

Notice of Meeting:

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

Date: Monday 23 September 2019
Time: 11.00am
Meeting Room: Committee Room 1
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Audit & Risk Committee OPEN AGENDA

Membership

Chairperson: External appointee - Keiran Horne

Deputy Chairperson External appointee - Bruce Robertson

Membership: Mayor Andrew King
Chairperson of the Finance Committee – Cr Garry Mallett
Chairperson of the Growth and Infrastructure Committee – Cr Dave Macpherson
Chairperson of the Community and Services Committee – Cr Paula Southgate
Deputy Chairperson of the Finance Committee - Cr Rob Pascoe

Meeting frequency: As required – no less than four times a year

Quorum: Four members (including one external appointee)

Becca Brooke
Governance Lead

18 September 2019

Telephone: 07 838 6983
Becca.brooke@hcc.govt.nz
www.hamilton.govt.nz

Purpose:

The Audit and Risk Committee is responsible for:

1. Providing objective advice and recommendations to the governing body on the adequacy and functioning of the Council's risk management, control and governance frameworks and processes.
2. Monitoring Council's compliance with legislation.
3. Monitoring the Council's external and internal audit process.
4. Ensuring the independence and effectiveness of Council's Internal Audit processes.
5. Monitoring existing corporate policies and recommending new or amended policies to prevent and prohibit unethical, questionable or illegal activities.
6. Providing a communication link between management, internal auditors/external auditors and Council.
7. Supporting measures to improve management performance and internal controls.
8. Report to Council 6 monthly on key risks.
9. Such other Matters referred to it by Council.

The Committee is delegated the following Terms of Reference and powers:
--

Terms of Reference:*External Audit*

1. Engage with Council's external auditors regarding the external audit work programme and agree the proposed terms and arrangements of the external audit.
2. Recommend to Council the terms and arrangements for the external audit programme.
3. Review the effectiveness of the Annual Plan audit and 10 Year Plan audit.
4. Assess management response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.

Internal Audit

5. In conjunction with the Chief Executive, agree the scope of the annual internal audit work programme.
6. Monitor the delivery of the internal audit work programme to ensure the effectiveness of the Council's internal control framework.
7. Assess whether Internal Audit's recommendations have been properly implemented by management.
8. Review the annual Internal Audit Plans to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

Other Matters

9. Review the effectiveness of the risk control environment established by management to safeguard Council's financial and non-financial assets, including the adequacy and appropriateness of insurance policies in place and management's actions to mitigate risks and report 6 monthly to Council.
10. Review the effectiveness of the systems for monitoring the Council's compliance legislation, regulation, policy and guidelines (including health and safety).

11. Engage with internal and external auditors on any specific one-off audit assignments.
12. Conduct and monitor special investigations in accordance with Council policy and approved budget or in response to material matters raised by staff or committee members, including engaging expert assistance, on matters within its Terms of Reference.
13. To review the Risk Management Policy and recommend to Council revisions to the policy for adoption.
14. Review and monitor integrity of interim and annual reports and recommend to Council for adoption.
15. Review and monitor business continuity planning.

The Committee is delegated the following recommendatory powers:

- The Committee has no decision-making powers.
- The Committee may make recommendations to the Council and/or the Chief Executive, as appropriate.

Special Notes:

- In fulfilling their role on the committee, members shall be impartial and independent at all times.
- Members are appointed for an initial term of no more than three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.
- Council appoints two external members of the committee, one of whom shall be Chairman. External members shall have a broad range of skills and experience including accounting or audit experience; the terms of the appointment to be recorded in a contract. External member contracts are to be reviewed and assessed six (6) months after each triennial election.
- The Chief Executive and Internal Auditor are required to attend all meetings but are not members and have no voting rights. Other Council officers may attend the committee meetings, as required.
- The Chairperson shall review the travel and other reimbursed expenses of the Chief Executive and confirm compliance with Council policies. This information will be provided to the Chairperson on a six-monthly basis.
- The Chief Executive and the Principal Advisor shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of Council, any material breakdown in internal controls, and any material event of fraud or malpractice.
- The chairperson shall present an annual Audit and Risk Self Review to Council summarising the committee's activities during the year and any related significant results and findings.

Oversight of Policies:

Risk Management Policy

ITEM	TABLE OF CONTENTS	PAGE
1	Apologies	5
2	Confirmation of Agenda	5
3	Conflict of Interest	5
4	Public Forum	5
5	Confirmation of Audit and Risk Committee Minutes - Open - 3 September 2019	6
6	Annual Report 2018/19 and Audit NZ Clearance	12
7	Resolution to Exclude the Public	210

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 Committee Room prior to the start of the Meeting. A member of the Council Governance Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

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

Council Report

Committee: Audit & Risk Committee **Date:** 23 September 2019
Author: Rebecca Watson **Authoriser:** Becca Brooke
Position: Committee Advisor **Position:** Governance Team Leader
Report Name: Confirmation of Audit and Risk Committee Minutes - Open - 3 September 2019

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

Staff Recommendation

That the Committee confirm the Open Minutes of the Audit and Risk Committee Meeting held on 3 September 2019 as a true and correct record.

Attachments

Attachment 1 - Audit and Risk Committee Open Minutes - 3 September 2019 .

Audit & Risk Committee

OPEN MINUTES

Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Tuesday 3 September 2019 at 1.00pm.

PRESENT

Chairperson	Keiran Horne – External Appointee
Deputy Chairperson	Bruce Robertson – External Appointee
Membership	Mayor Andrew King
	Cr Garry Mallett
	Cr Paula Southgate
	Cr Dave Macpherson
	Cr Rob Pascoe

In Attendance

Cr James Casson
 Richard Briggs - Chief Executive
 Sean Murray - General Manager Venues, Tourism and Major Events
 Eeva-Liisa Wright - General Manager Infrastructure Operations
 Sean Hickey - General Manager Strategy and Communications
 Lance Vervoort – General Manager Community
 Jen Braid – General Manager City Growth
 Mark Wagstaffe - Health & Safety Assurance Lead
 Karin Barclay – Safety Engagement Lead
 Maire Porter - City Waters Manager
 Andrew Parsons – Strategic Development Manager
 Morva Kaye – Internal Auditor
 Mothla Majeed – Legal Services Manager
 Dan Finn - People, Safety and Wellness Manager
 Mike Lamb – Chief Information Manager
 David Grace - Organisational Security Manager
 Emily Botje – Facilities Manager
 Christie Harger – Corporate Business Manager
 Nicole Nooyen – Team Leader Best in Business Communications
 Tracey Musty – Financial Controller
 Andre Chatfield – Risk and Assurance Manager
 Cory Lang – Building Compliance Manager
 Julie Clausen – Programme Manager Strategy
 Liz Tuck - Corporate Planning Manager

Aaron Steele and Callum White – Pricewaterhouse Cooper Representatives
 Clarence Susan and Naude Kotze – Audit NZ representatives
 James Macgillivray - Tompkins Wake Representative

Attachment 1

1. **Apologies**
Resolved: (Ms Horne/Mr Robertson)
 There were no apologies.
2. **Confirmation of Agenda**
Resolved: (Ms Horne/Cr Pascoe)
 That the agenda is confirmed.
3. **Declarations of Interest**
 No members of the Committee declared a Conflict of Interest.
4. **Public Forum**
 There were no members of the public that wished to speak.
5. **Confirmation of Audit and Risk Committee Minutes - Open - 16 May 2019**
Resolved: (Ms Horne/Mr Robertson)
 That the Committee confirm the Open Minutes of the Audit and Risk Committee Meeting held on 16 May 2019 as a true and correct record.

Item 5

6. **Chief Executive Report - Verbal Update**
 The Chief Executive provided the Committee with a verbal report concerning the improvement in the area of risk assurance throughout the business. He outlined the emerging risks in relation to off book borrowing not necessarily captured in the risk framework and noted the focus required due to the leanness of the organisation. He responded to questions from Committee Members concerning emerging issues raised by the verbal report, the role of the Committee and how to be more transparent as an organisation.
Resolved: (Ms Horne/Mr Robertson)
 That the Audit and Risk Committee receives the verbal report.

Cr Southgate joined the meeting (1.10pm) during the discussion of the above item. She was present when the matter was voted on.

7. **Safety and Wellness Report - 1 May 2019 to 31 July 2019**
 The People, Safety and Wellness Manager spoke to the report and outlined the key outcomes for the next 12 months, including a structured safety framework. Staff responded to questions from Committee Members concerning the establishment of a policy to enable staff to use electric scooters for work transport, and the change in staff culture and the cost to the organisation in relation to safety.
Resolved: (Ms Horne/Cr Southgate)
 That the Audit and Risk Committee receives the report.
8. **Risk Management Report**
 The Risk and Assurance Manager took the report as read. He responded to questions from

Committee Members concerning the updated risk register, mitigations in relation to potential strategic risks, the collaborative approach Hamilton Council is known for and the education component of the improvement plan.

Resolved: (Ms Horne/Mr Robertson)

That the Audit and Risk Committee receives the report.

Cr Macpherson joined the meeting (1.54pm) at the conclusion of the above item. He did not take part in the vote.

9. **Building Warrants of Fitness (BWOs) Current Process and BWOs - Verbal Update**

The Building Compliance Manager took the report as read. He responded to questions from Committee Members concerning the changing number of outstanding BWOs, and the responsibilities of the Council during the BWO process.

Staff Action: *Staff undertook to provide further information to Committee Members concerning the BWO process prior to reporting back to the Council.*

Resolved: (Ms Horne/Mr Robertson)

That the Audit and Risk Committee receives the report.

10. **Organisational Improvement Register Report - 31 July 2019**

The Financial Controller provided Committee Members with an update on Project Kookiri. She responded to questions from Committee Members concerning the Improvement Register and matters identified by Audit NZ.

Resolved: (Ms Horne/Cr Pascoe)

That the Audit and Risk Committee receives the report.

11. **2019/20 Internal Audit Update**

Aaron Steele and Matt White, Pricewaterhouse Cooper representatives, took the report as read.

The Financial Controller then spoke to the internal audit assessment, and the procurement and disposal of fleet assets. She responded to questions from Committee Members concerning communication of the audit results and the adequacy of controls.

Resolved: (Ms Horne/Mr Robertson)

That the Audit and Risk Committee:

- a) receives the report; and
- b) notes the progress against the Pricewaterhouse Cooper and Hamilton City Council Internal Audit Plans.

12. **Audit NZ Interim Management Report 2018/19**

The Financial Controller took the report as read. Clarence Susan and Naude Kotze, representatives of Audit NZ, then provided Committee Members with information concerning an audit finding relating to non-financial reporting, which concerned resource consent error rates and the

consequences for the Council.

Resolved: (Ms Horne/Mayor King)

That the Audit and Risk Committee receives the report.

Cr Southgate retired from the meeting (2.40pm) during the discussion of the above item. She was not present when the matter was voted on.

13. Updated Management Policies: Protected Disclosure and Fraud & Corruption

The Legal Services Manager spoke to the report, and noted the reason that the matter was being reported to the Committee was due to the alignment of the policies with the Audit and Risk Committee Terms of Reference. She responded to questions from Committee Members concerning the Protected Disclosures Act.

Resolved: (Ms Horne/Mayor King)

That the Audit and Risk Committee note the proposed changes to the Protected Disclosure Management Policy and the Fraud and Corruption Management Policy.

14. Audit & Risk Committee Self Review

The Chair took the report as read.

Resolved: (Mayor King/Mr Robertson)

That the Audit & Risk Committee receives the report.

15. Resolution to Exclude the Public

Resolved: (Ms Horne/Mayor King)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of Audit and Risk Committee Minutes - Public Excluded - 16 May 2019) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Update on the Tax Compliance Review)	
C3. Update on Protected		

Disclosures

- C4. Update on any Material Instances of Fraud or Corruption
- C5. Cyber Risks/Issues - Verbal Report
- C6. Verbal Update on any Legal Issues and/or Risks

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 information which is subject to an obligation of confidence and disclosure would likely prejudice continual supply of similar information where it is in the public interest for that information to continue to be available | Section 7 (2) (c) (i)
Section 7 (2) (c) (ii) |
| Item C4. | to protect information which is subject to an obligation of confidence where disclosure would likely damage the public interest | Section 7 (2) (c) (i)
Section 7 (2) (c) (ii) |
| Item C5. | to prevent the disclosure or use of official information for improper gain or improper advantage | Section 7 (2) (j) |
| Item C6. | to maintain legal professional privilege | Section 7 (2) (g) |

The meeting went in to a public excluded session at 2.55pm.

The meeting was declared closed at 4.10pm.

Council Report

Committee: Audit & Risk Committee **Date:** 23 September 2019
Author: Tracey Musty **Authoriser:** David Bryant
Position: Financial Controller **Position:** General Manager Corporate
Report Name: Annual Report 2018/19 and Audit NZ Clearance

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

Purpose

1. To obtain a recommendation from the Audit and Risk Committee that the 2018/19 Annual Report be adopted by Council.

Staff Recommendation (*Recommendation to Council*)

That the Audit and Risk Committee:

- a) receives the report; and
- b) recommends the Council adopt the 2018/19 Annual Report.

Discussion

2. The Annual report is a requirement under the Local Government Act 2002. The report has been prepared and is compliant with all applicable accounting standards.
3. There are no material changes from the draft Annual Report that was reviewed at the 3 September 2019 Audit and Risk Workshop. See Attachment 3 for a list of all the changes made.
4. The final version will be circulated under separate cover once complete.
5. Audit New Zealand will be providing a verbal clearance to the Committee that the report is compliant and fairly reflects Council's financial position for the year ended 30 June 2019.

Attachments

Attachment 1 - 2018-19 Annual Report: Change Register

Attachment 2 - Annual Report 2019

Attachment 3 - Annual Report 2019 Summary .

HCC 2018/19 Annual Report Change Register for Audit and Risk Committee				Opened 4 Sep 2019
Page	Section	Change	Reason	Changes from 3 Sep 2019 version to 23 Sep 2019 version
4-8	From the Mayor and CE	Mayor/CE introduction added, including te reo version	Text now approved	
10-11	Our Hamilton	We're welcoming: text amended to be more citywide; We're happy: headline changed to We're feeling good; We're proud: headline changed to We're happy here; We're in the action: text amended to include Hamilton-Auckland corridor plan	Feedback from committee	
15	Our Community Outcomes	Our Community Outcomes page added	Request from committee to highlight Community Outcomes earlier in the document	
17	Where the money went	Footnote added to capital expenditure graph	Feedback from committee	
Various pages	Service Performance: Summary	Word 'key' added before 'Impact on Community Wellbeing' in all wellbeing tables	Feedback from committee	
25	Service Performance: Democracy	Paperless system for elected members. Text updated to show system now implemented	Feedback from committee	
26	Service Performance: Democracy	Locations of Your Hamilton events in 2018/19 updated to reflect suburb they were held in	Feedback from committee	
26	Service Performance: Democracy	Final sentence added to show expected impact of increased engagement on this measure	Feedback from committee	
33	Visitor Attractions	Text on Zoofari funding amended to avoid repetition: which provides funding for zoo visits for students changed to which supports zoo visits by students. Zoofari's financial support is mentioned earlier in the sentence.	Clarity	
35	Visitor Attractions	Museum and zoo visitor numbers updated from 279,697 and 145,930	Additional information now available	
35	Visitor Attractions	Paragraph on % change in zoo numbers amended to reflect new figure	Additional information now available	
44	Parks and Recreation	Final sentence amended: reference to shallow children's pool deleted and 'at Waterworld' added for clarity	Shallow children's pool is not being upgraded	
50	Planning and Development	Reference to outstanding SHAs updated to show Quentin Dr and Rotokauri North now approved	Additional information now available	
50	Planning and Development	Paragraph inserted on REEP programme	To provide additional information	
51	Planning and Development	Paragraph inserted to explain issues identified with resource consent processing times and planned programme of improvements	To provide additional information	
56	Water Supply	Second paragraph under first measure replaced with updated information	Results of the external assessment of Hamilton's water supply now available	
68	Stormwater	Omitted footnote now added	Corrects error	
71	Transport	Footnote deleted	Deemed unnecessary	
72	Transport	Footnote deleted	Corrects error	
73	Transport	Table on fatalities and serious injuries updated to show the split between fatalities and injuries	Feedback from committee	
73	Transport	Date amended in third footnote	Reflects fatalities/serious injuries newly confirmed	
Various pages	Finance section	Group Figures for 2019 updated to reflect the final signed draft accounts for WRAL and WIGL Schedule can be provided	Final draft not received until beginning of Sept 2019 so were not incorporated in first draft.	
82	Finance section	Balancing the books updated from \$6,492 to \$6,491 to correct rounding	Correct rounding	
Various pages	Finance section	"classifications" have been added to the end of "Prior year comparatives have been aligned to 2018-28 10-Year Plan"	Feedback from committee	
85	Finance section - Note 1	Vibrant Hamilton Trust has been updated to say it is being "dissolved" rather than "liquidated"	Feedback from committee	
86	Finance section - Critical accounting estimates	Added "- estimating the provision for uncollectability of receivables - note 18"	Feedback from committee	

94	Finance section - Note 8 explanation	Added "due to a decline in market interest rates"	Feedback from Audit
95	Finance section - Note 10 explanation	Added to explanation "\$10.9M of the capital subsidies are still available and has been deferred to future years."	Feedback from committee
108	Finance section - Note 21	Added wording to the financial instrument disclosure - "The official cash rate (OCR) decreased from 1.75% at 30 June 2018 to 1.5% at 30 June 2019. Subsequently, in August 2019, the OCR further decreased to 1% this has resulted in a net increase in the derivative financial instruments liabilities of \$6.9M as at 23 August 2019."	Feedback from Audit
112	Finance section - Note 23	Added wording around why Melody Dairies Limited Partnership is a investment in associate.	Useful for the reader to understand
125	Finance section - Note 26	Added "The valuation was effective 30 June 2019"	Feedback from committee
127	Finance section - Note 28	Sick leave in accounting policy deleted as included twice	Feedback from committee

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	Final Group	Draft	
	Actual 2019	Actual 2019	Movement
	\$000	\$000	
Revenue			
Rates	181,153	181,153	-
Fees and charges	49,957	49,969	(12) Reduction in revenue from WIGL
Subsidies and grants	6,851	6,851	-
Interest revenue	3,707	3,711	(4) Eliminate interest paid to HCC from WIGL
Other revenue	9,179	9,179	-
Development contributions	24,632	24,632	-
Capital revenue	35,516	35,516	-
Vested assets	33,666	33,666	-
Total revenue	344,661	344,677	-
Expenses			
Personnel costs	81,968	81,968	-
Depreciation and amortisation expense	70,220	70,217	3 Additional depreciation recognised by WIGL
Finance costs	20,469	20,473	(4) Eliminate interest paid to HCC from WIGL
Operating and maintenance costs	52,100	52,096	4 Additional expenditure recognised by WIGL
Professional costs	10,368	10,368	-
Administration costs	17,338	17,338	-
Property costs	12,172	12,172	-
Total expenses	264,635	264,632	-
Operating surplus/(deficit)	80,026	80,045	-
Gains	5,591	5,591	-
Losses	(25,160)	(25,160)	-
Share of associates' surplus/(deficit)	1,033	1,189	(156) Reduction due to drop in profit from WRAL in final draft
Surplus/(deficit) before tax	61,490	61,665	-
Income tax expense	(13)	(17)	4 Reduction in WIGL tax expense
Surplus/(deficit) after tax	61,503	61,682	-
Other comprehensive revenue and expense			
<i>Items that could be reclassified to surplus/(deficit)</i>			
Financial assets at fair value through other comprehensive revenue and expense	945	945	-
<i>Items that will not be reclassified to surplus/(deficit)</i>			
Gain on property, plant and equipment revaluations	287,763	285,095	2,669 Increase due to increase in revaluation gain from WRAL
Income tax on other comprehensive revenue and expense	(605)	(605)	-
Impairment of revalued property plant and equipment	(2,893)	(2,893)	-
Other revaluation reserve movements	(6,864)	(6,864)	-
Total other comprehensive revenue and expense	278,346	275,678	-
Total comprehensive revenue and expense	339,849	337,359	-

STATEMENT OF FINANCIAL POSITION

	Actual 2019	Actual 2019	
	\$000	\$000	
Assets			
Current assets			
Cash and cash equivalents	51,571	51,571	-
Receivables	28,882	28,879	3 Increase in receivables from WIGL
Prepayments	2,316	2,316	-
Inventory	1,651	1,651	-
Non-current assets held for sale	-	-	-
Other financial assets	2,541	2,541	-
Total current assets	86,961	86,958	-
Non-current assets			
Derivative financial instruments	956	956	-
Other financial assets			-
- Investment in CCOs and other similar entities	6,445	6,445	-
- Other Investments	5,959	5,959	-
Total other financial assets	12,404	12,404	-
Investment in associates	51,263	48,750	Increase in investment in associate for WRAL mainly due to 2,513 revaluation gain increase.
Property, plant and equipment	4,300,925	4,300,929	(4) Due to decrease in depreciation recognised by WIGL
Intangible assets	19,338	19,338	-
Investment property	31,989	31,989	-
Total non-current assets	4,416,875	4,414,366	-
Total assets	4,503,836	4,501,324	-

& Risk Committee Agenda 23 September 2019- OPEN

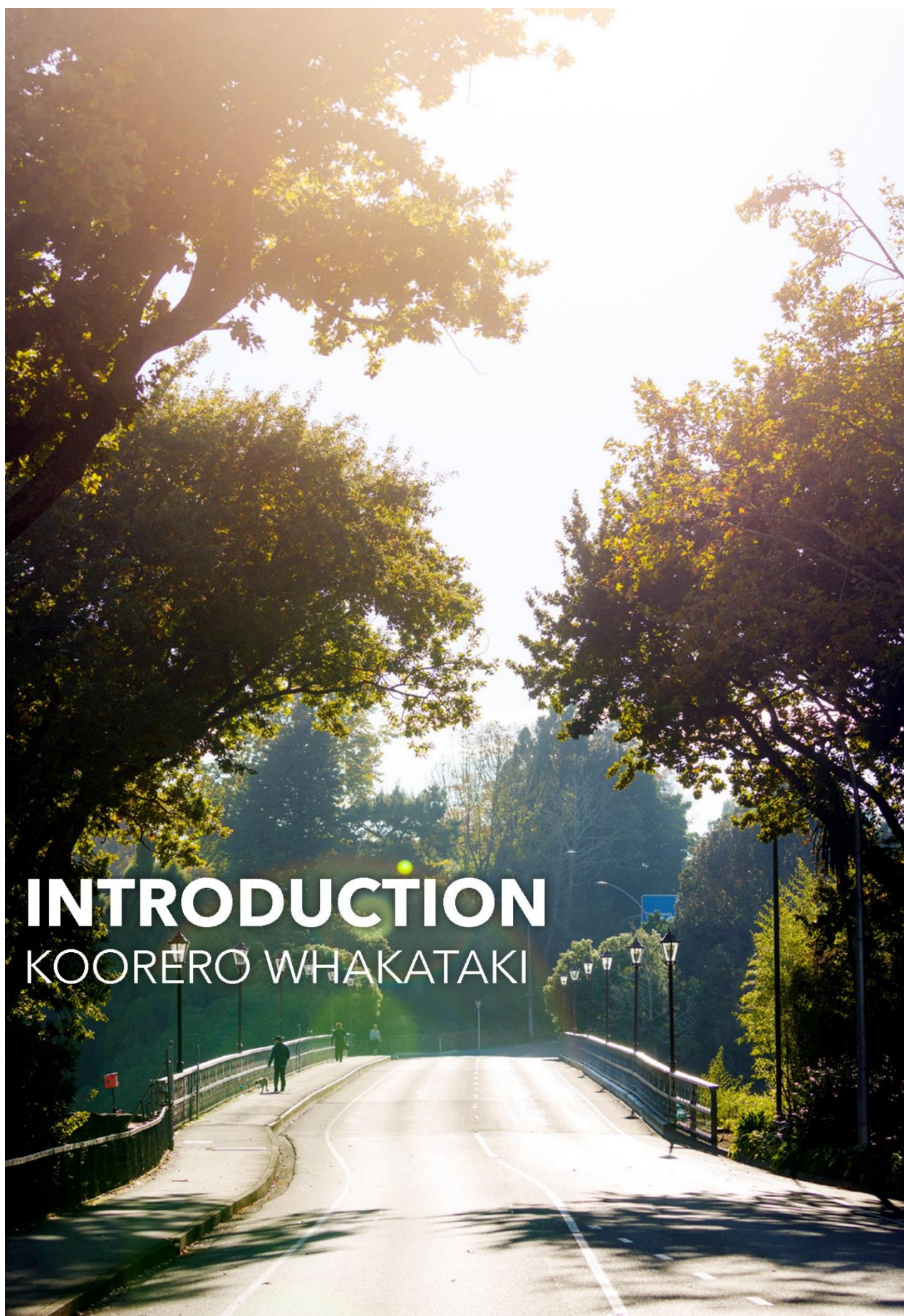
2018/19

ANNUAL REPORT

PUURONGO-AA-TAU

CONTENTS

INTRODUCTION	4
From the Mayor and Chief Executive	5
He kupu naa te Koromatua me te Tumu Whakarae	7
Our Hamilton	10
Our Financial Strategy	12
Our Community Outcomes	15
Where the money went	16
Your neighbourhood in 2018/19	18
SERVICE PERFORMANCE	20
Summary	21
Delivering on our Community Outcomes	22
Democracy Services	24
Venues, Tourism and Major Events	28
Visitor Attractions	32
Arts and Community	37
Parks and Recreation	41
Safety	46
Planning and Development	49
Water Supply	53
Wastewater	59
Stormwater	65
Transport	69
Rubbish and Recycling	76
FINANCES	80
Statement on comprehensive revenue and expense	81
Balancing the books	82
Statement of changes in equity	82
Statement of financial position	83
Statement of cash flows	84
Notes to the financial statements	85
Local Government disclosures	151
Whole of Council funding impact statement	152
Disclosure statement	153
Information on Council Controlled Organisations	158
Statement of compliance	164
AUDIT OPINION	165



INTRODUCTION

KOORERO WHAKATAKI

FROM THE MAYOR AND CHIEF EXECUTIVE

We are pleased to present Hamilton City Council's 2018/19 Annual Report and to reflect and report back on a positive year of steady progress for the city.

The Annual Report presents our financial results as measured against the budget for year one of the 2018-28 10-Year Plan. It also shows how we performed against the expectations we set for our service delivery.

The community sent us some very clear messages when we were developing the 10-Year Plan. You said you wanted us to take better care of the assets we already have, to renew and maintain our existing infrastructure. You also expected a thoughtful approach to growth that ensures the whole community benefits. And you wanted improvements to transport and community infrastructure that create a safer and more sustainable, mobile and vibrant city.

Over the past year we have made good strides towards delivering on this vision. We have done so while maintaining levels of service and working within our financial strategy.

REFLECTING ON 2018/19

Wherever you live, work and play in Hamilton, you would have seen our team hard at work last year, not just helping the city to develop but also looking after what we've got. In 2018/19 we renewed footpaths, resealed roads, installed new bus shelters, upgraded public toilets, replaced lights, refurbished Waterworld, replaced wastewater pumps and much more.

We are also working hard to improve community engagement. Earlier this year we introduced our Your Neighbourhood framework with the tagline 'Share your voice, shape your city'. This new approach aims to encourage and support all Hamiltonians to be involved in, and have influence over, Council activities and decision-making at an early stage. During 2018/19 we held three Your Neighbourhood events in Hamilton south (focused on Peacocke), Rototuna and in Nawton.

In October 2018, Council appointed five Maangai Maaori (the voice of Maaori) representatives to four key Council committees. The Maangai Maaori model is unique because all five Maangai Maaori have full voting rights on those committees. We are proud of this initiative and have been approached by councils throughout New Zealand for guidance on how they might implement something similar.

Hamilton is one of New Zealand's fastest growing metropolitan areas. To meet projected growth demands, we must have the right infrastructure in place. Development of Peacocke is the most visible growth project in Hamilton and this key area of work impacted nearly all parts of the Council during the year.

The \$290M of funding secured from Central Government

under the Housing Infrastructure Fund (HIF) in 2017/18 has enabled us to fast-track this critical growth cell for the city. By December 2018, we had already received subdivision consent applications for more than 850 homes of the estimated 3750 planned for. Within 30 years, Peacocke will be home to around 20,000 Hamiltonians and will be a vibrant new Hamilton neighbourhood.

With critical planning and design work underway, we should be ready to begin construction on most of the Peacocke capital programme by the end of 2020. These and other activities in 2018/19 reflect our vision for Hamilton to be a great river city that embraces growth and is led by a council that is best in business.

Our Regulatory Efficiency and Effectiveness Programme (REEP) has made Hamilton's District Plan easier to use. REEP has made 77 recommendations to reduce processing costs and time for the Council and our customers. These are being considered through a Plan Change process, with further proposed changes and improvements put to the community for feedback in August-September 2019.

The Thomas Rd/Gordonton Rd intersection was completed as part of a \$4.5M citywide road safety improvement programme. Improvements at this key junction included the introduction of traffic lights, a new 60km/h speed limit and raised safety platforms.

More than 500 children participated in our Hamilton Libraries' annual Summer Reading Programme, collectively notching up more than 4000 reading hours, while Hamilton Zoo attracted a record crowd of more than 3600 people to its 50th birthday celebrations in April 2019.

These achievements are just some of our highlights from 2018/19.

MANAGING OUR FINANCES

We achieved a balancing the books surplus of \$6.5M in 2018/19 compared with a deficit of \$9.4M forecast in the 10-Year Plan. Our balancing the books target measures how we are tracking against a goal of paying for everyday costs with everyday revenue (such as rates, fees and user charges). We had not expected to balance the books until 2021/22. The result is due to higher than budgeted revenue from rates, fees and user charges plus lower costs. We have made a concerted effort to reduce operating costs, while borrowing less has meant lower finance and interest costs.

We ended the financial year with a net debt balance of \$344M versus a 10-Year Plan projection of \$455M. Net debt is defined as the money we owe the bank, less cash. This lower net debt level was mainly because some capital projects were deferred into later years (capital projects are largely funded by debt). We also received more revenue than expected from rates on new properties and from

development contributions. Debt levels are expected to rise as our \$2B capital programme, the city's largest ever, gathers steam in coming years.

Our final debt to revenue ratio for 2018/19 was 125% against a target of 165%. This means we borrowed \$1.25 for every \$1 in revenue collected. The lower ratio was because we had less debt due to capital projects shifting years and more rates revenue than expected due to growth.

We expect the pressure to come on our finances in the next few years as we build on delivery of our ambitious capital programme. That programme responds to the challenge of ongoing growth and the need for continued investment in our city and its amenities. Debt is expected to peak in 2022/23.

DELIVERING ON YOUR EXPECTATIONS

Monitoring our delivery against the service commitments set in the 10-Year Plan helps us judge how well we are doing. In 2018/19 we met or exceeded 36 of our 50 non-financial performance targets. Of those 50, four were new measures set during the 10-Year Plan. The 2018/19 goal for those four was to set baseline targets, which we did. We will start reporting against those targets next year. We did not meet the 10 remaining targets and have plans in place to address this.

One of those measures illustrates the challenges of managing a city in growth mode. We set a target of at least three years capacity of business-zoned land ready for use and we currently have 2.4 years. While there is plenty of land for retail and commercial business, the challenge is finding land for industrial use. We are working on a change to the District Plan to enable further land for industrial development in northern Te Rapa.

Continued growth across the city resulted in an increase in the number of non-notified land use and subdivision consents processed in 2018/19, with 12% more processed than last year. This increased activity has put pressure on our processes and meant that for some resource consents, the processing times recorded in our consenting system do not agree to the underlying consenting information. This has resulted in one of our performance measures receiving a modified audit opinion. We have identified and begun to implement improvements to address these findings.

Two of the other non-achieved targets relate to community perceptions about how positive a place Hamilton is to live in. While growth brings increased revenue to the city,

there is no doubt it can be challenging and potentially disruptive to the people who already live here. During the year our community survey showed there was a sense of disquiet from some Hamiltonians, who identified increased congestion, increased crime and the high cost of living as unwelcome changes in their city.

While some of these issues may be expected, negative impacts of growth are not something we accept as inevitable. Our focus will continue to be on balancing the opportunities of growth with ensuring Hamilton remains a liveable city that improves the wellbeing of all who live here.

LOOKING AHEAD

In May 2019, the Local Government Act 2002 was amended to reintroduce four wellbeings into the purpose of local government. We are now required to play a broad role in promoting the social, economic, environmental and cultural wellbeing of our community. As a Council, we have work to do in teasing out what those wellbeings mean specifically for Hamilton and how we can best represent them in our activities and work programmes. This will be a key focus in the coming year.

We will continue to work with key partners on initiatives such as the Hamilton to Auckland Corridor Plan, which provides a framework for managing growth, enhancing communities and protecting the natural and cultural assets along this important route. On core issues as important as transport and infrastructure, we must get it right.

As we reflect on the year, we wish to sincerely thank Council staff for the enormous contribution they make to the running of our city. Hamilton City Council employs more than 1000 people in diverse and often challenging roles.

We would also like to thank the residents of Hamilton for their forthright views and the passion we share for this city.



Andrew King
Mayor



Richard Briggs
Chief Executive

HE KUPU NAA TE KOROMATUA ME TE TUMU WHAKARAE

Teena koutou e ngā iwi, teenei te whakapuaki i te Riipoata aa-tau 2018/19 a te Kaunihera o Kirikiriroa, ka hoki mahara ai, otiraa, he tuku puurongo anoo raa i runga i ngā kauneke o te taaone nei.

Ko taa te Riipoata aa-Tau nei, he whakaatu i ngā hua puutea, ki taa te tahua puutea moo te tau tuatahi o te Mahere Tekau Tau, 2018-28. Ka aata kitea hoki ngā whakatutukinga ki taa maatou i manako ai.

E maarama puu ana ngā koorero a te hāpori ki a maatou, i taa maatou whakariterite i te Mahere Tekau Tau. Tāu i kii mai ai, me pai ake taa maatou tiaki i ngā rawa, kei a taatou tonu, aa, me whakahou, whakapakari hoki i aa maatou puunaha whakahaere. Otiraa, ko tāu anoo hoki, me aata whakaaro e maatou ngā mahi whakawhānui rawa hei painga moo te katoa. Waihoi, i pīrangi hoki koe, me whakatikatika ngā puunaha waka, hāpori hoki e hua mai ai he taaone haumarū, mau roa, korikori hoki.

Noo roto o te tau kua huri, kua kotahi te waiho e o te waka kia tutuki teenei whakakitenga. I taea tonutia e maatou te whakatutuki i ngā mahi i runga i te taumata, i roto hoki i te rautaki puutea.

HE HOKINGA WHAKAARO I ROTO I TE TAU 2018/19

Ahakoia kei whea toou kaainga i Kirikiriroa, kaaore hoki e kore, kua kite mai koe i too maatou tiima e whakapau werawera ana i te tau ka huri nei, hāuanga ngā mahi whakawhānake, engari kee, he tiaki i ngā rawa, kei a taatou tonu. I roto i te tau 2018/19, i whakahoungia ngā ara whiiko, i whakatikāngia ngā rori, i whakatuungia ngā piruru pahi hou, i whakahoungia ngā whareiti, ngā raaiti, tae atu ki a Ao-kauhoe, aa, i hokona eetei papu wai-kino hou, me te huhua anoo hoki o ngā mahi i oti i a maatou.

Ko teetei anoo mahi a maatou, he whakakaha i te taukaea i waenganui i te Kaunihera me te hāpori. I te tiimatanga o te tau nei, ka puta taa maatou tiirewa, Too Waahi Noho me te whakataukii 'AAkina too reo, aahuatia too taaone'. Tā teenei titiro hou, he akiaki i a Ngāi Taatou o Kirikiriroa nei, kia kuhu ki roto i ngā whiriwhiri a te Kaunihera me ngā whakatahi i toona maarewatanga raa anoo. Noo roto i te tau nei, e toru ngā kaupapa, Too Waahi Noho i tuu ki te tonga me te uru o Kirikiriroa, ki Rototuna hoki.

I te Oketopa, 2018, tokorima ngā Maangai Māori i tohua e te Kaunihera ki ngā komiti whai mana tonu o te Kaunihera. He motuhenga teenei hanga Maangai Māori, naa te mea, kei eenei tuuranga tokorima te mana pooti ki eeraa komiti. E tairanga ana te ngākau i teenei aahuatanga, anaa, kua tae mai ngā tono a Kaunihera kee, huri i te motu, he kimi aawhina mai i a maatou, me peewhea hoki e raatou teetei hanga peenei.

Ko Kirikiriroa teetei whaitua kanorau i Aotearoa katoa, ka nui te horo o te tupu. Kia tutuki ngā wero o te tupu hohoro, me maaro ngā puunaha me ngā whakahaere. Ko Peacocke teena, kei te tihi o whakaaro, teetei kaupapa nui whakahirahira - i heke a mootuhi i oo maatou tari katoa ki teenei kaupapa i roto i te tau.

Nā te puutea, e rua rau, e iwa tekau miriona i riro mai i te Kaawana i raro i te Tahua Puunaha Whare (HIF) i te tau 2017/18 i taea ai te whakahohoro i teenei whanaketanga matua moo te taaone. Tāu rawa ki te Tiihema 2018, e waru rau, e rima tekau ngā tono whakaaetanga whakatuu whare kua ea kee, o ngā tono e toru mano, e whitu rau, e rima tekau te matapaetia nei. Hei roto i ngā tau toru tekau e haere ake nei, ko toona rua tekau mano taangata ka whakakaainga i a raatou anoo ki Peacocke.

I roto i ngā mahere me ngā ritenga waihangā e haapaitia ana inaaia tonu nei, ko te whakapae ia, hei te hiku o 2020, kua tiimata noa ngā mahi nui - whakariterite, papa tahi, ki Peacocke. Ko ngā kaupapa nei me eetei anoo o te tau, he whakakite ake i taa maatou titiro pae tawhiti, he taaone whai awa, miiharo nui e tauawhi ana i te tupu whanake, e maataua ana toona Kaunihera, he taki i te taaone ki te taumata toa.

Nā te Mahere aa-Rohe o Kirikiriroa i oti i a maatou, kua maarama noa atu te whai i te Hootaka Whakatika Whakaritenga (REEP). E whitu tekau maa whitu ngā aaki a REEP hei whakahaere i ngā nama me te waa maa te Kaunihera me oona taangata. Kei te tirohia eenei i teenei waa tonu maa roto i teetei whakahaere Whakahou Mahere, me eetei atu tiini, whakapakaritanga hoki ka whakapuakina hei wewete maa te hāpori i te AAkūhata me te Hepetema, 2019.

I oti te riipekatanga ki ngā rori o Thomas me Gordonton i raro i te kaupapa haumarū, whakahou rori, puta noa i te taaone, e whā irakati miriona tāra toona wāriū. Ko ngā whakahoungā i teenei riipekatanga, ko ngā raaiti hou, ngā papa rewā me te heke o te tere ki te ono tekau kiromita.

E rima rau neke atu ngā tamariki i kuhu ki taa maatou Hootaka Raumati aa-tau, Paanui Pukapuka ki te Whare Pukapuka o Kirikiriroa, ko toona whāa mano hāora i pau i te paanui, aa, e toru mano, e ono rau ngā taangata, he riikoata teenei, i toro ki te Whare Kararehe o Kirikiriroa, i a ia ka whakanui i toona rāa whānau rima tekau i te marama o AAperira 2019.

Koia noa eenei eetei o ngā puuawaitanga mai i te tau nei 2018/19

TE TIAKI PUUTEA

I eke i a maatou he huanga e ono irakati rima miriona tāra i tau nei 2018/19, teena i teetei nama e iwa irakati whāa miriona tāra te matapaetia nei ki roto i te Mahere Tekau

Tau. Taa maatou whakatika pukapuka, he arotake i te ahunga whakamua, ki teetehi whaainga, ka utua ngaa nama o ia raa ki ngaa puutea o ia raa (peenei me ngaa reeti, ngaa nama noa, me ngaa nama kaiwhakamahi). I whakapaetia keetia, hei te tau 2021/22 raa anoo ngaa pukapuka whakatikangia ai. Naa ngaa reeti, ngaa nama noa me ngaa nama kaiwhakamahi tae atu ki te hekenga o ngaa whakapaunga puutea i taea ai. E aata whai ana maatou kia heke ngaa nama whakahaere, kia iti iho hoki te puutea taurewa, aa, ka iti tahi hoki ngaa nama itareti.

I te mutunga o te tau, e toru rau, e whaa tekau maa whaa miriona taa maatou nama neti, ki taa te Mahere Tekau Tau, e whaa rau, e rima tekau maa rima miriona taara te matapaetia nei. Ko te nama neti nei, koia teenei ko te puutea taurewa ki te peeke, engari, kaua ko te puutea noa. I peeraa ai te nama neti, naa te mea, kiihai eetehi kaupapa matua i puaawai, he mea nuku ki t/eetehi atu tau (katoa eenei kaupapa matua, he mea utu e te puutea taurewa). He nui hoki ngaa puutea i whakaritea, he roo mai i ngaa whare hou me kaupapa whakatuu whare hou. E matapaetia nei, ka eke ngaa nama hei whakatutuki i taa maatou hootaka kaupapa matua i ngaa tau e haere ake nei, e rua piriona taara te nui, kiihai i kitea teenei nama nunui i ngaa tau ka huri nei.

Inaa whakaritea atu taa maatou nama ki te aawhata puutea moo te tau 2018/19, ko te kotahi rau, e rua tekau maa rima paiheenet, teenaa ki te whaainga, kotahi rau, e ono tekau maa rima paiheenet. Ko te tikanga ia, kotahi taara, e rua tekau maa rima heenet taa maatou i nama ai moo ia taara kotahi i kohia. Naa te nuku o ngaa kaupapa matua ki tau kee me te pikinga o ngaa puutea reeti i peenei ai te aawhata nei.

Ko te whakapae, ka uu ngaa peehitanga ki te kete puutea hei ngaa tau e haere ake nei, i a maatou ka whakatutuki haere i teenei hootaka kaupapa matua. Naa te tupu whanake o te taaone nei, me whakauru puutea ki ngaa waahi e tika ana. Hei te tau 2022/23 e matapaetia nei, ka eke ngaa nama ki toona taumata.

TE WHAKATUTUKI I OO HIAHIA

Maa te arotake i aa maatou mahi ki ngaa whakaritenga i takoto i te Mahere Tekau Tau ka kite ai maatou, aae raanei, kaaore raanei, kei te huarahi tika maatou. I te tau 2018/19, i eke i a maatou te toru tekau maa ono o ngaa whaainga puutea kore e rima tekau i tohua ai maa maatou. O eeraa rima tekau, e whaa ngaa mea hou i whakaritea noo te whakatuunga o te Mahere Tekau Tau. Ko te whaainga o te tau 2018/19, he whakatakoto whaainga tuuaapapa, anaa, i tutuki teenei. Ka tiimata te ine i eeraa whaainga aa teeraa tau. Kiihai i tutuki ngaa whaainga tekau, otiraa, kua takoto teetehi mahere e aa ai eenei aahua.

Ko teetehi o eeraa arotake, he tohu i ngaa wero o te tiaki i teetehi taaone e kaha tupu ana. Taa maatou whaainga, kia toru ngaa tau e rite ai eetehi whenua pakih, anaa, kei teenei waa e rua tau me te haurua oo maatou. Ahakoa he nui te whenua moo ngaa pakih, me uuaa kee e puta ai he whenua moo te raangai ahumahi. E tirohia ana teetehi whakahounga i te Mahere aa-Rohe e taea ai te whakaae i teenei whakaaro ki teetehi kaupapa ahumahi i te raki o Te Rapa.

Naa te kaha whanake, huri noa i te taaone, ko te tutuki o ngaa tono maha tonu e paa ana ki te whakamahi whenua paanui kore me te waawaahi whenua hoki i te tau 2018/19, inaa raa, ko toona tekau maa rua paiheenet i te pikinga ake

o ngaa tono, mai i teeraa tau. Naa te pikinga o ngaa tono nei, kua takamuri eetehi o aa maatou whakahaere tono, araa, ko eetehi o ngaa tono rauemi, e tino toomuri ana te whakatutukinga, kiihai ngaa waa wewete tono i taa maatou puunaha whakaae i rata ki ngaa paarongo tuuaapapa moo ngaa tono. Ko te hua i puta, ko te arotakenga o teetehi o aa maatou paerewa whakatutuki. Kua maarama ki a maatou te raru nei, kua tiimata hoki ngaa whakatikatika hei rongooa atu i eenei ngoikoretanga.

Ko ngaa whaainga e rua nei, kiihai i tutuki, e haangai ana ki te titiro a te hapor i runga i ngaa whakaaro papai moo Kirikiriroa hei kaainga noho moo te tangata. Ahakoa ka piki ake te tahua a te taaone i toona tupu whanake, teeraa hoki ngaa uauatanga me ngaa pooreareatanga ka paa ki te iwi noho kee i konei. Naa roto i taa maatou arotake ka puta ngaa tohu, teeraa eetehi taangata e hooahaa ana i te tini haere o ngaa iwi, i te pikinga o ngaa mahi nanakia me ngaa utu.

Ahakoa, koinei te aahua o ngaa wero ka paa mai, kaaore maatou e whakaae ana ki te whakaaro, maa te tupu whanake, ko te paanga kino. Ko taa maatou anga nui, he aata tiaki i ngaa tini huarahi ka tupu tahi me te whanake, he tiaki hoki i te hapor i tau ai te noho ki konei, e puta ai te ora ki te katoa.

TE ANGA WHAKAMUA

Noo te Mei, 2019, ka tiinia te Ture Kaawanatanga aa-Rohe 2002 kia uru ai e whaa ngaa kaupapa hauora ki te kiko o te kaawanatanga aa-rohe. Inaaiane, me whai waahi maatou ki roto i ngaa kaupapa whakatairanga hauora peenei me te hapor i, te puutea, te taiao, me te ahurea o te hapor i. Taa maatou e whai nei, he rapu, he aha ia te tikanga o aua kaupapa hauora e whaa ki Kirikiriroa nei, aa, me peewhea raa te whakatinana i eeraa aahua i aa maatou kawenga, hootaka hoki. Ka noho teenei hei whakamaunga kanohi matua maa maatou ki roto i te tau te mahuta mai nei.

Ka kookiri tonu maatou me oo maatou hoa whakangaatahi peenei me ngaa kaupapa, te Mahere Huarahi o Kirikiriroa ki Taamaki Makaurau, i kitea nei he tiirewa hei tiaki i te tupu whanake - he whakapakari hapor i, he tiaki hoki i ngaa rawa o te taiao me ngaa taonga Maaori ki eenei huarahi. Moo runga i ngaa kaupapa nui peenei me ngaa huarahi, ngaa puunaha hoki, me maatua tika aa maatou mahi.

