775	3
31,627	Total Operating Revenue	34,061	32,197	1,864
Operating Expenditure				
6,792	Personnel Costs	7,379	7,508	129
8,058	Operating & Maintenance Costs	7,995	7,754	(241)
315	Professional Costs	186	236	50
7,991	Administration Expenses	8,311	8,610	299
1,760	Property Costs	1,952	1,720	(232)
1,643	Finance Costs**	2,308	1,580	(729)
7,882	Depreciation & Amortisation Expense**	8,179	7,924	(255)
284	Gains & Losses	13	-	(13)
34,725	Total Operating Expenditure	36,325	35,331	(994)
(3,098)	Operating Surplus/(Deficit)*	(2,264)	(3,135)	871
Capital Revenue				
229	Capital Revenue**	24	-	24
229	Total Capital Revenue	24	-	24
(2,869)	Total Surplus/(Deficit)	(2,241)	(3,135)	894

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

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

Material variances as explained below:**Fees & Charges: \$1,313k favourable.**

Favourable due to stronger than anticipated event activity at Claudelands Event Centre, as well as the NRL game hosted at FMG Stadium. This is partially offset by the FIFA washup across the two tournaments and financial years.

Personnel Costs: \$129k favourable.

Favourability achieved by close management of planning of resourcing aligned to event schedules to manage the work

Operating & Maintenance Costs: (\$241k) unfavourable.

Event expenditure is managed closely: unfavourability to budget is driven by increased mixed event programme and timing of budgets across FIFA tournaments.

Administration Expenses: \$299k favourable.

Favourability driven by timing of Property & Equipment Maintenance Grant for Waikato Regional Theatre payment aligned to Theatre opening date, however partially offset by additional advertising and promotional costs for the strong event schedule in FY24.

Property Costs: (\$232k) unfavourable.

Unfavourability to budget due to stronger than anticipated event activity resulting in increased utilities costs.

Attachment 2

VISITOR DESTINATIONS

Hamilton Gardens | Waikato Museum | Hamilton Zoo | Arts Promotion

FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)
Operating Revenue				
16,630	Rates**	17,825	17,801	24
3,568	Fees & Charges	3,998	4,012	(14)
138	Subsidies & Grants	658	640	18
318	Interest Revenue**	497	245	252
138	Other Revenue	400	241	159
20,794	Total Operating Revenue	23,377	22,939	439
Operating Expenditure				
9,849	Personnel Costs	10,733	10,471	(262)
4,024	Operating & Maintenance Costs	4,483	4,089	(394)
244	Professional Costs	225	77	(148)
640	Administration Expenses	865	833	(32)
626	Property Costs	736	700	(36)
1,110	Finance Costs**	1,560	1,350	(210)
2,714	Depreciation & Amortisation Expense**	3,187	2,932	(255)
730	Gains & Losses	194		(194)
19,938	Total Operating Expenditure	21,982	20,452	(1,530)
855	Operating Surplus/(Deficit)*	1,395	2,487	(1,092)
Capital Revenue				
578	Capital Revenue**	967	1,257	(290)
578	Total Capital Revenue	967	1,257	(290)
1,433	Total Surplus/(Deficit)	2,362	3,744	(1,382)

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

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

Material variances as explained below:**Other Revenue: \$159k favourable.**

Unbudgeted insurance claim proceeds have been received for damage to the Ripples sculpture, final payouts for Cyclone Dovi damage at Hamilton Zoo, and claims for stolen AV equipment at Hamilton Gardens.

Personnel Costs: (\$262k) unfavourable.

With increased visitor numbers, there has been the need to maintain minimum staffing levels across the visitor destination sites, which has resulted in reduced vacancies compared to budget. Redundancy payouts from the Future Fit restructure have also contributed to the unfavourable variance.

Operating & Maintenance Costs: (\$394k) unfavourable.

Stock purchases for Hamilton Zoo were higher than budgeted, in line with the increased retail sales. Reactive maintenance at Hamilton Zoo was also higher, due to immediate attention required for unexpected asset failures (arising from a backlog of deferred maintenance). This ensured safety standards were upheld.

Professional Costs: (\$148k) unfavourable.

Additional professional services costs were required to support demands on the business.

Gains & Losses: (\$194k) unfavourable.

The loss on disposal of assets relates to works undertaken as part of the renewals programme. This included renewals for the Waikato Museum service lift and Excite lift, and the NZ Pest Impact exhibit and Cotton-Top Tamarin Monkey enclosure at Hamilton Zoo. These losses were unbudgeted.