I a whakaaro ka tiu i ngaa tini kaupapa o te tau ka huri nei, ko aumihi teenei te maiangi ki ngaa ringaringa me ngaa waewae o te Kaunihera, i heke ai a mootuhi, i piko ai a tuaraa, teenaa koutou. Neke atu i te kotahi mano ngaa kaimahi te mahi mai ki roto i te Kaunihera, kei ngaa tuuranga kanorau, uuaa hoki, teenaa koutou.

Teenei te reo maioha e rere atu naa ki a koutou, te hunga o Kirikiriroa, i oo koutou whakaaro, i too koutou aroha e mau tahi nei i a taatou moo teenei taaone.



Naa Andrew King
Koromatua



Naa Richard Briggs
Tumu Whakarae



Item 6

Attachment 2

OUR HAMILTON

HAMILTON | KIRIKIROA

The gateway to the central North Island, Hamilton, originally named Kirikiriroa by Maaori, is New Zealand's largest inland city. The mighty Waikato River flows for 16 kilometres through the city with the eastern and western suburbs on either side.



Hamilton's earliest settlers included Maaori from the Tainui waka, who called the area Kirikiriroa meaning long strip of gravel, and this remains the Maaori name for the city



The area has a history of **700-800 years** of Maaori occupation and settlement, highlighted by paa sites, traditional gardens and agricultural features along the **Waikato River**

Formal European settlement

began on 24 August 1864, when Captain William Steele disembarked from the gunboat Rangiriri and established the first redoubt near what is now Memorial Park

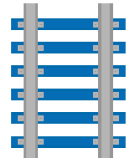


The Borough of Hamilton was established on 27 October 1877 with a population of 1245 and an area of 752 hectares, through the combining of the East and West settlements. On 13 December 1945, Hamilton became a **city with 20,000 citizens**

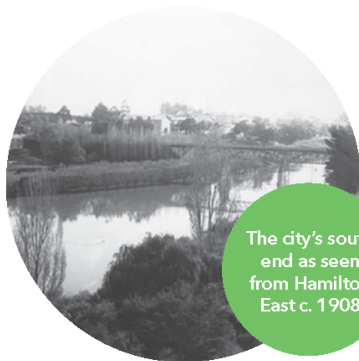
There are five Tainui hapuu (sub-tribes) that continue to hold mana whenua (traditional) **connections to the land and waterways within Kirikiriroa/Hamilton**



In 1867 the road was opened to Auckland and a regular coach service began, followed by **railway from Auckland** in 1877

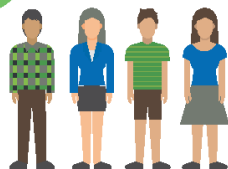


In the 1860s, the New Zealand Wars and the NZ Settlement Act enabled land to be taken from Maaori by the Crown; **a total of 1.2M hectares** was confiscated in the Waikato region and provided the basis for subsequent European settlement in Hamilton



The city's south end as seen from Hamilton East c. 1908

EMBRACING GROWTH



WE'RE BOOMING

Our population is expected to increase from **169,300 (June 2018) to 187,600 in 2028.** That's an average of nearly 40 new residents every week!

1552 homes

were consented **in 2018/19, an increase of 35% on 2017/18**

and the highest number of new home consents approved since digital records began in the 1990s



WE'RE BUILDING

Rototuna



With so many new residents, we are planning for an extra **12,500 homes by 2028** from infill housing and new development

WE'RE WELCOMING

WE'RE INVESTING



The Council's 2018-28 10-Year Plan includes a **record \$2B** to enable and support growth, improve transport and look after the things we already have

A GREAT RIVER CITY

WE'RE YOUTHFUL



Hamilton's median age is 32, the lowest of all cities in New Zealand

WE'RE A DESTINATION



Approximately 23% of current residents were born overseas. Tertiary institutions The University of Waikato, Wintec and Te Waananga o Aotearoa enrol more than 40,000 students each year, from around New Zealand and the world

WE'RE DIVERSE



Hamilton's residents represent more than

160 different ethnic groups



WE'RE FEELING GOOD

84% of residents rate their quality of life positively (2018), and a third of our community believe their quality of life has increased over the last 12 months. This change is the highest of the eight major cities surveyed*

WE'RE HAPPY HERE



75% of residents think their city is a great place to live*

WE'RE PLAYFUL



The city has more than 1000 hectares of open space with 145 parks and gardens, 85 playgrounds and 63 sports areas



Victoria on the River

BEST IN BUSINESS

WE'RE CONTRIBUTING



Hamilton's GDP is \$8.08B, **approximately 3.4% of New Zealand's total.**

Hamilton's GDP is growing at 3.9%, greater than New Zealand's growth of 3% (to September 2018)

WE'RE IN THE ACTION

Hamilton sits with Auckland and Tauranga in the **Golden Triangle, a powerful region with half the country's population, generating half the country's GDP.** Through the Hamilton-Auckland corridor partnership, we've connected with Auckland, mana whenua and other councils to coordinate growth.

WE'RE WORKING

Hamilton's economy supports **15,027 businesses** (up from 14,424 in 2016) and **92,735 employees**, (up from 87,600 in June 2016)

WE'RE PARTNERING



Hamilton's community is working together to deliver projects such as the **\$73M Waikato Regional Theatre**

WE'RE APPEALING



Waikato is New Zealand's fifth biggest tourism economy, **contributing \$1.571B annually**, with Hamilton the region's tourism hub

Casabella Lane



* <https://www.nzps.co.nz/quality-of-life/2018>

OUR FINANCIAL STRATEGY

Our 2018-28 10-Year Plan includes a financial strategy that aims to enable us to respond sustainably to growth in a way that is cost-effective for existing ratepayers. The Financial Strategy's guiding principles are:

- Everyday expenses are funded from everyday revenues.
- Service levels and assets are maintained.
- Surpluses are generated to repay debt.
- Investment in community, infrastructure and growth initiatives is supported.
- Investments are funded from debt.

The Financial Strategy can be read in full in the 2018-28 10-Year Plan or on our website. It sets limits on the amount of debt we can take on compared to revenue (the debt to revenue ratio) and forecasts net debt (the money we owe lenders, less cash) and when we will balance the books. The Council books are balanced when everyday revenue pays for everyday expenses.

Against the strategy, we exceeded our balancing the books target for 2018/19 by \$15.9M and ended the financial year with a net debt balance \$111M lower than projected. The results for the year are positive. However, Hamilton is projected to continue growing and our infrastructure (from transport and water networks to parks and playgrounds) needs to support this growth.

RATES

The 10-Year Plan sets the limits on average rate increases to existing ratepayers. Under the plan, rates increases were limited to 9.7% in 2018/19 and 3.8% from 2019/20 onwards. We have stayed within these limits: the actual average rate increase for 2018/19 was 9.7% and the 2019/20 Annual Plan confirmed an average rate increase of 3.8%.

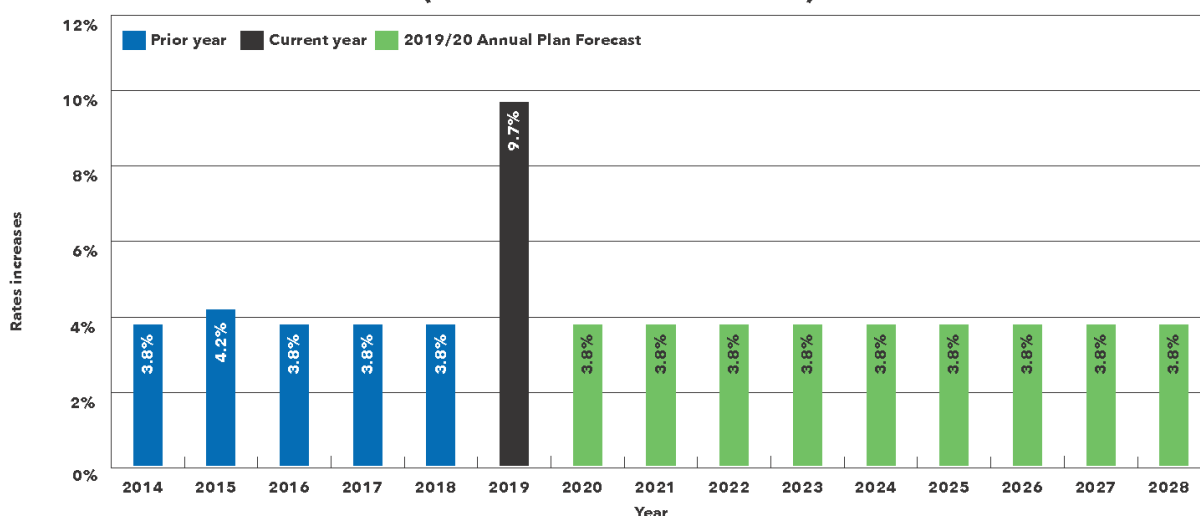
BALANCING THE BOOKS

The balancing the books measure is a way of assessing our operating performance. You can see how our balancing the books measure is calculated on page 82. There are other ways to measure operating performance, including the Government's balanced budget measure, which we report against in the Disclosure Statement section of this report on page 153.

The main differences between the two measures are:

- Our measure removes capital revenue (NZ Transport Agency subsidies for capital expenditure and other capital contributions). These revenue items are included in the Government measure. We exclude this revenue as it funds specific capital items and is therefore not available to fund everyday costs
- The Government measure removes all revenue from development contributions (fees charged for new developments). Our measure only removes a portion of development contributions revenue (the portion retained is to cover interest costs on development contributions-funded growth assets)
- Our measure removes certain revenue not considered everyday (such as the fair value benefit on the Housing Infrastructure Fund loan from Central Government). It also removes certain expenditure not considered everyday (such as grants for the Waikato Regional Theatre and the discount unwind on the Housing Infrastructure Fund loan). These are not adjusted for in the Government measure.

AVERAGE RATES INCREASES (TO EXISTING RATEPAYERS)

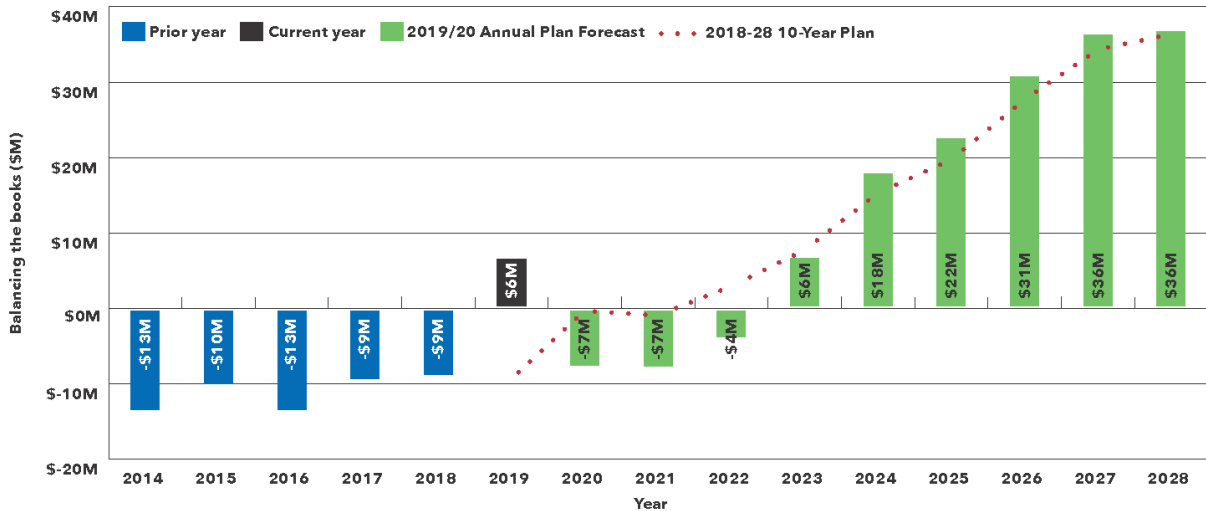


We exceeded our balancing the books target in 2018/19, with an adjusted operating surplus of \$6.5M against a target of a \$9.4M deficit. Using the Government's balanced budget measure, we are reporting a surplus of \$21.5M against a budgeted surplus of \$28.3M.

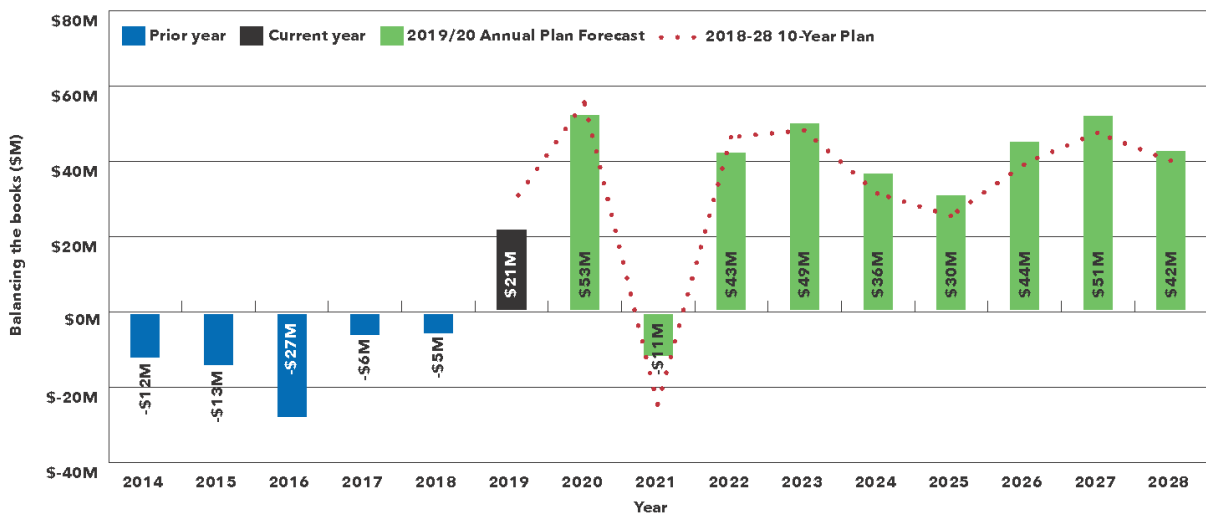
The significant revenue and expenditure variances that contributed to our balancing the books result include:

- higher than budgeted rates (\$1.4M) due to greater than expected growth and revenue from water rates;
- higher than budgeted revenue from fees and charges (\$5.4M) across the organisation due to high levels of activity in the city;
- lower than budgeted finance costs and higher interest revenue (\$1.2M) due to lower debt and interest rates;
- lower than budgeted operating expenses (\$3.2M), which includes lower personnel costs, professional costs and administration costs.

BALANCING THE BOOKS - HAMILTON CITY COUNCIL MEASURE



BALANCING THE BOOKS - GOVERNMENT MEASURE



DEBT

The definition we use for debt is money we owe the bank, less cash. We refer to this as a net debt. To see the details of how this figure is calculated, see note 30 to the financial statements on page 130.

We ended the financial year with a net debt balance of \$344M, lower than the projected target of \$455M. Our debt is now 125% of revenue against a performance target of 165%.

The main reasons for this favourable result are:

- higher than budgeted rates (\$1.4M) due to greater than expected growth and water rates;
- higher than budgeted revenue from development contributions (\$7.1M);
- savings of \$8M on 16 capital projects;
- deferral of 108 capital expenditure projects with a value of \$96M from 2018/19 to future years.

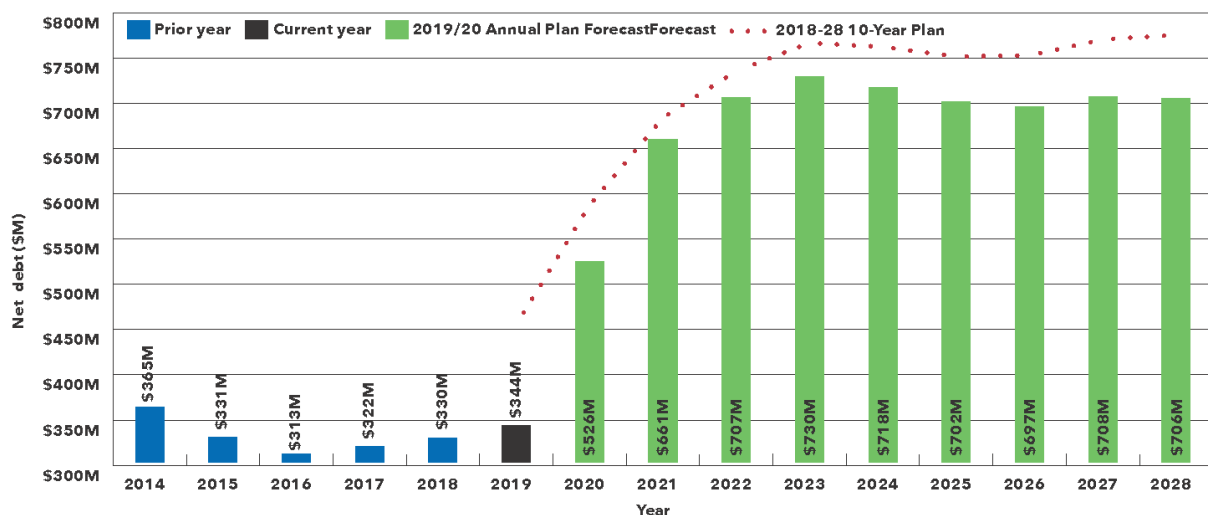
The 2018/19 approved capital budget was \$254.8M (including deferrals) and was a significant increase over the 2017/18 budget of \$100.7M. Actual spend for the capital portfolio was \$152.1M, representing a 51% increase on the prior year spend (\$51.4M).

Project deferrals have a favourable impact on our financial result. However, it is only a timing impact as the expenditure will still be incurred, although later than originally planned.

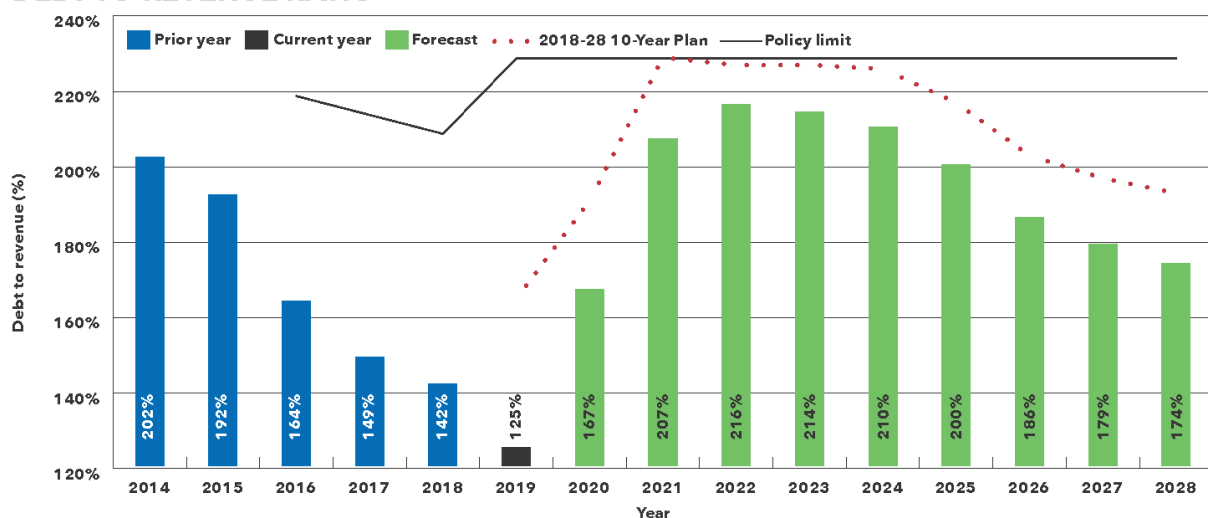
Projects were deferred due to:

- third party delays e.g. infrastructure that is dependent on developers;
- contractual delays e.g. a design issue or delay in the tender process;
- delays due to change in project scope or change in prioritisation by the Council.

NET DEBT



DEBT TO REVENUE RATIO



OUR COMMUNITY OUTCOMES

Our community outcomes describe what we aim to achieve for our community and what you can expect us to work towards. These outcomes have helped shape the development of the 10-Year Plan.

All the activities we carry out contribute to the overall achievement of our community outcomes.

If we achieve all the expectations we have set for our service delivery, we will be making progress on achieving all three outcomes.

OUR THREE COMMUNITY OUTCOMES ARE:



A GREAT RIVER CITY

Our city embraces its natural environment and has green spaces, features and community facilities that make it a great place to live, work, play and visit.



A CITY THAT EMBRACES GROWTH

Our city has infrastructure that meets our current demands, supports growth and helps build a strong economy.

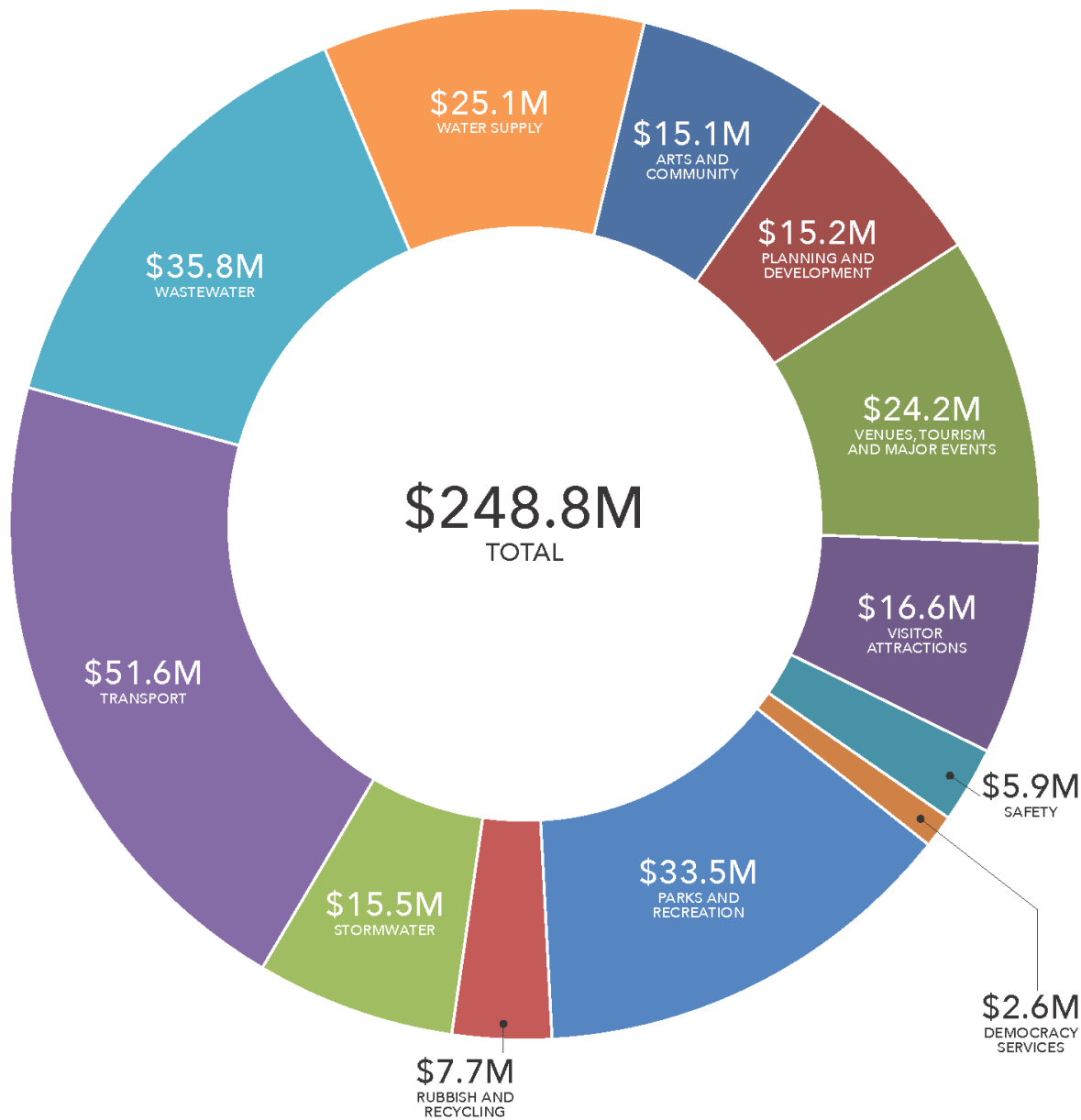


A COUNCIL THAT IS BEST IN BUSINESS

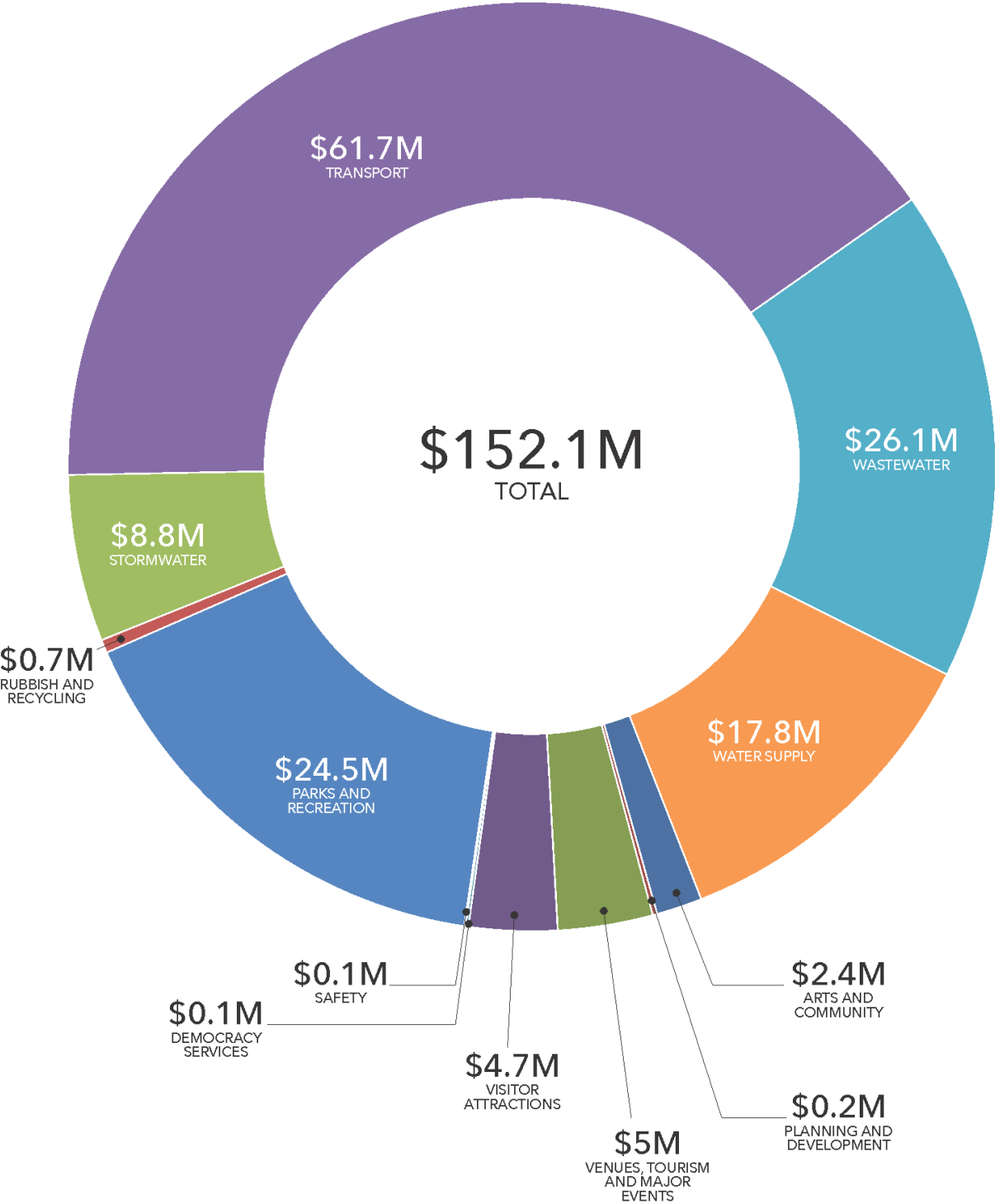
Our council is customer focussed, financially sustainable and has the best people delivering the best outcomes for the city.

WHERE THE MONEY WENT

OPERATING EXPENDITURE BY ACTIVITY 2018/19 YEAR



TOTAL CAPITAL EXPENDITURE BY ACTIVITY 2018/19 YEAR*



* Capital expenditure by activity represents the gross capital spend before accounting for any associated capital subsidies received.

YOUR NEIGHBOURHOOD IN 2018/19

Here's just some of what went on...

FLAGSTAFF

Hare Puke Park playground named
NZ Playground of the Year
in May 2019



LED lights installed across
the neighbourhood

Pedestrian traffic lights installed
outside Alandale Retirement
Village and Flagstaff shops, part
of a **\$4.5M** citywide road safety
improvement programme

ROTOTUNA, HUNTINGTON

Community meets Council
at our Rototuna Your
Neighbourhood event in March 2019



Mangaiti Park
neighbourhood
playground
opens

Traffic lights installed
at Thomas Rd/Gordonton
Rd intersection



QUEENWOOD, CHEDWORTH, CHARTWELL

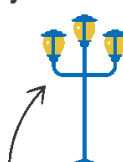


Pruning along
Hukanui Rd to
remove safety
hazards and
keep our trees
healthy

Kids at Chartwell Library read
with **1M** others in the Australasian
Simultaneous Storytime

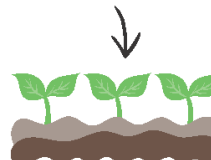


LED lights installed across the
neighbourhood, part of a **\$1.2M**
citywide renewals programme



PORRITT, FAIRFIELD, ENDERLEY, FAIRVIEW DOWNS

Noxious weeds removed
from Fairfield Esplanade river path



Pedestrian crossings upgraded
outside Bankwood School and
Fairfield College



**Kids on
Bikes course**
at Enderley
Community
Centre

CLAUDELANDS, PEACHGROVE, HAMILTON EAST

New cricket block
installed at Clyde Park

Drainage improvements at
Galloway Park sports field

Footpaths renewed in Hamilton East and Peachgrove,
part of a **\$4.6M** citywide programme



HILLCREST, SILVERDALE, RIVERLEA, RUAKURA

New chipseal for Knighton Rd,
part of a **\$5M** citywide road
resurfacing programme

**New pump track and
playground** in Hillcrest

Pedestrian crossing upgraded
outside Hillcrest High School



TE RAPA, PUKETE, ST ANDREWS, BEERESCOURT, FOREST LAKE

Several sections of Te Rapa Rd
resurfaced



Forest Lake Rd footpath, kerb and
channel replaced



Flood-prone river path through
Matakanohi Reserve repaired

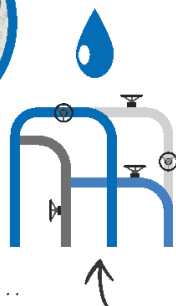


ROTOKAURI, NAWTON, WESTERN HEIGHTS, CRAWSHAW

Waiwhakareke Natural Heritage Park
paths, toilets and viewing
platforms upgraded



Two Council-
funded murals
painted
in Newton



Bulk water pipes completed
at Rotokauri

DINSDALE, TEMPLE VIEW



Tree pruning on
Whatawhata Rd



Footpaths renewed
in Dinsdale



LED lights
installed
across the
neighbourhood

MAEROA, SWARBRICK, FRANKTON JUNCTION

Maeroa Rd/Rimu St roundabout
resurfaced

Killarney Rd/Ellis St intersection
upgraded with new pedestrian
refuge islands and wider footpaths

Beautification of Commerce St in
Frankton Village completed with
new paving and seating



WHITIORA, HAMILTON LAKE, HAMILTON CENTRAL, HAMILTON WEST



Wastewater pipes replaced
along Mill St, part of a \$3M
citywide programme to renew
wastewater infrastructure



Maintenance and repair work
on the Western Rail Trail



Tree removal
and replanting
at Innes Common

MELVILLE, BADER, DEANWELL, GLENVIEW, FITZROY, PEACOCKE

Gallagher Aquatic Centre pool
retiled, floor replaced, interior
repainted and pumps and filter
conditioned



Pedestrian crossing upgraded
outside Deanwell School



Community meets Council
at our Glenview
Your Neighbourhood event in
April 2019





SERVICE PERFORMANCE

PAEARU MAHI RATONGA

SUMMARY

This part of the Annual Report covers the services we provide. Here you can read about how we performed against our service commitments for 2018/19.

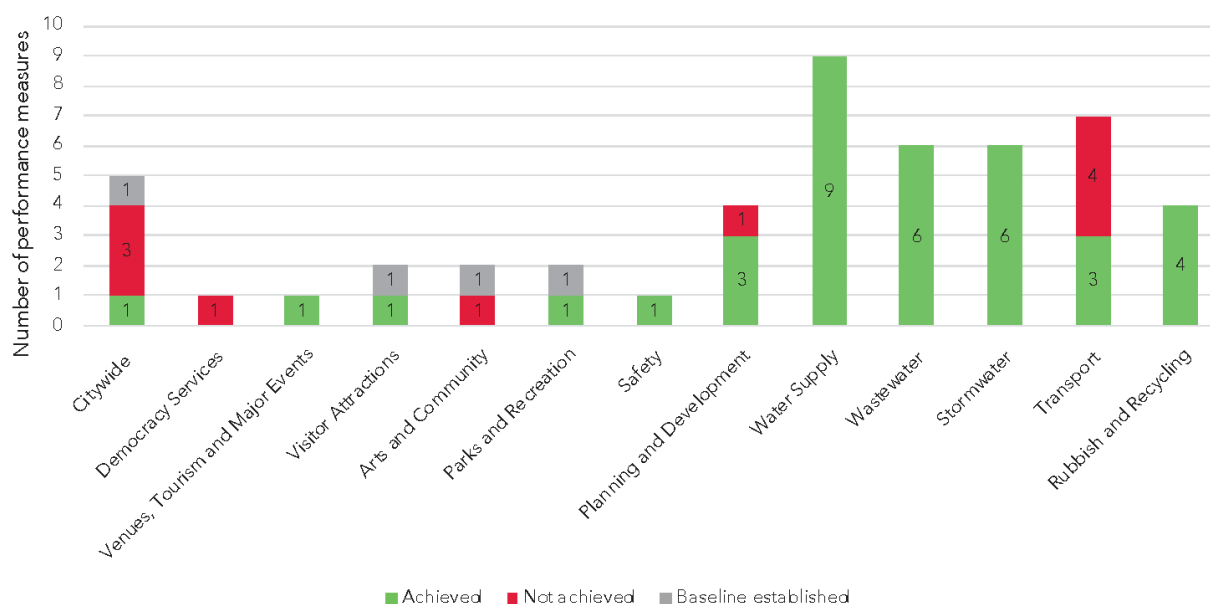
Our 2018-28 10-Year Plan divided the business into 12 activity groups that contribute to the delivery of our community outcomes. Each group has performance measures that show how well we are delivering our services to the community.

The performance measures and targets are from year one (2018/19) of our 2018-28 10-Year Plan, which you can find on our website [here](#).

Of the 50 measures that we use to track performance, the summary graph below shows that:

- we have met the targets for 36 measures
- we have not met the targets for 10 measures
- we have established baselines for four new measures

PERFORMANCE RESULTS SUMMARY



The following sections provide more detail for each of these activity groups including an overview of the year that has been and a description of what sits behind the results.

WELLBEINGS UNDER THE LOCAL GOVERNMENT ACT

In May 2019, the Local Government Act 2002 was amended to reintroduce the four wellbeings into the purpose of local government. We, and all other councils across the country, are now required to play a broad role in promoting the social, economic, environmental and cultural wellbeing of communities in the present and for the future.

In this part of the Annual Report we present the identified effects of our activities on the four wellbeings. Some of our activities have an effect on all four wellbeings, while others may only touch on one. Effects can be positive or negative and are highlighted in more detail within each activity.

KEY IMPACT ON COMMUNITY WELLBEING	SOCIAL	ECONOMIC	ENVIRONMENTAL	CULTURAL

DELIVERING ON OUR COMMUNITY OUTCOMES

All the activities we carry out contribute to the overall achievement of our community outcomes. If we achieve all the expectations we have set for our service delivery, we will be making progress on achieving all three outcomes.

OUR COMMUNITY OUTCOMES

A GREAT RIVER CITY: Our city embraces its natural environment and has green spaces, features and community facilities that make it a great place to live, work, play and visit.

A CITY THAT EMBRACES GROWTH: Our city has infrastructure that meets our current demands, supports growth and helps build a strong economy.

A COUNCIL THAT IS BEST IN BUSINESS: Our council is customer focussed, financially sustainable and has the best people delivering the best outcomes for the city.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

We want to know what Hamiltonians think of our city. We survey our residents every two years to find out what they think.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
Percentage of residents who think Hamilton is a great place to live.	Maintain or increase from the previous rating	75%	No data	81%*
Percentage of residents who are proud of how Hamilton looks and feels.	Maintain or increase from the previous rating	53%	No data	60%*

WHAT'S BEHIND THE RESULTS

Every two years we survey our residents to find out what they think of our city. The most recent survey was completed in 2018. Since the last survey in 2016, less of our community think Hamilton is a great place to live and have pride in how Hamilton looks and feels. More of the community have become unsure with an increase in those who picked 'neither agree nor disagree' as their response. There has been no increase in those who think Hamilton is a worse place to live or have less pride in our city.

The reasons given for a less favourable perception of our city were more noticeable traffic and congestion, increased crime and the high cost of living. The Council is implementing new approaches of engaging with the community, which will provide greater understanding of our community's views. We will next survey our residents in 2020.

* This is a new measure and has not been reported in previous annual reports; as such, the comparative results presented are unaudited.

We are putting infrastructure in place to grow as a city. The Gross Domestic Product (GDP) tells us about our city's economy.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The annual average percentage change in the GDP growth for Hamilton.	Positive growth	3.1% (March 2018 - March 2019)	3.2%* (March 2017 - March 2018)	2.5%* (March 2016 - March 2017)

WHAT'S BEHIND THE RESULTS

The annual average GDP growth for Hamilton is slightly behind the result for the same period last year. We report on GDP growth for the year to March rather than June due to a lag in the release of data.

Although Hamilton's GDP is slightly below the previous year it remains above the national GDP, which is forecast at 3% through to June 2019.

We will be financially responsible.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
We will stay within the debt and rating limits, as described in the Financial Strategy.	Achieved	Achieved	Achieved	Achieved

WHAT'S BEHIND THE RESULTS

We have operated within our debt and rating limits throughout the year.

As signalled in our 10-Year Plan, average rate increases to existing ratepayers were 9.7% in 2018/19. In June 2019, the Council approved the 2019/20 Annual Plan, which sets an average rate increase in 2019/20 of 3.8% - this is in line with our Financial Strategy.

The 2018-28 10-Year Plan caps debt to 230% of revenue or \$2.30 for every \$1 collected in revenue. Our lenders will let us borrow up to a maximum of 250%, which gives us a buffer for unforeseen events. Actual debt to revenue for 2018/19 was 125% and is well within our Financial Strategy limits and below the levels forecast in the 10-Year Plan (165% forecast for 2018/19). The main reason for the favourable result is deferral of certain capital expenditure projects and associated planned borrowings into future years.

We aim to be best in business in our interactions with customers at our reception, call centre and facilities (excluding Claudelands and stadia).

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
We are rated positively when asked how easy we are to do business with.	Establish baseline	Established baseline - 55%	New measure	New measure

WHAT'S BEHIND THE RESULTS

In January 2019, we began point of service surveying. We first began surveying building consent customers and those who have interacted with our Customers Services team. From April 2019, we also began surveying customers of our Animal Control, Liquor Licensing and Environmental Health (food and noise) activities. We intend to expand the activities surveyed in future years.

The purpose of the survey is to understand and hear the customer's view of our services close to the time of the interaction. The feedback will allow us to identify opportunities for service improvement.

Results from the survey indicate that 59% of respondents rated us positively when asked how easy we are to do business with. The feedback indicates we can improve the way we close our customer queries. We are working to ensure customers are better informed of the outcome of their enquiry.

Using a confidence level of 95%, we can say the average result of 59% is within a margin of error +/- 4%. As such, the baseline has been established at 55%.

** This is a new measure and has not been reported in previous annual reports; as such, the comparative results presented are unaudited.*

DEMOCRACY SERVICES

Local democracy is about providing Hamiltonians with excellent governance and sound leadership for the city.

We provide open and effective city governance and opportunities for people to be involved in shaping our city.

We continue to meet constitutional and legislative requirements. We ensure our meeting and other governance processes comply with the relevant statutory frameworks and seek opportunities to exceed the public's expectations for active engagement in local representation.

THIS ACTIVITY CONTRIBUTES TO US BEING BEST IN BUSINESS

WHAT WE DO

OUR ACTIVITIES:

- Governance and public affairs
- Partnership with Maaori

In carrying out this activity we enable, promote and support local democracy by providing governance advice and democratic services to elected members, the public and staff.

We support public engagement with the mayor, councillors and with our democratic processes. This includes facilitating local government elections, by-elections, Council and committee meetings, petitions, referenda and official information requests.

This activity includes providing induction, training and administration support for the mayor and councillors, as well as civic functions and international sister city engagement.

We seek to honour the principles of partnership in decision-making with our Treaty partners. Working to foster opportunities for Maaori to be involved in our decision-making through relationships, service contracts and the Co-Governance Forum with Waikato-Tainui is an important part of this activity.

Our partnerships with iwi, mana whenua and maata waka organisations assist us in ensuring Hamilton is a city where people from different cultures work together and respect each other's views, heritage, culture and strengths. Our Amorangi Maaori (Maaori Relationship Manager) provides support and advice on issues related to Maaori, particularly building stronger relationships.

EFFECTS ON THE COMMUNITY

Hamilton's population is becoming increasingly diverse and the city is embracing people from many different ethnic groups and cultural backgrounds. Democracy Services enables residents to participate in local decision-making in a range of ways and encourages residents to have an active role in the city's development.

KEY IMPACT ON
COMMUNITY
WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

The Hamilton City Council is made up of the mayor and 12 councillors who represent the citizens of Hamilton. The Council is elected every three years with the next elections scheduled for October 2019.

The current Council is supported by three committees which include all elected members - the Growth and Infrastructure Committee, Community, Services and Environment Committee, and Finance Committee. There are also committees which oversee compliance and regulatory matters. Members of the public have an opportunity to present their views on issues being considered at each Council or committee meeting through the public forum, 30 minutes set aside before each meeting for the public to speak.

During the year, we completed a representation review as required under the Local Electoral Act 2001 to determine the arrangements by which Hamilton voters will choose their elected representatives at the October 2019 elections. The Council's unanimous decision was to retain existing representation arrangements – an East Ward and a West Ward, 12 councillors (six in each ward) plus a mayor elected at large, and no community boards. This decision was ratified by the Local Government Commission in April 2019.

With eight other councils, we agreed to participate in the trial of online voting for the 2019 local government election, subject to further information on how this would work in practice. A business case found the cost of the trial would be borne by a relatively small number of local authorities. The participating councils opted not to proceed with the trial. The development of the business case resulted in an improved understanding of the technology available for online voting and how security risks could be mitigated. The Council continues to support the progression of online voting and is supporting a 2022 trial involving central government and the local government sector nationally.

In March 2019, the Council adopted refreshed Standing Orders (meeting proceedings and conduct protocols). The previous version of Standing Orders was substantially rewritten to ensure the document remains relevant and to make it easier for elected members, staff and the public to understand both the intent and the application of provisions. The refreshed Standing Orders have been 'plain-language', readability and navigation between sections has been improved, greater clarity of meaning and application has been provided, and clauses have been added to address gaps.

We have upgraded the Council chambers webstream cameras to improve the live streaming of Council and committee meetings. The new cameras are automated and have led to improvements in video image quality and lead time for streaming.

We also successfully trialled a paperless system for elected members. The new system was fully implemented from 1 August 2019, enabling elected members to access agendas and other meeting materials digitally. The aim is for elected members to be fully paperless in the 2019-22 triennium.

The 2019 elections campaign kicked off in June 2019 with a focus on making the elections real for Hamiltonians. A dedicated website for the elections has been launched and includes videos encouraging people to stand and vote and featuring a number of different languages. We are also working closely with community groups to provide information on the elections and to help promote participation in local democracy.

MAAORI AND DECISION-MAKING

We are committed to meeting our Treaty and legislative responsibilities to Maaori.

We acknowledge the role and contribution that iwi, hapuu and maata waka make towards our great city of Kirikiriroa. Valued support and advice is received from our iwi, hapuu and maata waka partners and we are committed to working together on the social, cultural, economic and environmental sustainability and wellbeing of the city and its residents.

We also acknowledge the services provided by Te Haa o te Whenua o Kirikiriroa, who represent the five hapuu for the greater Hamilton city area, and urban Maaori organisation Te Runanga o Kirikiriroa Trust for its services to Maaori and Pasifika in Hamilton city.

Our Amorangi Maaori (Maaori Relationship Manager) provides internal support and advice on legislative requirements regarding Maaori. We continue to meet three times per year under a co-governance structure with Te Arataura, the executive of Te Whakakitenga o Waikato Incorporated, to support and promote better environmental, social, cultural and economic outcomes within Hamilton.

In October 2019, Hamilton City Council approved the appointment of five Maangai Maaori positions (external appointees) as committee members on the Council's Growth and Infrastructure, Community, Services and Environment, Finance, and Regulatory and Hearings Committees. The appointments mark the beginning of a new era for partnership-based decision-making for the city.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year one (2018/19) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2018/19 budget in the 10-Year Plan plus deferred budget from 2017/18.

CAPITAL PROJECT	TYPE	2018/19 TOTAL APPROVED BUDGET \$000	2018/19 ACTUAL \$000	VARIANCE \$000
LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH				
Share of facilities, information services, customer services and strategic property capital expenditure	LOS/R	127	67	(60)
Total		127	67	(60)

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

You can expect: Timely and open access to public information.

We want to engage with the community to inform our decision-making. We survey our residents every two years to find out what they think.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The percentage of residents who believe we make decisions that are in the best interests of the city.	Maintain or increase from the previous rating	25%	No data	47%*

WHAT'S BEHIND THE RESULTS

Since the last survey in 2016, less of our community has confidence in Council decision-making. The Council has made some hard decisions over the last two years, generating a level of public discussion which is likely to have significantly affected people's perceptions.

The Council is changing its approach to community engagement, which is regarded as a priority across the organisation.

Earlier this year, we introduced our Your Neighbourhood community engagement framework. With the tagline, 'share your voice, shape your city', this framework aims to increase the number of Hamiltonians who get involved in Council activities and increase the number of people who feel they have influence on Council decisions.

As well as making it easier for people to get involved, the framework takes a more localised approach and focuses on talking with Hamiltonians about issues happening 'in their backyard'. To date we have held three successful Your Neighbourhood events in Glenview, Rototuna and Nawton.

Feedback from residents and stakeholders has been hugely positive and we have another three events planned in the remainder of the calendar year.

The Council is also reviewing its current communication channels (social media, websites, media stories etc.) to ensure we maximise engagement levels. With stronger engagement, we expect more Hamiltonians will understand the business of Council and how they can influence Council decisions and play a more active role in Council matters.

** This is a new measure and has not been reported in previous annual reports; as such, the comparative results presented are unaudited.*

DEMOCRACY SERVICES FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	10-Year Plan 2017/18	Actual 2017/18	10-Year Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	1,554	1,630	1,418	1,450
Targeted rates	3,889	4,002	1,236	1,264
Subsidies and grants for operating purposes	-	-	-	1
Fees and charges	123	128	60	59
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	2	117	2	2
Total operating funding	5,568	5,877	2,716	2,776
Application of operating funding				
Payments to staff and suppliers	5,463	5,310	2,752	2,499
Finance costs	3	(5)	1	(3)
Internal charges and overheads applied	-	22	-	18
Other operating funding applications	-	-	-	-
Total applications of operating funding	5,466	5,327	2,753	2,514
Surplus/(deficit) of operating funding	102	550	(37)	262
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	44	-	-	-
Gross proceeds from sale of assets	4	-	-	12
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	48	-	-	12
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	10	17	3	2
- to replace existing assets	140	109	105	65
Increase/(decrease) in reserves	-	424	(145)	207
Increase/(decrease) in investments	-	-	-	-
Total applications of capital funding	150	550	(37)	274
Surplus/(deficit) of capital funding	(102)	(550)	37	(262)
Funding balance	-	-	-	-

Prior year comparatives have been aligned to the new group of activities in the 2018-28 10-Year Plan.

Item 6

Attachment 2

VENUES, TOURISM AND MAJOR EVENTS

Venues, Tourism and Major Events is about showcasing and leveraging Hamilton's event venues, visitor attractions and services.

We continue to deliver events supporting local business opportunities, stimulating our economy and promoting our city.

THIS ACTIVITY HELPS US DELIVER A GREAT RIVER CITY

WHAT WE DO

OUR ACTIVITIES:

- Claudelands Events Centre
- FMG Stadium Waikato (events and turf management)
- Seddon Park (events and turf management)
- i-SITE Visitor Information Centre
- Tourism and events funding

We have an important role in making Hamilton an even more vibrant place to live with a prosperous economy and active community. One of the ways we do this is by maximising the value to Hamilton from its major events, venues and tourism business. We manage several venues offering space for live entertainment, business meetings, functions, large sports events and other major events.

We provide funding for event sponsorship and annual funding to the regional tourism organisation, Hamilton and Waikato Tourism Ltd.

We manage the Hamilton i-SITE to provide residents and visitors to Hamilton access to quality, up-to-date information and a nationwide booking service for activities, attractions, transport, accommodation and events.

EFFECTS ON THE COMMUNITY

Claudelands, FMG Stadium Waikato and Seddon Park are important contributors to the city's economy as major generators of business and event tourism to Hamilton. Our event spaces also provide opportunities for organisations in our community to host community-based events.

Significant events at Claudelands, Seddon Park and FMG Stadium Waikato may have temporary negative environmental and social effects. These include litter, traffic congestion, antisocial behaviour, noise and lighting effects for surrounding residents.

We manage these effects in compliance with the District Plan, resource consents and effective asset management planning. This means having effective event management plans in place including monitoring alcohol consumption, traffic, patron safety and security at and around the event.

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

Our Venues, Tourism and Major Events activity is managed by the H3 Group, a standalone business unit within the Council. H3 hosts a wide range of events with a variety of shows, sports events, performances and business events taking place across our venues.

2018/19 was another strong year for visitor numbers at Claudelands, with more than 330,000 visitors during the period. Highlight events during the year included comedy, music and theatre shows PAW Patrol, Fat Boy Slim, Charley Pride's 50 Golden Years of Pride concert, a 7 Days Live broadcast, the Frankie Valli and The Four Seasons homage Oh What A Night!, comedian Chopper, Dr Seuss's Cat in the Hat, and several NZ Symphony Orchestra concerts, among numerous performances.

Claudelands also hosted a number of exhibitions and events during the year, including the Craft and Quilt Fair, the Baby Expo, Waikato Home and Garden Show, Jaguar Art of Performance Tour, Waikato A&P Show, and the popular weekly Hamilton Farmers' Market and Gourmet Garage Food Market.

Claudelands Arena continues to provide facilities for numerous community-focussed events, including school prizegivings, tertiary institution graduations, corporate end-of-year functions, and the Kudos Science Excellence Awards and Westpac Waikato Business Awards. The venue also hosted a small community gathering in March 2019 for the live-streamed remembrance service to commemorate victims of the Christchurch mosque attacks.

Claudelands patrons also attended sports events, including ANZ Premiership home games for the Waikato Bay of Plenty Magic, the 2019 Leisure Marching Nationals, 2018 New Zealand Open Dance Championships, 2018 NZ Marching Championships, a Silver Ferns vs Australian Diamonds Constellation Cup match and a Skycity NZ Breakers game.

For the second successive year, FMG Stadium Waikato hosted the HSBC NZ Rugby Sevens in partnership with 37 South and NZ Rugby. The tournament was a success with more than 48,000 people attending the event, an increase from last year. The inclusion in 2019 of a women's tournament was well received by attendees.

FMG Stadium Waikato also hosted several Mitre 10 Cup matches, Gallagher Chiefs Investec Super Rugby matches, plus the Nitro Circus You Got This tour.

Seddon Park hosted another highly successful cricket season, including domestic and international matches. Highlights included Northern Knights matches, Burger King Super Smash T20 games, Blackcaps vs India T20, a Blackcaps vs India one day international, and the White Ferns and India team trainings.

In addition to public ticketed performance and sports events and exhibitions, there were 14 conferences, 607 meetings and 94 functions at H3 venues. These were attended by more than 60,700 people.

The Hamilton i-SITE Visitor Information Centre provided travel and event information and booking services to residents and visitors over 364 days in 2018/19. This included more than 31,000 visitors, \$286,000 in event ticket sales, and 59 operators registered for annual pay and display advertising. The review into the i-SITE was completed during the year and in April 2019 the Council decided to relocate the existing i-SITE Visitor Information Centre to ArtsPost. The move will take place during 2019/20 and is expected to result in cost savings.

The Council contributed funding towards 11 events across the year: NZ National Bridge Congress, NZ Open Dance Championship, Waikato 100, Round the Bridges, North Island Colgate Games, Hamilton Gardens Arts Festival, Balloons Over Waikato, Waikato International Badminton, NZ Leisure Marching Champs, National Masters Hockey Tournament and Matariki ki Waikato Festival. These events support the intent of our Event Sponsorship Policy, which is to focus on larger event opportunities where exposure reaches beyond Hamilton, delivers high-profile coverage and attracts overnight visitors to the city.

Alongside several neighbouring councils, our annual funding grant to Hamilton and Waikato Tourism supported the development of a range of strategic tourism initiatives, strengthening the attraction of Hamilton and the wider region to a growing and lucrative visitor market.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year one (2018/19) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2018/19 budget in the 10-Year Plan plus deferred budget from 2017/18.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2018/19 TOTAL APPROVED BUDGET \$000	2018/19 ACTUAL \$000	VARIANCE \$000
Claudelands plant and equipment	R	414	255	(159)
Waikato Stadium property, and plant and equipment	R	363	199	(164)
Turf services plant and equipment	R	52	62	10
Seddon Park property, and plant and equipment renewals	R	274	56	(218)
Stadia building renewals	R	3,070	2,898	(172)
Claudelands building renewals	R	413	604	191
Claudelands capital improvement programme	LOS	100	98	(2)
Stadia capital improvement function	LOS	970	255	(715)
Share of facilities, information services, customer services and strategic property capital expenditure	LOS/R	1,140	605	(535)
Total		6,796	5,032	(1,764)

Capital expenditure was lower than the budgeted \$6.8M, primarily due to the underspend on capital improvements at the stadia. Actual spend on that work was \$715,000 lower than budgeted due to design and consenting delays and reprioritisation of work. The underspend has been deferred into 2019/20.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

You can expect: Our venues are places you want to visit.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The number of people attending events at the stadia (FMG Stadium Waikato and Seddon Park) and Claudelands.	438,000	558,395 (Claudelands: 334,332 ; Stadia: 224,063)	540,197 (Claudelands: 321,469; Stadia: 218,728)	512,093 (Claudelands: 310,951; Stadia: 201,142)

WHAT'S BEHIND THE RESULTS

This measure indicates the utilisation of stadia (FMG Stadium Waikato and Seddon Park) and Claudelands. The result includes utilisation at both ticketed and non-ticketed events.

The number of people attending events at our facilities is difficult to forecast as it is dependent on the availability and cycles of major events in the city. For example, a major event such as the Rugby World Cup can cause a peak in attendance that may not be matched in future years. The target of 438,000 was set to reflect the cyclical nature of events.

Patronage numbers have remained strong during the year and increased against prior years at both Claudelands and the stadia. This reflects the growing events market and diversity in events during the year, which led to more people attending events.

VENUES, TOURISM AND MAJOR EVENTS FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	10-Year Plan 2017/18	Actual 2017/18	10-Year Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	4,897	2,787	7,286	7,516
Targeted rates	12,134	6,848	6,716	7,165
Subsidies and grants for operating purposes	-	-	-	7
Fees and charges	6,636	7,113	6,464	7,554
Internal charges and overheads recovered	-	139	20	107
Local authorities fuel tax, fines, infringement fees and other receipts	525	618	249	381
Total operating funding	24,192	17,505	20,735	22,730
Application of operating funding				
Payments to staff and suppliers	14,381	16,757	16,962	16,702
Finance costs	4,789	3,002	1,998	1,887
Internal charges and overheads applied	-	65	20	37
Other operating funding applications	-	-	-	-
Total applications of operating funding	19,170	19,824	18,980	18,626
Surplus/(deficit) of operating funding	5,022	(2,319)	1,755	4,104
Sources of capital funding				
Subsidies and grants for capital expenditure	-	300	100	2
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	18	(2,211)	(26)	(1,398)
Gross proceeds from sale of assets	4	5	3,963	8
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	22	(1,906)	4,037	(1,388)
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	2,786	-	-	-
- to improve the level of service	7	96	1,093	375
- to replace existing assets	2,251	4,785	5,117	4,657
Increase/(decrease) in reserves	-	(4,871)	(375)	403
Increase/(decrease) in investments	-	(4,235)	(43)	(2,719)
Total applications of capital funding	5,044	(4,225)	5,792	2,716
Surplus/(deficit) of capital funding	(5,022)	2,319	(1,755)	(4,104)
Funding balance	-	-	-	-

Prior year comparatives have been aligned to the new group of activities in the 2018-28 10-Year Plan.

Item 6

Attachment 2

VISITOR ATTRACTIONS

Visitor Attractions is about providing our community and visitors with memorable experiences.

We want Hamiltonians to have high-quality attractions they are proud of and want to visit again and again because they always offer something new and interesting.

We want even more national and international visitors to make a point of coming to our city and contributing to our economy because they hear about the unique experiences and stories we have here.

THIS ACTIVITY HELPS US DELIVER A GREAT RIVER CITY

WHAT WE DO

OUR ACTIVITIES:

- Hamilton Gardens
- Waikato Museum
- Hamilton Zoo

Hamilton Gardens is an internationally acclaimed attraction and a key part of the city's identity. As a major visitor destination, it adds to our economy while also serving Hamiltonians as a community park.

Waikato Museum cares for, preserves and shares stories about the objects and taonga of the Waikato region and beyond. It does so through a wide variety of exhibitions and educational activities. The museum is a guardian of collections that have been acquired, gifted or loaned, and kaitiaki of culturally significant Tainui taonga.

Hamilton Zoo provides a recreational and educational resource for visitors and our community, while also working to conserve wildlife. Waiwhakareke Natural Heritage Park will add a complementary dimension to the zoo experience of local wildlife and habitats in the Waikato when it opens.

All our visitor attractions are unique experiences for residents and visitors. They provide community recreational space and a variety of settings and venues that can be used for events. We also promote recreational and educational programmes through our attractions.

EFFECTS ON THE COMMUNITY

Our visitor attractions provide spaces that contribute to the protection of the city's heritage and culture and provide learning, social and leisure benefits. They attract visitors to Hamilton, bringing tourism benefits to our city.

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

Our premier visitor attractions continue to attract people to our city.

The Hamilton Gardens development programme is progressing well. In November 2018, we celebrated the opening of the Mansfield Garden, with approximately 100 people attending the event. Two further gardens will open in the next financial year with the Picturesque Garden scheduled for November 2019 and the Surrealist Garden scheduled for early 2020.

The annual Tulip Festival attracted more than 10,000 visitors to the gardens in September 2018. The Hamilton Gardens Arts Festival took place during February-March 2019 with 139 performances held over 10 days, across 22 hectares. The festival drew 6710 people to ticketed shows and 30,000 plus to free or by koha events, of which an estimated 5000 attended the Twilight Symphony.

Public consultation on the draft Hamilton Gardens Management Plan concluded in June 2019. The draft plan outlines the long-term vision for the gardens and includes developing space for another 12 gardens. The draft plan does not create a financial commitment for the Council but instead provides a roadmap so that development can continue as resources become available.

The Waikato Museum hosted a number of attractions and exhibitions during the year, including:

- Topp Twins: An Exhibition for New Zealand
- 50 Greatest Photographs of National Geographic
- Children's Day (held in March 2019)
- Scarface Claw
- Cut! Costume and the Cinema

In June 2019, the museum welcomed Prime Minister Jacinda Arden. The Prime Minister toured Te Whaanau Maarama: The Heavenly Bodies exhibition, which charts the history of Maaori astronomy, from oral storytelling to how Matariki is celebrated in the twenty-first century.

The museum's Inventors and Innovations: Waikato Bright Sparks exhibition, which opened in June 2018, was a finalist in the ServiceIQ New Zealand Museum Awards. The exhibition is inspired by the proud history of inventing and innovation success stories originating in the Waikato, including Gallagher's electric fence and the University of Waikato radiocarbon dating laboratory.

The results of the Creative New Zealand Audience Atlas, released in September 2018, showed an increase in Waikato Museum's market penetration. Of the 353,000 adults in the Waikato culture market, an estimated 126,000 or 36% visited the museum in 2017 (up from 27% market penetration in 2011, when the research began).

Hamilton Zoo has contributed to national and international breeding programmes through a number of animal transfers during the year. In November 2018, Jamila the female adult southern white rhinoceros was successfully transferred to Auckland Zoo as part of the Zoo and Aquarian Association species breeding management programme.

Tenzing the red panda was successfully transferred to Tasmania Zoo in March 2019, and in June 2019 we successfully transferred five male ring-tailed lemurs to Oakvale Wildlife Park, New South Wales, again as part of the species breeding management programme.

In April 2019, Hamilton Zoo celebrated its 50th birthday, bringing in a record crowd of 3658. In the same month, we also unveiled our latest visitor experience - a new tiger enrichment window which gives visitors the opportunity to get up close to these majestic animals. The zoo's new website launched in June 2019 and now offers online ticketing, donations and booking facilities. This has resulted in an increase in bookings for premier tours.

The zoo is continuing to contribute to wild populations through our breed-for-release programmes. Six blue ducks and seven brown teals were transferred to the Department of Conservation hardening facility in Tūrangi, where they will learn to live like wild ducks before being released to monitored sites in the wild.

Our education programme has continued to attract student visitors, with more than 10,000 students from 224 schools visiting the zoo during the year. Of these, 2408 students received funding from The Warehouse Zoofari initiative, which supports zoo visits by students from low-decile schools from the Waikato, Coromandel, Rotorua and Bay of Plenty regions.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year one (2018/19) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2018/19 budget in the 10-Year Plan plus deferred budget from 2017/18.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2018/19 TOTAL APPROVED BUDGET \$000	2018/19 ACTUAL \$000	VARIANCE \$000
Hamilton Gardens renewals (incl. building renewals)	R	275	267	(8)
Hamilton Gardens development	LOS	2,386	1,224	(1,162)
Zoo animal enclosure renewals	R	388	115	(273)
Zoo building and property renewals	R	81	89	8
Zoo animal replacement	R	60	20	(40)
Water and stormwater reticulation	R	845	737	(108)
Zoo safety improvements	LOS	1,767	450	(1,317)
Hamilton Zoo improvement programme	LOS	75	185	110
Zoo and Waiwhakareke entrance	LOS	250	250	-
Museum asset renewal	R	110	100	(10)
Museum collection acquisition fund	R	50	32	(18)
Public art support fund	R	88	59	(29)
Museum activity building renewals	R	630	203	(427)
ArtsPost earthquake strengthening	LOS	800	614	(186)
Share of facilities, information services, customer services and strategic property capital expenditure	LOS/R	592	333	(259)
Total		8,397	4,678	(3,719)

Capital expenditure was lower than the budgeted \$8.4M, primarily due to underspends on the Hamilton Gardens development and Hamilton Zoo safety improvements projects. These projects are under contract: a total of \$2.5M of budgeted capital expenditure was deferred into 2019/20 to complete contracted works.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

You can expect: Our premium attractions (Hamilton Gardens, Waikato Museum and Hamilton Zoo) are places you want to visit.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
Maintain or increase visitation to the Hamilton Enclosed Gardens.	Establish baseline	Established baseline - 440,000	New measure	New measure
Maintain or increase visitation to the Waikato Museum and Hamilton Zoo.	At least 250,000	278,828 (Waikato Museum: 133,898; Hamilton Zoo: 144,930)	278,557 (Waikato Museum: 138,873; Hamilton Zoo: 139,684)	269,760 (Waikato Museum: 136,955; Hamilton Zoo: 132,805)

WHAT'S BEHIND THE RESULTS

We offer a diverse range of quality, relevant programmes and experiences. The measure indicates residents' and non-residents' enhanced interest in these attractions.¹

This is the first year we have reported on visitor numbers at the Enclosed Gardens; as such there are no comparative results presented. We use laser counters to determine the number of visitors to our Enclosed Gardens and have historically recorded this data for internal purposes.

The baseline of 440,000 represents the average visitor numbers to the Enclosed Gardens over the past four years. We have used the average visitation numbers rather than visitation numbers for 2018/19 as this takes into account seasonal changes in visitation arising as a result of weather and spikes in visitation when new gardens are opened.

During 2018/19 nearly 470,000 people visited the Enclosed Gardens, up 8% on the previous year. The large number of visitors reflects the reasonably dry weather throughout the year and an increase in visitors attracted to the newly opened Mansfield Garden.

Hamilton Zoo's visitor numbers were 3.8% higher than in 2017/18. The increase reflects positively on social media campaigns during the year, as well as milestone events such as the zoo's 50th birthday, which was celebrated on Good Friday and attracted a record crowd of more than 3600 people.

Visitation to Waikato Museum was down 3.6% on the prior year, largely due to a reduction in the number of visitors through our education programme.

¹ Visitation to our attractions is influenced by exhibitions. For example, an international touring exhibition at the museum or a new baby animal at the zoo will attract more visitors. These events do not occur consistently every year and the target has been set to reflect this.

VISITOR ATTRACTIONS FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	10-Year Plan 2017/18	Actual 2017/18	10-Year Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	2,243	2,467	7,483	7,207
Targeted rates	6,266	6,673	7,732	6,251
Subsidies and grants for operating purposes	140	80	85	78
Fees and charges	2,849	4,762	3,296	3,275
Internal charges and overheads recovered	-	11	-	7
Local authorities fuel tax, fines, infringement fees and other receipts	33	138	153	186
Total operating funding	11,531	14,131	18,749	17,004
Application of operating funding				
Payments to staff and suppliers	11,795	15,083	13,994	14,167
Finance costs	220	83	183	158
Internal charges and overheads applied	-	14	-	9
Other operating funding applications	-	(1)	-	-
Total applications of operating funding	12,015	15,179	14,177	14,334
Surplus/(deficit) of operating funding	(484)	(1,048)	4,572	2,670
Sources of capital funding				
Subsidies and grants for capital expenditure	1,646	1,707	300	282
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	1,271	(97)	2,042	(126)
Gross proceeds from sale of assets	23	-	193	90
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	2,940	1,610	2,535	246
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	-	2,745	-	-
- to improve the level of service	32	-	4,746	2,735
- to replace existing assets	2,424	768	2,904	1,943
Increase/(decrease) in reserves	-	(2,839)	(941)	(1,516)
Increase/(decrease) in investments	-	(112)	398	(246)
Total applications of capital funding	2,456	562	7,107	2,916
Surplus/(deficit) of capital funding	484	1,048	(4,572)	(2,670)
Funding balance	-	-	-	-

Prior year comparatives have been aligned to the new group of activities in the 2018-28 10-Year Plan.

ARTS AND COMMUNITY

Arts and Community is about providing community facilities and development assistance.

These services help make sure Hamilton has strong communities that support each other and are proud to call Hamilton home. Libraries and other community hubs are important spaces for this development to happen.

We want arts and culture to be accessible to our residents and visitors and to be a point of interest for our visitors.

We want to support our local artists.

THIS ACTIVITY HELPS US DELIVER A GREAT RIVER CITY

WHAT WE DO

OUR ACTIVITIES:

- Community development
- Libraries
- Arts promotion
- Theatre

Supporting communities to be increasingly more connected and resilient and to develop and express themselves in ways that help build their identity is fundamental to a thriving city.

Our Community Development team and facilities support the wellbeing of our communities. Our Community Advisors use community-led processes to work alongside communities with a wide range of interests, including social, economic and cultural development. We provide grants to community groups to enable local organisations to deliver services and activities for local communities.

Hamilton City Libraries promotes literacy and lifelong learning through a network of six libraries and the online eBook collection. Services and programmes include provision of books and other materials in a range of formats, literacy-based community programmes and events and the collection and preservation of the documentary heritage of the city. Our libraries provide spaces for people to meet and participate in meaningful social activities.

We support and promote arts and culture in the city. We do this through supporting local public artworks and encouraging local and regional theatre ventures. This work is enabled through our Arts Agenda and Public Art process.

We work proactively with artists and groups throughout the city to support the development of new public art.

EFFECTS ON THE COMMUNITY

Arts and Community facilities offer health, learning, social and leisure benefits. They are an important part of what makes our city a great place with an attractive lifestyle.

Our community facilities contribute to people's sense of pride in our city and provide hubs for community interaction.

KEY IMPACT ON
COMMUNITY
WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

Throughout the year our Community Development team continued to support local projects and the wellbeing of our communities.

In 2018/19 community grants totalling more than \$1.2M were allocated. These grants comprised of community event funding, multi-year community grants and single-year community grants. The grants support a variety of community-led projects that are aligned with Council plans and strategies and contribute to the social wellbeing of the city.

Collaboration across the Council and with the community enabled the inaugural Kids Arty Party to take place in Garden Place on Saturday 8 December 2018, which included free art activities, a toy trade fair, face painting, storytelling and games, and attracted more than 1000 attendees. Hamilton Lake also welcomed 3000 attendees to the Family Friendly New Year's Eve event on 31 December 2018.

The Central City Library in Garden Place was reopened in July 2018 after a seismic upgrade. More than 2000 people visited the Central Library on re-opening day, and more than 8000 in the first week.

The introduction of a Mandarin language story time was well received with 113 attending the first event. The story time has been initiated and supported by the community.

The return of the Matariki in the City event brought more than 1100 attendees to the Central Library to celebrate Maaori New Year with cultural performances, kite making and arts and craft activities.

Star Wars Read Day was also a popular event at the Central Library with over 700 people celebrating Star Wars and reading on 6 October 2018.

More than 500 children participated in the annual Summer Reading Programme, a school holiday literacy initiative, collectively notching up more than 4000 reading hours throughout January 2019. The introduction of a Rainbow Storytime celebrated diversity and inclusion, with books from our collection read and shared by Drag Queens Erica and Coco Flash.

The Libraries team also worked with the Waikato Women's Refuge to launch their book, Stand by Me. More than 120 people attended the launch, which included a speech by Minister for Maaori Development and Local Government Nanaia Mahuta.

We have continued to invest in our library collections with more than 45,000 items added to the collection during the year, including 6321 new eBooks and 610 audio books.

As approved during the 2018-28 10-Year Plan, the Council will contribute a total of \$25M of funding over 2018-21 towards construction of the Waikato Regional Theatre. The first contribution was made by Vibrant Hamilton Trust on behalf of the Council in December 2018. Vibrant Hamilton Trust is a council controlled organisation that resolved in December 2018 to wind up and contribute \$6M of its remaining financial reserves to the Waikato Regional Theatre project.

The theatre project is being led by community foundation Momentum Waikato. The theatre is expected to open in late 2021 and will be owned by the Waikato Regional Property Trust. The Council will provide ongoing asset maintenance contributions of \$1.1M per year for 20 years.

Founders Theatre remained closed for all but essential maintenance during the year. The future use of Founders Theatre is yet to be decided and will be referred back to the Council in late 2019. At present, there is provision in 2020/21 for demolition costs.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year one (2018/19) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2018/19 budget in the 10-Year Plan plus deferred budget from 2017/18.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2018/19 TOTAL APPROVED BUDGET \$000	2018/19 ACTUAL \$000	VARIANCE \$000
Library collection purchases	R	1,135	1,119	(16)
Library asset renewal	R	121	120	(1)
Library building asset renewal programme	R	343	318	(25)
Libraries facilitation plan	LOS	80	69	(11)
Technical services equipment renewals	R	386	400	14
Community facilities building renewals	R	49	51	2
Share of facilities, information services, customer services and strategic property capital expenditure	LOS/R	696	350	(346)
Total		2,810	2,427	(383)

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

You can expect: To be satisfied with our libraries.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
---------	-----------------	-----------------	-----------------	-----------------

The percentage of customers satisfied with libraries.

Establish baseline

Established baseline - 85%

New measure

New measure

WHAT'S BEHIND THE RESULTS

In January 2019, we began point of service surveying of library users across all six libraries in the city network.

Results from the survey were largely positive – on average, across the six libraries 91% of respondents were satisfied or very satisfied with their overall experience. A total of 1950 responses were received, with the highest number at the Chartwell and Central Libraries.

We have set the baseline below the satisfaction result for the period to reflect the expected impact of upcoming changes in the delivery of our libraries services. In the early part of the 2019/20 financial year, our public library computers will be swapped out from desktop stations to portable devices.

We will also implement an upgraded self-checkout system in December 2019 that will allow customers to check out multiple items at a time without having to individually scan each item. The new system will allow users to view their account information and pay overdue fees. We expect an initial decrease in satisfaction levels as customers adjust to the new technology but that this will rebound in the longer term.

There are also several construction projects scheduled over the next year which may impact on customers' experience at our libraries while work is in progress.

You can expect: We will provide facilities and spaces that encourage the community to come together.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
---------	-----------------	-----------------	-----------------	-----------------

The percentage of residents who feel a sense of community with others in their neighbourhood.

Maintain or increase from the previous rating

48%

No data

56%*

WHAT'S BEHIND THE RESULTS

We aim to provide services and facilities which enable residents to meet, connect and have a sense of community. We survey our residents every two years to find out what they think.

Just under half of our residents believe they have a sense of community with people in their neighbourhood. Nevertheless, seven out of 10 people commented they have had positive contact with people in their neighbourhood over the previous 12 months.

The Community and Social Development Strategic Plan was adopted in December 2018. This outlines our commitment to working with local communities to improve their engagement with the Council and empower them to meet their goals and address the complex issues they face.

** This is a new measure and has not been reported in previous annual reports and, as such, the comparative results presented are unaudited.*

ARTS AND COMMUNITY FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	10-Year Plan 2017/18	Actual 2017/18	10-Year Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	3,310	5,525	8,300	8,358
Targeted rates	8,776	13,584	7,240	7,282
Subsidies and grants for operating purposes	3	-	2	4
Fees and charges	4,311	1,083	829	655
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	25	54	10	35
Total operating funding	16,425	20,246	16,381	16,334
Application of operating funding				
Payments to staff and suppliers	13,657	12,994	13,055	11,914
Finance costs	194	142	8	(10)
Internal charges and overheads applied	-	27	-	30
Other operating funding applications	-	90	-	-
Total applications of operating funding	13,851	13,253	13,063	11,934
Surplus/(deficit) of operating funding	2,574	6,993	3,318	4,400
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	205	(116)	(1,694)	(3)
Gross proceeds from sale of assets	17	-	3	40
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	222	(116)	(1,691)	37
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	39	125	94	81
- to replace existing assets	2,757	3,004	2,610	2,346
Increase/(decrease) in reserves	-	3,973	(823)	2,015
Increase/(decrease) in investments	-	(225)	(254)	(5)
Total applications of capital funding	2,796	6,877	1,627	4,437
Surplus/(deficit) of capital funding	(2,574)	(6,993)	(3,318)	(4,400)
Funding balance	-	-	-	-

Prior year comparatives have been aligned to the new group of activities in the 2018-28 10-Year Plan.

PARKS AND RECREATION

Parks and Recreation is about ensuring access to a wide range of recreational and leisure activities and attractive outdoor spaces for all Hamiltonians to enjoy.

We want to provide activities and spaces that enhance the quality of life for our residents and visitors and keep Hamilton beautiful.

We want to preserve indigenous flora and fauna, natural ecosystems and landscapes and to protect our lakes and rivers and meet our legal obligations for the preservation and management of reserve land.

THIS ACTIVITY HELPS US DELIVER A GREAT RIVER CITY

WHAT WE DO

OUR ACTIVITIES:

- Community parks (including play spaces)
- Natural areas
- Streetscapes
- Sports parks
- Cemeteries and crematorium
- Pools
- Indoor recreation

One of the things making Hamilton a great place to live, work and play is the range of recreation facilities and open green spaces we have for the community to enjoy.

We provide, operate and maintain 196 parks and associated assets across more than 1142 hectares in the city. These assets include recreational facilities such as playgrounds and play spaces like skate parks, natural areas and open spaces, sports parks and community amenities such as public toilets.

Keeping the city beautiful is an important part of this activity and we do this through our gardens and street plantings and by maintaining a substantial gully system throughout the city.

We provide, manage and maintain three cemeteries and one crematorium. As part of this management we make burial records available to the public and protect our heritage cemeteries. The crematorium is a critical service to the Waikato region in the event of a pandemic or civil emergency. The cemeteries also serve as passive spaces of reflection and remembrance for the community.

We are a key provider of public aquatic facilities in Hamilton which are dedicated to promoting health, recreation and rehabilitation through swimming and water-related activities. These facilities offer many recreational programmes and activities for the community, including lane and leisure swimming, aqua education, a health and fitness centre and an early childhood centre.

We support indoor recreation through the provision of the Te Rapa Sportsdrome, and partner with external agencies to support the building of new facilities, such as the Rototuna Indoor Recreation Centre (The Peak).





We own facilities that may be booked by local organisations, private providers and communities to use for their members.

EFFECTS ON THE COMMUNITY

Our parks and recreation facilities protect, restore and enhance Hamilton's beautiful green landscape and offer community spaces for leisure and recreation. The spaces also protect the city's heritage and contribute to people's pride in how Hamilton looks and feels.

Our cemeteries and crematorium provide burial and cremation services in park-like settings where people can remember loved ones and celebrate our city's heritage.

Potential negative effects on the community from this activity, such as leachate from burial grounds and cremator unit discharges, are managed through soil and water testing, resource consent conditions and regular maintenance.

KEY IMPACT ON COMMUNITY WELLBEING	 SOCIAL	 ECONOMIC	 ENVIRONMENTAL	 CULTURAL
---	---	---	---	---

DELIVERING ON OUR 10-YEAR PLAN

In July 2018, we celebrated the opening of the Hare Puke Park destination playground. The playground is in the city's northeast and features a range of play equipment new to Hamilton parks. The playground's development and construction was supported by grant funding from Vibrant Hamilton Trust and WEL Energy Trust. Since its opening the playground has received much praise and in May 2019 was named Playground of the Year at the Recreation New Zealand Green Pavlova 2019 parks sector conference.

Construction of the Hillcrest Stadium and Mangaiti playgrounds was completed in June 2019, providing exciting new leisure and recreation facilities for these communities.

Our sports parks were well utilised during the year by various sporting codes. Over the winter sport season (ending in September 2018), four major codes used 34 sports parks across the city. The summer sports season was just as busy. In December 2018 alone there were 103 individual bookings across our 12 sports parks from a range of codes including cricket, athletics and softball.

The sports fields renewals programme for 2018/19 was completed between January and March 2019. This programme will allow more playing and training hours by providing improved playing surfaces through drainage and upgrading playing surface levels.

Construction of the new Rototuna sports park started in November 2018. The park will include five pitches which are expected to be available for a range of sports codes in 2020.

Following a nine-month refurbishment, Waterworld was re-opened to the public in November 2018. Approximately 1500 people attended the opening day with positive feedback on the facility's improvements.

In October 2018, the Partner Pools contracts were renewed for another three years, giving public access over summer to pools at the University of Waikato, Hamilton Boys' High School, Fairfield College, Te Rapa Primary and Hillcrest Normal School.

We held three successful drop-in sessions during the year for the public and stakeholders involving playgrounds, skate parks and the Biodiversity Strategy. These sessions were a great way to interact and gain ideas from the residents who use our open spaces and facilities.

In April 2019 the Council approved the Play Strategy. This strategy sets the vision for the next 20 years and looks to positively impact on the physical activity levels of people who live in or visit Hamilton.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year one (2018/19) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2018/19 budget in the 10-Year Plan plus deferred budget from 2017/18.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2018/19 TOTAL APPROVED BUDGET \$000	2018/19 ACTUAL \$000	VARIANCE \$000
Aquatic facilities building renewals	R	4,353	4,452	99
Waterworld operational asset renewals	R	734	556	(178)
Gallagher Aquatic Centre operational asset renewal	R	185	145	(40)
Building renewals cemeteries	R	1,997	1,509	(488)
Renewal of crematorium assets	R	45	61	16
Hamilton Park east and west cemeteries renewals	R	53	52	(1)
Hamilton Park cemetery accessible toilet block	LOS	455	253	(202)
Hamilton Park cemetery, burial and ash lawn extension	G	75	57	(18)
Toilet and changing room renewals	R	104	53	(51)
Building renewals parks and open spaces	R	83	68	(15)
Parks and open spaces asset and playgrounds renewals	R	1,349	1,048	(301)
Destination parks renewals	R	977	405	(572)
Playground development programme	LOS	900	818	(82)
River Plan	LOS	7,962	6,625	(1,337)
Day's Park erosion remediation	LOS	242	261	19
Pooches and Parks	LOS	177	82	(95)
Waiwhakareke Natural Heritage Park development	LOS	710	700	(10)
Alternative weed control	LOS	20	-	(20)
Land purchase future reserves	G	541	144	(397)
Peacocks parks development	G	2,250	2,222	(28)
Rototuna parks development	G	1,094	-	(1,094)
Sports area renewals	R	473	414	(59)
Parks toilets development/upgrade	LOS	1,052	828	(224)
Rototuna sports park development	G	3,931	2,834	(1,097)
Sports park development	G	-	156	156
Share of facilities, information services, customer services and strategic property capital expenditure	LOS/R	1,433	765	(668)
Total		31,195	24,508	(6,687)

Capital expenditure was lower than the budgeted \$31.2M due to project savings and deferrals. The main reasons for the underspend are:

- expenditure on the River Plan was \$1.3M lower than budgeted due to the deferral of \$841,000 into 2019/20 and savings of almost \$500,000 realised from property purchases;
- the Rototuna parks and Rototuna sports parks development projects were \$2.2M lower than budgeted due to deferrals into 2019/20. Expenditure was deferred to allow for land acquisition negotiations and to align to developer and contractor timing.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

You can expect: Access to a park or open space in your neighbourhood.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
Percentage of households that have access to a neighbourhood park or open space [†] within 500 metres walking distance.	At least 76%	79.5%	78%*	76%*

WHAT'S BEHIND THE RESULTS

We provide parks and open spaces across the city, and aim for at least 76% of households to be within 500 metres walking distance of a neighbourhood park or open space. We exceeded this target in 2018/19.

The increase is a result of new parks in Ruakura (Greenhill Park development), Peacocks (Dixon Rd/Inuwai St) and Rototuna (partial development of Hare Puke and Mangaiti parks).

You can expect: To be satisfied with our community facilities (pools and community facilities).

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The percentage of customers satisfied with pools and community facilities.	Establish baseline	Established baseline - 70%	New measure	New measure

WHAT'S BEHIND THE RESULTS

In January 2019, we began point of service surveying of our Waterworld and Gallagher Aquatic Centre customers and regular or casual customers who hire our parks.

Results from the survey indicated that, on average, 72% of respondents were satisfied or very satisfied with their overall experience at our pools and community facilities. A total of 716 responses were received.

Using a confidence level of 95%, we can say that the average satisfaction of 72% is within a margin of error +/- 4%, providing a starting statistical baseline of 68%. The actual baseline has been set at 70% to reflect the expected positive impact of ongoing initiatives at our pools facilities, including a renewed focus on customer services and planned capital improvements such as the splashpad upgrade at Waterworld.

[†] Meaning a park or open space that meets the function of a neighbourhood park as defined in the Open Space Provision Policy.

* This is a new measure and has not been reported in previous annual reports and, as such, the comparative results presented are unaudited.

PARKS AND RECREATION FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	10-Year Plan 2017/18	Actual 2017/18	10-Year Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	5,630	4,933	14,360	14,189
Targeted rates	13,860	11,902	11,960	12,163
Subsidies and grants for operating purposes	193	106	7	26
Fees and charges	5,759	5,258	6,965	7,212
Internal charges and overheads recovered	-	1	-	2
Local authorities fuel tax, fines, infringement fees and other receipts	175	276	298	463
Total operating funding	25,617	22,476	33,590	34,055
Application of operating funding				
Payments to staff and suppliers	21,896	22,108	24,703	25,230
Finance costs	1,731	1,424	2,352	2,218
Internal charges and overheads applied	-	9	-	16
Other operating funding applications	-	22	-	-
Total applications of operating funding	23,627	23,563	27,055	27,464
Surplus/(deficit) of operating funding	1,990	(1,087)	6,535	6,591
Sources of capital funding				
Subsidies and grants for capital expenditure	-	275	300	291
Development and financial contributions	1,492	2,113	938	1,843
Increase/(decrease) in debt	442	(1,065)	16,532	(1,645)
Gross proceeds from sale of assets	3	-	1,944	40
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	1,937	1,323	19,714	529
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	269	2,169	7,281	5,413
- to improve the level of service	529	4,134	10,556	9,595
- to replace existing assets	3,129	10,256	7,287	9,500
Increase/(decrease) in reserves	-	(14,492)	(646)	(14,188)
Increase/(decrease) in investments	-	(1,831)	1,771	(3,200)
Total applications of capital funding	3,927	236	26,249	7,120
Surplus/(deficit) of capital funding	(1,990)	1,087	(6,535)	(6,591)
Funding balance	-	-	-	-

Prior year comparatives have been aligned to the new group of activities in the 2018-28 10-Year Plan.

Item 6

Attachment 2

SAFETY

Safety is about ensuring Hamilton is a place where people feel safe and are protected from risks to their health and wellbeing.

We want to make sure our public places are safe for the people that use them and that legal standards are met.

We want to meet our legal obligations to keep our residents safe by ensuring compliance with public health and safety regulations.

THIS ACTIVITY HELPS US DELIVER A GREAT RIVER CITY

WHAT WE DO

OUR ACTIVITIES:

- Public safety
- Animal education and control
- Environment health
- Alcohol licensing
- Civil Defence

We undertake many activities that contribute to keeping our community safe, protecting their wellbeing and keeping Hamilton a great place to be.

We work with a range of other agencies to deter antisocial behaviour in the central city, look for opportunities to prevent crime, support the homeless or vulnerable and enhance perceptions of safety for users of the central city. Services we provide include CCTV cameras, graffiti removal and City Safety patrols.

To reduce the risk of danger and nuisance from dogs, we make sure they are registered and controlled and investigate offences under the Dog Control Act 1996. Providing education to schools, businesses and community groups about safety around dogs is an important part of this service.

We monitor and enforce standards for businesses selling food and liquor, respond to health nuisances and deal with environmental pollution issues such as noise control and contaminated sites.

Through emergency management we work to help the community be resilient and ready to deal with an emergency. We support the Waikato Region Civil Defence and Emergency Management Group to meet legal requirements, minimise potential effects of emergencies, prepare our people to respond to emergencies and recover as quickly as possible after an emergency.

EFFECTS ON THE COMMUNITY

We provide these services to contribute to a safe community by minimising risks to public health and wellbeing and working with others to keep our city safe.

Our Civil Defence activity helps develop individual and community resilience and readiness to respond to and recover from an emergency or disaster.

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

Providing a city where people feel safe and are protected from risks to their health and wellbeing has continued to be a significant focus for the 2018/19 year.

The Animal Education and Control team has organised and been involved in several events during the year, including the Dirty Dog Challenge, where we worked closely with Waikato District Council, and recent Your Neighbourhood events, which allowed the team to have direct contact with a wider range of the public than just dog owners. The team has also continued to promote Hamilton Adopt a Dog, which gives surrendered dogs a second chance with responsible dog owners.

Responding to customer service requests is an important part of the activities we provide. During the year we responded to over 98% of urgent requests for dog control within 60 minutes, over 99% of graffiti removal jobs were completed within two working days, and over 96% of complaints about excessive noise were responded to within 30 minutes.

Our City Safe team has continued to work collaboratively with a wide range of organisations to provide wrap-around support services for members of our at-risk community while maintaining a highly visible presence in the central city to deter antisocial behaviour. As part of the 2019/20 Annual Plan, Council approved an extension of the City Safe programme to the suburbs. This 12-month trial is aimed at enhancing Hamiltonians' sense of security and providing greater support to our community's most vulnerable. The extended programme kicks off from July 2019.

We have continued to strengthen our Civil Defence Emergency Management response and recovery initiatives during the year. In November 2018, around 100 Council staff participated in an exercise at Claudelands Events Centre aimed at ensuring the city is well prepared for disaster readiness, response and recovery.

In February 2019, four staff were deployed to Nelson to support the national response to the fires in Pigeon Valley, Wakefield. The deployment was a hugely valuable learning experience for staff and will support our readiness should we face a Civil Defence emergency in our region.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year one (2018/19) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2018/19 budget in the 10-Year Plan plus deferred budget from 2017/18.

CAPITAL PROJECT	TYPE	2018/19 TOTAL APPROVED BUDGET \$000	2018/19 ACTUAL \$000	VARIANCE \$000
LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH				
CCTV renewals	R	50	48	(2)
Share of facilities, information services, customer services and strategic property capital expenditure	LOS/R	190	102	(88)
Total		240	150	(90)

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

You can expect: We work with partner organisations and the community to improve safety.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The percentage of central city users surveyed who feel very safe or reasonably safe in the central city during daytime.	At least 80%	86%	77%	83%

WHAT'S BEHIND THE RESULTS

This measure indicates the community's perception of safety during the day.

The 2019 Perceptions of Safety survey ran from June to July 2019. The result presented above represents interim findings. The interim result indicates an increase in the percentage of central city users who feel very safe or reasonably safe in the central city during daytime. The final survey results will be available in the coming months.

SAFETY FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	10-Year Plan 2017/18	Actual 2017/18	10-Year Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	837	905	1,977	1,952
Targeted rates	2,120	2,237	1,724	1,700
Subsidies and grants for operating purposes	-	-	-	1
Fees and charges	2,401	2,453	2,188	2,156
Internal charges and overheads recovered	-	4	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	16	32	33	27
Total operating funding	5,374	5,631	5,922	5,836
Application of operating funding				
Payments to staff and suppliers	5,276	6,246	5,911	5,792
Finance costs	25	10	1	(4)
Internal charges and overheads applied	-	3	-	2
Other operating funding applications	-	-	-	-
Total applications of operating funding	5,301	6,259	5,912	5,790
Surplus/(deficit) of operating funding	73	(628)	10	46
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	114	(865)	-	(525)
Gross proceeds from sale of assets	7	-	-	20
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	121	(865)	-	(505)
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	5	28	4	4
- to replace existing assets	189	229	207	146
Increase/(decrease) in reserves	-	(1,716)	(201)	(609)
Increase/(decrease) in investments	-	(34)	-	-
Total applications of capital funding	194	(1,493)	10	(459)
Surplus/(deficit) of capital funding	(73)	628	(10)	(46)
Funding balance	-	-	-	-

Prior year comparatives have been aligned to the new group of activities in the 2018-28 10-Year Plan.

PLANNING AND DEVELOPMENT

Planning and Development is about city planning that supports the growth of the city while ensuring Hamilton's unique environment is protected.

We want to meet our regulatory requirements to ensure building activity in the city supports safe, sustainable housing and commercial solutions in response to Hamilton's growing population.

We want to ensure developers, large and small, have accurate advice and information to help them through the regulatory processes.

THIS ACTIVITY HELPS US DELIVER A CITY THAT EMBRACES GROWTH

WHAT WE DO

OUR ACTIVITIES:

- City planning
- Planning guidance
- Building control

In an environment of fast-paced growth such as Hamilton is experiencing, it is important the development of the city is managed strategically. Good planning is necessary to support smart development and sustainable growth across the entire city. It protects Hamilton's natural and built environments, our heritage and quality of life for our residents.

We manage the District Plan and monitor its effectiveness. The District Plan is the key document defining how and where the city grows. We manage the city's natural and physical resources along with other policies that guide the future development of our city.

We provide information and advice for those planning developments and process applications for land-use and subdivision consents. We work closely with developers to ensure the city is well designed, safe and embraces growth. We are responsible for implementing the Hamilton Housing Accord.

We issue building consents, inspect public buildings and those under construction, and provide advice to make sure Hamilton's buildings are safe, healthy and durable. We maintain property information and answer property enquiries and provide advice on urban design and heritage matters.

EFFECTS ON THE COMMUNITY

Planning and Development supports the sustainable growth of the city while ensuring Hamilton's unique environment is protected.

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

Hamilton is one of New Zealand's fastest growing cities – we are now a city of 169,300 people and by 2028 we expect to be home to more than 187,600 people.

Our increasing population is driving continued growth in development which shows itself through increased demand for our resource and building consent services. A total of 1552 new homes were approved within 850 building consents during the year, a 35% increase on the previous financial year. This is also the highest number of new home consents approved since digital records began in the 1990s.

We have also seen an increase in the number of resource consent applications processed during 2018/19, with a total of 803 resource consent applications processed (up 12% on the previous year). Despite the increase in consenting demand we continue to deliver these services within statutory timeframes.

As part of our Smart Hamilton programme we moved our building consent application process online in December 2018. The new online system makes it more convenient and cost-effective to apply for building consents and offers greater visibility of application status to customers.

In 2018, we secured \$290M of funding from Central Government under the Housing Infrastructure Fund (\$180M of 10-year interest-free loan funding, and \$110M of NZ Transport agency subsidies). This funding supports the development of the Peacocke suburb in the city's south and will enable us to build a new bridge over the Waikato River, other main roads and water and wastewater systems. Peacocke will be home for up to 9000 people in the next 10 years.

During 2018/19 we began the enabling, planning and design works for Peacocke, including parks and recreation reserves, integrated catchment management and investigating community facilities. Peacocke has unique ecological aspects and we have been investigating ways to protect the biodiversity of the area while enabling growth.