Attachment 2

WASTEWATER

Wastewater Reticulation | Wastewater Treatment & Disposal
FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)
Operating Revenue				
31,951	Rates**	34,380	34,350	30
7,805	Fees & Charges	8,275	7,710	565
240	Subsidies & Grants	164	60	104
1,695	Interest Revenue**	2,644	857	1,787
15,263	Other Revenue	14,056	2,776	11,280
56,954	Total Operating Revenue	59,519	45,753	13,766
Operating Expenditure				
8,224	Personnel Costs	7,953	7,969	16
10,483	Operating & Maintenance Costs	12,559	9,709	(2,850)
1,295	Professional Costs	454	488	34
283	Administration Expenses	241	209	(32)
3,001	Property Costs	3,241	2,940	(301)
6,902	Finance Costs**	10,258	7,620	(2,638)
14,154	Depreciation & Amortisation Expense**	14,953	14,266	(686)
982	Gains & Losses	445	-	(445)
45,325	Total Operating Expenditure	50,103	43,201	(6,902)
11,629	Operating Surplus/(Deficit)*	9,416	2,552	6,864
Capital Revenue				
12,461	Development Contributions**	9,697	10,782	(1,085)
4,082	Capital Revenue**	3,609	3,174	436
4,681	Vested Assets**	3,007	3,778	(771)
21,223	Total Capital Revenue	16,313	17,733	(1,420)
32,853	Total Surplus/(Deficit)	25,729	20,286	5,443

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

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

Material variances as explained below:

Fees & Charges: \$565k favourable.

Favourability relates to an increase in trade waste and tankered waste loads received at the Pukete Wastewater Treatment Plant resulting in additional revenue. The additional revenue partially offsets additional costs in the operating and maintenance area.

Subsidies & Grants: \$104k favourable.

Additional funds received for Three Waters reform work offset by expenditure.

Other Revenue: \$11,280k favourable.

Favourable non-cash fair value adjustment from the upward trend in market interest rates on the Housing Infrastructure Fund (HIF) loan. Insurance payments received for Pukete WWTP Outfall pipe work, which offset higher operating and maintenance

Operating & Maintenance Costs: (\$2,850k) unfavourable.

Unfavorability relates to increased maintenance needed to reduce the risk of wastewater network overflows and increased reactive maintenance required at the Pukete WWTP. Costs for disposal of wastewater screenings (biohazard waste) at Pukete WWTP are also unfavourable due to disposal charges being higher than anticipated. There has also been increased monitoring costs due to the increased tankered waste loads, which is offset by additional revenue for tankered waste.

Property Costs: (\$301k) unfavourable.

Unfavorability for electricity costs due to a contractual price increase in electricity rates.

Gains & Losses: (\$445k) unfavourable.

The loss on disposal of assets relates to works undertaken as part of the renewals programme.

Capital Revenue: \$436k favourable.**

Contributions toward new connections exceeded budget due to increased applications. Revenue offsets capital installation costs.

Attachment 2

WATER SUPPLY

Water Treatment | Water Reticulation & Storage

FOR THE PERIOD ENDED 30 JUNE 2024

\$000		\$000	\$000	\$000
Last Year YTD		YTD Actual	YTD Budget	Variance Fav/(Unfav)
Operating Revenue				
22,027	Rates**	23,823	24,019	(196)
(273)	Fees & Charges	(315)	(150)	(165)
235	Subsidies & Grants	160	60	100
1,114	Interest Revenue**	1,737	612	1,124
955	Other Revenue	801	190	611
24,057	Total Operating Revenue	26,206	24,731	1,475
Operating Expenditure				
5,110	Personnel Costs	5,715	5,767	52
3,306	Operating & Maintenance Costs	3,962	4,072	109
957	Professional Costs	486	464	(22)
82	Administration Expenses	73	80	7
2,753	Property Costs	2,962	3,068	107
3,943	Finance Costs**	5,574	3,731	(1,843)
10,161	Depreciation & Amortisation Expense**	10,536	10,096	(440)
1,143	Gains & Losses	622	-	(622)
27,454	Total Operating Expenditure	29,930	27,277	(2,653)
(3,397)	Operating Surplus/(Deficit)*	(3,725)	(2,547)	(1,178)
Capital Revenue				
7,404	Development Contributions**	6,251	5,353	899
4,907	Capital Revenue**	3,713	2,241	1,472
1,822	Vested Assets**	1,353	2,042	(689)
14,133	Total Capital Revenue	11,317	9,636	1,682
10,737	Total Surplus/(Deficit)	7,593	7,089	504

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

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

Material variances as explained below:

Fees & Charges: (\$165k) unfavourable.

Unfavourable due to increased TradeWaste costs incurred by the Waioara Water Treatment Plant as a result of increased charges and treatment process adjustments required to maintain drinking water safety and quality standards.

Subsidies & Grants: \$100k favourable.

Additional funds received for Three Waters reform work offset by expenditure.

Other Revenue: \$611k favourable.

Due to the favourable non-cash fair value adjustment resulting from the upward trend in market interest rates on the Housing Infrastructure Fund (HIF) loan.

Operating & Maintenance Costs: \$109k favourable.

Favourable due to lower than expected maintenance costs at the Water Treatment Plant. This partially offsets increased Wastewater maintenance costs.

Property Costs: \$107k favourable.

Insurance costs were lower than originally anticipated driven by lower FENZ levies as a result of lowering the fire loss limit.

Gains & Losses: (\$622k) unfavourable.

The loss on disposal of assets relates to works undertaken as part of the renewals programme.

Capital Revenue**: \$1,472k favourable.

Contributions toward new connections exceeded budget due to increased applications. Revenue offsets capital installation costs.