The majority of the key infrastructure projects for Peacocke are in the design phase with the Growth and Infrastructure Committee approving a concept design for the bridge. A subdivision consent application for over 800 homes was received for the Amberfield subdivision in the area. Development is continuing in the Stage 1 (Dixon Rd) area. Further development of the area will be enabled upon completion of the wastewater pump station and bridge from 2023/24.

During 2018/19 three Special Housing Areas (SHAs) were submitted to the Ministry of Housing and Urban Development for review. One of these applications (Te Awa Lakes) was declined. The other two applications (Rotokauri North and Quentin Dr) were approved in August 2019. There will be no new applications for SHAs, as September 2019 is the cut-off date by which qualifying development consents can be submitted to the Council.

Our Regulatory Efficiency and Effectiveness Programme (REEP) gathered pace in 2018/19. Stage 1 of the project is streamlining the way customers use the District Plan. We have already made some process improvements after conversations with customers, advisors and staff, while 77 recommendations from REEP are being considered as part of a Plan Change process.

Looking to the future we are also working with key partners on the Hamilton to Auckland corridor plan. The corridor plan recognises the importance of the Hamilton-Waikato metropolitan area and its links to the Auckland metropolitan area. It aims to create new employment opportunities and better support growth and improve connections, housing affordability and choices, and access to employment, services and amenities.

The corridor plan builds on the thinking and planning of Futureproof, Hamilton Urban Growth Strategy, Auckland Development Strategy, Government Urban Growth Agenda and other Crown-local authority partnerships and programmes.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year one (2018/19) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2018/19 budget in the 10-Year Plan plus deferred budget from 2017/18.

CAPITAL PROJECT	TYPE	2018/19 TOTAL APPROVED BUDGET \$000	2018/19 ACTUAL \$000	VARIANCE \$000
LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH				
Share of facilities, information services, customer services and strategic property capital expenditure	LOS/R	444	236	(208)
Total		444	236	(208)

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

You can expect: A sufficient supply of land for housing and business.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
There will be at least three years capacity of residential zoned land supplied with development infrastructure in the city.	Achieved	Achieved - 3.2 years	New measure	New measure
There will be at least three years capacity of business zoned land supplied with development infrastructure in the city.	Achieved	Not achieved - 2.4 years	New measure	New measure

WHAT'S BEHIND THE RESULTS

We aim to provide sufficient residential and business land to allow our city to grow. This measure indicates if there is three years of residential and business land zoned and ready with infrastructure to be used.

Results indicate that we have sufficient residential land zoned and ready for use. However, the availability of business zoned land is below our desired level. There is plentiful supply of land for retail and commercial business, but gaps in the availability of industrial land. We are working on a change to the District Plan to enable further land for industrial development in the Te Rapa North area of the city.

The supply of commercial and industrial land will also be part of the greater Hamilton Metro Spatial Plan work being completed as part of the Hamilton to Auckland corridor plan.

You can expect: We will support the delivery of safe, sustainable and attractive development.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
Average processing days for building consents. ²	18 working days	17.04 working days	15.88 working days*	14.43 working days*
Average processing days for non-notified land use and subdivision resource consents. ²	18 working days	17.14 working days	16.10 working days*	16.1 working days*

WHAT'S BEHIND THE RESULTS

As the city continues to grow we are seeing increased demand for our consenting activities. Despite this increased demand we aim to process building and non-notified resource consents in a timely fashion.

The number of building consents processed this year (2019) increased by 13% on the prior year. Despite the increase we have remained within our target processing timeframes.

Resource consenting activities for non-notified land use and subdivisions also increased, with 12% more consent applications received this year. A total of 803 resource consents were issued during the year. This increase in activity has led to challenges and we have identified a weakness where, for some resource consents, the dates recorded in our consenting system do not agree to the underlying consenting information. For these resource consents, this is where time stops and starts when further information is requested from the applicant in order to process the resource consent in accordance with the Resource Management Act 1991.

This performance measure does not measure the quality of technical decisions on which the resource consents are issued and does not impact on the validity or appropriateness of the decisions reached in respect of resource consents. In response to the weakness identified, we have begun implementing a targeted programme of improvements, which include:

- refining guidelines and processes around applicant correspondence;
- developing templates for consistency, and automatic saving into our consenting system;
- changing internal processes to ensure all documents and correspondence are saved within our document management system;
- establishing a standardised naming convention for ease of access to documentation within our document management system;
- establishing a training and education programme;
- implementing monthly quality review checks;
- investigating digitalisation of the consenting process.

²"Average processing days" is the average number of working days used in processing consents, which excludes all stop clock days.

A working day means any day except for a weekend day, public holiday and those days between 20 December and 10 January. The processing clock may be stopped at any point should we require further information from the applicant.

* This is a new measure and has not been reported in previous annual reports; as such, the comparative results presented are unaudited.

PLANNING AND DEVELOPMENT FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	10-Year Plan 2017/18	Actual 2017/18	10-Year Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	1,038	1,299	2,811	2,727
Targeted rates	2,922	3,510	2,453	2,678
Subsidies and grants for operating purposes	-	-	-	3
Fees and charges	8,051	9,831	9,374	11,971
Internal charges and overheads recovered	-	8	-	17
Local authorities fuel tax, fines, infringement fees and other receipts	4	587	93	145
Total operating funding	12,015	15,235	14,731	17,541
Application of operating funding				
Payments to staff and suppliers	11,627	14,770	14,189	14,298
Finance costs	11	1,146	751	709
Internal charges and overheads applied	-	12	-	8
Other operating funding applications	-	1	-	-
Total applications of operating funding	11,638	15,929	14,940	15,015
Surplus/(deficit) of operating funding	377	(694)	(209)	2,526
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	81	-	(487)	-
Gross proceeds from sale of assets	12	-	693	28
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	93	-	206	28
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	34	82	9	9
- to replace existing assets	436	572	367	227
Increase/(decrease) in reserves	-	303	(296)	3,340
Increase/(decrease) in investments	-	(1,651)	(83)	(1,022)
Total applications of capital funding	470	(694)	(3)	2,554
Surplus/(deficit) of capital funding	(377)	694	209	(2,526)
Funding balance	-	-	-	-

Prior year comparatives have been aligned to the new group of activities in the 2018-28 10-Year Plan.

WATER SUPPLY

Water Supply is about providing Hamilton residents and businesses with a reliable, high-quality and safe treated water supply.

We want to continue to meet our legislative requirements to deliver water supply services that are safe, healthy and sustainable.

We want to ensure we meet the current and future needs of communities with good-quality infrastructure.

THIS ACTIVITY HELPS US DELIVER A CITY THAT EMBRACES GROWTH

WHAT WE DO

OUR ACTIVITIES:

- Water treatment and storage
- Water distribution

We treat, distribute and manage Hamilton’s water supply. Raw water is drawn from the Waikato River into the water treatment plant, where it is treated to provide high-standard drinking water.

We operate, maintain and enhance the water treatment plant, water storage reservoirs, pump stations, hydrants and pipelines and commercial water meters.

Our water supply network services more than 51,600 households and around 5560 commercial, industrial and rural premises. Water from the city also supplies several thousand properties in the Waikato area and more than 100 properties in the Waipa area.

Monitoring and managing risks to the quality and safety of water is an important part of this service. We undertake planning to manage future capacity needs.




Legally, we must ensure our water is used sustainably. We do this in many ways, including water restrictions when demand is high, development of education programmes, encouraging residents to conserve our precious water resource, and investment in infrastructure to enhance monitoring and manage water usage better.

EFFECTS ON THE COMMUNITY

We provide Hamiltonians with a high-quality, reliable and sustainable water supply. Having enough good-quality drinking water is essential for a healthy community and our economy.

There are a number of users with consent to draw water from the Waikato River. Taking too much water from the river can impact on the amount of water available for users downstream and the ecology and health of the river. Waikato Regional Council is responsible for managing the amount of water taken from the Waikato River and we have a resource consent with a set limit that we can take per day.

Water management practices can occasionally vary from Maaori cultural beliefs and practices, such as the mixing of water from different catchments. We consider Maaori values in relation to the take and discharge of water in all our water management practices and consult with local iwi as part of the resource consent process.

KEY IMPACT ON COMMUNITY WELLBEING	 SOCIAL	 ECONOMIC	 ENVIRONMENTAL	 CULTURAL
-----------------------------------	---	---	--	---

DELIVERING ON OUR 10-YEAR PLAN

We have continued our focus on the sustainability and resilience of our water supply throughout 2018/19.

As part of the Smart Water subregional summer campaign, we are working with Waikato District Council and Waipa District Council to make long-term change to how we use water. A warm dry summer led to increased water usage, with consumption in January and February 14% higher than the city's 10-year average consumption for that time of year. Water restrictions were put in place in early December 2018 through to early April 2019. The restrictions help to conserve water across the city by limiting the use of sprinklers and watering systems.

In December 2018, a Smart Water show aimed at three- to five-year-olds took place around Hamilton, Waikato and Waipa. The show gave children a greater understanding of how water gets from source to tap while encouraging them not to waste it. The show was well received by the early childhood centres and children involved.

In line with our Water Conservation and Demand Strategy, we have continued to implement discrete water demand zones, which help identify areas where we are losing water. During the year we undertook water demand management works in the Fairfield reservoir zone and completed planning for future water demand management works in the Newcastle and Hillcrest reservoir zones.

We have continued to invest in the maintenance and renewal of existing assets. In December 2018, we completed maintenance at the Ruakiwi reservoir which included replacement of the roof. The new roof is expected to last at least 50 years and is part of our ongoing programme of asset renewal.

Through our water renewals programme, we replaced more than 6km of water mains during the year.

Construction of a new 12 million litre water reservoir in Ruakura began in early 2019. The new reservoir will provide additional water storage, pumping capacity and resilience to the city's eastern water network, and will supply fresh drinking water to the Ruakura and Peachgrove areas. We expect the new reservoir to be operational by June 2020.

The Department of Internal Affairs is leading a cross-government review into three waters (wastewater, stormwater and water supply) across the country. We have been actively involved in the review process and gave the review panel feedback in March 2019 about proposals for regulatory reform. Cabinet is expected to make initial decisions on proposals and regulation of three waters in late 2019.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year one (2018/19) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2018/19 budget in the 10-Year Plan plus deferred budget from 2017/18.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2018/19 TOTAL APPROVED BUDGET \$000	2018/19 ACTUAL \$000	VARIANCE \$000
Replacement of watermains	R	2,744	2,995	251
Replacement of water meters, valves and hydrants	R	1,135	548	(587)
Tools of trade renewals	R	50	21	(29)
Water demand management - network water loss	LOS	500	507	7
Upgrade or build new watermains in Rototuna	G	1,625	845	(780)
Water pipe upgrade - growth	G	300	323	23
Upgrade/build new watermains Rotokauri stage 1	G	1,076	1,164	88
Eastern Bulk Main slip	G	1,047	61	(986)
Upgrade/build new watermains in Peacocke stage 2	G	163	67	(96)
Water network upgrades to allow new development	G	80	27	(53)
Water demand management - Pukete reservoir zone	G	135	-	(135)
Upgrade/build distribution watermains in Peacocke	G	85	2	(83)
Water demand management - Newcastle reservoir zone	G	50	51	1
Replacement of treatment plant and reservoir assets	R	2,169	1,332	(837)
Water model	R	399	27	(372)
Water treatment plant compliance - minor upgrades	LOS	1,610	493	(1,117)
Water demand management - Hillcrest reservoir zone	G	1,119	55	(1,064)
Upgrade water treatment plant	G	2,810	508	(2,302)
Water customer connections	G	50	521	471
Upgrade or build new watermains in Ruakura	G	500	-	(500)
Water master plan	G	150	32	(118)
Ruakura reservoir and associated bulk mains	G	10,674	6,520	(4,154)
Water demand management - Fairfield reservoir zone	G	514	676	162
Share of facilities, information services, customer services and strategic property capital expenditure	LOS/R	1,835	977	(858)
Total		30,820	17,752	(13,068)

Capital expenditure was lower than the budgeted \$30.8M due to project savings and deferrals. The main reasons for the underspend are:

- \$587,000 for replacement of water meters, valves and hydrants was deferred into future years due to reprioritisation of work programmes in 2018/19;
- \$1.3M for Rototuna and Ruakura watermains was deferred to align with third-party developer timing. These works are currently under contract;
- nearly \$1M relating to the Eastern Bulk Main slip was deferred to align with nearby barge-based jetty works, which are planned to be completed in 2019/20. The deferral of these funds will allow for more efficient delivery opportunities across the two projects;
- \$3.4M of contractually committed works for water treatment plant upgrades (including minor compliance upgrades) was deferred into 2019/20 to align with contractor programmes;
- \$3.2M of contractually committed works for the Ruakura reservoir and associated bulk mains was deferred into 2019/20 to align with contractor programmes and savings of approximately \$1M were realised on the project through innovative works design and procurement.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

You can expect: The water we supply is safe to drink.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
Water quality complies with the drinking water standards for (a) bacteria and (b) protozoa. ^{†3}	a) Achieve compliance	a) Achieved compliance	a) Achieved compliance	a) Achieved compliance
	b) Achieve compliance	b) Achieved compliance	b) Achieved compliance	b) Achieved compliance

WHAT'S BEHIND THE RESULTS

This measure indicates whether the water we supply is safe to drink and hygienic to use. The New Zealand Drinking Water Standards, monitored by the Ministry of Health, provide a recognised national standard for public safety. Drinking water supplied by the Council complies with these standards for both bacterial and protozoal criteria.

In 2018/19 Hamilton's water supply was assessed by an independent drinking water assessor as fully compliant with the Standards and requirements of the Health Act 1956.

You can expect: Our water network is managed in a way that minimise the loss of water.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The percentage of real water loss from the water network infrastructure in the city. ^{†4}	No more than 16%	9.6% (March 2018 to March 2019)	14.5% (March 2017 to March 2018)	16% (March 2016 to March 2017)

WHAT'S BEHIND THE RESULTS

We aim to provide an efficient and effective water supply. We achieve this by undertaking activities such as water leakage detection and maintaining our network of water pipes.

The measure estimates how much water is lost from the system between the water treatment plant and the household or customer. High levels of water loss can indicate that the network is in poor condition or operating inefficiently.

The calculated level of water loss for 2018/19 is significantly lower than the prior year. The decrease is most likely a result of the 2018 closure of the Rototuna supply zone. Closing this water supply zone allowed the Rototuna area to be supplied from the new Rototuna reservoir rather than being serviced directly from the Waiora water treatment plant. This resulted in reduced pressure being required within the network to supply this side of the city, leading to a corresponding reduction of leakage throughout the network.

You can expect: We will work with the community to sustainably manage the supply and use of water.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The average use of drinking water per Hamilton resident, per day. [†]	No more than 400 litres per resident, per day	347 litres	337.5 litres	331 litres

WHAT'S BEHIND THE RESULTS

We provide a sustainable water supply. This is achieved through water conservation campaigns that educate the community on sustainable water use and efficient management of the water network. This measure indicates the success of these campaigns.

The annual level of water usage per Hamilton resident was at a similar level to previous years (on average) despite record-breaking water use over a hot summer which had sustained periods of high outdoor water use. Water restrictions as part of the Smart Water programme were initiated at the beginning of December 2018 and remained in place until early April 2019.

Throughout the year we have continued to complete water demand management works, including the creation of water supply areas. These works allow our operational teams to better monitor water use across the city. This helps us prioritise where education, infrastructure renewals and water loss programmes are needed.

[†] Measure required by the Department of Internal Affairs.

³ Refers to part 4 and 5 of the Drinking Water Standards.

⁴ We use the Water New Zealand Loss Guidelines to calculate how much water is lost from the water network. The water loss calculation carries a 95% confidence limit of +/- 35% due to assumptions required to estimate per capita residential consumption.

You can expect: To be satisfied with the clarity, taste, odour, continuity and pressure of the water supply.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The number of complaints relating to drinking water about clarity, taste, odour, pressure, continuity of supply and complaints about our response to any of these issues. [‡]	No more than 5 complaints per 1,000 connections	3.1 complaints per 1,000 connections	3.0 complaints per 1,000 connections	1.9 complaints per 1,000 connections

WHAT'S BEHIND THE RESULTS

We provide water that is wholesome and reliably supplied. This measure indicates customer and community satisfaction with the quality of the water.

During 2018/19 we received a total of 185 complaints, a slight increase on the 170 received in the prior year. Of the 185 complaints, 162 were related to periods of 'no water' or low-pressure events, which were mainly caused by unexpected issues during commissioning following planned maintenance and capital works shutdowns.

You can expect: A timely response and a timely resolution if there is a problem with the water supply.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The median attendance time for urgent call-outs, from the time that we received notification to the time that our service personnel reach the site. [‡]	No more than 60 minutes	36 minutes	40 minutes	73 minutes
The median resolution time of urgent call-outs, from the time that we received notification to the time that our service personnel confirm the fault or interruption has been resolved. [‡]	No more than 5 hours	2.2 hours	2.1 hours	3.2 hours
The median attendance time, in working days, for non-urgent call-outs, from the time that we received notification to the time that our service personnel reach the site. ^{‡,§}	No more than 5 working days	4 working days	7.8 days (this calculation included non-working days)	6.2 days (this calculation included non-working days)
The median resolution time, in working days, of non-urgent call-outs, from the time we received notification to the time that our service personnel confirm the fault or interruption has been resolved. ^{‡,§}	No more than 10 working days	5 working days	8.3 days (this calculation included non-working days)	6.8 days (this calculation included non-working days)

WHAT'S BEHIND THE RESULTS

Households and businesses rely heavily on water so it's important that we provide a timely response when something goes wrong. These measures indicate how quickly we respond to issues with the water supply and resolve the problem.

A call-out to a household or business with no water supply is classified as urgent. Call-outs for other water supply matters, where water is still being delivered, are classified as non-urgent.

Throughout 2018/19 we have better focussed and resourced our network operations and maintenance programmes, which has led to improvements in attendance times for urgent and non-urgent call-outs and resolution times for non-urgent call-outs. Resolution time for urgent call-outs has increased slightly against the prior year but remains well within our targeted timeframe. This slight increase is due to a higher volume of urgent water-related calls.

[‡] Measure required by the Department of Internal Affairs.

[§] Working days are Monday to Friday, excluding public holidays. If notification is received on the weekend or public holiday, the timeframe starts from the next working day.

WATER SUPPLY FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	10-Year Plan 2017/18	Actual 2017/18	10-Year Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	5,376	5,606	8,378	9,656
Targeted rates	21,667	22,163	15,081	17,491
Subsidies and grants for operating purposes	-	-	-	11
Fees and charges	397	475	252	566
Internal charges and overheads recovered	-	1	-	1
Local authorities fuel tax, fines, infringement fees and other receipts	280	434	500	768
Total operating funding	27,720	28,679	24,211	28,493
Application of operating funding				
Payments to staff and suppliers	9,922	11,097	13,143	12,060
Finance costs	4,409	3,104	4,078	3,862
Internal charges and overheads applied	-	5	-	11
Other operating funding applications	-	12	-	-
Total applications of operating funding	14,331	14,218	17,221	15,933
Surplus/(deficit) of operating funding	13,389	14,461	6,990	12,560
Sources of capital funding				
Subsidies and grants for capital expenditure	53	531	50	1,147
Development and financial contributions	1,843	5,872	3,498	5,757
Increase/(decrease) in debt	3,299	(2,335)	14,082	(2,854)
Gross proceeds from sale of assets	7	-	3,722	115
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	5,202	4,068	21,352	4,165
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	12,287	11,836	17,745	10,851
- to improve the level of service	1,238	1,988	2,146	1,036
- to replace existing assets	5,066	4,676	7,609	5,865
Increase/(decrease) in reserves	-	2,860	(1,257)	4,526
Increase/(decrease) in investments	-	(2,831)	2,099	(5,553)
Total applications of capital funding	18,591	18,529	28,342	16,725
Surplus/(deficit) of capital funding	(13,389)	(14,461)	(6,990)	(12,560)
Funding balance	-	-	-	-

Prior year comparatives have been aligned to the new group of activities in the 2018-28 10-Year Plan.

WASTEWATER

Wastewater is about providing our city with reliable and sustainable wastewater services to protect both the health of our people and our waterways.

We want to continue to provide a service to collect, treat and dispose of wastewater in a safe, healthy and sustainable way. This includes ensuring we meet the current and future infrastructure needs of our communities.

THIS ACTIVITY HELPS US DELIVER A CITY THAT EMBRACES GROWTH

WHAT WE DO

OUR ACTIVITIES:

- Wastewater collection
- Wastewater treatment and disposal

Wastewater drains from showers, baths, sinks, washing machines, dishwashers and toilets, and is collected and transferred through a network of pipes and pump stations to the wastewater treatment plant at Pukete. Wastewater from commercial and industrial premises also feeds into this network.

At the plant, wastewater is thoroughly treated before being discharged into the Waikato River. Solid waste (biosolids) removed as part of the treatment process is also treated on-site and then vermi-composted for reuse.

The wastewater network services more than 51,500 households and around 4900 commercial and industrial premises. The network includes the wastewater treatment plant, pump stations and pipes.

EFFECTS ON THE COMMUNITY

We manage the wastewater network to provide the city with services that are reliable and protect people's health and our waterways. This is essential for a healthy community and our economy. If not monitored and managed appropriately, wastewater services have the potential for negative environmental effects such as odour, noise and discharges into waterways.

We manage these potential effects by complying with our resource consent conditions, managing treated sewage discharge quality, maintaining odour control devices at treatment plants, and upgrading or replacing infrastructure as necessary.

Wastewater discharge practices can occasionally vary from Maaori cultural beliefs and practices. We consider Maaori values in relation to the discharge of water in all our wastewater activities and consult with local iwi as part of the resource consent process.

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

We are investing in the resilience and reliability of our wastewater network, as well as investing in network capacity to meet the city's ongoing growth.

During the year, 6km of wastewater pipes were replaced as part of our ongoing renewals programme. Replacements included a section of pipe along Mill St as part of a four-week long construction programme. We also completed renewals at 20 wastewater pump stations and replaced 15 wastewater pumps.

Hamilton has one wastewater treatment facility, the Pukete wastewater treatment plant, where

all wastewater from Hamilton homes and businesses is treated and disposed of. The plant was opened in the 1970s and has undergone two substantial upgrades since then.

As part of our commitment to looking after the assets we have and making them fit-for-purpose, the Council approved a further upgrade as part of the 2018-28 10-Year Plan. This upgrade increases capacity to cater for the city's growth and will ensure we remain compliant with our discharge consents through to 2027 (based on current consent conditions and growth forecasts). Physical works to upgrade the existing treatment plant began during 2018/19, with the final stage to be completed by July 2021.

Waikato Regional Council assesses the Pukete plant's resource consent compliance annually. The latest assessment found the site was fully compliant against nine resource consents for a variety of activities, including the discharge of treated effluent to the Waikato River. This is the first time since 2009 we have achieved full compliance.

In February 2019, we held a forum between our City Waters team and Hamilton plumbers. The aim was to build relationships with plumbers working within the city and around our three waters infrastructure. Feedback was positive and further forums will be held regularly to continue to strengthen these relationships.

In June 2019, we received a highly commended acknowledgement at the Institute of Public Works Engineering Australasia awards for our innovative asset information management and modelling system designed for the Pukete wastewater treatment plant. The project has delivered significant enhancements to the quality of asset data collected at both our wastewater and water treatment plants.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year one (2018/19) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2018/19 budget in the 10-Year Plan plus deferred budget from 2017/18.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2018/19 TOTAL APPROVED BUDGET \$000	2018/19 ACTUAL \$000	VARIANCE \$000
Replacement of wastewater pump stations	R	1,058	1,065	7
Replacement of wastewater assets	R	3,036	3,387	351
Increase capacity of wastewater pump stations	LOS	823	604	(219)
Wastewater pipe upgrade – growth	G	300	87	(213)
Increase capacity of wastewater network – Rototuna	G	312	51	(261)
Wastewater network upgrades to allow development	G	80	284	204
Increase capacity of network in Rotokauri stage 1	G	681	3	(678)
Increase capacity of network in Peacocke stage 1	G	189	21	(168)
Increase capacity of network in Peacocke stage 2	G	4,090	354	(3,736)
Increase capacity of network throughout the city	G	250	29	(221)
Wastewater model	R	70	75	5
Replacement of wastewater treatment plant assets	R	3,737	2,603	(1,134)
Wastewater seismic strengthening	LOS	100	702	602
Wastewater treatment plant compliance	LOS	1,657	565	(1,092)
Wastewater master plan	G	150	153	3
Upgrade wastewater treatment plant (Pukete 3)	G	15,232	7,936	(7,296)
Wastewater customer connections to the network	G	50	956	906
Increase capacity wastewater far east network	G	4,065	2,309	(1,756)
Increase capacity wastewater south network	G	3,300	1,160	(2,140)
Increase capacity wastewater west network	G	7,498	1,978	(5,520)
Increase capacity wastewater east network	G	250	9	(241)
Increase capacity wastewater central network	G	3,664	442	(3,222)
Share of facilities, information services, customer services and strategic property capital expenditure	LOS/R	2,405	1,280	(1,125)
Total		52,997	26,053	(26,944)

Capital expenditure was lower than the budgeted \$53M due to project savings and deferrals. The main reasons for the underspend are:

- \$9.1M of contractually committed works to increase network capacity in Rotokauri, wastewater treatment plant compliance and upgrades was deferred into future years to align with contractor programmes;
- \$3.7M for network capacity works in Peacocke (stage 2) was deferred to allow for detailed programming of contractually committed professional service engagement, and to align with expected land acquisition timing in accordance with the Public Works Act;
- \$500,000 for network capacity works in the south of the city was deferred to align with Peacocke strategic wastewater works;
- \$2.6M for network capacity works in the city's west was deferred into future years to align with contractor programmes and nearly \$2.8M in savings were realised on the project through innovative works design and procurement;
- \$750,000 for network capacity works in the city's east was deferred into future years to align with contractor programmes and \$1M in savings were realised on the project through smart works procurement.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

You can expect: Our wastewater system is designed and maintained to minimise harm to the community and environment.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The number of overflows in dry weather.*	No more than 5 overflows per 1,000 connections	2.8 overflows per 1,000 connections	3.0 overflows per 1,000 connections	0.2 overflows per 1,000 connections

WHAT'S BEHIND THE RESULTS

Our wastewater system is designed, operated and maintained in a way that aims to minimise the risk of harm to the community and environment. This measure indicates how well the network operates.

In 2018/19 there were 164 dry weather overflows, five of which occurred at wastewater pump stations and 159 from the reticulation network. All the pump station events were caused by unexpected power failures or mechanical or electrical faults at the pumping station that have since been addressed to prevent reoccurrence.

The percentage of dry weather overflows arising from the build-up of fat in our reticulation network increased during the year. Our wastewater education programmes in 2019/20 will focus on reducing the disposal of fats, oils and greases into the wastewater network.

You can expect: We operate and maintain the wastewater system to minimise odour and blockages.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The number of complaints about wastewater odour, system faults or blockages and complaints about our response to issues with the wastewater system.*	No more than 25 complaints per 1,000 connections	16.67 complaints per 1,000 connections	11.95 complaints per 1,000 connections	18.4 complaints per 1,000 connections

WHAT'S BEHIND THE RESULTS

This measure indicates customer and community satisfaction with the quality of the wastewater system. The number of complaints provides an indication of the quality of the service provided. This measure also provides data that highlights problems requiring attention, such as the need for maintenance, renewals, upgrades or new infrastructure.

We received a total of 984 complaints during 2018/19, an increase on the 674 complaints received in the prior year. Of these, 543 related to overflows and blockages within the reticulated network. We noted an increase in the build-up of fat in our reticulation network during the year, resulting in more complaints about overflows and blockages. This will be an ongoing area of focus for our 2019/20 wastewater education programme.

You can expect: We operate and maintain the wastewater system to minimise the impact on the environment.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The number of abatement notices, infringement notices, enforcement orders and convictions issued for spillage from the wastewater system.*	No more than 1 abatement notice	0 abatement notices	1 abatement notice	0 abatement notices
	0 infringement, enforcement or conviction actions	0 infringement, enforcement or conviction actions	0 infringement, enforcement or conviction actions	0 infringement, enforcement or conviction actions

WHAT'S BEHIND THE RESULTS

We have a resource consent issued by Waikato Regional Council that sets quality standards for the water discharged from the Pukete wastewater treatment plant into the Waikato River. This measure indicates if we are operating within our resource consent conditions and how well we are managing the environmental impacts of the city's wastewater system.

During 2018/19 we have complied with all resource consent conditions. However, we are subject to an ongoing court case in relation to the discharge of untreated wastewater from the Bridge St wastewater pumping station into the Waikato River in February 2018. Waikato Regional Council filed a charging document against Hamilton City Council under section 15(1)(a) of the Resource Management Act in August 2018. The matter is still before the court, and an outcome is expected in the coming months.

* Measure required by the Department of Internal Affairs.

You can expect: A timely response and resolution if there is an urgent problem with the wastewater system.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The median attendance time for call-outs, from the time that we received notification to the time that our service personnel reach the site. [‡]	No more than 60 minutes	39 minutes	43 minutes	57 minutes
The median resolution time of call-outs, from the time that we received notification to the time that our service personnel confirm the fault or interruption has been resolved. [‡]	No more than 5 hours	2.8 hours	2.4 hours	1.8 hours

WHAT'S BEHIND THE RESULTS

This measure indicates how quickly we attend to issues when there is a problem with the wastewater system and how quickly we resolve the problem.

In comparison to 2017/18 there has been a decrease in the response time for wastewater network issues and a slight increase in the time required to resolve issues. All results remain within target timeframes. The increase in resolution time reflects the increase in call-outs during the period, particularly those arising because of fat build-up in the reticulation network.

[‡] Measure required by the Department of Internal Affairs.

WASTEWATER FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	10-Year Plan 2017/18	Actual 2017/18	10-Year Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	8,263	8,520	13,920	14,114
Targeted rates	21,391	21,715	13,157	13,371
Subsidies and grants for operating purposes	-	-	-	14
Fees and charges	4,867	4,935	5,077	5,247
Internal charges and overheads recovered	-	1	-	1
Local authorities fuel tax, fines, infringement fees and other receipts	358	567	567	872
Total operating funding	34,879	35,738	32,721	33,619
Application of operating funding				
Payments to staff and suppliers	13,463	15,801	18,956	18,452
Finance costs	4,075	3,014	4,594	4,342
Internal charges and overheads applied	-	6	-	14
Other operating funding applications	-	-	-	-
Total applications of operating funding	17,538	18,821	23,550	22,808
Surplus/(deficit) of operating funding	17,341	16,917	9,171	10,811
Sources of capital funding				
Subsidies and grants for capital expenditure	53	927	50	1,215
Development and financial contributions	2,767	8,700	5,838	8,808
Increase/(decrease) in debt	3,243	(2,285)	27,698	(3,214)
Gross proceeds from sale of assets	13	-	4,260	151
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	6,076	7,342	37,846	6,960
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	14,598	11,233	32,029	15,771
- to improve the level of service	1,359	1,248	2,128	1,919
- to replace existing assets	7,460	6,035	8,787	8,363
Increase/(decrease) in reserves	-	9,349	(440)	(2,029)
Increase/(decrease) in investments	-	(3,606)	4,513	(6,253)
Total applications of capital funding	23,417	24,259	47,017	17,771
Surplus/(deficit) of capital funding	(17,341)	(16,917)	(9,171)	(10,811)
Funding balance	-	-	-	-

Prior year comparatives have been aligned to the new group of activities in the 2018-28 10-Year Plan.

STORMWATER

Stormwater is about providing our city with services that protect people and properties from flooding and manage the quality of our stormwater.

We want to continue to maintain stormwater services that improve, promote and protect public health.

This includes protecting and enhancing the Waikato River, and minimising the effects of stormwater on the environment and properties.

THIS ACTIVITY HELPS US DELIVER A CITY THAT EMBRACES GROWTH

WHAT WE DO

OUR ACTIVITIES:

- Stormwater network (includes collection, conveyance, treatment and discharge services)

The stormwater system consists of pipes, ponds, wetlands and open watercourses, which collect and release rainwater into the city's streams, lakes and the Waikato River. We operate and maintain the stormwater infrastructure, replace ageing infrastructure and construct new infrastructure.

To meet our legal obligations to minimise the effects of stormwater on the environment, we treat and discharge stormwater in various ways.

EFFECTS ON THE COMMUNITY

We manage the piped stormwater network and stormwater overflow paths to minimise the impact of storm events on people, property and our environment. Having a reliable stormwater network is essential for a healthy community and thriving economy.

Stormwater may contain contaminants, such as sediments, oils, greases, rubbish and metal/organic materials that have washed off roads or other surfaces. These are managed through network design and resource consents, which include regular street sweeping, monitoring stormwater quality and investigating the source of contaminants.

The mixing of stormwater from different water catchments and its discharging into water bodies and the Waikato River can conflict with Maaori cultural beliefs and practices. We consider Maaori values in all our water-related activities and consult with local iwi as part of the resource consent process.

KEY IMPACT ON
COMMUNITY
WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

Throughout 2018/19 we have continued to invest in the resilience, sustainability and compliance of our stormwater network.

Stormwater pond designs at Borman Rd are underway, including early engagement with developers and landowners to take advantage of opportunities in transformational delivery options.

In 2018/19, we completed the Mangaheka Integrated Catchment Management Plan (ICMP). An ICMP provides a guide for stormwater, wastewater and water management, and provides a framework to allow property development to occur in a managed way. We also began work on the Te Rapa ICMP during the year and continued to progress the Te Awa o Katipaki and Mangakotukutuku ICMPs, including completing investigations and beginning stormwater system design works.

We are assessed annually by Waikato Regional Council for compliance against authorised

activities within our comprehensive stormwater discharge consent. The assessment performed during 2018/19 confirmed we have a high level of compliance with our consent conditions.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year one (2018/19) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2018/19 budget in the 10-Year Plan plus deferred budget from 2017/18.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2018/19 TOTAL APPROVED BUDGET \$000	2018/19 ACTUAL \$000	VARIANCE \$000
Replacement of stormwater assets	R	913	741	(172)
Comprehensive stormwater consent implementation	LOS	30	42	12
Erosion control works	LOS	1,306	380	(926)
Rototuna stormwater infrastructure	G	4,532	5,299	767
Rotokauri stormwater infrastructure stage 1	G	2,175	193	(1,982)
Peacocke stormwater infrastructure stage 1	G	998	23	(975)
Peacocke stormwater infrastructure stage 2	G	2,334	141	(2,193)
Stormwater pipe upgrade - growth	G	150	33	(117)
Existing network improvements in new areas	G	105	49	(56)
Stormwater customer connections to the network	G	50	472	422
Integrated catchment management plan	G	1,478	1,123	(355)
Share of facilities, information services, customer services and strategic property capital expenditure	LOS/R	634	337	(297)
Total		14,705	8,833	(5,872)

Capital expenditure was lower than the budgeted \$14.7M due to project savings and deferrals. The main reasons for the underspend are:

- nearly \$1M in savings were realised on the erosion control works project through smart works design and delivery, including nearly \$720,000 of savings in the delivery of erosion control works in the Te Awa o Katipaki lower catchment;
- \$2M for Rotokauri stormwater infrastructure (stage 1) was deferred into future years due to ongoing third-party negotiations for land procurement;
- \$3.2M for Peacocke stormwater infrastructure (stage 1 and 2) was deferred into future years due to slower than anticipated land acquisition and development consenting.

These underspends were offset by an overspend of \$767,000 on the Rototuna stormwater infrastructure project. Additional works were required to align with development timing. Funding was brought forward from future years for this work.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

You can expect: Our stormwater system is designed and maintained to minimise the likelihood of stormwater entering habitable buildings.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The number of flooding events ⁶ that occur within the city. [‡]	No more than 1 flooding event	0	1	0
For each flooding event, the number of habitable floors ⁶ affected. [‡]	No more than 1 per 1,000 properties	0 per 1,000 properties	0.02	0

WHAT'S BEHIND THE RESULTS

These measures indicate the number of times the design or performance of the stormwater system has affected habitable buildings.

Throughout 2018/19 several significant rainfall events occurred but none of these events resulted in flooding of a habitable floor. The impact of these events was minimised through preventative maintenance and collaboration between the City Waters, City Delivery and Infrastructure Alliance teams.

You can expect: We will comply with our resource consent conditions and minimise the impact of our stormwater on the environment.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The number of abatement notices, infringement notices, enforcement orders and convictions related to the management of the stormwater system. [‡]	No more than 1 abatement notice	1 abatement notice	0	0
	0 infringement, enforcement or conviction actions	0 infringement, enforcement or conviction actions	0	0

WHAT'S BEHIND THE RESULTS

We hold a resource consent that requires us to avoid or minimise pollution in the city's waterways. We monitor the quality of stormwater discharge by taking samples from catchment areas across the city. These measures indicate if we are operating within the conditions of our resource consent.

In May 2019, Waikato Regional Council issued us with an abatement notice in relation to the discharge of sediment to the stormwater network from a construction project in Mangaharakeke Dr. We are working with Waikato Regional Council and the contractor involved to ensure appropriate corrective actions are undertaken. We have also increased the level of environmental auditing at other construction sites around the city.

You can expect: A timely response if there is a problem with the stormwater system or flooding of a habitable building.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The median response time, from the time that we received notification to the time that our service personnel reach the site of the flooding event. ^{6,‡}	No more than 60 minutes	No flooding events	268 minutes	No flooding events

WHAT'S BEHIND THE RESULTS

This measure indicates how fast we respond when there is an issue with the stormwater system. It measures situations where water from the stormwater system enters a habitable floor of a building.

In 2018/19 there were no reported flooding events of habitable buildings.

⁶ A flooding event means an overflow of stormwater from our stormwater system that enters a habitable floor (meaning a building, including a basement, not including ancillary structures such as standalone garden sheds or garages).

[‡] Measure required by the Department of Internal Affairs.

You can expect: We will operate and maintain the stormwater system to minimise flooding.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The number of complaints received about the performance of the stormwater system,†	No more than 10 complaints per 1,000 properties connected	3.02 complaints per 1,000 properties connected	1.2 complaints per 1,000 properties connected	0.1 complaints per 1,000 properties connected

WHAT'S BEHIND THE RESULTS

The number of complaints received indicates the quality of service we are providing. It also gives us information about issues with the stormwater system and tells us how satisfied customers are with the way we respond to requests to fix problems.

During 2018/19 we received 178 complaints in relation to the stormwater system. This is an increase on the prior year (65 complaints received). The increased complaints related to issues with service connections and blocked catchpits.

Preventative maintenance and collaboration between our City Waters, City Delivery and Infrastructure Alliances teams will continue to ensure we minimise the impact of rainfall events.

STORMWATER FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	10-Year Plan 2017/18	Actual 2017/18	10-Year Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	553	1,376	2,817	3,301
Targeted rates	1,452	3,416	2,462	2,882
Subsidies and grants for operating purposes	-	-	-	4
Fees and charges	602	551	363	677
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	41	71	155	238
Total operating funding	2,648	5,414	5,797	7,102
Application of operating funding				
Payments to staff and suppliers	2,477	3,780	4,468	4,449
Finance costs	546	401	1,256	1,187
Internal charges and overheads applied	-	10	-	5
Other operating funding applications	-	22	-	-
Total applications of operating funding	3,023	4,213	5,724	5,641
Surplus/(deficit) of operating funding	(375)	1,201	73	1,461
Sources of capital funding				
Subsidies and grants for capital expenditure	53	274	64	485
Development and financial contributions	483	2,007	2,010	1,242
Increase/(decrease) in debt	2,968	(324)	10,046	(878)
Gross proceeds from sale of assets	15	-	1,072	71
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	3,519	1,957	13,192	920
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	1,885	1,184	9,989	7,333
- to improve the level of service	208	983	1,349	435
- to replace existing assets	1,051	1,284	1,040	1,065
Increase/(decrease) in reserves	-	44	(356)	(4,743)
Increase/(decrease) in investments	-	(337)	1,243	(1,709)
Total applications of capital funding	3,144	3,158	13,265	2,381
Surplus/(deficit) of capital funding	375	(1,201)	(73)	(1,461)
Funding balance	-	-	-	-

Prior year comparatives have been aligned to the new group of activities in the 2018-28 10-Year Plan.

†Measure required by the Department of Internal Affairs.

Transport is about Hamilton being a city that is easy to get around.

We want to have a safe, reliable and sustainable transport system that is accessible to everyone and caters to a variety of transport choices.

We want to meet our legislative obligations relating to the way we manage the road corridor and transport network within our boundaries.

THIS ACTIVITY HELPS US DELIVER A CITY THAT EMBRACES GROWTH

WHAT WE DO

OUR ACTIVITIES:

- Transport network
- Parking management

Our transport network integrates different modes of transport including freight, rail, private vehicles, buses, biking and walking. We also manage on-street and off-street parking activities within the city.

We manage and operate the transport network and work to manage demand on the system. We ensure the maintenance and renewal of existing transport infrastructure as well as plan and invest in new transport infrastructure.

Working with the community and stakeholders to raise awareness of travel options and influence travel behaviour (for mode choice and safety) is a very important part of this activity. Planning for future development, growth, trends in network use and asset management needs is also a significant focus.

The bus service in Hamilton is provided and managed by Waikato Regional Council in partnership with us.

The Government, through the NZ Transport Agency (NZTA), partners with us in operating the state highways running through Hamilton, as well as co-investing in our transport infrastructure and services.

EFFECTS ON THE COMMUNITY

We provide a safe, reliable and sustainable transport system that is accessible to everyone. Our transportation network is essential to our economy.

Our Access Hamilton transport strategy provides transport choices that connect people and places safely and enables sustainable growth.

Negative effects of transportation include air pollution and noise from traffic, potential loss of natural heritage areas and roads creating barriers to the community. These are mitigated and managed in a variety of ways. Examples include road surfacing designed to reduce noise where there are high traffic flows; providing alternative transport methods such as walkways, cycling and public transport that have less environmental impacts; consulting with taangata whenua and other affected parties prior to construction; and infrastructure to make the road network more accessible such as refuge islands, traffic signals and underpasses or overbridges.

The potential for injury is an inherent risk in using transportation of any kind and safety for all road network users is a primary concern for us. While there are many factors that contribute to serious injuries and fatalities on our roads that we cannot control, we maintain the aspiration to reduce the incidence of these in Hamilton and work hard to improve safety where we can influence it. We have set a target of zero deaths on our transport network by 2028.

KEY IMPACT ON
COMMUNITY
WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

We have invested significantly in 2018/19 in our transport network, focusing on safety and travel choices and investments to maintain our existing assets and enable growth.

Safety and congestion issues at the intersection of Thomas and Gordonton Rds have been addressed with the completion of works in April 2019. Improvements include the introduction of traffic lights, a new 60km/h speed limit and raised safety platforms, a new innovation implemented in partnership with the NZ Transport Agency. The intersection is one of the city's busiest and this upgrade supports our Vision Zero aspiration - the philosophy for road safety to achieve zero road death and serious injuries within Hamilton - by reducing risk-taking at the intersection.

Other safety improvements during the year include intersection upgrades at Anzac Pde/Memorial Dr, where wider footpaths and new raised pedestrian platforms have been installed. At Killarney Rd/Ellis St, pedestrian refuge islands have been installed, footpaths widened and an accessible raised kerb installed at one of the Killarney Rd bus stops. Pedestrian crossings in Silverdale Rd and Collins Rd have also been upgraded.

Providing Hamiltonians with increased transport choices is another component of our transport programme for 2018-28. Throughout the year we have continued to work closely with the NZ Transport Agency and Waikato Regional Council on the Hamilton to Auckland passenger rail service. In December 2018, the NZ Transport Agency approved the business case with Waikato Regional Council contracting KiwiRail to provide the service, scheduled to start in mid-2020.

The Council owns land in Rotokauri that will be used as a new transport hub to support the passenger rail service. The hub will provide a bus interchange, rail platform and park-and-ride facilities (including electric vehicle charging spaces). Works at the hub are expected to be completed before the passenger rail service starts.

Other highlights in the transport choices programme during the year include the installation of 40 new bus shelters, LED solar lights in 41 new or existing shelters and accessible kerbing at 21 bus stops across the city. These activities take the total number of bus shelters in the city to 260 (across a network of 1031 bus stops).

Our roading and footpath network also benefited from investment in renewals and maintenance during the period. In October 2018, two scooters travelled the city's footpaths recording and rating any faults or defects. The use of the scooters proved to be an efficient and cost-effective solution, with the footpath audit being completed over one month compared to the four months previously required to walk and inspect the network. The results have helped prioritise investment in footpath replacements and maintenance, with a total of 18.2km of footpaths replaced during the year and maintenance completed on 5.1km of footpath.

Other highlights in the renewals and maintenance programme include almost 41km of local roads resealed during the period. The reseal and maintenance programmes are critical to ensuring we maintain our infrastructure to a high standard and continue to ensure the safety of all users on the road.

As part of the Smart Hamilton initiative we continued our rollout of lower maintenance, more efficient LED street lighting. In 2018/19, we focused on replacing street lights along the city's main arterial routes (excluding state highways) and under-veranda lights in the central city with LED bulbs. We installed almost 7500 LED lights throughout the year. The project is part of a nationwide initiative supported by the NZ Transport Agency.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year one (2018/19) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2018/19 budget in the 10-Year Plan plus deferred budget from 2017/18.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2018/19 TOTAL APPROVED BUDGET \$000	2018/19 ACTUAL \$000	VARIANCE \$000
Parking management renewals	R	983	288	(695)
Replacement of footpath	R	4,552	4,769	217
Replacement of drainage (kerb and channel)	R	1,531	1,863	332
Replacement of road base	R	1,192	1,456	264
Road resurfacing	R	4,986	4,496	(490)
Replacement of bridges and culverts	R	1,245	376	(869)
Replacement of lighting	R	1,185	1,601	416
Replacement of traffic equipment	R	365	727	362
Building and property renewals	R	252	46	(206)
Minor improvements to transport network	LOS	2,000	2,318	318
Bus stop infrastructure	LOS	650	625	(25)
Intersection safety upgrade programme	LOS	310	1	(309)
Bridge safety improvements	LOS	130	70	(60)
Bridge resilience programme	LOS	500	-	(500)
Transport Centre rejuvenation	LOS	950	243	(707)
Network upgrades to allow new development	G	175	167	(8)
Roading upgrades and development in Peacocke stage 1	G	3,868	973	(2,895)
Roading upgrades and development in Peacocke stage 2	G	21,106	6,996	(14,110)
Roading upgrades and development in Rotokauri stage 1	G	8,247	442	(7,805)
Roading upgrades and development in Rototuna	G	18,490	12,718	(5,772)
Roading upgrades and development in Ruakura	G	325	73	(252)
Integrated transport initiatives	G	1,500	1,613	113
Biking plan implementation	G	3,750	1,322	(2,428)
Mass Transit	G	6,750	5,657	(1,093)
Hamilton transport model	G	50	1	(49)
Ring Road	G	16,053	10,778	(5,275)
Rotokauri rail platform	G	750	556	(194)
Share of facilities, information services, customer services and strategic property capital expenditure	LOS/R	2,845	1,517	(1,326)
Total		104,740	61,692	(43,048)

Capital expenditure was lower than the budgeted \$104.7M due to project deferrals and savings. The main reasons for the underspend are:

- \$1.4M for replacement of bridges and culverts and bridge resilience was deferred into 2019/20 following delays in starting works over summer due to water restrictions;

- \$707,000 was reallocated to other bus infrastructure projects due to delays in the NZ Transport Agency business case development and funding approvals process;
- \$17M for roading upgrades and development in Peacocke (stage 1 and 2) was deferred into future years to facilitate third-party negotiations for land procurement, and align with detailed programming of contractually committed professional service engagements;
- \$6.3M for arterial roading upgrades and development in Rotokauri was deferred to align with development timing and \$1.5M in savings were realised from effective works procurement and delivery;
- \$5.8M for roading upgrades and development in Rototuna was deferred to align with developer timing and contractual commitments as part of the Borman Rd western extension;
- \$1.1M for the mass transit programme was deferred into future years to align development with the Hamilton-Auckland metro spatial plan and mass transit programmes;
- \$5.3M for the Ring Road was deferred into future years to align with contractors' programmes.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

You can expect: Predictable vehicle travel times for peak time trips.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The percentage of extra time taken for vehicles to travel key routes in the city during peak travel times compared to non-peak.	No more than 50%	42%	34%	48%

WHAT'S BEHIND THE RESULTS

This measure indicates how effectively we manage peak hour traffic flows.

The year-end result of 42% is based on assessments undertaken in May 2019. Surveying is usually completed twice a year (in November and May); however the 2018/19 result is based only on the May 2019 results due to technology and data reliability issues impacting on the November 2018 survey.

In completing the assessment, data is collected from road-side Bluetooth devices to measure vehicle travel times along selected routes. This method has been used historically by the Council to collect travel time data. Beginning with the assessment in May 2019, we have used an upgraded Bluetooth system with more reliable technology. Although the technology has been upgraded, we have retained consistency in the routes, peak and off-peak times, and timing of assessment.

For the purposes of the assessment we measure travel time on the following routes:

- Horsham Downs Rd to University Gate 1, Knighton Rd
- Knox St carpark to University Gate 1, Knighton Rd
- Dominion Rd to Radnor St
- Tramway Rd to Mill St
- Mill St to Whatawhata Rd

Peak travel times capture journeys that occur within a half-hour window between 8.10am and 9.00am and 5.15pm and 6.15pm. Off-peak travel times capture any journey that occurs between 10.25am and 10.55am.

The next survey will be completed between October and December 2019 and will indicate whether there is a trend that requires further attention.

You can expect: Alternative transport options for getting into the central city.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The number of cyclists biking into the central city.	At least 1,380	1,238	1,207*	1,301*

WHAT'S BEHIND THE RESULTS

We are working towards providing cycling routes across the city, making Hamilton a more bike-friendly city. This measure provides an indication of progress towards this goal.

The result is based on a manual cyclist count survey carried out at 22 points on the perimeter of the central city on 14 March 2019. Manual counting was carried out at set times (7-9am and 4.30-6pm). With access to data collection methods improving, we will look to review the collection method, locations and survey times to ensure we report on a metric that accurately reflects the number of people cycling into the central city.

The number of people biking into the central city has remained consistent with the prior year but is below our target for 2018/19.

A number of biking projects planned for 2018/19 that would have encouraged more people to ride bikes have been delayed. Funding for these projects has been carried forward so they can start in the new financial year. These include improvements to Claudelands Rd and the School Link project.

You can expect: Our transport network is safe to use.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
---------	-----------------	-----------------	-----------------	-----------------

The change from the previous financial year in the number of fatalities and serious injury crashes on Hamilton's local road network.[‡]

Decrease from previous year

1 more death or serious injury than in 2017/18[†]

8 more deaths or serious injuries than in 2016/17[§]

14 more deaths or serious injuries than in 2015/16

WHAT'S BEHIND THE RESULTS

We are working towards a safe transport network with a vision of a decreasing trend of deaths and serious injuries on Hamilton roads within 10 years. We aim to achieve this by delivering projects that improve the safety of pedestrian and biking facilities and intersections. The measure indicates the impact of safety improvements on reducing death and serious harm on Hamilton roads.

In recent years the numbers of fatalities and serious injuries on Hamilton's local road network have been recorded as follows:

	2018/19	2017/18	2016/17	2015/16	2014/15
Fatalities	5	4	1	7	0
Serious injuries	52	52	47	27	27
Total	57 (interim)	56	48	34	27

Vulnerable users, such as pedestrians, account for a significant portion of deaths and serious injuries on our network. As such, we have started targeting our capital budgets towards safety improvements in vulnerable user/vehicle conflict areas. This includes footpath infill projects, interim footpaths in developing areas and safer crossing facilities.

Our minor safety improvements, public transport infrastructure improvements and major safety improvements programmes are ongoing and targeted towards making high-risk locations safer and providing safe alternatives to car-based travel, such as public transport, walking and cycling. Over time these improvements will have a cumulative affect towards achieving our Vision Zero target of no deaths or serious injuries within Hamilton.

*This is a new measure and has not been reported in previous annual reports; as such, the comparative results presented are unaudited.

[‡]Measure required by the Department of Internal Affairs.

[†]Result confirmed at 6 September 2019. This data is collected annually by an external party and may be subject to change.

[§]Confirmed result.

You can expect: Roads to be kept in good condition.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The average smooth travel exposure rating across the sealed road network. [‡]	At least 86% smooth travel exposure	86.4%	87%	85%
The percentage of Hamilton's sealed local road network that is resurfaced each year. [‡]	At least 4%	3.4%	3.7%	5%

WHAT'S BEHIND THE RESULTS

The smooth travel exposure (STE) assesses the quality of the ride, with a higher percentage indicating more roads providing a smooth ride.

STE results for this year are slightly behind 2017/18 results but remain above target. Our scheduled programme of road maintenance and renewals has ensured we remain on target.

We maintained our STE rating despite not achieving our intended level of local road resurfacing. During 2018/19 we had to defer some of our smaller resurfacing projects to prioritise key projects such as the renewal of Arthur Porter Dr and the completion of safety upgrades at the Thomas/Gordonton Rds intersection.

We will continue to review our road maintenance and renewals programme to ensure we meet our target going forward.

You can expect: Footpaths to be kept in good condition.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The percentage of footpaths that fall within the service standard for the condition of footpaths as set out in the Transport Activity Management Plan. [‡]	At least 97%	77%	96%	96%

WHAT'S BEHIND THE RESULTS

We aim to provide footpaths that are well maintained. This measure monitors the percentage of the network with fewer than five faults identified per 100m of footpath. Faults are areas of footpath identified as acceptable, poor or very poor. Faults classified as acceptable do not require an active intervention strategy to address the identified issue. These faults are programmed into future renewal works and monitored to identify if their condition deteriorates and warrants earlier intervention.

During the year we completed an audit of our footpath network which provided invaluable data on footpath conditions. This audit highlighted an increase in the number of faults classified as acceptable (active monitoring required), meaning we did not achieve our target for the year. If these faults are excluded, the result increases to 98% (meaning only 2% of our footpath network requires an active intervention).

The results of the footpath network audit will inform our annual footpath maintenance activities and renewal programmes.

You can expect: A timely response to road and footpath service requests.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The percentage of customer service requests relating to roads and footpaths responded to within five working days. ^{‡7}	At least 96%	97.6%	98%	96%

WHAT'S BEHIND THE RESULTS

[‡] Measure required by the Department of Internal Affairs.

⁷ Working days are Monday to Friday, excluding public holidays. If notification is received on the weekend or public holiday, the timeframe starts from the next working day.

We aim to investigate and respond to customers about requests for service relating to road and footpath issues in a timely manner.

In 2018/19, we responded to most service requests within five working days. Proactive maintenance and renewal works done alongside our LED streetlight and footpath renewal programmes resulted in fewer customer service requests compared to last year. This reduction, along with improvements to internal systems and processes, ensured we maintained our high level of community responsiveness.

Ongoing improvements to our service request management processes and systems will ensure we continue to deliver a high level of service into the next financial year, while ongoing renewal and maintenance should further reduce the number of customer service requests.

TRANSPORT FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	10-Year Plan 2017/18	Actual 2017/18	10-Year Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	6,041	4,287	18,023	16,947
Targeted rates	20,500	15,964	16,003	15,018
Subsidies and grants for operating purposes	4,536	4,280	6,460	6,062
Fees and charges	4,486	3,861	3,973	5,131
Internal charges and overheads recovered	-	29	-	34
Local authorities fuel tax, fines, infringement fees and other receipts	3,842	4,222	3,005	3,728
Total operating funding	39,405	32,643	47,464	46,920
Application of operating funding				
Payments to staff and suppliers	20,795	23,111	27,303	27,737
Finance costs	8,489	6,942	5,322	5,027
Internal charges and overheads applied	-	8	-	19
Other operating funding applications	-	42	-	-
Total applications of operating funding	29,284	30,103	32,625	32,783
Surplus/(deficit) of operating funding	10,121	2,540	14,839	14,137
Sources of capital funding				
Subsidies and grants for capital expenditure	4,964	13,057	43,976	32,094
Development and financial contributions	2,556	7,143	5,234	6,982
Increase/(decrease) in debt	240	(5,129)	30,927	(3,723)
Gross proceeds from sale of assets	12	650	4,985	882
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	7,772	15,721	85,122	36,235
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	4,627	14,901	73,460	41,296
- to improve the level of service	1,765	5,988	4,595	3,312
- to replace existing assets	11,659	11,195	18,285	17,084
Increase/(decrease) in reserves	(158)	(6,353)	(1,693)	(4,077)
Increase/(decrease) in investments	-	(7,470)	5,314	(7,243)
Total applications of capital funding	17,893	18,261	99,961	50,372
Surplus/(deficit) of capital funding	(10,121)	(2,540)	(14,839)	(14,137)
Funding balance	-	-	-	-

Prior year comparatives have been aligned to the new group of activities in the 2018-28 10-Year Plan.

RUBBISH AND RECYCLING

Rubbish and Recycling is about protecting the health of Hamiltonians and the environment by providing a reliable kerbside rubbish and recycling collection service, and promoting waste minimisation and resource recovery.

We want to encourage and support waste reduction, reuse and recycling through education programmes and the right infrastructure and services.

THIS ACTIVITY HELPS US DELIVER A CITY THAT EMBRACES GROWTH

WHAT WE DO

OUR ACTIVITIES:

- Landfill site management
- Refuse collection (refuse and recycling)
- Waste minimisation

We are responsible for the kerbside collection and safe management of domestic rubbish, recycling and litter.

Currently, weekly rubbish and recycling collections are provided to residential properties in the city (excluding the city centre). As we no longer operate a landfill, all rubbish is transported to Tirohia and Hampton Downs landfills. We continue to monitor and manage several landfill sites that are now closed.

We own the Transfer Station, Recycling Centre and the green waste composting facilities at the Hamilton Organic Centre. The operation of these facilities is contracted to privately owned businesses.

We work hard to minimise waste and to encourage more recycling and reuse through education programmes and promoting waste minimisation. Effective and efficient waste minimisation is a requirement of all councils under a range of legislation.

EFFECTS ON THE COMMUNITY

We provide these services to protect people's health and our environment by minimising the production of rubbish and promoting recycling and reuse. Effective rubbish and recycling activities are essential for a healthy community and thriving economy.

By reducing our resource consumption and reusing products, we can minimise the amount we need to recycle or dispose of and ultimately the rubbish we generate.

Landfilling is the most common method of disposing of rubbish in Hamilton, as it is elsewhere in New Zealand. Dealing with rubbish this way is problematic because of the need to find suitable land and the potential adverse environmental effects to soil, air and waterways.

The best way to reduce the need for new landfill sites is to decrease the amount of waste we need to dispose of by reducing the volume of waste we produce, purchasing low waste products and diverting waste for reuse, recycling or recovery.

Closed landfill sites can potentially have negative effects on the environment and public health. To mitigate these effects, we monitor gas and leachate at closed landfill sites and manage these sites within the requirements of our resource consents.

Public bins, private rubbish bags and recycling can overflow or be torn open by animals, which can impact the environment and create an unpleasant experience for the community. We manage collection contracts and comply with our Solid Waste Bylaw to minimise the likelihood of these events occurring.

KEY IMPACT ON
COMMUNITY
WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

In September 2018, we awarded a 10-year contract for rubbish and recycling services that will transform our city's rubbish and recycling service and reduce the amount of material sent to landfill. The contract was awarded to EnviroWaste Services. The new service introduces separate wheelie bins for rubbish and recycling, a food scraps collection bin and use of the existing recycling crates for glass only. The extra bins will be delivered to households around Hamilton from April 2020, in advance of the new service starting in July 2020.

During the year we partnered with Gourmet in the Gardens to introduce the 'Silver Service' mobile caravan. The caravan is equipped with crockery, cutlery and a dishwashing facility and will help reduce the amount of waste sent to landfill at community events, one disposable plate at a time. Customers can hire cutlery and crockery from the caravan before returning it for washing and reuse, which eliminates the need for disposable containers, plates and cutlery. The caravan is also available for hire by community groups for local events.

For the second year, Waste Minimisation staff provided waste minimisation guidance and reduction initiatives at the HSBC NZ Rugby Sevens tournament at FMG Stadium Waikato. Instead of using single use cups, vendors sold drinks in reusable cups that could be washed and refilled at the venue, and attendees were encouraged to recycle cans and bottles.

We are assessed annually by Waikato Regional Council for compliance with our resource consent conditions at the closed Horotiu landfill site. The latest assessment found we have a high level of compliance.

The sixth round of annual funding from our Waste Minimisation Fund took place in October-November 2018. The fund provides grants of between \$1000 and \$5000 for smaller projects and feasibility studies, or funding between \$5000 and \$15,000 for larger projects with a significant waste reduction impact. The fund proved popular again this year with 18 applications seeking total funding of more than \$180,000. The Application Assessment Panel awarded a total of \$49,930 of funding to 11 applicants.

During the year we reviewed our Solid Waste Bylaw. The revised bylaw has been aligned with the Council's Waste Management and Minimisation Plan and will improve our ability to manage litter, illegal dumping and other nuisance waste problems. The revised bylaw will allow us to support the service levels within the new rubbish and recycling contract. Consultation on the proposed bylaw closed on 4 July 2019, with a final decision due by the Council in September 2019.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year one (2018/19) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2018/19 budget in the 10-Year Plan plus deferred budget from 2017/18.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2018/19 TOTAL APPROVED BUDGET \$000	2018/19 ACTUAL \$000	VARIANCE \$000
Replacement of closed landfill assets	R	519	191	(328)
Replacement of RTS and HOC assets	R	342	273	(69)
Closed landfill management	LOS	90	68	(22)
Share of facilities, information services, customer services and strategic property capital expenditure	LOS/R	316	169	(147)
Total		1,267	701	(566)

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved

You can expect: We will promote and encourage waste reduction, reuse and recycling.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The percentage of waste recovered for recycling through the kerbside collection.	At least 30%	32.3%	25%	27%
The amount of waste received at Council operated waste facilities that is diverted from landfill.	At least 16,000 tonnes per annum	18,139 tonnes	New measure	New measure

WHAT'S BEHIND THE RESULTS

We promote waste reduction, reuse and recycling. These measures indicate the effectiveness of our waste minimisation education.

In 2018/19 over 32% of waste recovered through kerbside collections was recycling, a significant increase on the prior year's result. Throughout the year we have run targeted education programmes, both online and through the Fight the Landfill programme. There has been a general increase in public awareness and enthusiasm regarding waste minimisation following nationwide debate and discussion.

Ongoing targeted programmes will continue into the next financial year, leading into the new rubbish and recycling services contract going live on 1 July 2020. This will introduce a wide range of recycling streams aimed at increasing kerbside diversion.

You can expect: We will collect your rubbish and recycling.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The number of weeks where there are more than 20 complaints about uncollected kerbside rubbish and recycling.	0 weeks	0 weeks	12 weeks	0 weeks

WHAT'S BEHIND THE RESULTS

We provide a reliable kerbside rubbish and recycling collection to stop rubbish and recycling becoming a health risk and to keep the streets tidy.

There were no weeks during the year where more than 20 complaints of uncollected kerbside rubbish and recycling were received. This is a significant improvement on 2017/18 and reflects more proactive complaint management and steps taken with our contractor to improve community communication.

You can expect: A timely response if there is a problem with rubbish and recycling.

MEASURE	2018/19 TARGETS	2018/19 RESULTS	2017/18 RESULTS	2016/17 RESULTS
The percentage of customer complaints about uncollected kerbside rubbish and recycling resolved within 24 hours.	At least 95%	95.6%	99%	99%

WHAT'S BEHIND THE RESULTS

In 2018/19 more than 95% of all complaints recorded by our contractor were resolved within 24 hours. This is a decrease on 2017/18 but remains above target.

Staff, in conjunction with our contractor, will continue to proactively manage and respond to complaints.

RUBBISH AND RECYCLING FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	10-Year Plan 2017/18	Actual 2017/18	10-Year Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	1,217	2,869	3,809	3,446
Targeted rates	3,212	7,136	3,367	3,025
Subsidies and grants for operating purposes	430	582	566	640
Fees and charges	2,041	2,140	462	411
Internal charges and overheads recovered	-	2	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	36	70	16	24
Total operating funding	6,936	12,799	8,220	7,546
Application of operating funding				
Payments to staff and suppliers	11,165	8,591	6,114	6,171
Finance costs	156	741	1,269	856
Internal charges and overheads applied	-	14	-	2
Other operating funding applications	-	1	-	-
Total applications of operating funding	11,321	9,347	7,383	7,029
Surplus/(deficit) of operating funding	(4,385)	3,452	837	517
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	5,452	(84)	29	(69)
Gross proceeds from sale of assets	28	-	90	178
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	5,480	(84)	119	109
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	265	109	96	74
- to replace existing assets	830	343	1,123	627
Increase/(decrease) in reserves	-	3,051	(265)	60
Increase/(decrease) in investments	-	(135)	2	(135)
Total applications of capital funding	1,095	3,368	956	626
Surplus/(deficit) of capital funding	4,385	(3,452)	(837)	(517)
Funding balance	-	-	-	-

Prior year comparatives have been aligned to the new group of activities in the 2018-28 10-Year Plan.

Item 6

Attachment 2



FINANCES

TAHUA PUUTEA

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE						
		Council			Group	
FOR THE YEAR ENDED 30 JUNE 2019	Notes	Actual 2019	Budget 2019	Actual 2018	Actual 2019	Actual 2018
		\$000	\$000	\$000	\$000	\$000
REVENUE						
Rates	3	181,153	179,713	161,356	181,153	161,320
Fees and charges	5	40,677	35,286	38,798	49,957	46,087
Subsidies and grants	4	6,851	7,120	5,052	6,851	5,052
Interest revenue	6	3,706	2,475	3,206	3,707	3,201
Other revenue	7	7,569	10,858	6,845	9,179	8,234
Development contributions	9	24,632	17,518	25,830	24,632	25,830
Capital revenue	10	35,516	44,840	17,070	35,516	17,070
Vested assets	11	33,666	30,000	41,828	33,666	41,828
Total revenue		333,770	327,810	299,985	344,661	308,625
EXPENSES						
Personnel costs	12	79,951	83,168	74,993	81,968	77,410
Depreciation and amortisation expense	14	69,033	68,473	65,567	70,220	66,776
Finance costs	13	20,246	22,010	20,006	20,469	20,627
Operating and maintenance costs	15	46,076	46,466	40,806	52,100	44,925
Professional costs	15	10,131	13,268	8,991	10,368	9,025
Administration costs	15	11,143	6,582	13,289	17,338	13,289
Property costs	15	12,172	12,067	11,400	12,172	11,400
Total expenses		248,752	252,034	235,052	264,635	243,452
Operating surplus/(deficit)		85,018	75,776	64,933	80,026	65,173
Gains	8	4,637	565	6,503	5,591	7,141
Losses	8	(24,094)	-	(11,208)	(25,160)	(11,307)
Share of associates' surplus/(deficit)		-	-	-	1,033	1,433
Surplus/(deficit) before tax		65,561	76,341	60,228	61,490	62,440
Income tax expense	16	-	-	-	(13)	217
Surplus/(deficit) after tax		65,561	76,341	60,228	61,503	62,223
Other comprehensive revenue and expense						
Items that could be reclassified to surplus/(deficit)						
Financial assets at fair value through other comprehensive revenue and expense	32	945	-	845	945	845
Items that will not be reclassified to surplus/(deficit)						
Gain on property, plant and equipment revaluations	32	280,468	227,644	1,114	287,763	1,114
Income tax on other comprehensive revenue and expense	32	-	-	-	(605)	-
Impairment of revalued property plant and equipment	32	(2,893)	-	(2,545)	(2,893)	(2,545)
Other revaluation reserve movements	32	(6,864)	-	(612)	(6,864)	(92)
Total other comprehensive revenue and expense		271,656	227,644	(1,198)	278,346	(678)
Total comprehensive revenue and expense		337,217	303,985	59,030	339,849	61,545
Surplus/(deficit) attributable to:						
Hamilton City Council		65,561	76,341	60,228	61,123	62,098
Non-controlling interest		-	-	-	380	125
Total comprehensive revenue and expense attributable to:						
Hamilton City Council		337,217	303,985	59,030	339,003	61,420
Non-controlling interest		-	-	-	846	125
The accompanying notes form part of these financial statements.						
Explanations of major variances against budget are provided in individual notes.						
Prior year comparatives have been aligned to 2018-28 10-Year Plan (refer note 36)						

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in individual notes.

Prior year comparatives have been aligned to 2018-28 10-Year Plan (refer note 36)

BALANCING THE BOOKS MEASURE

FOR THE YEAR ENDED 30 JUNE 2019

		Council		
	Note	Actual 2019	Budget 2019	Actual 2018
		\$000	\$000	\$000
Surplus/(deficit) before tax		65,561	76,341	60,228
Adjustments for balancing the books measure				
Remove capital revenue				
Vested assets	11	(33,666)	(30,000)	(41,828)
Part of development and financial contributions ¹		(17,200)	(11,387)	(18,177)
Capital subsidy (excluding subsidy on transport renewals) ²		(19,149)	(35,012)	(6,957)
Other capital contributions		(8,361)	(4,744)	(6,546)
Other items not considered everyday operating revenue ³		(169)	(4,233)	-
Remove gains/losses				
All gains/(losses)		19,457	(565)	4,705
Remove other expenses				
Other items not considered everyday operating expenses ⁴		18	197	-
Balancing the books surplus/(deficit)		6,491	(9,403)	(8,575)

¹ Development contributions contain an element of funding for interest costs that are part of everyday expenses. An adjustment is made to match the revenue with the expense.² Subsidy on transport renewals is adjusted to recognise that this is funding a portion of the depreciation on these renewals.³ Adjustment for fair value calculation on the Housing Infrastructure Fund loans.⁴ Adjustment for grants to other parties to invest in significant assets for the benefit of the city and fair value discount unwinding on the Housing Infrastructure Fund loans.

The calculation for the balancing the books measure changed as part of the 2018-28 10-Year Plan. The prior year comparatives have been changed to align with the new balancing the book calculations set out in the 2018-28 10-Year Plan.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

		Council			Group	
	Note	Actual 2019	Budget 2019	Actual 2018	Actual 2019	Actual 2018
		\$000	\$000	\$000	\$000	\$000
Equity balance at 1 July		3,589,090	3,606,403	3,530,060	3,639,477	3,580,191
Total comprehensive revenue and expense for the year		337,217	303,985	59,030	339,849	61,545
Issue of NZFIW shares		-	-	-	-	1,200
Non-controlling interest de-recognition		-	-	-	-	(3,547)
Pre-completion dividend		-	-	-	-	608
Equity balance at 30 June	32	3,926,307	3,910,388	3,589,090	3,979,326	3,639,477
Accumulated comprehensive revenue and expense						
Balance at beginning of year		1,756,116	1,724,871	1,689,174	1,776,282	1,710,992
Operating surplus/(deficit)		65,561	76,341	60,228	61,123	62,098
Transfers (to)/from restricted and council created reserves		331	119	3,304	331	3,304
Transfer from property revaluation reserves on disposal		3,142	-	3,410	3,192	3,435
Non-controlling interest prior year		-	-	-	-	(3,547)
Balance at end of year	32	1,825,150	1,801,331	1,756,116	1,840,928	1,776,282
Revaluation reserves						
Balance at beginning of year		1,792,933	1,841,571	1,797,541	1,819,801	1,823,914
Total other comprehensive revenue and expense		271,656	227,644	(1,198)	277,880	(1,198)
Transfer to accumulated comprehensive revenue and expense on disposal		(3,142)	-	(3,410)	(3,192)	(3,435)
Balance at end of year	32	2,061,447	2,069,215	1,792,933	2,094,489	1,819,801
Restricted and council created reserves						
Balance at beginning of year		40,041	39,961	43,345	40,041	43,345
Transfers (to)/from reserves		(331)	(119)	(3,304)	(331)	(3,304)
Balance at end of year	32	39,710	39,842	40,041	39,710	40,041
Non-controlling interest		-	-	-	4,199	3,353
Equity balance at 30 June	32	3,926,307	3,910,388	3,589,090	3,979,326	3,639,477

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in individual notes.

Prior year comparatives have been aligned to 2018-28 10-Year Plan classifications (refer note 36).

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2019

		Council			Group	
	Note	Actual 2019	Budget 2019	Actual 2018	Actual 2019	Actual 2018
		\$000	\$000	\$000	\$000	\$000
Assets						
Current assets						
Cash and cash equivalents	17	51,489	49,500	48,414	51,571	48,907
Receivables	18	27,966	17,910	20,537	28,882	21,463
Prepayments		2,214	1,670	1,707	2,316	2,022
Inventory	19	168	160	126	1,651	2,455
Non-current assets held for sale	20	-	-	-	-	-
Other financial assets	22	2,541	2,125	52,461	2,541	58,619
Total current assets		84,378	71,365	123,245	86,961	133,466
Non-current assets						
Derivative financial instruments	21	956	-	641	956	641
Other financial assets						
- Investment in CCOs and other similar entities	22	10,445	8,978	9,516	6,445	5,516
- Other Investments	22	5,959	5,500	7,594	5,959	7,394
Total other financial assets	22	16,404	14,478	17,110	12,404	12,910
Investment in associates	23	7,430	7,430	7,430	51,263	42,469
Property, plant and equipment	24	4,280,869	4,371,324	3,905,932	4,300,925	3,924,873
Intangible assets	25	19,337	22,283	20,398	19,338	20,399
Investment property	26	31,989	23,175	25,255	31,989	25,255
Total non-current assets		4,356,985	4,438,690	3,976,766	4,416,875	4,026,547
Total assets		4,441,363	4,510,055	4,100,011	4,503,836	4,160,013
Liabilities						
Current liabilities						
Payables and deferred revenue	27	40,345	33,250	35,505	41,066	36,282
Derivative financial instruments	21	520	4,628	158	520	158
Employee entitlements	28	7,740	6,420	7,033	8,008	7,315
Provisions	29	2,264	337	1,683	2,264	1,683
Borrowings	30	43,258	83,300	83,607	43,748	84,257
Total current liabilities		94,127	127,935	127,986	95,606	129,695
Non-current liabilities						
Payables and deferred revenue	27	-	-	1,250	241	1,449
Derivative financial instruments	21	47,268	19,025	33,106	47,268	33,106
Employee entitlements	28	935	1,100	966	935	966
Provisions	29	14,162	24,413	15,100	14,330	15,456
Deferred tax liability	12	-	-	-	2,942	2,327
Borrowings	30	358,564	427,194	332,513	363,188	337,537
Total non-current liabilities		420,929	471,732	382,935	428,904	390,841
Total liabilities		515,056	599,667	510,921	524,510	520,536
Net assets		3,926,307	3,910,388	3,589,090	3,979,326	3,639,477
Equity						
Accumulated comprehensive revenue and expense	32	1,825,150	1,801,331	1,756,116	1,840,928	1,776,282
Other reserves	32	2,061,447	2,069,215	1,792,933	2,094,489	1,819,801
Restricted reserves	32	38,395	38,587	38,163	38,395	38,163
Council created reserves	32	1,315	1,255	1,878	1,315	1,878
Non-controlling interest	32	-	-	-	4,199	3,353
Total equity		3,926,307	3,910,388	3,589,090	3,979,326	3,639,477

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in individual notes.

Prior year comparatives have been aligned to 2018-28 10-Year Plan classifications (refer note 36)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Council			Group	
		Actual 2019	Budget 2019	Actual 2018	Actual 2019	Actual 2018
		\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities						
Cash was provided from:						
Rates revenue		181,389	179,713	162,081	181,389	161,343
Fees and charges		38,078	35,286	42,902	47,449	54,303
Government operating subsidies and grants		5,729	7,120	4,376	5,729	3,034
Government capital subsidies and grants		21,940	40,096	7,459	21,940	7,459
Other capital contributions		33,701	22,262	33,894	33,701	33,894
Interest received		3,031	1,650	2,345	3,032	2,343
Dividends received		221	104	451	221	451
Sundry revenue		7,179	6,521	1,110	8,133	1,226
		291,268	292,752	254,618	301,594	264,053
Cash was applied to:						
Payments to employees		79,274	83,168	74,822	81,306	83,461
Payments to suppliers		82,597	78,383	70,761	95,103	70,794
Interest paid		19,271	20,645	19,153	19,516	19,775
Tax payments		-	-	-	15	341
Net GST paid		522	-	(468)	685	(383)
		181,664	182,196	164,268	196,625	173,988
Net cash flow from operating activities	34	109,604	110,556	90,350	104,969	90,065
Cash flows from investing activities						
Cash was provided from:						
Proceeds from reduction in other financial assets		52,280	-	44,000	58,238	44,164
Proceeds from sale of shares		-	2,125	9,732	-	13,671
Proceeds from sale of investment property		330	18,800	-	330	-
Proceeds from sale of property, plant and equipment		2,546	-	2,313	2,577	2,313
		55,156	20,925	56,045	61,145	60,148
Cash was applied to:						
Acquisition of investments		-	-	8,469	1,016	8,469
NZLGFA borrower notes		-	460	-	-	-
Purchase of investment property		4,072	-	-	4,072	-
Purchase of intangible assets		2,689	-	2,692	2,689	2,692
Purchase of property, plant and equipment		140,488	219,819	99,430	140,677	99,908
		147,249	220,279	110,591	148,454	111,069
Net cash flow from investing activities		(92,093)	(199,354)	(54,546)	(87,309)	(50,921)
Cash flows from financing activities						
Cash was provided from:						
Loans raised		68,724	182,449	80,000	70,764	82,810
Finance leases raised		527	-	959	527	959
		69,251	182,449	80,959	71,291	83,769
Cash was applied to:						
Loan repayments		83,000	83,000	95,000	85,600	101,557
Finance lease repayments		687	300	470	687	470
		83,687	83,300	95,470	86,287	102,027
Net cash flow from financing activities		(14,436)	99,149	(14,511)	(14,996)	(18,258)
Net increase/(decrease) in cash held		3,075	10,351	21,293	2,664	20,886
Opening cash and cash equivalents balance		48,414	39,149	27,121	48,907	28,021
Closing cash and cash equivalents balance	17	51,489	49,500	48,414	51,571	48,907

The accompanying notes form part of these financial statements.

Prior year comparatives have been aligned to 2018-28 10-Year Plan classifications (refer note 36)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Hamilton City Council (the Council) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Group consists of the ultimate parent, Council, and its subsidiaries, Vibrant Hamilton Trust (100% controlled) and Waikato Innovation Growth Ltd (100% owned). The Council's 50% equity share of its associate Waikato Regional Airport Ltd is equity accounted into the Group financial statements.

Hamilton Properties Ltd, a 100% owned subsidiary, was dissolved in November 2017 and Waikato Innovation Park Ltd, a 100% owned subsidiary, was sold on 30 November 2017. Innovation Waikato Limited, a 100% owned subsidiary, was liquidated in June 2018 and Vibrant Hamilton Trust, a 100% controlled subsidiary, is currently being dissolved.

The Council and Group provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return.

The Council has designated itself and the Group as public benefit entities (PBEs) for the purposes of complying with generally accepted accounting practice.

The financial statements of the Council and Group are for the year ended 30 June 2019. The financial statements were authorised for issue by Council on 26 September 2019.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the year.

STATEMENT OF COMPLIANCE

The financial statements of the Council and Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with PBE Standards.

PRESENTATION CURRENCY AND ROUNDING

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand

dollars (\$000), other than the remuneration and the severance payment disclosures in note 12, and the related party transaction disclosures in note 33. The remuneration, severance payment, and related party transaction disclosures are rounded to the nearest dollar.

OTHER CHANGES IN ACCOUNTING POLICIES

There have been no other changes in accounting policies.

STANDARDS AND AMENDMENTS ISSUED AND NOT YET EFFECTIVE AND NOT EARLY ADOPTED

• INTERESTS IN OTHER ENTITIES

PBE IPSAS 34-38 replace the existing standards for interests in other entities (PBE IPSAS 6-8). These new standards are effective for annual periods beginning on or after 1 January 2019.

The Council and Group will apply these new standards in preparing the 30 June 2020 financial statements. No effect is expected as a result of this change.

• FINANCIAL INSTRUMENTS

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022.

Although the Council and Group has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

• EMPLOYEE BENEFITS

In May 2017, the XRB issues PBE IPSAS 39 Employee Benefits. PBE IPSAS 39 replaces PBE IPSAS 25 Employee Benefits. PBE IPSAS 39 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Council plans to apply this standard in preparing its 30 June 2020 financial statements. The Council and Group have not yet assessed the effects of the new standard.

• SERVICE PERFORMANCE REPORTING

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021.

The Council and Group has not yet determined how application of PBE FRS 48 will affect its statement of performance.

• STATEMENT OF CASH FLOWS

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted.

The Council and Group does not intend to early adopt the amendment.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

BASIS OF CONSOLIDATION

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses and cash flow of entities in the Group on a line-by-line basis. All intragroup balances, transactions, revenues and expenses are eliminated on consolidation.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions (including those for which foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

GOODS AND SERVICES TAX (GST)

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

BUDGET FIGURES

The budget figures are those approved by the Council in its 2018-28 10-Year Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Estimating the fair value of interest rate swap yield curves - note 21
- Estimating the fair value of land, buildings and infrastructure assets - note 24
- Estimating the fair value of investment property - note 26
- Estimating the retirement gratuities obligations - note 28
- Estimating the landfill aftercare provision - note 29
- Estimating the provision for uncollectability of receivables - note 18

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying accounting policies

- Donated or vested land and buildings with use or return conditions - note 11
- Classification of property - note 24
- Estimating retiring gratuities obligations - note 28

NOTE 2: SUMMARY REVENUE AND EXPENDITURE FOR GROUP OF ACTIVITIES

ACCOUNTING POLICY

The cost of service for each significant activity of the Council has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage.

There have been changes to the cost allocation methodology during the year. Prior year figures have been reclassified to reflect the new group of activities and allocations.

BREAKDOWN OF SUMMARY REVENUE AND EXPENDITURE FOR GROUP OF ACTIVITIES	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Revenue		
Arts and Community	910	917
Planning and Development	12,296	9,943
Venues, Tourism and Major Events	7,958	8,401
Visitor Attractions	3,813	4,855
Safety	2,179	2,374
Democracy Services	60	66
Parks and Recreation	9,798	10,214
Rubbish and Recycling	1,068	1,207
Stormwater	8,226	8,946
Transport	76,722	63,428
Wastewater	19,008	19,143
Water Supply	10,748	9,329
Total activity revenue	152,786	138,823
Less internal revenue	(169)	(194)
Rates	181,153	161,356
Total revenue	333,770	299,985
Expenditure		
Arts and Community	15,078	17,083
Planning and Development	15,194	16,460
Venues, Tourism and Major Events	24,180	24,402
Visitor Attractions	16,577	15,578
Safety	5,942	6,419
Democracy Services	2,569	5,489
Parks and Recreation	33,562	30,133
Rubbish and Recycling	7,739	9,100
Stormwater	15,534	12,774
Transport	51,659	48,955
Wastewater	35,800	27,025
Water Supply	25,090	21,562
Total activity expenditure	248,924	234,980
Less internal expenditure	(172)	(194)
Total expenditure	248,752	234,786

Each significant activity is stated gross of internal costs and revenue, and includes targeted rates attributable to activities (refer to note 3). In order to fairly reflect the total external operations for the Council in the statement of comprehensive revenue and expense, these transactions are eliminated as shown above.

REVENUE CLASSIFIED AS EXCHANGE OR NON-EXCHANGE TRANSACTIONS

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Revenue from exchange transactions		
Fees and charges	40,677	38,798
Rental income	4,236	3,791
Subsidies and grants	1,011	946
Targeted rates for water supply	8,526	7,853
Interest revenue	3,706	3,206
Total revenue from exchange transactions	58,156	54,594
Revenue from non-exchange transactions		
Development contributions	24,632	25,830
Subsidies and grants	5,840	4,106
Capital revenue	35,516	17,070
Infringements and fines	1,493	1,369
Other revenue	1,840	1,685
Rates, excluding targeted rates for water supply	172,627	153,503
Vested assets	33,666	41,828
Total revenue from non-exchange transactions	275,614	245,391
Total revenue	333,770	299,985

NOTE 3: RATES

ACCOUNTING POLICY

Rates are set annually by a resolution and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised proportionately throughout the year. Rates revenue is classified as non-exchange except for metered water rates, which are classed as exchange revenue.

RATES PENALTIES

Revenue from rates penalties is recognised when the penalty is imposed.

RATES REMISSIONS

Rates remissions are recognised as a reduction of rates revenue when we receive an application that satisfies our rates remission policy.

METERED WATER RATES

Revenue from metered water rates is recognised on an accrual basis based on usage. Unbilled usage as a result of unread meters at year-end is accrued on an average usage basis.

Rates collected on behalf of Waikato Regional Council (WRC) are not recognised in the financial statements, as the Council is acting as an agent for WRC.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
General rates				
General rates	95,788	44,691	95,788	44,655
Rates charges to Council properties	(425)	(409)	(425)	(409)
Targeted rates				
Metered water supply	9,003	8,316	9,003	8,316
Metered water charges to Council properties	(477)	(463)	(477)	(463)
Business improvement district rate	298	291	298	291
Service category rates (water, refuse and sewerage)	1,204	1,019	1,204	1,019
Hamilton Gardens	652	636	652	636
Central city	146	109	146	109
Transitional rate	79,466	104,240	79,466	104,240
Access Hamilton	-	5,004	-	5,004
Penalties and remissions				
Rates penalties	920	1,065	920	1,065
Rates remissions	(1)	(2,933)	(1)	(2,933)
- Hardship	(217)	(210)	(217)	(210)
- HCC utilities	(4,160)	-	(4,160)	-
- HCC other	(841)	-	(841)	-
- Community shop 50%	(60)	-	(60)	-
- Sewerage/water/refuse	(143)	-	(143)	-
Total rates	181,153	161,356	181,153	161,320

2017/18 was the final year of the Access Hamilton targeted rate. The Access Hamilton rates revenue was incorporated into the general rate from 2018/19.

The Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating Act) 2002 together with any revenue received by the Council from other local authorities for services provided by that Council for which those other local authorities rate. The annual rates income of the Council for the year ended 30 June 2019 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

	Council	
	2019	2018
	\$000	\$000
Rates	181,153	161,356
Lump sum contributions	-	-
Total annual rates income	181,153	161,356

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$'000	\$'000
Rates	181,153	179,713

Rates revenue was \$1.4M favourable to budget. This was driven by:

- an increase in general rates and transitional rates by \$0.5M due to additional growth in the city.
- an increase in metered water supply by \$0.9M due to replacement of defective water meters and increased commercial activity.

NOTE 4: SUBSIDIES AND GRANTS

ACCOUNTING POLICY

NZ TRANSPORT AGENCY SUBSIDIES

NZ Transport Agency subsidies are recognised upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

OTHER GRANTS (INCLUDING GOVERNMENT GRANTS AND SUBSIDIES)

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

	Council		Group	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
New Zealand Transport Authority roading subsidy - operating	5,840	4,106	5,840	4,106
Government grants & subsidies				
- Waste minimisation levy	639	582	639	582
- Other Government grants & subsidies	216	180	216	180
Other grants	156	184	156	184
Total grants, subsidies and reimbursements	6,851	5,052	6,851	5,052

The capital subsidies have moved to note 10 Capital Revenue to align with the 2018-28 10-Year Plan classifications.

NOTE 5: FEES AND CHARGES

ACCOUNTING POLICY

Revenue from the rendering of services (e.g. building consent fees) is recognised by reference to the stage of completion of the transaction, based on the actual service provided as a percentage of the total services to be provided. Under this method, revenue is recognised in the accounting periods in which the services are provided. Within rendering of services most activities are at least partially funded by rates and therefore classified as non-exchange. The exceptions are: Parking (excluding fines), Planning and Guidance, Housing and Building Control, which are 100% funded by users and classified as exchange revenue.

SALE OF GOODS

The sale of goods is classified as exchange revenue. Sale of goods is recognised when a product is sold to the customer and all risks and rewards of ownership have transferred to the customer.

BUILDING AND RESOURCE CONSENTS

Fees and charges for building and resource consent services are recognised when the building consent application process is completed.

ENTRANCE FEES

Entrance fees are fees charged to users of our local facilities, such as the zoo, pools and museum. Revenue from entrance fees is recognised upon entry to such facilities.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Animal control charges	1,079	1,003	1,079	1,003
Building and resource consent charges	11,487	9,361	11,483	9,361
Cemetery and crematorium charges	1,730	1,991	1,730	1,991
Event facilities charges	4,985	4,709	4,985	4,709
Hamilton Gardens charges	248	216	248	216
Parking fees	2,081	2,388	2,081	2,388
Swimming pools charges	2,336	2,320	2,336	2,320
Trade waste charges	3,238	3,435	3,111	3,240
Zoo charges	1,864	1,630	1,864	1,630
Other fees and charges	5,084	5,917	5,084	5,917
Commission received	1,532	1,455	1,532	1,455
Sale of goods	2,665	2,450	6,208	2,867
Shared services contributions	1,109	1,074	1,109	1,074
Rendering of services	-	-	5,868	7,067
Environment Waikato Contribution (project watershed)	626	416	626	416
Other income	613	433	613	433
Total fees and charges	40,677	38,798	49,957	46,087

Prior year comparatives have been aligned to 2018-28 10-Year Plan classifications.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Fees and charges	40,677	35,286

Fees and charges were favourable to budget by \$5.4M. The increase was spread across a number of activities. The large contributors being:

- The favourability in the building control revenue was due to higher than budgeted activity for duplexes, townhouses or apartments and large commercial building consents.
- Events facilities charges was higher due to an increase in the mix and volume of events across our venues.
- Parking fees was higher due to the budget being reduced in the 10-Year Plan for implementation of the Central City Transformation Plan (CCTP). The full extent of the reduction was not realised.

NOTE 6: INTEREST REVENUE

ACCOUNTING POLICY

Interest revenue is exchange revenue and recognised using the effective interest rate method.

	Council		Group	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Interest revenue				
Term deposits	2,550	1,887	2,551	1,888
Community loans (note 22)	80	64	80	61
Local authority and government bonds	146	130	146	130
Discount unwind on community loan (note 22)	930	1,125	930	1,125
Total interest revenue	3,706	3,206	3,707	3,204

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$'000	\$'000
Interest revenue	3,706	2,475

Interest revenue was favourable by \$1.2M to budget. This was driven by:

- higher average cash on hand throughout the year due to a lower capital spend; and
- movements in market interest rates.

NOTE 7: OTHER REVENUE

ACCOUNTING POLICY

INFRINGEMENTS FEE AND FINES

Revenue from fines and penalties (e.g. traffic and parking infringements, library overdue book fines, rates penalties) is recognised when infringement notices are issued or when the fines/penalties are otherwise imposed.

DIVIDENDS

Dividends are classified as exchange revenue and are recognised when our right to receive a payment has been established.

INVESTMENT PROPERTY RENTAL REVENUE

Lease rentals (net of any incentives given) are recognised on a straight-line basis over the term of the lease.

BEQUESTS AND OTHER DONATIONS

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there is substantive use or return conditions and the liability released to revenue as the conditions are met (e.g. as the funds are spent for the nominated purpose).

FAIR VALUE GAINS

Gains arising from the fair value assessment of borrowing at low or zero interest cost are recognised as Other revenue at the date of drawdown for the period of low or interest free benefit. Over the period of the benefit the fair value is adjusted down to the nominal value of the loan.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Other revenue				
Infringements and fines – traffic & parking	1,468	1,345	1,468	1,345
Infringements and fines – other	25	24	25	24
Rental revenue from investment properties	2,362	1,834	2,362	2,956
Rents – residential	116	118	116	118
Other rental income	1,758	1,839	1,758	1,839
Dividend revenue	221	451	221	451
Petrol tax income	1,232	1,060	1,232	1,060
Sponsorship income	57	24	57	24
Insurance claims	33	32	33	32
Donations received	108	93	108	93
Housing Infrastructure Fund – fair value benefit	169	–	169	–
Miscellaneous revenue	20	25	1,630	292
Total other revenue	7,569	6,845	9,179	8,234

Prior year comparatives have been aligned to 2018-28 10-Year Plan classifications.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Other revenue	7,569	10,858

Other revenue was unfavourable to budget by \$3.3M. This was mainly due to the fair value benefit on the Housing Infrastructure Fund not being realised. This was a result of less development occurring than expected, which meant less borrowing was required.

OPERATING LEASES AS LESSOR

Investment property is leased under operating leases.

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Not later than one year	3,503	2,761	3,503	2,761
Later than one year and not later than five years	6,400	7,204	6,400	7,204
Later than five years	3,206	3,374	3,206	3,374
Total non-cancellable operating leases	13,109	13,339	13,109	13,339

No contingent rents have been recognised during the period.

NOTE 8: GAINS/(LOSSES)

ACCOUNTING POLICY

DERECOGNITION

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the surplus or deficit in the year the item is derecognised.

INVESTMENT PROPERTY

Investment property is property held to earn rentals and/or for capital appreciation. All investment properties are stated at fair value, as determined annually by independent valuers at the balance sheet date.

Gains or losses arising from changes in the fair value of investment properties are recognised in the surplus or deficit for the period in which the gain or loss arises.

INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities are financial instruments classified as held for trading and are measured at fair value. Any changes in value, creating gains or losses, are recognised in the surplus or deficit for the period.

DERIVATIVE FINANCIAL INSTRUMENTS

The Council's activities expose it primarily to the financial risks of changes in interest rates. The Council uses interest rate swap contracts to hedge these exposures.

The Council does not use derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting, under the specific IPSAS rules, are accounted for as trading instruments with fair value gains/losses being taken directly to the surplus or deficit.

	Council		Group	
	2019	2018	2019	2018
Gains	\$000	\$000	\$000	\$000
Property, plant and equipment gain on disposal (note 24)	989	729	989	729
Investment property revaluation gain (note 26)	604	3,196	604	3,196
Realised gain on other financial assets	-	198	954	315
Unrealised gain on other financial assets (note 22)	-	-	-	521
Unrealised gain on revaluation of interest rate swaps (note 21)	3,044	2,380	3,044	2,380
Total gains	4,637	6,503	5,591	7,141
Losses				
Investment property loss on disposal	(45)	-	(45)	-
Property, plant and equipment loss on disposal (note 24)	(6,795)	(5,387)	(6,811)	(5,466)
Net foreign currency exchange loss	-	-	(31)	-
Unrealised loss on other financial assets (note 22)	-	(967)	(1,019)	(967)
Unrealised loss on revaluation of interest rate swaps (note 21)	(17,254)	(4,854)	(17,254)	(4,874)
Total losses	(24,094)	(11,208)	(25,160)	(11,307)
Total net gains/(losses)	(19,457)	(4,705)	(19,569)	(4,166)

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
Gains/(Losses)	\$000	\$000
	(19,457)	565

In 2018/19 Council did not budget for losses due to the unpredictable nature of these items. The main contributors are:

- net decrease in the revaluation of interest rate swaps by \$14.2M due to a decline in market interest rates; and
- net book value write-down of assets that have been renewed by \$5.8M.

NOTE 9: DEVELOPMENT CONTRIBUTIONS

ACCOUNTING POLICY

Development and financial contributions are recognised as non-exchange revenue when the application for service connection or code of compliance or s.224(c) completion of resource consent conditions is received.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Reserves	1,843	2,109	1,843	2,109
Stormwater	1,242	2,007	1,242	2,007
Transport	6,982	7,143	6,982	7,143
Wastewater	8,808	8,700	8,808	8,700
Water	5,757	5,871	5,757	5,871
Total development contributions	24,632	25,830	24,632	25,830

Prior year comparatives have been aligned to 2018-28 10-Year Plan classifications.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Development contributions	24,632	17,518

Development contributions were \$7.1M favourable to budget due to the higher than budgeted development growth in the city in the 2018/19 financial year.

NOTE 10: CAPITAL REVENUE

ACCOUNTING POLICY

NZ TRANSPORT AGENCY ROADING SUBSIDIES - CAPITAL

NZ Transport Agency subsidies are recognised upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

CAPITAL CONTRIBUTIONS - GENERAL

Capital contributions are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Capital contributions - general	8,361	6,546	8,361	6,546
New Zealand Transport Authority roading subsidy - capital	27,155	10,524	27,155	10,524
Total capital revenue	35,516	17,070	35,516	17,070

Prior year comparatives have been aligned to 2018-28 10-Year Plan.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Capital contributions - general	8,361	4,744
New Zealand Transport Authority (NZTA) roading subsidy - capital	27,155	40,096
Total capital revenue	35,516	44,840

Capital contributions were \$3.6M favourable to budget. This was driven by industrial and commercial developments in the city requiring connections to the water, wastewater and stormwater networks.

NZTA capital subsidies were \$12.9M unfavourable to budget. This is due to various capital projects such as the Peacocke subdivision and Ring Road projects progressing more slowly than anticipated. \$10.9M of the capital subsidies is still available and has been deferred to future years.

NOTE 11: VESTED ASSETS

ACCOUNTING POLICY

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as non-exchange revenue when we have control of the asset.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

ACCOUNTING FOR DONATED OR VESTED ASSETS WITH USE OR RETURN CONDITIONS

The Council has received assets from non-exchange transactions that contain use or return conditions. If revenue is not recognised immediately for such assets when received, there is the possibility that a liability would be recognised in perpetuity and no revenue would ever be recognised for the asset received.

The Council considers that an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognise revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Land	11,950	20,438	11,950	20,438
Stormwater	5,594	9,435	5,594	9,435
Transport	10,916	3,078	10,916	3,078
Wastewater	2,903	6,150	2,903	6,150
Water supply	2,068	2,687	2,068	2,687
Parks and gardens – land and improvements	230	40	230	40
Plant and equipment	5	-	5	-
Total vested assets	33,666	41,828	33,666	41,828

Prior year comparatives have been aligned to 2018-28 10-Year Plan classifications.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Vested assets	33,666	30,000

Vested assets was favourable to budget by \$3.6M. This was due to more transport assets being vested by \$2.9M, stormwater by \$0.5M and water supply by \$0.3M, due to more subdivision activity in the city.

NOTE 12: PERSONNEL COSTS

ACCOUNTING POLICY

SUPERANNUATION SCHEMES

Defined contribution schemes

Employer contributions to KiwiSaver is accounted for as a defined contribution superannuation scheme and is expensed in the surplus or deficit as incurred.

Employee entitlements for salaries and wages, annual leave and other similar benefit are recognised as an expense and liability when they accrue to employees.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Salaries and wages	74,477	70,270	76,458	72,687
Defined contribution plan employer contributions (include KiwiSaver)	1,332	1,199	1,368	1,199
Increase/(decrease) in employee benefit liabilities	677	170	677	170
Total salaries and wages	76,486	71,639	78,503	74,056
Other employee benefits	3,465	3,354	3,465	3,354
Total personnel costs	79,951	74,993	81,968	77,410

Refer to note 28 for the employee entitlement liability as at 30 June 2019 and 30 June 2018 and note 33 for further information on the remuneration of key management personnel and elected representatives.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Personnel costs	79,951	83,168

Staff remuneration was favourable against budget by \$3.2M due to vacancies across the organisation. Additionally, there were budgeted positions that were not recruited due to deferred capital projects.

CHIEF EXECUTIVE REMUNERATION

The total remuneration paid or payable for the year to the Chief Executive was \$453,200 (2018 \$447,733).

COUNCIL EMPLOYEE REMUNERATION BY BAND

The total annual remuneration by band for employees as at 30 June:

	2019
< \$60,000	607
\$60,000 - \$79,999	242
\$80,000 - \$99,999	160
\$100,000 - \$119,999	82
\$120,000 - \$139,999	41
\$140,000 - \$159,999	15
\$160,000 - \$179,999	10
\$180,000 - \$219,999	6
\$220,000 - \$279,999	9
\$280,000 - \$299,999	-
> \$300,000	1
Total employees	1,173

The total annual remuneration by band for employees as at 30 June:

	2018
< \$60,000	649
\$60,000 - \$79,999	226
\$80,000 - \$99,999	134
\$100,000 - \$119,999	58
\$120,000 - \$139,999	38
\$140,000 - \$159,999	19
\$160,000 - \$199,999	7
\$200,000 - \$279,000	8
\$280,000 - \$299,999	-
> \$300,000	1
Total employees	1,140

Total remuneration includes non-financial benefits provided to employees.

At 30 June 2019 there were five or fewer employees in the bands \$180,000-\$199,999, \$200,000-\$219,999, \$220,000-\$239,999 and \$240,000-\$259,999. Therefore, these have been combined with the next highest band.

At 30 June 2018 there were five or fewer employees in the bands \$160,000-\$179,999, \$180,000-\$199,999, \$200,000-\$219,999, \$220,000-\$239,999 and \$240,000-\$259,999. Therefore, these have been combined with the next highest band.

At balance date, the Council employed 873 full-time employees (2018 825), with the balance of staff representing 150.9 full-time equivalent employees (2018 143.48). A full-time employee is determined on the basis of a 40 hour working week

SEVERANCE PAYMENTS

For the year ended 30 June 2019, the Council made severance payments to seven employees totalling \$149,868 (2018 ten employees \$144,841). The value of each of the severance payments was \$7,500, \$9,516, \$14,834, \$19,000, \$29,018, \$35,000, and \$35,000. The amounts disclosed above represent any payment made in addition to the terms of the employment contract for each staff member.

NOTE 13: FINANCE COSTS

ACCOUNTING POLICY

All borrowing costs are recognised as an expense in the financial year in which they are incurred.

FAIR VALUE DISCOUNT UNWINDING

Fair value discount unwinding is recognised as a finance cost for borrowing a low or zero interest cost. The fair value benefit is recognised as other revenue.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Interest expense				
Interest on borrowings	11,237	10,835	11,460	11,456
Interest on finance leases	57	56	57	56
Discount unwind on provisions (note 29)	768	732	768	732
Fair value discount unwinding *	18	-	18	-
Interest derivatives (presented net)				
Interest rate swaps	8,166	8,383	8,166	8,383
Total finance costs	20,246	20,006	20,469	20,627

* The fair value discount unwinding is related to the Housing Infrastructure Fund loans.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Finance costs	20,246	22,010

Finance costs were \$1.7M favourable to budget. This was driven by:

- lower than budgeted external debt position;
- lower than budgeted market interest rates; and
- lower than budgeted interest on the landfill provision.

NOTE 14: DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

ACCOUNTING POLICY

Depreciation is provided on a straight-line basis at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

Amortisation is provided on intangible assets and begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Directly attributable depreciation and amortisation expense by group of activity				
Arts and Community	2,906	3,280	2,906	3,280
Venues, Tourism and Major Events	5,060	4,720	5,060	4,720
Parks and Recreation	5,426	5,054	5,426	5,054
Planning and Development	3	6	3	6
Visitor Attractions	1,995	1,902	1,995	1,902
Rubbish and Recycling	573	535	573	535
Safety	70	84	70	84
Wastewater	11,962	9,227	11,962	9,227
Stormwater	9,623	8,189	9,623	8,189
Transport	17,655	19,185	17,655	19,185
Water Supply	8,360	7,477	8,360	7,477
Total directly attributable depreciation and amortisation by group of activity	63,633	59,658	63,633	59,658
Depreciation and amortisation not directly related to group of activities	5,400	5,909	6,587	7,118
Total depreciation and amortisation expense	69,033	65,567	70,220	66,776

Prior year comparatives have been aligned to 2018-28 10-Year Plan classifications.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Depreciation and amortisation	69,033	68,473

Depreciation was \$0.6M unfavourable to budget. This was driven by:

- An unfavourable variance of \$3.7M in sewerage, stormwater and water supply due to the revaluation of infrastructure assets, which has increased depreciation.
- A favourable variance of \$1M due to less capital spend on transport than budgeted.
- A favourable variance of \$0.9M in information services as a result of capitalisation not being completed as expected.
- A favourable variance of \$0.8M due to the Founders Theatre building being impaired after the depreciation budget had been set.
- A favourable variance of \$0.4M across the remaining activities.

Explanation of significant variances against prior year

Depreciation was \$3.5M unfavourable to the prior year. This was driven by:

- An unfavourable variance of \$2.7M for sewerage, \$1.4M for stormwater and \$0.9M for water supply due to the revaluation of infrastructure assets, which has increased depreciation.
- A favourable variance of \$1.5M due to a reduction being made to the cost value of transport assets to correct a prior year revaluation adjustment.

NOTE 15: OTHER EXPENSES

ACCOUNTING POLICY

GRANT EXPENDITURE

Non-discretionary grants are grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's decision.

OPERATING LEASES

An operating lease is a lease that does transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Professional costs:				
Fees to auditors:				
- fees to Audit New Zealand for audit of financial statements	230	245	285	279
- fees to Audit New Zealand for audit of the 10-Year Plan	-	185	-	185
- fees to Audit New Zealand for other assurance services*	47	43	47	43
- fees to Audit New Zealand for Audit of Debenture Trust Deed	4	-	4	-
- fees to Assurance CA firm for the internal audit function	93	168	93	168
- fees to Assurance firms for the accreditation, compliance and safety function	62	66	62	66
Consultants	6,920	6,003	6,920	6,003
Legal Fees	1,227	1,305	1,230	1,305
Other professional costs	1,548	976	1,727	976
	10,131	8,991	10,368	9,025
Operating and maintenance costs:				
Contractors	20,863	18,501	20,863	18,501
Inventory consumption	578	675	578	675
Operating lease expense	177	256	200	256
Other operating costs	11,025	9,982	17,026	14,101
Maintenance and services	13,433	11,392	13,433	11,392
	46,076	40,806	52,100	44,925
Administration costs:				
General grants	2,687	3,133	8,882	3,133
Impairment of receivables (note 18)	40	228	40	228
Other administration costs	8,416	9,928	8,416	9,928
	11,143	13,289	17,338	13,289
Property Costs				
Insurance premiums	2,181	1,656	2,181	1,656
Other property costs	9,991	9,744	9,991	9,744
	12,172	11,400	12,172	11,400
Total other expenses	79,522	74,486	91,978	78,639

*The other assurance services paid to Audit New Zealand for the year ended 30 June 2019 was for the Peacocke procurement. The other assurance services paid to Audit New Zealand for the year ended 30 June 2018 was for the Victoria on the River project, the Debenture Trust Deed and Peacocke procurement.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Operating and maintenance costs	46,076	46,466
Professional costs	10,131	13,268
Administration costs	11,144	6,582
Property costs	12,172	12,067
Other expenses	79,522	78,383

Other expenses were \$1.1M above budget. This was driven by:

- overspends in sub contractors and support and licence agreements; and
- these overspends were partially offset by an underspend in consultants.

OPERATING LEASES AS LESSEE

Council leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 or 48 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Not later than one year	276	419	299	442
Later than one year and not later than five years	326	625	419	718
Later than five years	33	44	334	345
Total non-cancellable operating leases	635	1,088	1,052	1,505

The total minimum future sublease payments expected to be received under subleases at balance date is \$nil (2018 \$nil).

Leases can be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council has the option to purchase the asset at the end of the lease term except where Council is leasing land or buildings.

There are no restrictions placed on Council by any of the leasing arrangements.

NOTE 16: TAX

ACCOUNTING POLICY

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates (and tax laws) that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, using tax rates that have been enacted or substantially enacted by balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Current tax and deferred tax is recognised against the surplus or deficit for the period, except when it relates to a business combination or to transactions recognised in other comprehensive revenue and expense or directly in equity.

COMPONENTS OF TAX EXPENSE

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Current tax expense	-	-	(23)	242
Deferred tax expense	-	-	10	(25)
Tax expense	-	-	(13)	217

RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Surplus/(deficit) before tax	65,561	60,228	61,490	62,440
Tax at 28%	18,357	16,864	17,217	17,483
Effect of tax exempt income	(18,357)	(16,864)	(17,217)	(17,483)
Taxation loss not recognised	-	-	-	-
Equity accounted earnings of associates	-	-	-	-
Deferred tax adjustment	-	-	(13)	217
Tax expense	-	-	(13)	217

MOVEMENT IN DEFERRED TAX ASSETS/(LIABILITIES) DURING THE YEAR

	Group				
	PPE	Investment properties	Other provisions	Tax losses	Total
Balance as at 1 July 2017	\$000	\$000	\$000	\$000	\$000
	(2,363)	(297)	20	-	(2,640)
Acquired balance	7	297	(16)	-	288
Charged to surplus or deficit	16	-	(7)	16	25
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2018	(2,340)	-	(3)	16	(2,327)
Acquired balance	-	-	-	-	-
Charged to surplus or deficit	15	-	(19)	(6)	(10)
Charged to other comprehensive income	(605)	-	-	-	(605)
Balance at 30 June 2019	(2,930)	-	(22)	10	(2,942)

The parent has not recognised any deferred tax assets or liabilities during the period.

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following items:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Tax losses – Council	138	136	138	136
Tax losses – Waikato Innovation Group Limited	-	-	10	16
	138	136	148	152

Under current income tax legislation the tax losses do not expire.

Deferred tax assets have not been recognised in respect of these items, as it is not probable that future taxable profits will be available against which the benefit of the losses can be utilised.

NOTE 17: CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments. The carrying value of cash at bank and short-term deposits with original maturities of less than three months approximates their fair value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Cash at bank and on hand	36,489	11,414	36,571	11,907
Term deposits with maturities of less than three months at acquisition	15,000	37,000	15,000	37,000
Total cash and cash equivalents	51,489	48,414	51,571	48,907

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Current assets		
Cash and cash equivalents	51,489	49,500

The favourable variance to budget of \$1.9m is due to less cash being used to fund capital expenditure than initially expected.

ASSETS RECOGNISED IN A NON-EXCHANGE TRANSACTION THAT ARE SUBJECT TO RESTRICTIONS

The Council holds unspent funds, included in cash at bank and investments, of \$39.7M (2018 \$40.04M) that are subject to restrictions. These unspent funds relate to reserves (see note 29) received with restrictions where the spending of the funds is separately monitored. The restrictions generally specify how the funds are required to be spent.

Council has a bank overdraft facility of \$500k on the daily trading account that is secured by way of debenture trust deed over general rates. At 30 June 2019 the interest rate on the overdraft facility was 6% per annum (2018 6% per annum). The credit interest rate on this account was 0.75% per annum (2018 1% per annum).

Council has a bank overdraft facility of \$10k on the direct fees account that is also secured by way of debenture trust deed over general rates. At 30 June 2019 the interest rate was 6.0% per annum (2018 6.0% per annum).

NOTE 18: RECEIVABLES

ACCOUNTING POLICY

Short-term receivables are recorded at the amount due less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Rates receivables	3,389	3,343	3,389	3,343
New Zealand Transport Agency	12,349	6,439	12,349	6,439
Water by meter	1,765	1,740	1,765	1,740
GST refund due	4,029	2,608	4,029	2,608
Income tax receivable	-	-	91	53
Sundry debtors	8,896	9,149	9,721	10,022
Gross debtors and other receivables	30,428	23,279	31,344	24,205
Less: provision for uncollectability	(2,462)	(2,742)	(2,462)	(2,742)
Total receivables	27,966	20,537	28,882	21,463

	Council		Group	
	2019	2018	2019	2018
Total receivables comprise:	\$000	\$000	\$000	\$000
Receivables from non-exchange transactions include outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates.	20,050	12,902	20,141	12,902
Receivables from exchange transactions include outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates.	7,916	7,635	8,741	8,561

FAIR VALUE

Receivables are generally short term and non-interest bearing. Therefore, the carrying value of debtors and other receivables approximates their fair value.

ASSESSMENT FOR UNCOLLECTABILITY

Council does provide for impairment on overdue rates on Maaori freehold land. It has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Council to commence legal proceedings to cover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances.

THE AGEING PROFILE OF RECEIVABLES AT YEAR END IS DETAILED BELOW:

	2019			2018		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Council						
Not past due	22,528	(14)	22,514	14,552	(40)	14,512
Past due 1-60 days	3,216	(22)	3,194	3,325	(15)	3,310
Past due 61-120 days	626	(33)	593	729	(15)	714
Past due > 120 days	4,058	(2,393)	1,665	4,814	(2,672)	2,142
Total	30,428	(2,462)	27,966	23,420	(2,742)	20,678
Group						
Not past due	23,444	(14)	23,430	15,406	(40)	15,366
Past due 1-60 days	3,216	(22)	3,194	3,397	(15)	3,382
Past due 61-120 days	626	(33)	593	729	(15)	714
Past due > 120 days	4,058	(2,393)	1,665	4,814	(2,672)	2,142
Total	31,344	(2,462)	28,882	24,346	(2,742)	21,604

All receivables greater than 30 days in age are considered to be past due.

The provision for uncollectability has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Individual provision for uncollectability	45	344	45	344
Collective provision for uncollectability	2,417	2,398	2,417	2,398
Total provision for uncollectability	2,462	2,742	2,462	2,742

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Past due 1-60 days	-	12	-	12
Past due 61-120 days	-	4	-	4
Past due > 120 days	45	328	45	328
Total individual provision for impairment	45	344	45	344

Movements in the provision for impairment of receivables are as follows:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Balance at 1 July	2,742	2,651	2,742	2,651
Additional provisions made during the year	75	270	75	270
Provisions reversed during the year	(173)	(24)	(173)	(24)
Receivables written off during the year	(182)	(155)	(182)	(155)
Balance at 30 June	2,462	2,742	2,462	2,742

The Council and Group holds no collateral as security or other credit enhancements over receivables (other than rates) that are either past due or impaired.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Receivables	27,966	17,910

There was a favourable variance to budget by \$10M. This was mainly driven by:

- The NZTA receivable was higher than expected due to May and June 2019 claims not being received until July 2019.
- The GST refund was higher than expected at year-end due to the May 2019 refund receipted in July 2019.

NOTE 19: INVENTORY

ACCOUNTING POLICY

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus/deficit in the period of the write-down.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Held for distribution inventory:				
Nursery	83	34	83	34
Retail	85	92	85	92
Goods in transit	-	-	395	247
Raw materials	-	-	1,086	911
Finished goods	-	-	2	1,171
Total inventory	168	126	1,651	2,455

The write-down of inventory during the year was \$nil (2018 \$nil). There have been no reversals of write-downs (2018 \$nil).

No inventory is pledged as security for liabilities (2018 \$nil). However, some inventory is subject to retention of title clauses.

NOTE 20: NON-CURRENT ASSETS HELD FOR SALE

ACCOUNTING POLICY

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

There are no non-current assets held for sale for 2017/18 or 2018/19.

NOTE 21: DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Derivative financial instruments are used to manage exposure to interest rate risks arising from Council's financing activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The Council has elected not to hedge account for these derivative financial instruments.

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Non-current asset portion				
Interest rate swaps	956	641	956	641
Total non-current asset portion	956	641	956	641
Total derivative financial instrument assets	956	641	956	641
Current liability portion				
Interest rate swaps	520	158	520	158
Total current liability portion	520	158	520	158
Non-current liability portion				
Interest rate swaps	47,268	33,106	47,268	33,106
Total non-current liability portion	47,268	33,106	47,268	33,106
Total derivative financial instrument liabilities	47,788	33,264	47,788	33,264

INFORMATION ABOUT INTEREST RATE SWAPS

The notional principal amount of the outstanding interest rate swap contracts for the Council and Group was \$310.5M (2018 \$320.5M). This includes \$10M (2018 \$20M) of forward start swaps, leaving \$300.5M (2018 \$300.5M) in actual committed swaps at 30 June 2019. At 30 June 2019 the fixed interest rates of fair value interest rate swaps ranged from 3.27% to 5.79% (2018 3.98% to 5.96%).

The Council and Group currently have no fair value hedges.

INFORMATION ABOUT FORWARD FOREIGN EXCHANGE CONTRACTS

The Council and Group currently have no foreign currency forward exchange contracts (2018 nil).

FAIR VALUE

Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected future cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

Sensitivity analysis in relation to the swaps has been completed, and is included at note 35.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Derivative financial instrument assets	956	-
Derivative financial instrument liabilities (current and non-current)	47,788	23,653

There was a favourable variance to budget of \$0.9M for derivative financial instrument assets and an unfavourable variance of derivative financial instrument liabilities of \$24.1M. This is due to a decline in market interest rates. The official cash rate (OCR) decreased from 1.75% at 30 June 2018 to 1.5% at 30 June 2019. Subsequently, in August 2019, the OCR further decreased to 1%. This has resulted in a net increase in the derivative financial instruments liabilities of \$6.9M as at 23 August 2019.

NOTE 22: OTHER FINANCIAL ASSETS

ACCOUNTING POLICY

Financial assets (other than shares in subsidiaries) are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit.

TERM DEPOSITS AND COMMUNITY LOANS (LOANS AND RECEIVABLES)

For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as an interest expense.

After initial recognition, term deposits and loans to community organisations are measured at amortised cost using the effective interest method. Where applicable, interest accrued is added to the investment balance.

At year-end, the assets are assessed for indicators of impairment. Impairment is established when there is evidence we will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments are indicators that the asset is impaired. If assets are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

SHARES IN SUBSIDIARIES

The investment in subsidiaries is carried at cost.

UNLISTED SHARES

Shares (other than shares in subsidiaries) and listed bonds (other than those designated as held to maturity) are designated at fair value through other comprehensive revenue and expense.

After initial recognition, the shares are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

For shares, a significant or prolonged decline in the fair value of the shares below their cost is considered to be objective evidence of impairment.

IMPAIRMENT

Impairment in term deposits, local authority stock, government stock bonds, general and community loans are recognised directly against the instruments' carrying amount.

If impairment evidence exists, the cumulative loss recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

Impairment losses on shares recognised in the surplus or deficit are not reversed through the surplus or deficit.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Current portion				
Loans and receivables				
Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months	400	32,040	400	32,040
- Interest accrual	42	-	42	341
Community loans	2,094	20,069	2,094	20,069
- Interest accrual	5	11	5	11
Fair value through surplus/deficit				
Equity securities managed by Kiwi Wealth	-	-	-	2,831
Fixed interest instruments managed by Kiwi Wealth	-	-	-	3,327
Total current portion	2,541	52,461	2,541	58,619
Non-current portion				
Investment in CCOs and similar entities				
Shares in subsidiaries	4,000	4,000	-	-
Waikato Local Authority Shared Services Ltd (WLASS)	291	180	291	180
NZ Local Government Funding Agency Ltd (NZLGFA)	6,154	5,336	6,154	5,336
	10,445	9,516	6,445	5,516
Other Investments				
Term deposits with maturities greater than 1 year	5,280	4,800	5,280	4,800
- Interest accrual	356	272	356	272
Community Loans	-	2,215	-	2,015
Civic Financial Services Ltd (Civic)	323	307	323	307
	5,959	7,594	5,959	7,394
Total non-current portion	16,404	17,110	12,404	12,910
Total other financial assets	18,945	69,571	14,945	71,529

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Other financial assets (current and non-current)	18,945	16,603

Other financial assets was favourable to budget by \$2.3M. This was due to:

- additional interest accrual on the term deposits of \$0.4M not being budgeted for; and
- the investments in CCOs and similar entities was also higher by \$1.9M due to the valuation of the entities being higher than budgeted.

FAIR VALUE

TERM DEPOSITS

The carrying amount of term deposits approximates their fair value.

COMMUNITY LOANS

The fair value of community loans is \$2.1M (2018 \$22.3M), which is made up of the loan to Warehouse Storage Ltd (2018 Accessible Properties Ltd, Warehouse Storage Ltd and Waikato Innovation Growth Ltd (WIGL)).

Fair value has been determined using cash flows discounted at a rate of 6% (2018 6%).

SHARES IN SUBSIDIARIES

Council has 100% shareholding in Waikato Innovation Growth Ltd (WIGL).

WIGL Group financial results have been consolidated.

Vibrant Hamilton Trust has a portfolio of fixed interest instruments and equity funds managed by Kiwi Wealth. The Trust is currently being liquidated in 2018/19 with its funds being transferred to Momentum Waikato for the Waikato Regional Theatre project.

OTHER INVESTMENTS

Civic Financial Services Ltd reported a surplus for the year ended 31 December 2018 of \$0.9M (31 December 2017 deficit \$0.16M). Council has made an adjustment through surplus/(deficit) to reflect its share of the increase in net equity of the company resulting from the surplus for the year.

UNLISTED SHARES

WIGL has a 70% shareholding in New Zealand Food Innovation (Waikato) Ltd (NZFIW).

Investments in unlisted shares are initially recognised at cost and subsequently measured at fair value with any movements in fair value recognised directly in other comprehensive income.

The carrying amount of other financial assets approximates their fair value.

IMPAIRMENT/GAIN

A gain of \$818k (2018 \$864k gain) was made to Council's investment in NZ Local Government Funding Agency Ltd (NZLGFA) to reflect Council's share of the increase in NZLGFA's equity resulting from an operating surplus for the year ended 30 June 2019. A gain of \$111k (2018 \$17k impairment) was made to Council's investment in Waikato Local Authority Shared Services Ltd (WLASS) to reflect Council's share of the increase in WLASS's equity resulting from an operating profit for the year ended 30 June 2019. A gain of \$16k (2018 \$3k impairment) was made to Council's investment in Civic Financial Services Ltd to reflect Council's share of the increase in Civic's equity resulting from an operating surplus for the year ended 31 December 2018.

COMMUNITY LOANS

MOVEMENTS IN THE CARRYING VALUE OF COMMUNITY LOANS ARE AS FOLLOWS:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
At 1 July	22,295	16,931	22,295	16,931
Amount of new loans during the year	-	4,450	-	4,450
Fair value adjustment on initial recognition	-	(158)	-	(158)
Loans repaid during the year (principal and interest)	(21,207)	(53)	(21,207)	(53)
Impairment loss recognised during the year	-	-	-	-
Unwind of discount and interest charged	1,010	1,125	1,010	1,125
At 30 June	2,098	22,295	2,098	22,295

The Council's community loan scheme is designed to help not-for-profit organisations in the Hamilton community to develop or improve new or existing facilities and other major projects. Only organisations with the ability to repay are granted loans.

The fair value of loans at initial recognition has been determined using cash flows discounted at a rate based on the loan recipient's assessed financial risk factors.

SHARES IN SUBSIDIARIES

BREAKDOWN OF SHARES IN SUBSIDIARIES AND FURTHER INFORMATION IS AS FOLLOWS:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Waikato Innovation Growth Ltd (WIGL)	4,000	4,000	-	-
Total investments in subsidiaries	4,000	4,000	-	-

PRINCIPAL ACTIVITY

The purpose of Waikato Innovation Growth Ltd is to provide business and innovation advisory services for small and medium-sized enterprises (SMEs) and High Value Manufacturing and Services (HVMS) businesses in the Waikato Region and to promote innovation in the food industry.

The Vibrant Hamilton Trust was established as a Council Controlled Organisation (CCO) to provide a legal entity which would receive funds from the Waikato Foundation Trust and be empowered to make distributions of income and capital for the charitable purposes authorised in its Trust Deed. The Trust is currently being liquidated during the 2018/19 financial year.

NOTE 23: INVESTMENT IN ASSOCIATES

ACCOUNTING POLICY

An associate is an entity over which we have significant influence and that is neither a subsidiary nor an interest in a joint venture.

The investment in an associate is initially recognised at cost and the carrying amount in the Group financial statements is increased or decreased to recognise the Group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the Group financial statements.

If the share of deficits of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further deficits. After the Group's interest is reduced to zero, additional deficits are provided for and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the Group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the Group transacts with an associate, surpluses or deficits are eliminated to the extent of the Group's interest in the associate.

The investment in the associate is carried at cost in the Council's parent entity financial statements.

BREAKDOWN OF INVESTMENT IN ASSOCIATE AND FURTHER INFORMATION

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Waikato Regional Airport Limited	7,430	7,430	48,644	42,469
Melody Dairies Limited Partnership	-	-	2,619	-
Total	7,430	7,430	51,263	42,469

SUMMARISED FINANCIAL INFORMATION OF ASSOCIATE PRESENTED ON A GROSS BASIS

	Group	
	2019	2018
	\$000	\$000
Waikato Regional Airport Limited		
Assets	124,220	107,717
Liabilities	26,935	22,780
Revenue	141,812	12,582
Surplus/(deficit)	2,329	2,380
Group's interest	50%	50%
Melody Dairies Limited Partnership		
Assets	25,481	-
Liabilities	3,982	-
Revenue	-	-
Surplus/(deficit)	(72)	-
Group's interest	10%	-

Details of any contingent liabilities arising from the Group's involvement in an associate are disclosed separately in note 31.

Melody Dairies Limited Partnership (MDLP) is 10% owned by NZFIW D2 LP Limited. Significant judgement and assumptions have been used to determine that New Zealand Food Innovation (Waikato) Limited Group (NZFIW Group) has significant influence over MDLP. NZFIW Group has a representation on the board of directors of MDLP. Due to the existing Management Agreement between NZFIW Group and MDLP, NZFIW Group is considered providing essential technical information to MDLP. As a result, it has been determined that NZFIW Group has significant influence over MDLP and therefore should account for it as an associate under NZ IAS 28 Investments in Associates and Joint Ventures. Melody Dairies Limited Partnership's principal place of business is 12 Melody Lane, Hamilton.

NOTE 24: PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, plant and equipment include:

• Operational assets

These are land, buildings (including cultural assets and leisure facilities), improvements, non-restricted parks and gardens, plant and equipment, finance leases, vehicles, sports areas and library books.

Buildings, parks and gardens improvements and all other asset classes are measured at cost less accumulated depreciation and impairment losses.

• Zoo animals

Zoo animals are held primarily for social and recreational purposes. The capital cost is the actual expense incurred in acquiring the zoo animal.

• Restricted assets

These are parks and reserves owned by the Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Land is measured at fair value.

• Heritage assets

These are museum collections and library collections (New Zealand Room) and are measured at fair value.

• Infrastructure assets

These are the fixed utility systems owned by the Council. Each asset type includes all items that are required for the network to function.

Land (except land under roads) is measured at fair value. Infrastructure assets (except land) are measured at fair value less accumulated depreciation.

REVALUATION

Land, buildings and improvements, heritage assets, and infrastructure assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every five years.

The carrying values of revalued assets are assessed annually to make sure they do not differ materially from the assets' fair values. If there is a material difference then the off-cycle asset classes are revalued.

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

The cost of an item of property plant and equipment, and costs incurred subsequent to initial acquisition, is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and Group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or a nominal cost, it is recognised at fair value at the date of acquisition.

The costs of servicing property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

DEPRECIATION

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and heritage assets, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

ASSET CLASS	YEARS	DEPRECIATION RATE
BUILDINGS	5 - 200	0.5% - 20%
VEHICLES	3 - 15	6.7% - 33.3%
PLANT AND EQUIPMENT	5 - 50	2% - 20%
LIBRARY BOOKS	3 - 14	7.1% - 33.3%
ZOO ANIMALS	10	10%
IMPROVEMENTS - PARKS AND GARDENS	2 - 150	0.7% - 50%
ROADS AND TRAFFIC NETWORK		
Top surface (seal)	5 - 20	5% - 20%
Pavement (basecourse)	50 - 140	0.7% - 2%
Concrete Roads	60	1.7%
Drainage	60 - 70	1.4% - 1.7%
Car parks	6 - 110	0.9% - 17%
Footpaths and cycleways	5 - 75	1.3% - 20%
Kerbs and traffic islands	20 - 60	1.7% - 5%
Signs	15	6.7%
Street lights	5 - 50	2% - 20%
Bridges and culverts	40 - 150	0.7% - 2.5%
Underpasses	80	1.3%
Traffic signals	15	6.7%
Guarding and railing	20 - 25	4% - 5%
Bus shelters and fences	20	5%
Retaining walls	50 - 100	1% - 2%
WASTEWATER RETICULATION		
Pipes	30 - 100	1% - 3.3%
Manholes	100	1%
Treatment plant	5 - 100	1% - 20%
Valves	40 - 75	1.3% - 2.5%
Pump stations	15 - 100	1% - 6.7%
STORMWATER SYSTEM		
Pipes	30 - 100	1% - 3.3%
Manholes, inlets and outlets	100	1%
Soakage trench	50	2%
Fish Pass	50	2%
Channels	70-90	1.1% - 1.4%
Erosion control	50-100	1% - 2%
WATER RETICULATION		
Bulk main chambers	100	1%
Backflow devices	40	2.5%
Pipes	40 - 100	1% - 2.5%
Valves	40 - 75	1.3% - 2.5%
Treatment plant	5 - 100	1% - 20%
Meters	15	6.7%
Hydrants	50 - 75	1.3% - 2%
Cathodic Protection Device	15-100	1% - 6.7%
Reservoirs	15 - 100	1% - 6.7%
REFUSE - RUBBISH AND RECYCLING	5 - 100	1% - 20%

The residual value and useful life of an asset is reviewed and adjusted if applicable.

Depreciation is not provided in these statements on the following assets:

- Land
- Formation costs associated with roading
- Investment properties
- Non-current assets held for resale
- Work in progress and assets under construction
- Heritage assets
- Refuse land

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use cash-generating assets

Cash-generating assets are those assets held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Management has exercised critical judgement in applying accounting policies to the classification of property.

The Council owns some rental properties, which are not held for generating a profit from renting. The receipt of market-based rental from these properties is incidental. These properties are held for service delivery objectives and are therefore accounted for as property, plant and equipment rather than as investment property.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

ESTIMATING THE FAIR VALUE OF LAND, BUILDINGS AND INFRASTRUCTURE

The most recent valuation of land and buildings was performed by independent registered valuers QV Asset & Advisory. Personnel involved were Andrew Jaques, Iain Sutherland, Maria McHugh, Andrew Parkyn in conjunction with Hamilton City Council staff. The valuation is effective as at 30 June 2019.

Land (operational, restricted, infrastructure and parks and gardens)

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values.

Where there is a designation against the land or the use of the land is restricted because of reserve or endowment status, the valuation approach reflects the restriction in use.

Restrictions on the Council's ability to sell land would normally not impair the value of the land because the Council has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

Buildings

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using several significant assumptions. Significant assumptions used in the 30 June 2019 valuation include:

- The assessment of unit rates is based on the asset component being replaced with the least cost alternative modern equivalent asset providing the same service potential.
- Base lives vary by component and are based on the NAMS Building Component guidelines, NAMS valuation manual or on staff experience.
- Depreciation was applied to depreciable assets on a straight-line basis over the assessed total economic life of the asset.

Non-specialised buildings (for example, office buildings) are valued at fair value using market-based evidence.

Heritage assets

Library Heritage collection (Central Library Reference Collection) is valued at fair value. Major collection items have been valued separately or by formulae based on quantity measurements and determined by details provided by a random cross section sampling methodology.

The most recent valuation for the Library Reference Collection was performed by Pam Plumbly, Rare Book Consultant, Art + Object, The 21st Century Auction House, and James Parkinson, Director of Valuations and Collections Management, Art + Object. The last revaluation was effective as at 1 July 2014.

Museum Heritage Collection is valued at fair value using various methods as follows:

- a) Reference to observable prices in an active market. Where that market exists for the same or similar asset the market prices are deemed to be fair value. The values ascribed are primarily based on observable prices in both the primary retail market and the secondary auction market.
- b) If there is no active market, fair value is determined by other market-based evidence adjudged by the valuers as active and knowledgeable participants in the market.

When ascribing values, consideration was given to the following:

- Historical and cultural significance, recognising that there is a strong trend in sales that reflect this significance
- Comparison with the values ascribed to the value of similar items held in other institutions.
- Recent auction catalogue sales nationally and/or internationally. These values are known by the valuer's attendance at sales as well as by access to numerous auction houses and online database records, such as the Australian Art Sales Digest, which tracks sales results across all the major auction houses in Australasia.

The most recent valuation for the Museum Heritage Collection was performed by Ben Plumbly, Director of Art, Art + Object, The 21st Century Auction House, and James Parkinson, Director of Valuations and Collections Management, Art + Object. The last revaluation was effective as at 1 July 2014.

Parks and gardens improvements

Parks and gardens improvements are valued at fair value using depreciated replacement cost because no reliable market data is available for such assets.

The most recent valuation was performed by Mectildah Chikwiri BSc (Computer, Statistics), Business and Asset Analyst, Hamilton City Council and independently reviewed by Brian Smith BCom, CA of Brian Smith Advisory Services Ltd. The valuation was effective as at 1 July 2017.

In arriving at the value, it is assumed that modern construction techniques and modern equivalent materials are used, but that the physical asset replaces the asset as it exists.

Replacement unit rates have been based on 2017 contract rates, in progress project costs and information from suppliers. Unit rates were extensively reviewed by staff in December 2016. No price indices were used to adjust the unit rates because it was assessed that there was no significant movement in rates from December 2016 to June 2017.

The default construction date was assumed to be 50% of the Total Useful Life (TUL) - unless it is otherwise stated - and only used where there was no construction date.

Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Infrastructure assets

Infrastructure assets are valued at fair value using the depreciated replacement cost method.

The most recent valuation for water reticulation, wastewater reticulation and pump stations, stormwater and solid waste sites was performed by Orapai Woon, Neville Blackett and Darren Teulon of Hamilton City Council and independently reviewed by CH2M Beca Ltd. The valuation was effective as at 1 July 2018.

The most recent valuation for water and wastewater treatment plants, and water reservoirs was performed CH2M Beca Ltd. The valuation was effective as at 1 July 2018.

The most recent valuation for transport assets (excluding land) was performed by Kevin Dunn, Associate - Asset Management, of Beca Valuations Ltd (New Zealand). The valuation was effective as at 1 July 2016.

There are several estimates and assumptions exercised when valuing infrastructure assets using the depreciated replacement cost method. These include:

- Estimating the replacement cost of the asset. The replacement cost is based on recent construction contracts in the region for modern equivalent assets, from which unit rates are determined.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions; for example, weather patterns, soil types and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or underestimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructure asset lives have been determined with reference to the NAMS guidelines published by the National Asset Management Steering Group and have been adjusted for local conditions based on staff experience. Asset inspections, deterioration and condition-modelling are also carried out regularly as part of asset management planning activities, which provides further assurance over useful life estimates.
- For the small number of assets that had no recorded construction date, a default construction date of half the life or a date relative to the other dates for like assets has been assigned.
- When valuing the top surface (the surface treatment currently on the top of the road pavement) the following key assumptions have been made:
 - o treatment lengths carrying >10,000 vehicle per day were assumed to be resurfaced with AC at the end of their theoretical life;
 - o first coats have been valued with a zero rate as the cost is included in the pavement renewal treatment included in the basecourse valuation.
- When valuing the carparks, replacement costs for flexible pavement layers are assumed to match the similar layers for treatment lengths with life cycles aligning to pavement use 3 category roads due to traffic inflow and outflow, commodity parking restriction and turnaround times. It is also assumed concrete car parks are 200mm deep with steel mesh reinforcement.

UNINSURED ASSETS

Since 1 July 2013 Council has insurance cover for material damage for the underground pipe networks, bridges and reservoirs. This is cover in the event of a major incident or disaster. The road network assets remain uninsured.

NOTE 24: PROPERTY, PLANT AND EQUIPMENT

COUNCIL 2019

	Cost/ valuation	Accumulated depreciation & impairment	Carrying amount	Cost transfers / reclassifications	Accumulated depreciation transfers / reclassifications	Gain/(loss) on revaluations	Current year additions (constructed)	Current year additions (vested)	Change in Work in Progress
	1-Jul-18	1-Jul-18	1-Jul-18						
Operational assets									
Land	68,038	-	68,038	-	-	14,925	-	1,587	-
Buildings	277,774	(10,544)	267,230	(137)	(11)	(4,023)	14,853	-	(687)
Land - parks and gardens	591,773	-	591,773	(2,432)	-	58,760	2,432	1,278	(1,267)
Improvements - parks and gardens	84,142	(5,125)	79,017	(153)	11	-	4,697	230	8,504
Plant and equipment	49,567	(31,587)	17,980	56	(3)	-	4,513	6	(2,907)
Finance leases	3,781	(2,364)	1,417	-	-	-	356	-	95
Vehicles	8,882	(3,951)	4,931	(60)	-	-	3,075	-	371
Library books	24,219	(16,535)	7,684	(47)	13	-	873	-	2
Zoo animals	1,355	(1,173)	182	-	-	-	39	-	(19)
Leasehold Improvements	2,096	(2,070)	26	-	-	-	-	-	-
Total operational assets	1,111,627	(73,349)	1,038,278	(2,773)	10	69,662	30,838	3,101	4,092
Restricted assets									
Land	30,467	-	30,467	1,302	-	2,197	377	1,076	142
Heritage assets									
Museum and library	35,388	-	35,388	-	-	-	137	-	(3)
Infrastructure assets									
Land	34,825	-	34,825	-	-	920	20	378	41
Refuse	49,886	(405)	49,481	-	-	1,635	-	-	291
Roads and traffic network	825,987	(35,082)	790,905	301	-	-	13,939	12,015	34,961
Land under roads	704,925	-	704,925	(1,302)	-	-	1,521	7,631	7,080
Stormwater system	536,098	(23,948)	512,150	-	-	85,795	1,908	5,607	6,683
Wastewater system	334,479	(18,577)	315,902	-	-	68,224	9,798	3,721	11,008
Wastewater treatment plant	74,743	(12,029)	62,714	-	-	24,236	419	-	11,539
Water system	261,358	(14,352)	247,006	-	-	25,840	4,944	2,128	(4,343)
Water treatment station	92,383	(8,492)	83,891	-	-	1,959	1,593	-	565
Total infrastructure assets	2,914,684	(112,885)	2,801,799	(1,001)	-	208,609	34,142	31,480	67,825
Total property, plant and equipment	4,092,166	(186,234)	3,905,932	(2,472)	10	280,468	65,494	35,657	72,056

COUNCIL 2019								GROUP 2019		
Current year disposals at cost	Current year impairment charges or write offs ¹	Current year depreciation	Accumulated depreciation reversed on disposal	Other adjustments	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	Cost / revaluation ²	Accumulated depreciation & impairment charges ³	Carrying amount
					30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-19
-	-	-	-	-	84,550	-	84,550	84,550	-	84,550
(1,620)	(481)	(9,236)	548	-	266,482	(46)	266,436	269,965	(46)	269,919
-	-	-	-	-	650,544	-	650,544	650,544	-	650,544
(1,037)	-	(4,396)	156	16	96,399	(9,354)	87,045	96,399	(9,354)	87,045
(5,853)	-	(2,573)	5,723	-	45,382	(28,440)	16,942	61,964	(28,449)	33,515
(1,330)	-	(543)	1,330	-	2,902	(1,577)	1,325	2,902	(1,577)	1,325
(1,142)	-	(926)	922	(14)	11,112	(3,955)	7,157	11,112	(3,955)	7,157
(8,944)	-	(1,455)	8,943	-	16,103	(9,034)	7,069	16,103	(9,034)	7,069
(598)	-	(26)	585	-	777	(614)	163	777	(614)	163
(1,938)	-	(6)	1,938	-	158	(138)	20	158	(138)	20
(22,462)	(481)	(19,161)	20,145	2	1,174,409	(53,158)	1,121,251	1,194,474	(53,167)	1,141,307
(364)	-	-	-	-	35,197	-	35,197	35,197	-	35,197
-	-	-	-	-	35,522	-	35,522	35,522	-	35,522
-	-	-	-	-	36,184	-	36,184	36,184	-	36,184
(8)	(145)	(438)	-	-	51,254	(438)	50,816	51,254	(438)	50,816
(1,748)	(2,445)	(16,746)	326	-	883,010	(51,502)	831,508	883,010	(51,502)	831,508
(1,211)	-	-	-	-	718,644	-	718,644	718,644	-	718,644
(261)	-	(9,369)	4	352	612,235	(9,366)	602,869	612,235	(9,366)	602,869
(1,732)	-	(7,629)	57	-	406,925	(7,573)	399,352	406,925	(7,573)	399,352
-	-	(3,993)	7	-	98,916	(3,994)	94,922	98,916	(3,994)	94,922
(1,126)	-	(5,408)	54	1	274,450	(5,354)	269,096	274,450	(5,354)	269,096
-	-	(2,500)	-	-	88,236	(2,728)	85,508	88,236	(2,728)	85,508
(6,086)	(2,590)	(46,083)	448	353	3,169,854	(80,955)	3,088,899	3,169,854	(80,955)	3,088,899
(28,912)	(3,071)	(65,244)	20,593	355	4,414,982	(134,113)	4,280,869	4,435,047	(134,122)	4,300,925

(1) Impairment of \$3M (2018 \$2.5M) has been recognised for Arthur Porter Dr and Hamilton Crematorium.

(2) The Group cost figures includes \$20M for Waikato Innovation Growth Ltd (Group) - \$3.5M of buildings and \$16.5M of plant and equipment.

(3) The Group accumulated depreciation figures include \$9k for plant and equipment.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Plant, property and equipment	4,280,869	4,371,324

Plant, property and equipment was unfavourable to budget by \$90.5M mainly due to less capital spend in the year than budgeted.

NOTE 24: PROPERTY, PLANT AND EQUIPMENT

COUNCIL 2018

	Cost/valuation	Accumulated depreciation & impairment	Carrying amount	Cost transfers / reclassifications	Accumulated depreciation transfers / reclassifications	Gain/(loss) on revaluations	Current year additions (constructed)	Current year additions (vested)	Change in Work in Progress
	1-Jul-17	1-Jul-17	1-Jul-17						
Operational assets									
Land	68,041	-	68,041	-	-	-	-	(3)	-
Buildings	269,419	-	269,419	85	(4)	-	5,357	-	6,808
Land - parks and gardens	586,086	-	586,086	-	-	-	272	1,436	3,642
Improvements - parks and gardens	79,315	(8,851)	70,464	(85)	4	7,092	10,346	40	(3,870)
Plant and equipment	46,483	(29,460)	17,023	-	-	-	3,122	-	157
Finance leases	2,619	(1,976)	643	-	-	-	1,142	-	20
Vehicles	7,825	(4,237)	3,588	-	-	-	2,536	-	(315)
Library books	23,365	(15,328)	8,037	-	-	-	887	-	(33)
Zoo animals	1,273	(1,143)	130	-	-	-	51	-	31
Leasehold Improvements	2,096	(2,064)	32	-	-	-	-	-	-
Total operational assets	1,086,522	(63,059)	1,023,463	-	-	7,092	23,713	1,473	6,440
Restricted assets									
Land	30,103	-	30,103	-	-	-	-	-	-
Heritage assets									
Museum and library	34,994	-	34,994	-	-	-	402	-	(8)
Infrastructure assets									
Land	27,987	-	27,987	-	-	-	-	6,203	635
Refuse	56,440	(785)	55,655	-	-	(5,978)	437	-	(228)
Roads and traffic network	794,427	(17,028)	777,399	-	-	-	21,649	4,434	6,541
Land under roads	690,112	-	690,112	-	-	-	3,429	12,802	(13)
Stormwater system	522,729	(15,998)	506,731	-	-	-	3,486	9,445	768
Wastewater system	317,671	(12,494)	305,177	-	-	-	11,649	7,225	(115)
Wastewater treatment plant	69,972	(9,519)	60,453	1,697	(81)	-	(31)	-	3,114
Water system	263,135	(9,659)	253,476	-	-	-	16,405	3,020	(19,980)
Water treatment station	75,878	(6,348)	69,530	(1,697)	81	-	16,552	-	1,650
Total infrastructure assets	2,818,351	(71,831)	2,746,520	-	-	(5,978)	73,576	43,129	(7,628)
Total property, plant and equipment	3,969,970	(134,890)	3,835,080	-	-	1,114	97,691	44,602	(1,196)

COUNCIL 2018								GROUP 2018		
Current year disposals at cost	Current year impairment charges or write offs	Current year depreciation	Accumulated depreciation reversed on disposal	Other adjustments	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	Cost / revaluation ¹	Accumulated depreciation & impairment charges ²	Carrying amount
					30-Jun-18	30-Jun-18	30-Jun-18	30-Jun-18	30-Jun-18	30-Jun-18
-	-	-	-	-	68,038	-	68,038	68,038	-	68,038
(1,128)	(2,545)	(10,618)	78	(222)	277,774	(10,544)	267,230	282,185	(11,490)	270,695
-	-	-	-	337	591,773	-	591,773	591,773	-	591,773
(1,091)	-	(4,020)	137	-	84,142	(5,125)	79,017	84,142	(5,125)	79,017
(195)	-	(2,320)	193	-	49,567	(31,587)	17,980	69,705	(36,249)	33,456
-	-	(388)	-	-	3,781	(2,364)	1,417	3,781	(2,364)	1,417
(1,050)	-	(541)	827	(114)	8,882	(3,951)	4,931	8,882	(3,951)	4,931
-	-	(1,207)	-	-	24,219	(16,535)	7,684	24,219	(16,535)	7,684
-	-	(30)	-	-	1,355	(1,173)	182	1,355	(1,173)	182
-	-	(6)	-	-	2,096	(2,070)	26	2,096	(2,070)	26
(3,464)	(2,545)	(19,130)	1,235	1	1,111,627	(73,349)	1,038,278	1,136,176	(78,957)	1,057,219
-	-	-	-	364	30,467	-	30,467	30,467	-	30,467
-	-	-	-	-	35,388	-	35,388	35,388	-	35,388
-	-	-	-	-	34,825	-	34,825	34,825	-	34,825
-	-	(405)	-	-	49,886	(405)	49,481	49,886	(405)	49,481
(1,065)	-	(18,216)	164	-	825,987	(35,082)	790,905	825,987	(35,082)	790,905
(1,405)	-	-	-	-	704,925	-	704,925	704,925	-	704,925
(330)	-	(7,971)	21	-	536,098	(23,948)	512,150	536,098	(23,948)	512,150
(1,951)	-	(6,369)	286	-	334,479	(18,577)	315,902	334,479	(18,577)	315,902
(9)	-	(2,430)	1	-	74,743	(12,029)	62,714	74,743	(12,029)	62,714
(1,222)	-	(4,920)	227	-	261,358	(14,352)	247,006	261,358	(14,352)	247,006
-	-	(2,225)	-	-	92,383	(8,492)	83,891	92,383	(8,492)	83,891
(5,982)	-	(42,536)	699	-	2,914,684	(112,885)	2,801,799	2,914,684	(112,885)	2,801,799
(9,446)	(2,545)	(61,666)	1,934	365	4,092,166	(186,234)	3,905,932	4,116,715	(191,842)	3,924,873

(1) The Group cost figures includes \$24.6M for Innovation Waikato Ltd (Group) - \$4.3M of buildings, \$377k of parks and gardens improvements, and \$19.9M of plant and equipment.

(2) The Group accumulated depreciation figures include \$3.4M for Innovation Waikato Ltd (Group) - \$598k for buildings and \$2.8M for plant and equipment.

NOTE 24: PROPERTY, PLANT AND EQUIPMENT

WORK IN PROGRESS

Property, plant and equipment in the course of construction by class of asset are detailed as follows:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Operational assets				
Land	-	-	-	-
Buildings	8,046	8,734	8,046	8,734
Land - parks and gardens	2,379	3,646	2,379	3,646
Improvements - parks and gardens	10,885	2,381	10,885	2,381
Plant and equipment	152	3,059	192	3,074
Finance Leases	115	20	115	20
Vehicles	571	200	571	200
Library books	2	-	2	-
Zoo animals	12	31	12	31
Leasehold improvements	-	-	-	-
Restricted assets				
Land	142	-	142	-
Heritage assets				
Museum and library	-	3	-	3
Infrastructure assets				
Land	736	695	736	695
Refuse	291	-	291	-
Roads and traffic network	51,602	16,641	51,602	16,641
Land under roads	7,249	170	7,249	170
Stormwater system	9,616	2,932	9,616	2,932
Wastewater system	19,420	8,412	19,420	8,412
Wastewater treatment plant	14,998	3,460	14,998	3,460
Water system	8,188	12,530	8,188	12,530
Water treatment station	4,754	4,190	4,754	4,190
Total work in progress	139,158	67,104	139,198	67,119

CAPITAL COMMITMENTS

The amount of contractual commitments for acquisition of property, plant and equipment is:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Capital commitments by asset class				
Land	-	5	-	5
Buildings	7,632	6,314	7,632	6,314
Improvements - parks and gardens	9,708	2,133	9,708	2,133
Plant and equipment	136	353	146	353
Leasehold improvements	214	213	214	213
Museum and library	157	384	157	384
Infrastructure land	-	5,721	-	5,721
Refuse	-	1	-	1
Roads and traffic network	67,161	40,279	67,161	40,279
Stormwater system	1,431	1,313	1,431	1,313
Wastewater system	30,926	4,507	30,926	4,507
Wastewater treatment plant	36,616	1,338	36,616	1,338
Water system	27,046	8,030	27,046	8,030
Water treatment station	409	1,315	409	1,315
Total capital commitments	181,436	71,906	181,446	71,906

NOTE 25: INTANGIBLE ASSETS

ACCOUNTING POLICY

Intangible assets are defined as identifiable non-monetary assets without physical form. Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

SOFTWARE ACQUISITION AND DEVELOPMENT

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with maintaining computer software are recognised in the surplus or deficit when incurred. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

AMORTISATION

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

The useful lives of major classes of intangible assets have been estimated as follows:

Computer Software	3-10 years	Consents & designations	10-35 years
Licenses	3-10 years	Models	7-30 years

	Council					Group	
	Infrastructural modelling	Licenses	Computer software	Consents & designations	Total	Intangibles	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost							
Balance as at 1 July 2018	2,783	409	21,336	16,208	40,736	1	40,737
Additions	89	-	953	214	1,256	-	1,256
Disposals	-	-	(2,194)	(997)	(3,191)	-	(3,191)
Work in Progress (WIP)	-	-	-	-	-	-	-
- Opening WIP	346	-	788	2,272	3,406	-	3,406
- Closing WIP	583	(10)	2,107	2,198	4,878	-	4,878
Change in WIP	237	(10)	1,319	(74)	1,472	-	1,472
Balance as at 30 June 2019	3,109	399	21,414	15,351	40,273	1	40,274
Balance as at 1 July 2017	3,251	384	18,624	15,785	38,044	1	38,045
Additions	4	25	2,906	720	3,655	-	3,655
Disposals	-	-	-	-	-	-	-
Work in Progress (WIP)	-	-	-	-	-	-	-
- Opening WIP	818	-	982	2,569	4,369	-	4,369
- Closing WIP	346	-	788	2,272	3,406	-	3,406
Change in WIP	(472)	-	(194)	(297)	(963)	-	(963)
Balance as at 30 June 2018	2,783	409	21,336	16,208	40,736	1	40,737
Accumulated amortisation and impairment							
Balance as at 1 July 2018	(504)	(73)	(15,146)	(4,615)	(20,338)	-	(20,338)
Transferred accumulated depreciation	-	-	-	-	-	-	-
Amortisation charge	(141)	-	(2,583)	(1,065)	(3,789)	-	(3,789)
Impairment	-	-	-	-	-	-	-
Amortisation reversed on disposal	-	-	2,194	997	3,191	-	3,191
Balance as at 30 June 2019	(645)	(73)	(15,535)	(4,683)	(20,936)	-	(20,936)
Balance as at 1 July 2017	(414)	(73)	(12,242)	(3,708)	(16,437)	-	(16,437)
Transferred accumulated depreciation	-	-	-	-	-	-	-
Amortisation charge	(90)	-	(2,904)	(907)	(3,901)	-	(3,901)
Amortisation reversed on disposal	-	-	-	-	-	-	-
Balance as at 30 June 2018	(504)	(73)	(15,146)	(4,615)	(20,338)	-	(20,338)
Carrying amounts							
Balance as at 1 July 2017	2,837	311	6,382	12,077	21,607	-	21,607
Balance as at 30 June and 1 July 2018	2,279	336	6,190	11,593	20,398	1	20,399
Balance as at 30 June 2019	2,464	326	5,879	10,668	19,337	1	19,338

RESTRICTIONS OVER TITLE

There are no restrictions over the title of intangible assets. No assets are pledged for security for liabilities.

IMPAIRMENT

No intangible assets have been impaired (2018 \$nil).

CAPITAL COMMITMENTS

Intangible asset commitments include \$115k (2018 \$73k).

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Intangible assets	19,337	22,283

Intangible assets was unfavourable to budget as a result of disposals during the year and the amortisation charge being slightly higher than expected.

NOTE 26: INVESTMENT PROPERTY

ACCOUNTING POLICY

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. These assets consist of investment properties owned by the Council, funded either from Corporate Funds, the Domain Endowment Fund or the Municipal Endowment Fund.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, all investment property is measured at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Balance at 1 July	25,255	22,059	25,255	22,059
Additions from acquisitions	4,073	-	4,073	-
Transfers	2,432	-	2,432	-
Disposals	(375)	-	(375)	-
Fair value gains/(losses) on valuation (note 8)	604	3,196	604	3,196
Balance at 30 June	31,989	25,255	31,989	25,255

The valuation of Council's investment property was performed by R A Smithers, an independent valuer from Telfer Young (Waikato), and P A Curnow, an independent valuer from Curnow Tizard. Telfer Young (Waikato) and Curnow Tizard are experienced valuers with extensive market knowledge in the types and locations of investment properties owned by the Council. The valuation was effective 30 June 2019.

The fair value of investment property has been determined using the capitalisation of net revenue and discounted cash flow methods. These methods are based upon assumptions including future rental revenue, anticipated maintenance costs, and appropriate discount rates.

Information about revenue and expenses in relation to investment property is detailed below:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Rental revenue	2,568	1,979	2,568	1,979
Direct operating expenses from investment property generating revenue	662	495	662	495

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Investment property	31,989	23,175

Investment property was \$8.8M favourable to budget. This was due to the additions and disposals from this year and the prior year gain not being budgeted for.

NOTE 27: PAYABLES AND DEFERRED REVENUE

ACCOUNTING POLICY

Short-term creditors and other payables are recorded at their face value.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Current portion				
<i>Payables and deferred revenue under exchange transactions</i>				
Trade payables and accrued expenses	33,952	27,588	34,673	28,365
Income in advance	2,395	3,976	2,395	3,976
Amounts due to related parties	41	-	41	-
Amounts due to customers for contract work	1,560	1,878	1,560	1,878
Total	37,948	33,442	38,669	34,219
<i>Payables and deferred revenue under non-exchange transactions</i>				
Trade payables and accrued expenses	194	138	194	138
Income in advance	2,181	1,896	2,181	1,896
Other taxes payable (Fringe benefit tax)	22	29	22	29
Total	2,397	2,063	2,397	2,063
Total current	40,345	35,505	41,066	36,282
Non-current portion				
<i>Payables and deferred revenue under exchange transactions</i>				
Income in advance	-	-	241	199
Total	-	-	241	199
<i>Payables and deferred revenue under non-exchange transactions</i>				
Trade payables - NZTA	-	1,250	-	1,250
Total	-	1,250	-	1,250
Total non-current	-	1,250	241	1,449
Total payables and deferred revenue	40,345	36,755	41,307	37,731

Payables are generally non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables approximates their fair value.

TRADE PAYABLES - NZTA

The Council had a payable of \$1.25M in 2018 for the NZTA advance funded portion of the Cambridge Rd to Cobham Dr section of the Ring Road. The payable was settled in June 2019 at the completion of the works.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Payables and deferred revenue	40,345	33,250

Payables and deferred revenue was unfavourable to budget by \$7.1M. This is mainly driven by accruals created for city development and transportation work completed in June 2019 that were larger than initially budgeted for.

NOTE 28: EMPLOYEE ENTITLEMENTS

ACCOUNTING POLICY

SHORT-TERM EMPLOYEE ENTITLEMENTS

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

The provision for retirement gratuities has been calculated on an actuarial basis bringing to account what is likely to be payable in the future in respect of service that employees have accumulated up until 12 months after balance date.

LONG-TERM EMPLOYEE ENTITLEMENTS

Employee benefits that are due to be settled beyond 12 months after the end of the year in which the employee provides the related service, such as retiring gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

PRESENTATION OF EMPLOYEE ENTITLEMENTS

Sick leave and annual leave are classified as a current liability. Retiring gratuities expected to be settled with 12 months of balance date are also classified as a current liability. All other employee entitlements are classified as a non-current liability.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

ESTIMATING RETIRING GRATUITIES OBLIGATIONS

The present value of retiring gratuities obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns. A weighted average discount rate of 2.97% (2018 2.85%) and an inflation factor of 1.9% (2018 1.9%) were used.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Current portion				
Accrued pay	1,428	1,276	1,567	1,423
Annual leave	5,490	5,089	5,619	5,224
Sick leave	288	243	288	243
Retiring gratuities	534	425	534	425
Total current portion	7,740	7,033	8,008	7,315
Non-current portion				
Retiring gratuities	935	966	935	966
Total non-current portion	935	966	935	966
Total employee entitlements	8,675	7,999	8,943	8,281

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Employee Entitlements (current & non-current)	8,675	7,520

Employee entitlements was \$1.1M unfavourable to budget. This was due to higher annual leave balances than budgeted.

NOTE 29: PROVISIONS

ACCOUNTING POLICY

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event; it is probable that an outflow of future economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost in surplus or deficit (see note 13).

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The present value of these cash flows is calculated using a discount rate of 5.09% (2018 5.09%).

The present value of these cash flows is calculated using an inflation rate of 2% (2018 2.0%).

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Current portion				
Strategic realignment (Restructuring provision)	395	290	395	290
Weathertight homes resolution services claims	354	-	354	-
Landfill aftercare	1,515	1,393	1,515	1,393
Total	2,264	1,683	2,264	1,684
Non-current portion				
Weathertight homes resolution services claims	1,275	1,396	1,275	1,396
Landfill aftercare	12,887	13,704	12,887	13,704
Loan repayment provision	-	-	168	356
Total	14,162	15,100	14,330	15,456
Total provisions	16,426	16,783	16,594	17,139

STRATEGIC REALIGNMENT

Costs provided for restructures announced in 2018/19.

On 28 June 2018 the Chief Executive announced major changes in the way Hamilton City Council will deliver its next 10-Year Plan. With these changes the Groups have been required to make substantial changes to the way they operate to support the strategic realignment of the organisation. These changes have been approved subject to consultation and are being announced progressively in order to minimise disruption to the business.

WEATHERTIGHT HOMES RESOLUTION SERVICES CLAIMS PROVISION

These claims relate to weathertightness issues of homes in Hamilton and name the Council as well as other parties. The WHRS is a central government service established under the Weathertightness Homes Resolution Services Act 2006. It also offers a funding assistance package (FAP) to eligible homeowners. This sees the Council contribution capped at 25% of eligible costs if the homeowner elects to use the FAP scheme.

There are currently six claims lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2019 (2018 six claims). One claim was resolved during 2018/19.

Seven claims (2018 four claims) lodged via the court system are outstanding with an estimated liability of \$848k (2018 \$802k).

Total estimated exposure is \$1,629k (2018 \$1,396k). This represents an overall increase of \$233k for the year.

LANDFILL AFTERCARE COSTS

Council is responsible for four closed landfill sites - Horotiu, Willoughby, Cobham Drive and Rototuna.

Council's aftercare responsibilities include ongoing maintenance and monitoring such as the following:

- treatment and monitoring of leachate
- groundwater and surface monitoring
- gas monitoring and recovery
- implementation of remedial measures such as need for cover and control systems
- ongoing site maintenance for drainage systems, final cover and control.

The cash outflows for the landfills are expected to occur until 2049. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Provisions (current and non-current)	16,426	24,750

Provisions were favourable to budget as a result of the landfill provision being lower than budget due to cash flows for the provision being lower each year and the discount rate being slightly higher.

	Council				Group	
	Strategic realignment	Weather-tightness claims	Landfill	Total	Loan repayment	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2018						
Balance at 1 July 2017	-	1,105	14,385	15,646	191	15,837
Additional provisions made	290	395	1,080	1,765	165	1,930
Reversal of previously recognised provisions	-	(104)	(1,100)	(1,360)	-	(1,360)
Discount unwind (note 13)	-	-	732	732	-	732
Balance at 30 June 2018	290	1,396	15,097	16,783	356	17,139
2019						
Balance at 1 July 2018	290	1,396	15,097	16,783	356	17,139
Additional provisions made	405	293	-	698	8	706
Amounts used	(300)	(60)	(399)	(759)	(196)	(955)
Reversal of previously recognised provisions	-	-	(1,064)	(1,064)	-	(1,064)
Discount unwind (note 13)	-	-	768	768	-	768
Balance at 30 June 2019	395	1,629	14,402	16,426	168	16,594

NOTE 30: BORROWINGS

ACCOUNTING POLICY

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after balance date.

HOUSING INFRASTRUCTURE FUND LOAN

The Housing Infrastructure Fund Loan (HIF) is interest-free for 10 years from the date of each drawdown.

The fair value of the loan recognises the interest-free benefit and is recognised as other revenue. Ten years after each drawdown the loan will be recognised at its nominal value with the unwinding of the fair value gains being recognised annually as a finance cost.

FINANCE LEASES

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether we will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Current				
Secured loans	42,500	83,000	42,990	83,650
- Interest accrual	174	45	174	45
Lease liabilities	584	562	584	562
Total current borrowings	43,258	83,607	43,748	84,257
Non-current				
Secured loans	355,000	330,000	359,624	335,024
- Interest accrual	1,735	1,575	1,735	1,575
- Housing Infrastructure Fund	1,073	-	1,073	-
Lease liabilities	756	938	756	938
Total non-current borrowings	358,564	332,513	363,188	337,537
Total borrowings	401,822	416,120	406,936	421,794

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Borrowings (current and non-current)	401,822	510,494

Borrowings were \$109M favourable to budget. This was driven by lower than budgeted capital projects spending and more cash received through fees and charges and development contributions.

TOTAL NET DEBT

Total net debt is Council's debt performance measure that was put in place for the 2018-2028 10-Year Plan.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
External debt	401,822	416,120	406,936	421,794
less: cash held and cash investments	(57,567)	(85,867)	(57,649)	(86,360)
Total net debt	344,255	330,253	349,287	335,434

Prior year comparatives have been aligned to 2018-28 10-Year Plan classifications.

INTEREST TERMS FOR SECURED LOANS

Council has \$22.5M of its total debt of \$398.5M issued at fixed rates of interest (2018 \$28M of \$413M). The remainder of Council's secured loans are issued at floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin for credit risk.

HOUSING INFRASTRUCTURE FUND (HIF)

In September 2016 the Housing Infrastructure Fund (HIF) was established by the New Zealand Government as a one-off contestable fund. The fund is for accelerating short and medium term supply of new housing in high growth urban areas. This will provide financial capacity for growth councils to deliver the infrastructure needed to sustain their growth.

High urban growth areas are defined as those where Statistics New Zealand projects population growth to be or exceeding 1% per year for the next 10 years. Hamilton has been identified as a high growth urban area. Hamilton City Council submitted its proposal and was successful in getting funding for the Peacocke growth area. The approved funding agreement is for \$180.3M. The HIF funding is providing essential bulk infrastructure, including a bridge crossing at Hamilton Gardens, arterial roads and wastewater pump station and pressure main. The Peacocke growth area is expected to provide 3,750 homes over the next 10 years and approximately 8,400 over the next 30 years. This growth area is essential to meeting the overall growth needs of Hamilton of 12,500 homes over the next 10 years.

During the 2019 financial year \$1.224M (2018 \$nil) of the HIF interest free loan was drawn down. The undrawn amount is \$179.07M (2018 \$nil).

SECURITY

Council's secured loans have been issued in accordance with the Local Government Act 2002.

The loans are secured through the debenture trust deed over all rates, with the exception of \$12.5M (2018 \$18M) of Commercial Paper that has a maturity of three months or less.

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

FAIR VALUES

The carrying amounts of borrowings repayable within one year approximate their fair value as the effect of discounting is not significant.

Due to interest rates on debt resetting to the market rate every three months, the carrying amounts of the majority of secured loans approximates their fair value. There is a \$10M secured loan that has been issued at a fixed rate and has greater than 12 months to maturity. The fair value of this loan is \$11.1M (2018 \$10.8M). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date of 1.81% (2018 3.03%).

ANALYSIS OF LEASE LIABILITIES

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Total minimum finance lease payments payable:				
Not later than one year	621	611	621	611
Later than one and not later than five years	777	977	777	977
Later than five years	-	-	-	-
Total minimum finance lease payments	1,398	1,588	1,398	1,588
Future finance charges	(58)	(88)	(58)	(88)
Present value of minimum finance lease payments	1,340	1,500	(58)	1,500
Present value of minimum finance lease payments payable:				
Not later than one year	584	562	584	562
Later than one and not later than five years	756	938	756	938
Later than five years	-	-	-	-
Total minimum finance lease payments	1,340	1,500	1,340	1,500
Current portion	584	562	584	562
Non-current portion	756	938	756	938
Total finance lease liability	1,340	1,500	1,340	1,500

INTEREST RATE

The interest rates applying to lease liabilities for 2019 range from 2.77% to 6.68% (2018 range from 2.77% to 3.42%).

DESCRIPTION OF MATERIAL LEASING ARRANGEMENTS

Council has entered into finance leases for various plant and equipment. The net carrying amount of leased items within each class of property, plant and equipment is included in the numbers disclosed in note 24.

The finance leases can be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council does have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on Council by any of the finance leasing arrangements.

INTERNAL BORROWINGS

Internal borrowings apply to Council created reserves that are not supported by cash. This only applies to the Reserves Contribution Fund which supports the Parks and Recreation activity.

The interest earned by these reserves is an internal interest allocation, based on the weighted average cost of borrowing to Council less 0.5%.

	Balance 1 July	Repaid	Borrowed	Interest	Balance 30 June
Total Parks and Recreation internal borrowings:	\$000	\$000	\$000	\$000	\$000
Parks and Recreation (2019)	-	-	-	-	-
Parks and Recreation (2018)	2,872	(2,967)	-	95	-

NOTE 31: CONTINGENCIES

CONTINGENT LIABILITIES

WEATHERTIGHT HOMES RESOLUTION SERVICES AND COURT CLAIMS

A provision for potential liability for six claims (2018 six claims) that are outstanding with the Weathertight Homes Resolution Service, and seven claims (2018 four claims) lodged via the court system have been made per note 29. There may be further claims in future but these are unable to be quantified at this point in time.

UNQUANTIFIED CLAIMS

Carter Holt Harvey

In April 2013, the Ministry of Education (MoE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the shadowclad plywood cladding sheets manufactured and distributed by CHH. The MoE's original claim against CHH was for 833 school buildings, 123 of which are located within Hamilton.

In 2016, CHH commenced proceedings against 54 councils, including Hamilton City Council, alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates.

During the current year the councils sought to strike out CHH's claims against them. The High Court declined the strike out of the claim, but struck out proceedings in relation to 18 school buildings (eight located in Hamilton) built outside the 10-year long stop contained within the Building Act 2004. Further, CHH applied for trial staging, with proceedings to commence in relation to 20 buildings. MoE opposed the application, seeking a trial on the determination of whether shadowclad is inherently defective. The High Court accepted the MoE proposal. CHH has appealed this decision. At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

Holidays Act 2003

As part of a compliance programme conducted by the Ministry of Business, Innovation and Employment (MBIE) in respect of the Holidays Act 2003, Hamilton City Council was identified as a potential auditee alongside other organisations in 2017. The audit identified some non-compliance for a limited number of holiday related payments to some employees. As such, Council has entered into an enforceable undertaking with MBIE to address this. At this stage Council is unable to quantify the value of this liability.

FINANCIAL GUARANTEES

Council is at times requested to act as guarantor to loans raised by community organisations and sports clubs to construct facilities on Council reserve land. These structures form part of the reserve but are not included in the fixed asset figures. No provision has been made because Council does not consider it likely that these loans will require settlement. Council's potential liability under the guarantees is as follows:

	Council		Group	
	2019	2018	2019	2018
Financial guarantees (Bank of New Zealand)	\$000	\$000	\$000	\$000
Legal proceedings	196	224	196	224
- weathertight homes	500	400	500	400
- various legal proceedings	485	430	485	430
Total contingent liabilities	1,181	1,054	1,181	1,054

UNCALLED CAPITAL

Council has contingent liabilities in respect of uncalled capital for the entities as follows:

	Council		Group	
	2019	2018	2019	2018
New Zealand Local Government Funding Agency Ltd	\$000	\$000	\$000	\$000
	1,866	1,866	1,866	1,866
Total uncalled capital	1,866	1,866	1,866	1,866

WAIKATO INNOVATION GROWTH LTD

Waikato Innovation Growth Ltd does not have any contingent liabilities as at 30 June 2019 (2018 \$nil).

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LTD

Council is a guarantor of the New Zealand Local Government Funding Agency Ltd (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. NZLGFA has a current local currency rating from Fitch Ratings and Standard and Poor's of AA+ and a foreign currency rating of AA.

Council is one of 31 local authority shareholders and 15 local authority guarantors of the NZLGFA. The NZLGFA has uncalled capital of \$20M of which Council's share is \$1.9M as at 30 June 2019 (2018 \$1.9M). At 30 June 2019, NZLGFA had total borrowings of \$9.84B (2018 \$8.3B) for which Council is a guarantor along with other shareholders and guarantors.

Financial reporting standards require Council to recognise the guarantee liability at fair value. However, Council has been unable to determine a sufficiently reliable value for the guarantee, and therefore has not recognised a liability.

The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

- Council is not aware of any local authority debt default events in New Zealand;
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligation if further funds were required; and
- NZLGFA has a credit rating of AA+.

INVOLVEMENT IN ASSOCIATES

There are no quantifiable contingent liabilities arising from Council's involvement in its associates for 2019 (2018 \$nil).

CONTINGENT ASSETS**WEL ENERGY TRUST**

Council is a 63% capital beneficiary of the WEL Energy Trust. The life of the Trust ends in 2073 unless terminated earlier if its purpose is completed. Given the uncertainties surrounding the life of the Trust, Council is unable to accurately establish the appropriate value of its share.

NOTE 32: EQUITY

ACCOUNTING POLICY

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into accumulated funds, restricted and Council created reserves, revaluation reserves and fair value through other comprehensive revenue and expense reserve.

RESTRICTED RESERVES AND COUNCIL CREATED RESERVES

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned.

Restricted reserves include those subject to specific conditions we accept as binding and which may not be revised without reference to the courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves we restrict by resolution. We may alter them without reference to any third party or the courts. Transfers to and from these reserves are at our discretion.

Council created reserves are restricted in their application by our resolution.

REVALUATION RESERVES

This reserve relates to the revaluation of property, plant and equipment to fair value.

FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE RESERVE

This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Accumulated comprehensive revenue and expenses				
Balance 1 July	1,756,116	1,689,174	1,776,282	1,710,992
Surplus/(deficit) for the year	65,561	60,228	61,123	62,098
Non-controlling interest prior year	-	-	-	(3,547)
Transfer from property revaluation reserves on disposal	3,142	3,410	3,192	3,435
Transfers from restricted and Council created reserves	1,566	6,636	1,566	6,636
Transfers to restricted and Council created reserves	(1,235)	(3,332)	(1,235)	(3,332)
Balance at 30 June	1,825,150	1,756,116	1,840,928	1,776,282
Restricted reserves				
Balance at 1 July	38,163	37,967	38,163	37,967
Transfers from accumulated comprehensive revenue and expense	287	332	287	332
Transfers to accumulated comprehensive revenue and expense	(55)	(136)	(55)	(136)
Balance at 30 June	38,395	38,163	38,395	38,163
Council created reserves				
Balance at 1 July	1,878	5,378	1,878	5,378
Transfers from accumulated comprehensive revenue and expense	948	3,332	948	3,332
Transfers to accumulated comprehensive revenue and expense	(1,511)	(6,636)	(1,511)	(6,636)
Balance at 30 June	1,315	1,878	1,315	1,878
Revaluation reserve*				
Balance at 1 July	1,792,933	1,797,541	1,819,281	1,823,914
Transfer to accumulated comprehensive revenue and expense on disposal of assets	(3,142)	(3,410)	(3,192)	(3,435)
Impairment	(2,893)	(2,545)	(2,893)	(2,545)
Revaluation gains/(losses) - property, plant and equipment	280,468	1,114	286,692	1,114
Revaluation gains/(losses) - shareholdings	945	845	945	845
Other movements	(6,864)	(612)	(6,344)	(612)
Balance at 30 June	2,061,447	1,792,933	2,094,489	1,819,281

* The revaluation reserve includes the property revaluation reserve and the fair value through other comprehensive revenue and expense reserve. Prior year comparatives have been aligned to 2018/28 10-Year Plan.

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Property revaluation reserves for each class consist of:				
Operational assets				
Buildings	124,980	130,404	128,996	153,870
Plant and equipment	-	-	4,391	3,402
Land	61,976	47,050	79,332	47,050
Parks and gardens improvement	26,891	27,328	26,891	27,328
Parks and gardens land	497,669	438,909	497,669	438,909
Heritage assets				
Museum and library	11,396	11,397	11,396	11,397
Restricted assets				
Land	14,576	12,616	14,576	12,616
Infrastructure assets				
Land	23,335	22,415	23,335	22,415
Refuse	34,958	33,441	34,958	33,441
Roads and traffic network	351,426	353,411	351,426	353,411
Stormwater	457,668	372,405	457,668	372,405
Wastewater system	263,721	199,734	263,721	199,734
Wastewater treatment plant	36,818	12,582	36,818	12,582
Water treatment station	12,586	10,627	12,586	10,627
Water system	139,011	117,123	139,011	117,123
Airport infrastructure	-	-	7,279	-
Total	2,057,011	1,789,442	2,090,053	1,816,310
Fair value through other comprehensive revenue and expense reserve				
Balance at 1 July	3,491	2,646	3,491	16,984
Transfer to property revaluation reserve	-	-	-	(14,338)
Net change in fair value	945	845	945	845
Balance at 30 June	4,436	3,491	4,436	3,491
Non controlling interest				
Balance at 1 July	-	-	3,353	1,940
Share of surplus/(deficit)	-	-	380	125
Share of other comprehensive revenue and expense	-	-	466	-
Share transactions with non-controlling interest	-	-	-	1,288
Balance at 30 June	-	-	4,199	3,353
Total equity	3,926,307	3,589,090	3,979,326	3,639,477

Reserve	Activities to which the reserve relates	Council			
		Balance 1 July	Transfers into fund	Transfers out of fund	Balance 30 June
		\$000	\$000	\$000	\$000
2019					
Cemetery plot maintenance in perpetuity reserve	Cemeteries and Crematorium	1,733	55	(55)	1,733
Domain Endowment Fund	Parks and Recreation and Stormwater	7,781	232	-	8,031
Municipal Endowment Fund	Strategic property investment	28,639	-	-	28,639
Waikato Art Gallery Endowment reserve	Visitor Attractions	10	-	-	10
Total restricted reserves - 2019		38,163	287	(55)	38,395
Bus shelter reserve	Transport	354	11	-	365
Project Watershed operating reserve	Parks and Recreation and Stormwater	592	17	(287)	322
Hamilton Gardens reserve	Parks and Recreation	444	905	(1,224)	125
Waste minimisation reserve	Rubbish and Recycling	488	15	-	503
Total Council created reserves - 2019		1,878	948	(1,511)	1,315
Total restricted and Council created reserves - 2019		40,041	1,235	(1,566)	39,710

Reserve	Activities to which the reserve relates	Group			
		Balance 1 July	Transfers into fund	Transfers out of fund	Balance 30 June
		\$000	\$000	\$000	\$000
2018					
Cemetery plot maintenance in perpetuity reserve	Cemeteries and Crematorium	1,801	68	(136)	1,733
Domain Endowment Fund	Parks and Green Spaces and Stormwater	7,517	264	-	7,781
Municipal Endowment Fund	Strategic property investment	28,639	-	-	28,639
Waikato Art Gallery Endowment reserve	Arts promotion	10	-	-	10
Total restricted reserves - 2018		37,967	332	(136)	38,163
Bus shelter reserve	Travel demand management	286	99	(31)	354
Project Watershed operating reserve	Parks and Green Spaces and Stormwater	850	30	(288)	592
Hamilton Gardens reserve	Parks and Green Spaces	856	2,176	(2,588)	444
Reserves contribution fund	Strategic property investment	2,872	95	(2,967)	-
Waste minimisation reserve	Waste minimisation	514	600	(626)	488
Total Council created reserves - 2018		5,378	3,000	(6,500)	1,878
Total restricted and Council created reserves - 2018		43,345	3,332	(6,636)	40,041

PURPOSE OF EACH RESERVE FUND:

RESTRICTED RESERVES

Cemetery plot maintenance in perpetuity reserve - To maintain and provide for improvements to the cemeteries.

Domain endowment fund reserve - Established by the Hamilton Domain Endowment Act 1979 to provide a capital endowment fund for domain land for investment in property. Rental income and interest earned from domain endowment land is used to fund parks and reserves operating costs.

Municipal Endowment Fund - To provide a capital fund for Crown endowment land vested in the Council for investment in property. Rental income and interest earned from the land and property may be used for Council purposes to offset rates.

Waikato Art Gallery Endowment reserve - To provide funds for the acquisition of works of art for the Waikato Museum of Art and History.

COUNCIL CREATED RESERVES

Bus shelter reserve - To manage the income generated from advertising in bus shelters to provide, maintain and enhance passenger infrastructure.

Project Watershed operating reserve - To fund works relating to river flood protection and erosion control (Project Watershed). Waikato Regional Council is the funding agency and Hamilton City Council carries out agreed works within the city boundary.

Hamilton Gardens reserve - To provide funds for the development of Hamilton Gardens. Funds are being sourced from a target rate over a four year period starting 2014-15.

Reserves contribution fund - This fund receives contributions from Council policy on levying subdividers and developers for provision of reserves. Payment may be in kind (land) or a pro rata levy on the value of the development. The balance of the fund is used for the purchase of land for reserves (or the development of same). Reserve contributions were levied on subdivisions approved prior to the advent of development contributions for reserves which came into effect on 1 July 2006.

Waste minimisation reserve - To encourage a reduction in the amount of waste generated and disposed of in New Zealand, and to lessen the environmental harm of waste. The reserve was created in 2009 as a result of the Waste Minimisation Act 2008. Funding is distributed to local authorities by the Ministry for the Environment and expenditure includes grants to others, waste minimisation initiative operating expenses and recycling contracts.

CAPITAL MANAGEMENT

The Council's capital is its equity (or ratepayers' funds), which comprises accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the cost of utilising the Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long-Term Plan (LTP) and its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's 10-Year Plan.

Hamilton City Council has the following Council created reserves:

- reserves for different areas of benefit; and
- other reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Deductions are made where funds have been used for the purpose they were donated.

Other reserves are created to set aside funding from general rates for future expenditure on specific projects or activities as approved by Council.

Council uses funds from reserves to reduce external borrowing requirements and reduce financing costs. An internal interest rate is paid to all reserves and provision for the repayment of internal borrowing is covered via committed external bank funding facilities.

NOTE 33: RELATED PARTY TRANSACTIONS

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Council and Group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities, and are on normal terms and conditions for such group transactions.

KEY MANAGEMENT PERSONNEL COMPENSATION

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates, use of Council facilities, etc).

	Council		Group	
	2019	2018	2019	2018
<i>Councillors and Directors</i>				
Remuneration (\$'000)	1,174	1,093	1,335	1,232
Full-time equivalent members	13	13	18	18
<i>Senior Management Team including the Chief Executive</i>				
Remuneration (\$'000)	2,284	1,994	2,683	2,388
Full-time equivalent members	8	7	11	11
Total key management personnel remuneration (\$'000)	3,458	3,087	4,018	3,620
Total full-time equivalent personnel	21	20	29	29

Due to the difficulty in determining the full-time equivalent for Councillors and Directors, the full-time equivalent figure is taken as the number of Councillors and Directors.

Key management personnel include the Mayor, Councillors, Chief Executive and other members of the senior management team.

No provision has been required, or any expense recognised, for impairment of receivables for any loans or other receivables to related parties.

ELECTED REPRESENTATIVES' REMUNERATION

Elected members received the following remuneration:

	Council		Group	
	2019	2018	2019	2018
	\$	\$	\$	\$
Mayor				
Andrew King	162,899	158,987	162,899	158,987
Councillors				
Martin Gallagher	97,541	93,081	97,541	93,081
Dave Macpherson	90,038	85,920	90,038	85,920
Garry Mallett	90,038	85,913	90,038	85,913
Angela O'Leary	90,038	85,920	90,038	85,920
Rob Pascoe	82,535	78,760	82,535	78,760
Leo Tooman	82,535	78,760	82,535	78,760
Philip Yeung	-	20,430	-	20,430
Mark Bunting	75,031	73,805	75,031	73,805
James Casson	75,031	71,600	75,031	71,600
Siggi Henry	75,031	71,600	75,031	71,600
Paula Southgate	90,038	85,920	90,038	85,920
Geoff Taylor	82,535	78,760	82,535	78,760
Ryan Hamilton	81,055	23,971	81,055	23,971
Total elected representatives' remuneration	1,174,345	1,093,427	1,174,345	1,093,427

NOTE 34: RECONCILIATION OF NET SURPLUS / (DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Net surplus/(deficit) after tax	65,561	60,228	61,503	62,223
Add/(less) non-cash items:				
Depreciation and amortisation	69,033	65,567	70,220	66,776
(Gains)/losses in fair value of bank borrowings	(151)	-	(151)	-
(Gains)/losses in fair value of interest rate swaps	14,210	2,474	14,210	2,474
(Gains)/losses in fair value of investment properties	(604)	(3,196)	(604)	(3,196)
(Gains)/losses realised on fair value of other financial assets	-	-	-	(520)
(Gains)/losses unrealised on fair value of other financial assets	-	-	-	20
Other income	-	-	(1,610)	-
Capital contribution in kind	-	(99)	-	(99)
Share of associates (surplus)/deficit	-	-	(1,033)	(1,453)
Discount unwind and interest on community loans	(930)	(1,125)	(930)	(1,125)
Income tax expense recognised in surplus/deficit	-	-	-	115
Reclassification of WIP to operating expenditure	-	189	-	304
Vested assets	(33,666)	(41,828)	(33,666)	(41,828)
Total non-cash items	47,892	21,982	46,436	21,468
Add/(less) items classified as investing or financing activities:				
Change in loan repayment provision	-	4,658	-	4,737
(Gains)/losses on disposal of property, plant and equipment	5,806	-	5,822	31
(Gains)/losses on disposal of investment property	45	769	45	769
Impairment of property, plant and equipment	-	-	-	(183)
Total items classified as investing or financing activities	5,851	5,427	5,867	5,354
Add/(less) movements in working capital:				
Trade debtors and other receivables	(7,207)	(3,052)	(7,198)	(2,819)
Inventory	(42)	33	804	(2,197)
Prepayments	(507)	(149)	(294)	(382)
Trade creditors and other payables	(2,263)	4,573	(2,266)	5,110
Employee entitlements	676	171	662	171
Provisions	(357)	1,137	(545)	1,137
Total movements in working capital	(9,700)	2,713	(8,837)	1,020
Net cash inflow from operating activities	109,604	90,350	104,969	90,065

NOTE 35: FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENT CATEGORIES

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
FINANCIAL ASSETS				
Fair value through surplus or deficit				
Equity securities	-	-	-	2,831
Fixed interest instruments	-	-	-	3,327
Derivative financial instrument assets (note 21)	956	641	956	641
Total fair value through surplus or deficit	956	641	956	6,799
Loans and receivables				
Cash and cash equivalents	51,489	48,414	51,571	48,907
Receivables	27,966	20,537	28,882	21,463
Other financial assets:				
- community loans	2,094	22,284	2,094	22,284
- term deposits	5,680	36,840	5,680	36,840
Total loans and receivables	87,229	128,075	88,227	129,494
Fair value through other comprehensive revenue and expense				
Other financial assets:				
- Unlisted shares	6,768	5,823	6,768	5,823
Total fair value through other comprehensive revenue and expense	6,768	5,823	6,768	5,823
FINANCIAL LIABILITIES				
Fair value through surplus or deficit				
Derivative financial instrument liabilities (note 21)	47,788	33,264	47,788	33,264
Total fair value through surplus or deficit	47,788	33,264	47,788	33,264
Financial liabilities at amortised cost				
Creditors and other payables (note 27)	35,769	30,883	36,490	31,660
Borrowings: (note 30)				
- bank overdraft	-	-	-	-
- secured loans	397,500	413,000	402,614	418,674
Total financial liabilities at amortised cost	433,269	443,883	439,104	450,334

FAIR VALUE HIERARCHY

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	Valuation technique			
	Total	Quoted market price	Observable inputs	Significant non-observable
	\$000	\$000	\$000	\$000
30 June 2019 - Council				
Financial assets				
Shares (note 22)	6,768	-	-	6,768
Derivative financial instrument assets (note 21)	956	-	956	-
Financial liabilities				
Derivative financial instrument liabilities (note 21)	47,788	-	47,788	-
30 June 2018 - Council				
Financial assets				
Shares (note 22)	5,823	-	-	5,823
Derivative financial instrument assets (note 21)	641	-	641	-
Financial liabilities				
Derivative financial instrument liabilities (note 21)	33,264	-	33,264	-

	Valuation technique			
	Total	Quoted market price	Observable inputs	Significant non-observable
	\$000	\$000	\$000	\$000
30 June 2019- Group				
Financial assets				
Shares (note 22)	6,768	-	-	6,768
Derivative financial instrument assets (note 21)	956	-	956	-
Financial liabilities				
Derivative financial instrument liabilities (note 21)	47,788	-	47,788	-
30 June 2018 - Group				
Financial assets				
Shares (note 22)	5,823	-	-	5,823
Equity securities	2,831	2,831	-	-
Fixed interest instruments	3,327	3,327	-	-
Derivative financial instrument assets (note 21)	641	-	641	-
Financial liabilities				
Derivative financial instrument liabilities (note 21)	33,264	-	33,264	-

There were no transfers between the different levels of the fair value hierarchy.

VALUATION TECHNIQUES WITH SIGNIFICANT NON-OBSERVABLE INPUTS (LEVEL 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Balance at 1 July	5,823	7,057	5,823	4,996
Gain and (losses) recognised in the surplus or deficit	-	-	-	-
Gain and (losses) recognised in other comprehensive revenue and expense	945	845	945	845
Purchases	-	-	-	-
Sales	-	(2,079)	-	(18)
Transfers into level 3	-	-	-	-
Transfers out of level 3	-	-	-	-
Balance at 30 June	6,768	5,823	6,768	5,823

Changing a valuation assumption to a reasonably possible assumption would not significantly change fair value.

FINANCIAL INSTRUMENT RISKS

The Council's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Council and Group has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from its treasury activities. The Council has established a Council approved Investment and Liability Management Policy. This policy does not allow any transactions that are speculative in nature to be entered into.

MARKET RISK

PRICE RISK

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Equity securities price risk arises on listed share investments, which relate to Vibrant Hamilton Trust and are classified as financial assets held at fair value through surplus/deficit. This price risk arises due to market movements in listed shares.

CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council uses foreign currency forward exchange contracts to manage foreign currency exposure. Council's policy is that foreign currency exposure of amounts greater than \$25k are to be covered by way of forward exchange contracts. Council is no longer exposed to foreign currency movements through the Vibrant Hamilton Trust investment (2018 \$3.33M out of total equity securities of \$3.33M).

INTEREST RATE RISK

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates expose Council to fair value interest rate risk. Council's Investment and Liability Management Policy outlines the level of borrowing that is to be secured using fixed interest rate instruments.

CASH FLOW INTEREST RATE RISK

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowing and investments issued at variable interest rates expose Council to cash flow interest rate risk.

Council manages its cash flow interest rate risk on borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the effect of converting borrowings at floating rates and swapping them into fixed rates that are known and therefore assist with forecasting future interest costs. Under the interest rate swapping, Council agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

CREDIT RISK

The Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in note 30.

Credit risk is the risk that a third party will default on its obligation to Council, causing Council to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits, which gives rise to credit risk. The Council also provides a financial guarantee, which gives rise to credit risk.

Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover debt from ratepayers.

The Council's Investment and Liability Management policy limits the amount of credit exposure to any one financial institution or organisation.

MAXIMUM EXPOSURE TO CREDIT RISK

Council's maximum exposure to credit risk for each class of financial instrument is as follows:

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Cash and cash equivalents	51,489	48,414	51,571	48,907
Debtors and other receivables	27,966	20,537	28,882	21,463
Equity securities	-	-	-	2,831
Fixed interest instruments	-	-	-	3,327
Community and related party loans	2,094	22,284	2,094	22,284
Term deposits	5,680	36,840	5,680	36,840
Financial guarantees	196	224	196	224
Total credit risk	87,425	128,299	88,423	135,876

CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates:

		Council		Group	
		2019	2018	2019	2018
Counterparties with credit ratings	Rating	\$000	\$000	\$000	\$000
Cash and cash equivalents	AA	-	2,000	-	2,000
	AA-	51,489	46,414	51,571	46,907
	A+	-	-	-	-
	Total cash and cash equivalents	51,489	48,414	51,571	48,907
Term deposits	AA+	5,680	5,840	5,680	5,840
	AA-	-	31,000	-	31,000
	A+	-	-	-	-
	Total term deposits	5,680	36,840	5,680	36,840
Fixed interest instruments	AAA	-	-	-	864
	AA+	-	-	-	38
	AA	-	-	-	104
	AA-	-	-	-	580
	A+	-	-	-	156
	A	-	-	-	59
	A-	-	-	-	243
	BBB+	-	-	-	331
	BBB	-	-	-	224
	BBB-	-	-	-	32
	BB+	-	-	-	26
	BB	-	-	-	36
	BB-	-	-	-	15
	B	-	-	-	-
	Total fixed interest instruments	-	-	-	2,708

	Council		Group	
	2019	2018	2019	2018
Counterparties without credit ratings	\$000	\$000	\$000	\$000
Fixed interest instruments				
- existing counterparty with no defaults in the past	-	-	-	28
Community and related party loans and mortgages				
- existing counterparty with no defaults in the past	2,094	22,284	2,094	22,284
Total community and related party loans and mortgages	2,094	22,284	2,094	22,284

LIQUIDITY RISK

MANAGEMENT OF LIQUIDITY RISK

Liquidity risk is the risk that Hamilton City Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Council aims to maintain flexibility in funding by keeping credit lines available.

Council manages its borrowings in accordance with its funding and financial policies, which includes an Investment and Liability Management Policy.

Council has a maximum amount that can be drawn down against its overdraft facility of \$500k (2018 \$500k). There are no restrictions on the use of this facility. Council also has \$445M (2018 \$455M) of committed borrowing facilities, with available headroom of \$105M (2017 \$126M) at balance date.

The Council is exposed to liquidity risk as a guarantor of all of NZLGFA's borrowings. This guarantee becomes callable in the event of the NZLGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 30.

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL LIABILITIES, EXCLUDING FINANCIAL DERIVATIVES

The table below analyses Council's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Council 2019	\$000	\$000	\$000	\$000	\$000
Creditors and other payables	35,769	35,769	35,769	-	-
Secured loans	397,500	460,294	54,329	278,590	127,375
Housing Infrastructure Fund	1,073	1,224	-	1,224	-
Finance leases	1,340	1,371	594	777	-
Financial guarantees	196	196	196	-	-
Total	435,878	498,854	90,888	280,591	127,375
Council 2018					
Creditors and other payables	30,883	30,883	29,633	1,250	-
Secured loans	413,000	469,126	93,353	203,583	172,190
Finance leases	1,500	1,588	611	977	-
Financial guarantees	224	224	224	-	-
Total	445,607	501,821	123,821	205,810	172,170

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Group 2019	\$000	\$000	\$000	\$000	\$000
Creditors and other payables	36,490	36,490	36,490	-	-
Secured loans	402,614	465,408	54,819	283,214	127,375
Housing Infrastructure Fund	1,073	1,224	-	1,224	-
Finance leases	1,340	1,371	594	777	-
Financial guarantees	196	196	196	-	-
Total	441,713	504,689	92,099	285,215	127,375
Group 2018					
Creditors and other payables	31,660	31,660	30,410	1,250	-
Secured loans	418,674	496,923	94,551	230,182	172,190
Finance leases	1,500	1,588	611	977	-
Financial guarantees	224	224	224	-	-
Total	452,058	530,395	125,796	232,409	172,190

CONTRACTUAL MATURITY ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES

The table below analyses the Council and Group's derivative financial instrument liabilities into those that are settled on a net basis and those that will be settled on a gross basis into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Council and Group 2019	\$000	\$000	\$000	\$000	\$000
Net settled derivatives	46,832	48,766	7,867	27,115	13,784
Total	46,832	48,766	7,867	27,115	13,784
Council and Group 2018					
Net settled derivatives	33,264	51,181	8,169	26,129	16,883
Total	33,264	51,181	8,169	26,129	16,883

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL ASSETS

The table below analyses Council's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Council 2019	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	51,489	51,489	51,489	-	-
Receivables	27,966	27,966	27,966	-	-
Community and related party loans	2,094	2,125	2,125	-	-
Other financial assets:					
- Term deposits	5,680	6,104	479	3,102	2,523
Total	87,229	87,684	82,059	3,102	2,523
Council 2018					
Cash and cash equivalents	48,414	48,573	48,573	-	-
Debtors and other receivables	20,537	20,537	20,537	-	-
Community and related party loans	22,284	23,250	20,925	2,325	-
Other financial assets:					
- Term deposits	36,840	37,498	32,070	2,677	2,751
Total	128,075	129,858	122,105	5,002	2,751

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Group 2019	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	51,571	51,571	51,571	-	-
Debtors and other receivables	28,882	28,882	28,882	-	-
Community and related party loans	2,094	2,125	2,125	-	-
Other financial assets:					
- Term deposits	5,680	6,104	479	3,102	2,523
Total	88,227	88,682	83,057	3,102	2,523
Group 2018					
Cash and cash equivalents	48,907	48,907	48,907	-	-
Debtors and other receivables	21,463	21,463	21,463	-	-
Community and related party loans	22,284	23,250	20,925	2,325	-
Other financial assets:					
- Term deposits	36,840	37,498	32,070	2,677	2,751
Total	129,494	131,118	123,365	5,002	2,751

SENSITIVITY ANALYSIS

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on Council's financial instrument exposures at balance date.

Council	2019				2018			
	-100bps		+100bps		-100bps		+100bps	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Interest rate risk								
Financial assets								
Cash and cash equivalents	(515)	-	515	-	(484)	-	484	-
Financial liabilities								
Borrowings - secured loans	1,170	-	(1,170)	-	1,280	-	(1,280)	-
Derivative financial instruments	(17,151)	-	15,773	-	(17,881)	-	16,513	-
Total sensitivity	(16,496)	-	15,118	-	(17,085)	-	15,717	-

Group	2019				2018			
	-100bps		+100bps		-100bps		+100bps	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Interest rate risk								
Financial assets								
Cash and cash equivalents	(516)	-	516	-	(489)	-	489	-
Financial liabilities								
Borrowings - secured loans	1,221	-	(1,221)	-	1,382	-	(1,382)	-
Derivative financial instruments	(17,151)	-	15,773	-	(17,881)	-	16,513	-
Total sensitivity	(16,446)	-	15,068	-	(16,988)	-	15,620	-

Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonably possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease of 100bps is equivalent to a decrease in interest rates of 1%. The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of +/- 100bps.

Group	2019				2018			
	-10%		+10%		-10%		+10%	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Foreign exchange risk								
Financial assets								
Equity securities	-	-	-	-	(333)	-	333	-
Total	-	-	-	-	(333)	-	333	-

Group	2019				2018			
	-10%		+10%		-10%		+10%	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Equity price risk								
Financial assets								
Equity securities	-	-	-	-	(333)	-	333	-
Total	-	-	-	-	(333)	-	333	-

Explanation of foreign exchange risk sensitivity

The foreign exchange sensitivity is based on a reasonably possible movement in foreign exchange rates, with all other variables held constant, measured as a percentage movement in the foreign exchange rate.

Explanation of equity price risk sensitivity

The sensitivity for equity securities has been calculated based on a -10%/+10% movement in the quoted share price at year-end for the listed shares.

NOTE 36: ADJUSTMENTS TO THE COMPARATIVE YEAR FINANCIAL STATEMENTS

The Council and Group has adjusted the comparative year financial statements for the year ended 30 June 2018 due to reclassification adjustments. The adjustments are shown in the table below:

		Actual 2018		
	Note	Before adjustments	Reclassification adjustments	After adjustments
		\$'000	\$'000	\$'000
Council				
Revenue				
Fees and user charges	a.	38,604	194	38,798
Subsidies and grants	a.	15,572	(10,520)	5,052
Other revenue	a.	55,412	(48,567)	6,845
Capital revenue	a.	-	17,070	17,070
Vested assets	a.	-	41,828	41,828
Development contributions	a.	25,835	(5)	25,830
Total revenue		135,423	-	135,423
Expenses				
Other expenses	b.	74,486	(74,486)	-
Operating and maintenance costs	b.	-	40,806	40,806
Professional costs	b.	-	8,991	8,991
Administration costs	b.	-	13,289	13,289
Property costs	b.	-	11,400	11,400
Total revenue		74,486	-	74,486
Equity				
Other reserves	c.	1,832,974	(40,041)	1,792,933
Restricted reserves	c.	-	38,163	38,163
Council created reserves	c.	-	1,878	1,878
Total equity		1,832,974	-	1,832,974
Statement of cash flows				
Subsidies and grants	d.	11,835	(11,835)	-
Government operating subsidies and grants	d.	-	4,376	4,376
Government capital subsidies and grants	d.	-	7,459	7,459
Total statement of cash flows		11,835	-	11,835
Group				
Revenue				
Fees and user charges	a.	45,893	194	46,087
Subsidies and grants	a.	15,572	(10,520)	5,052
Other revenue	a.	56,801	(48,567)	8,234
Capital revenue	a.	-	17,070	17,070
Vested assets	a.	-	41,828	41,828
Development contributions	a.	25,835	(5)	25,830
Total revenue		144,101	-	144,101
Expenses				
Other expenses	b.	78,639	(78,639)	-
Operating and maintenance costs	b.	-	44,925	44,925
Professional costs	b.	-	9,025	9,025
Administration costs	b.	-	13,289	13,289
Property costs	b.	-	11,400	11,400
Total expenses		78,639	-	78,639
Equity				
Other reserves	c.	1,859,842	(40,041)	1,819,801
Restricted reserves	c.	-	38,163	38,163
Council created reserves	c.	-	1,878	1,878
Total equity		1,859,842	-	1,859,842
Statement of cash flows				
Subsidies and grants	d.	10,493	(10,493)	-
Government operating subsidies and grants	d.	-	3,034	3,034
Government capital subsidies and grants	d.	-	7,459	7,459
Total statement of cash flows		10,493	-	10,493

EXPLANATORY NOTES*Reclassification adjustments*

- a. There have been movements between revenue classes to align with the 2018-28 10-Year Plan presentation.
- b. Expenditure previously classified as other expenses has been split across operating and maintenance, professional costs, administration costs and property costs.
- c. There have been movements in equity to align with the 2018-28 10-Year Plan presentation.
- d. Subsidies and grants was reclassified in the statement of cash flows to operating and capital to align with the 2018-28 10-Year Plan.

In the 2018-28 10-Year Plan the Council reclassified the activity groups. The 2018/19 financial statements have been prepared on this basis, and 2017/18 figures have been accordingly restated.

This has resulted in movements between all activity groups in note 2 and the funding impact statements. The total revenue and expenditure for 2017/18 remains consistent.

NOTE 37: EVENTS AFTER BALANCE DATE

There have been no events after balance date.

LOCAL GOVERNMENT DISCLOSURES

RATING BASE INFORMATION

The Council's rating base information relating to preceding financial years is:

	30 June 2018	30 June 2017
The number of rating units	58,972	57,868
The total capital value of rating units	\$33,598,350,000	\$32,835,195,100
The total land value of rating units	\$14,505,359,000	\$14,298,720,000

INSURANCE OF ASSETS

The following information relates to the insurance of Council assets as at 30 June.

	Council	
	2019	2018
	\$'000	\$'000
The values listed are the declared values Council has provided to its insurance broker.		
Material Damage Council's Material Damage cover is based on a Maximum Probable Loss model (MPL), which means that its assets are insured for the value of the largest probable loss that could result from a disaster in Hamilton. Council has insured up to \$300M consisting of two layers: a \$150M primary layer which is shared between the regional collective and an additional \$150M excess layer which is shared with Waikato Regional Council due to geographic accumulation. A separate policy is in place, which is shared by the regional collective and provides cover of up to \$125M for damage that is caused by fire or fire following a natural disaster.	1,152,227	960,637
The following categories are in addition to the Material Damage and each is covered with a separate policy.		
Fine Arts This cover is for the declared values of art, artefacts and declared outdoor sculptures owned by Council.	39,999	38,952
Commercial Motor Vehicles Motor insurance up to the declared value of each individual vehicle.	14,518	13,146
Infrastructure Based on risk engineering and loss modelling for the Waikato hazardscape, a \$100M shared loss limit is in place with the Regional Collective. Insurance is to the level of 40% in anticipation of 60% contribution from Central Government in a disaster.	1,987,387	1,784,949
Boiler Explosion Policy covers the damage caused by failure of large boilers.	1,105	1,185
In addition to the material damage cover Council has two policies that relate to contract works and business interruption.		
Contract Works This policy allows Council to perform small projects relating to new builds, works to existing structures, renovations, maintenance and repair with cover up to \$600k for any one contract.	8,000	8,000
Business Interruption \$37.3M of cover provided for loss of rent revenue and receivable. A further \$40M for the increased cost of working at the water treatment plants.	77,368	79,449
There are no assets of the local authority that are self-insured.		

WHOLE OF COUNCIL FUNDING IMPACT STATEMENT

WHOLE OF COUNCIL FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2019

	Annual Plan 2017/18	Actual 2017/18	Annual Plan 2018/19	Actual 2018/19
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	41,781	42,204	90,582	90,862
Targeted rates	118,984	119,152	89,131	90,291
Subsidies and grants for operating purposes	5,692	5,048	7,120	6,852
Fees and charges	38,031	42,588	39,303	44,913
Interest and dividends from investments	2,100	3,656	2,579	3,926
Local authorities fuel tax, fines, infringement fees and other receipts	2,925	3,531	2,502	2,943
Total operating funding	209,513	216,179	231,217	239,787
Application of operating funding				
Payments to staff and suppliers	141,667	155,644	161,550	159,475
Finance costs	21,819	20,006	21,813	20,227
Other operating funding applications	-	189	-	-
Total applications of operating funding	163,486	175,839	183,363	179,702
Surplus/(deficit) of operating funding	46,027	40,340	47,854	60,085
Sources of capital funding				
Subsidies and grants for capital expenditure	4,905	17,070	44,840	35,516
Development and financial contributions	11,141	25,835	17,518	24,632
Increase/(decrease) in debt	15,782	(14,511)	99,149	(14,435)
Gross proceeds from sale of assets	-	655	20,925	1,635
Lump sum contributions	-	-	-	-
Other dedicated capital funding	1,797	-	-	-
Total sources of capital funding	33,625	29,049	182,432	47,348
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	36,918	44,068	140,504	80,664
- to improve the level of service	10,622	14,798	26,819	19,576
- to replace existing assets	42,344	43,256	55,441	51,888
Increase/(decrease) in reserves	(232)	(10,266)	(7,438)	(16,610)
Increase/(decrease) in investments	(10,000)	(22,467)	14,960	(28,085)
Total applications of capital funding	79,652	69,389	230,286	107,433
Surplus/(deficit) of capital funding	(46,027)	(40,340)	(47,854)	(60,085)
Funding balance	-	-	-	-

DISCLOSURE STATEMENT

ANNUAL REPORT DISCLOSURE STATEMENT FOR YEAR ENDED 30 JUNE 2019

WHAT IS THE PURPOSE OF THIS STATEMENT?

The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. The Council is required to include this statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

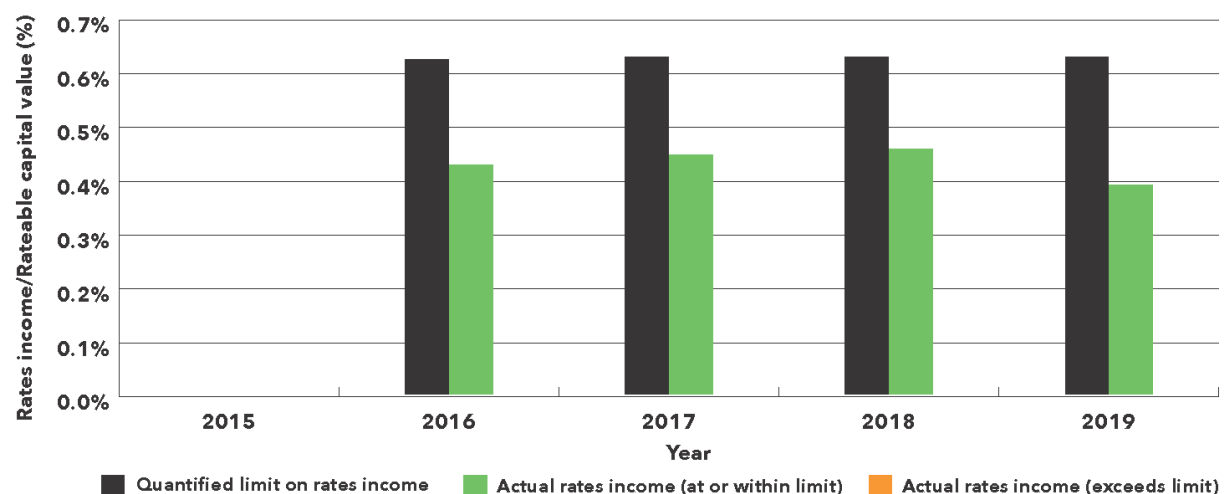
RATES AFFORDABILITY BENCHMARK

The Council meets the rates affordability benchmark if:

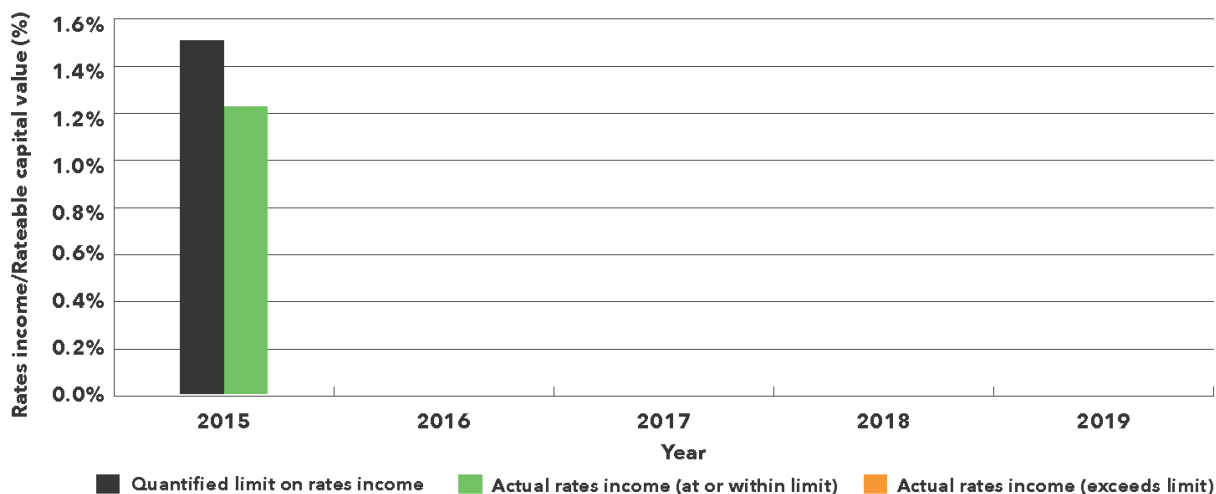
- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

RATES (INCOME) AFFORDABILITY

The following graph compares the Council's actual rates income with a quantified limit on rates contained in the Financial Strategy included in the Council's Long-Term Plan. The quantified limit is that rates will not exceed 0.627% of the city's rateable capital value.

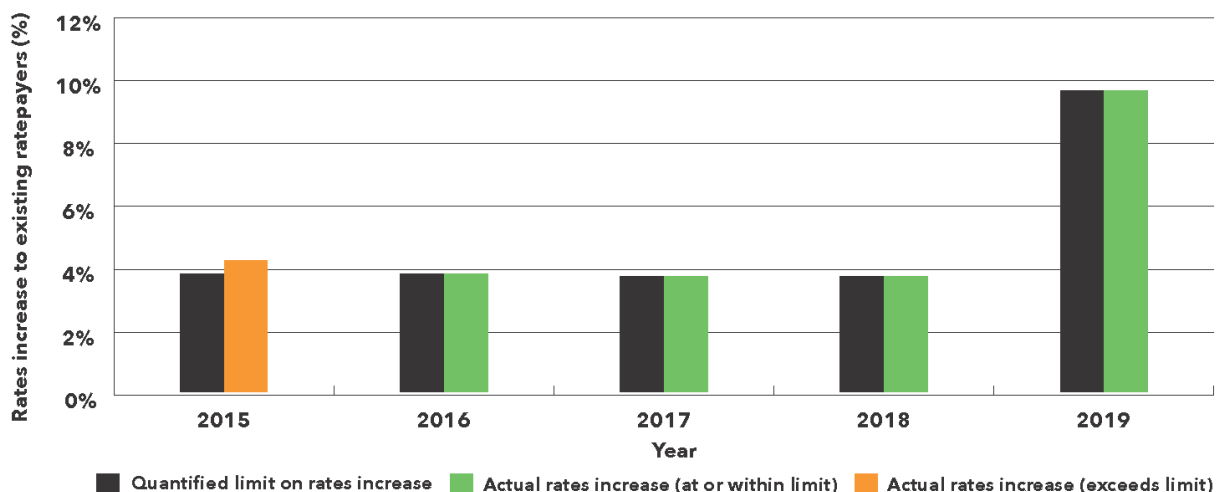


The following graph shows Council's quantified limit on rates prior to the 2016 year. The limit was that rates will not exceed 1.5% of the city's rateable land value. With Council now in the process of transitioning the basis of rates collection from land to capital value, this measure has been discontinued in favour of the rateable capital value limit (above).



RATES (INCREASES) AFFORDABILITY

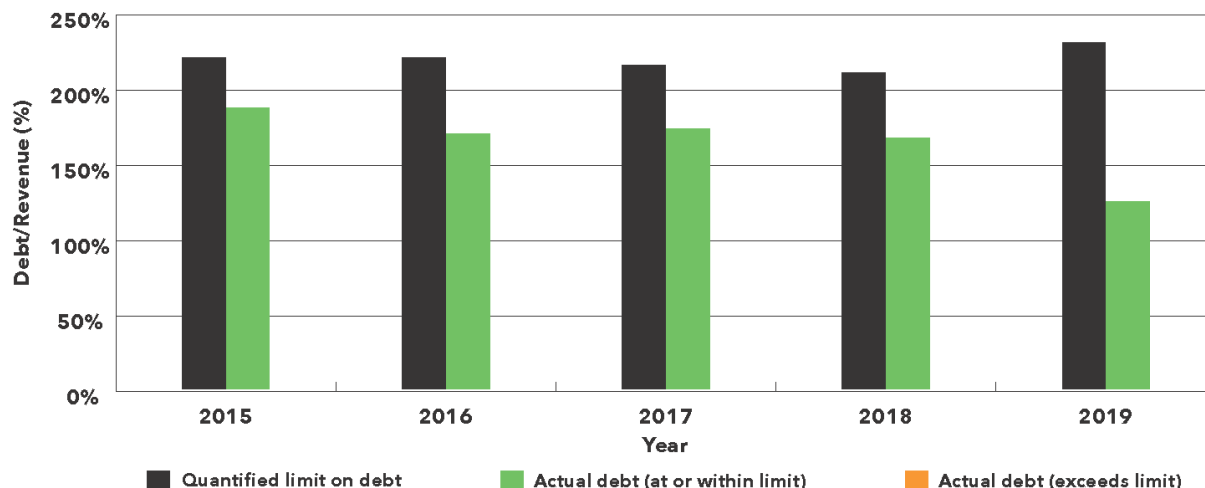
The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Council's Long-Term Plan. The quantified limit is that rates average rate increases to existing ratepayers will not exceed 9.7% in 2018/19 or 3.8% thereafter. The quantified limit prior to 2018/19 was that rates average rate increases to existing ratepayers will not exceed 3.8%



In 2015 Council exceeded the 3.8% limit set in 2012 due to the addition of a targeted rate for the Hamilton Gardens development project.

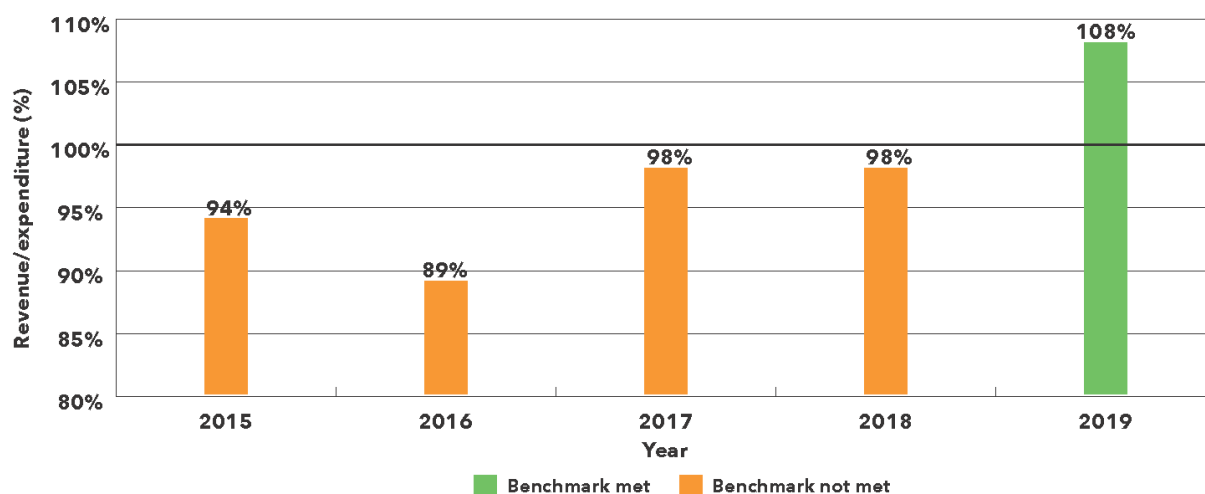
DEBT AFFORDABILITY BENCHMARK

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the Financial Strategy included in the Council's Long-Term Plan. The quantified limit is that the debt to revenue ratio will remain below 230%. The total debt and total revenue calculations have changed in 2018/19 to align with the 2018-28 10-Year Plan. The quantified limit prior to 2018/19 was to reduce to under 200% by 2020 and thereafter remain below 200%.



BALANCED BUDGET BENCHMARK

The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment). The Council meets this benchmark if its revenue equals or is greater than its operating expenses.

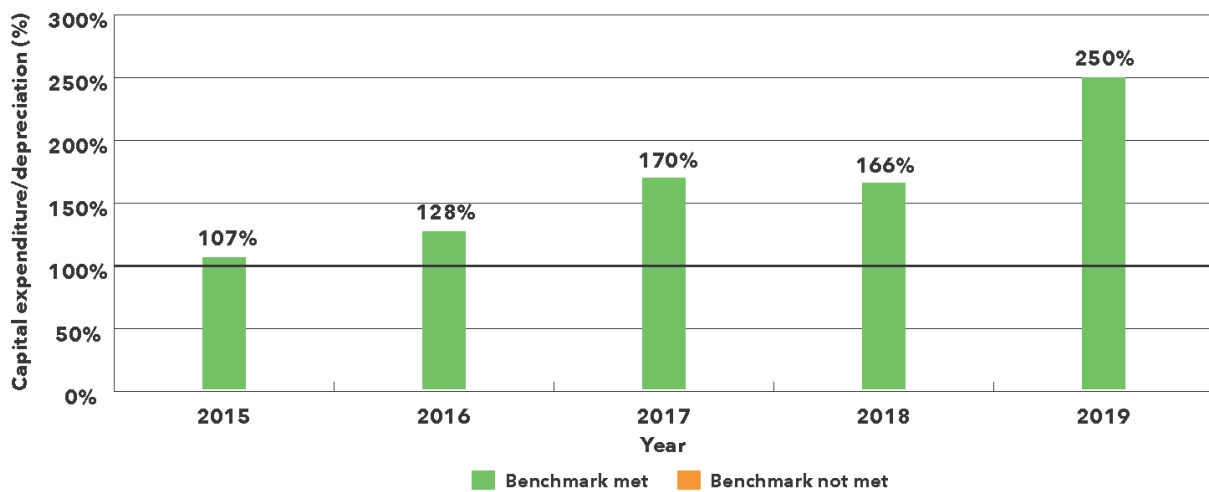


This benchmark is similar to Council's own "Balancing the books" measure that was introduced prior to the Local Government (Financial Reporting) Regulations. Council does meet its own measure, which it believes is more relevant to a growing city. There are four main differences between the measures:

- The above balanced budget includes gains and losses from disposals of assets, investment property, and associates.
- The above balanced budget includes gains and losses from investment property revaluations.
- The above balanced budget includes all capital subsidies.
- The above balanced budget excludes all development contributions.

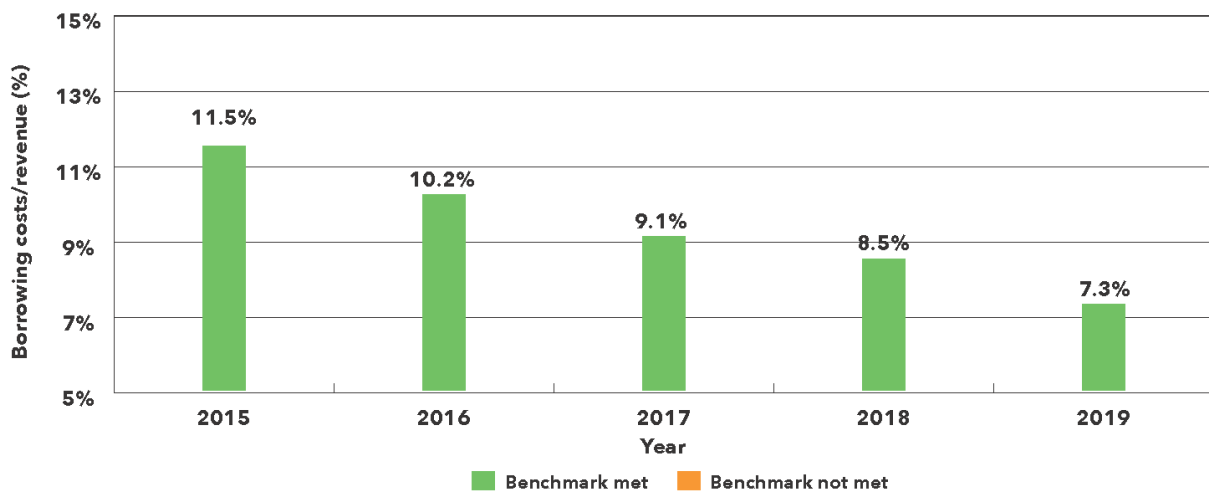
ESSENTIAL SERVICES BENCHMARK

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



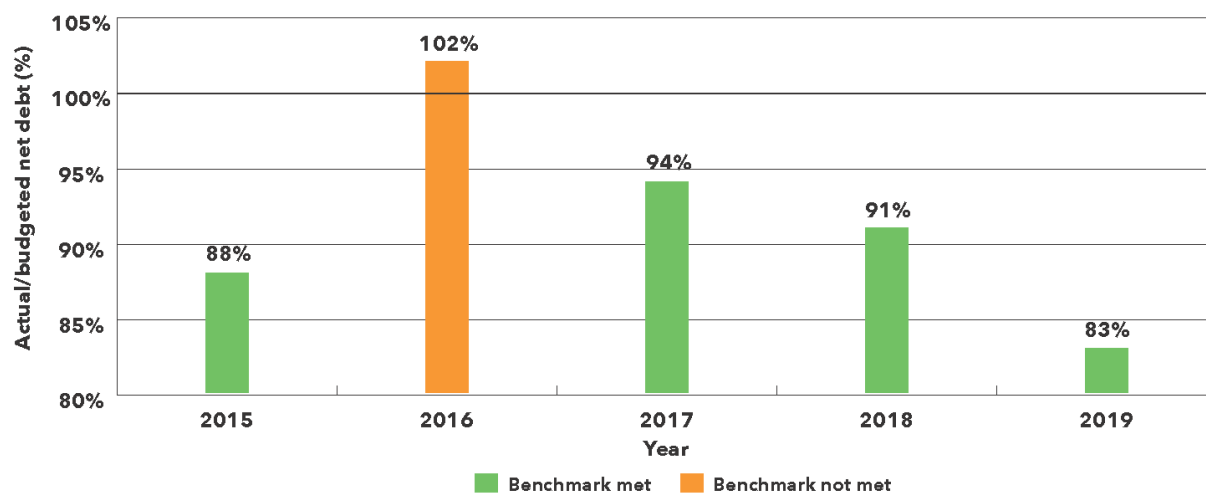
DEBT SERVICING BENCHMARK

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the Council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



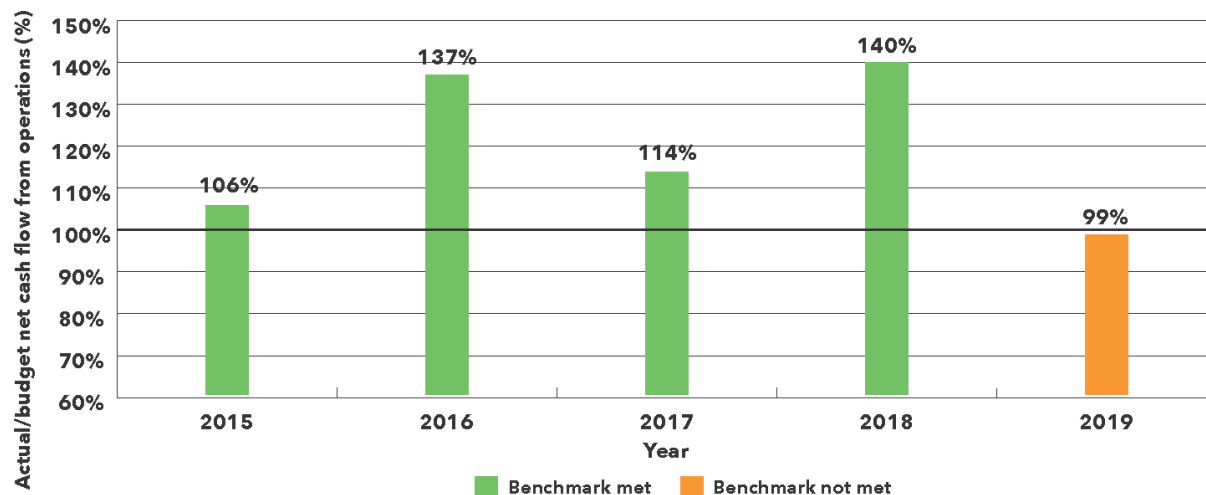
DEBT CONTROL BENCHMARK

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



OPERATIONS CONTROL BENCHMARK

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



Council did not achieve the operational control benchmark in 2019 due to less cash received from capital subsidies than planned.

INFORMATION ON COUNCIL CONTROLLED ORGANISATIONS

We are involved with and represented in a number of organisations to support the realisation of our vision for Hamilton City. Council Controlled Organisations (CCOs) are any organisation in which one or more local authorities control 50% or more of the voting rights or appoint 50% or more of the directors.

We have an interest in the following CCOs:

- Waikato Local Authority Shared Services Ltd,
- New Zealand Local Government Funding Agency Ltd,
- Waikato Regional Airport Ltd and its subsidiaries, Hamilton & Waikato Tourism Ltd, Titanium Park Ltd and Waikato Regional Airport Hotel Ltd,
- Vibrant Hamilton Trust, and
- Waikato Innovation Growth Ltd and its subsidiary, New Zealand Food Innovation (Waikato) Ltd.

The following tables explain what these organisations do, our objectives in regard to ownership, nature and scope of activities, key performance targets and outcomes for 2018/19 year. We also have interests in Council Organisations, details of which are available on our website.

We manage and monitor our investment in CCOs by reviewing statements of intent and six monthly and annual reports at our Finance Committee.

WAIKATO LOCAL AUTHORITY SHARED SERVICES LTD (WLASS)

Ownership	13.72% SDVS shares, 37.5% WRTM Service shares and 17.8% WRAPS shares, equating to 19.6% of the total weighted value of issues shares. The balance of shares is owned by other local authorities in the Waikato region. The Council has one voting right out the 12 voting local authorities.
Representation (total members)	1 (12) - WLASS has 12 directors, with each director representing a shareholder council.
Significant policies and objectives	To make a regional leadership contribution and seek opportunities to operate more efficiently by participating with the region's local authorities on shared services, particularly in respect of information collection and management, with the aim of reducing the cost of those activities to the community at large.
Nature and scope of activities	The company has 12 major initiatives under the WLASS umbrella, plus a support role for the collaborative work streams of the Waikato Mayoral Forum. <ul style="list-style-type: none"> • Shared Valuation Data Service (SVDS) • Road Asset Technical Accord (RATA) • Waikato Regional Transportation Model (WRTM) • Waikato Building Consent Group (WBCG) • Future Proof • Energy management • Joint procurement initiatives • Historic aerial photos • Waikato Regional Aerial Photography Service (WRAPS) • Aligned resource consent planning • Regional Infrastructure Technical Specifications (RITS) • Local Government Contractor Health & Safety Pre-qualification Scheme

KEY PERFORMANCE TARGETS

Performance targets are specified in the WLASS Statement of Intent for 2018/19 and are summarised with the actual results below:

2018/19 performance targets	2018/19 outcome
Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.	Achieved
Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.	Achieved
Existing contracts are managed and renegotiated as required.	Achieved
The company shall maintain a positive cashflow position.	Achieved
Administration expenditure shall be managed and monitored.	Achieved
Expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the directors.	Achieved
Six monthly reports provided to shareholders.	Achieved
The company shall provide administrative support to the Mayoral Forum work streams and to the Mayoral Forum.	Achieved
The SVDS is reliable, well maintained and available to all users.	Achieved
Achieve the relevant KPIs in Appendix 4 of the insurance brokerage contract with Aon.	Achieved
Deliver better data for decision-making across the Waikato region, enabling more consistent best practice.	Achieved
Lead engagement and increase capability within the sector.	Achieved
The Waikato Regional Transport Model (WRTM) is reliable, well managed and available to all users.	Achieved
Provide strategic direction and actively pursue improvements in building control across the Waikato region.	Achieved
Planning for growth in the sub-region is co-ordinated and collaborative.	Not achieved
The Future Proof budget is well managed and monitored.	Achieved
Future Proof influences and inputs into District Plan, Regional Plan, growth strategy and any other planning processes which manage growth within the sub-region and neighbouring regions.	Achieved
Shareholders are satisfied with the performance of WLASS.	Achieved
Shareholders are informed of the benefits being provided to shareholding councils by WLASS.	Achieved
Financial forecasts to be achieved:	Achieved
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$0.785M)	Achieved
Net surplus /(deficit) before tax (\$0.949M)	Achieved

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LTD (NZLGFA)

Ownership	8.3%
Representation (total members)	1 (31) – There are currently 31 shareholders, comprising of the New Zealand Government at 20% and 30 local councils at 80%
Significant policies and objectives	The Council's main objective for ownership in NZLGFA is to access shared funding at better rates and for more flexible terms.
Nature and scope of activities	<p>NZLGFA will raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency and provide debt funding to New Zealand local authorities, and may undertake any other activities considered by the Board to be reasonably related or incidental to, or in connection with, that business.</p> <p>The NZLGFA will only lend to local authorities that enter into all the relevant arrangements with it (Participating Local Authorities) and comply with the NZLGFA's lending policies. In lending to local authorities NZLGFA will ensure its products and services are delivered in a cost-effective manner.</p>

KEY PERFORMANCE TARGETS

Performance targets are specified in the NZLGFA Statement of Intent for 2018/19 and are summarised with the actual results below:

Financial performance measures:

	2018/19 targets	2018/19 results	2018/19 outcome
Comprehensive income			
Net interest revenue	\$18.6M	\$18.76M	Achieved
Issuance and operating expenses	\$7.7M	\$7.56M	Achieved
Surplus	\$10.9M	\$11.2M	Achieved
Dividend provision	\$1.4M	\$1.155M	Not achieved
Financial position			
Total assets (nominal)	\$8,346M	\$10,382M	Achieved
Total LG loans (nominal)	\$7,724M	\$9,310M	Achieved
Total equity	\$74.2M	\$74.15M	Not achieved
Shareholders funds /Total assets	2.4%	2.2%	Not achieved

2018/19 performance targets	2018/19 outcome
The average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period to:	Not achieved
<ul style="list-style-type: none"> 30 June 2019 will be no more than 0.10% 	
The above indicators include both LGFA Bills and Bonds and short-dated and long-dated lending to councils.	
LGFA's annual issuance and operating expenses (excluding AIL) for the period to:	Not achieved
<ul style="list-style-type: none"> 30 June 2019 will be no more than \$5.67M 	
Total lending to participating local authorities at:	Achieved
<ul style="list-style-type: none"> 30 June 2019 will be at least \$8,105M 	
Savings on borrowing costs for council borrowers:	Not achieved
LGFA will demonstrate the savings to council borrowers on a relative basis to other sources of financing. This will be measured by maintaining or improving the prevailing secondary market spread between LGFA bonds and those bonds of a similar maturity issued by (i) registered banks and (ii) Auckland Council and Dunedin Council as a proxy for single name issuance of council financing.	

WAIKATO REGIONAL AIRPORT LTD (WRAL) AND ITS SUBSIDIARIES, HAMILTON & WAIKATO TOURISM LTD, TITANIUM PARK LTD AND WAIKATO REGIONAL AIRPORT HOTEL LTD

Ownership	50%
Representation (total members)	0 (4)
Significant policies and objectives	The Council's main objective in the ownership of WRAL (and its subsidiaries) is to support and provide economic growth to our community which can benefit from the opportunities WRAL provides.
Nature and scope of activities	<ul style="list-style-type: none"> • Operate an efficient and compliant airport. • Enhance the traveller experience. • Maintain a viable aeronautical business. • Maximise revenue diversification through non-aeronautical business opportunities. • Ensure appropriate internal and external resource to enable a commercially driven and high-performing organisation.

KEY PERFORMANCE TARGETS

Performance targets are specified in the WRAL Statement of Intent for 2018/19 and are summarised with the actual results below:

Financial performance measures:

Consolidated company forecast:

	2018/19 targets	2018/19 results	2018/19 outcome
Earnings before interest, tax, depreciation and amortisation (EBITDA)	\$3.4M	\$3.964M	Achieved
Net surplus/(deficit) after tax	\$0.127M	\$0.615M	Achieved
Net cash flow (operating)	\$1.9M	\$2.571M	Achieved
Net cash flow (investing)	(\$4.3M)	(\$2.871M)	Achieved
Titanium Park Ltd funding	\$0.9M	\$1.041M	Not achieved
Net cash flow (operating and investing)	(\$1.4M)	(\$0.3M)	Achieved
Net debt maximum	\$18M	\$13.695M	Achieved
Total liabilities/shareholders' funds (debt/equity ratio)	35:65	28:72	Achieved
Net profit before tax, interest, revaluations to total assets	0.5%	2.8%	Achieved
Net profit before tax, interest, revaluations to shareholder funds	0.5%	3.6%	Achieved
Net profit after tax, interest, revaluations to total assets	0.08%	2.0%	Achieved
Net profit after tax, interest, revaluations to shareholder funds	0.1%	2.6%	Achieved

Parent company operations only:

Percentage of non-landing charges revenue	74%	68%	Not achieved
Interest cover	4.0	7.5	Achieved

Non-financial performance measures:

2018/19 performance targets	2018/19 outcome
Health and safety:	
Facilitate health and safety meetings every two months with representatives from each company department.	Achieved
Zero WorkSafe notifiable accidents/ injuries.	Achieved
Independently review and audit the health and safety system each year.	Achieved
Operational compliance:	
To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by the Civil Aviation Authority audit reports.	Achieved
Ensure the airport is operationally available for all scheduled passenger services (except for uncontrollable events).	Achieved
Facilitate noise management meetings each four months in accordance with the Noise Management Plan.	Achieved
Customer satisfaction:	
Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	Achieved

VIBRANT HAMILTON TRUST (VHT)

Ownership	Incorporated society and charitable trust
Representation (total members)	2 (5)
Significant policies and objectives	Our main objective in ownership of VHT is for the distribution of the fund to the Council's social, economic, environmental and cultural projects to which the ratepayer can benefit.
Nature and scope of activities	<p>The Vibrant Hamilton Trust is a charitable trust. It was established for the primary reason of earning a return on investment funds and the provision of grant distributions that meet the Trust's criteria and the objects of the Trust Deed.</p> <p>The objectives of Vibrant Hamilton Trust are:</p> <ul style="list-style-type: none"> • Promote the social, economic, environmental and cultural wellbeing of city of Hamilton and its communities. • Relieve poverty through sustainable policies and practices. • Advance education in the city of Hamilton, particularly to promote and advance economic standards for the benefit of the public. • Deliver on strategic aspirations of the city of Hamilton as identified by the community from time to time and endorsed by Hamilton City Council.

KEY PERFORMANCE TARGETS

VHT is currently being liquidated. An Annual Report for the 2018/19 financial year has not been prepared.

WAIKATO INNOVATION GROWTH LTD (WIGL) AND ITS SUBSIDIARY, NEW ZEALAND FOOD INNOVATION (WAIKATO) LTD (NZFIW)

Ownership	Council has 100% shareholding in WIGL and holds a 70% shareholding in NZFIW (its subsidiary).
Representation (total members)	0 (5) – There are two boards: WIGL and NZFIW. The WIGL board consists of all NZFIW board members except one.
Significant policies and objectives	Our ownership in WIGL and NZFIW is to promote and provide support to business development and innovation in our community.
Nature and scope of activities	<p>WIGL</p> <ul style="list-style-type: none"> To provide business and innovation advisory services for customers such as small and medium-sized enterprises (SMEs) and high-value manufacturing and services (HVMS) business in the Waikato Region. <p>NZFIW</p> <ul style="list-style-type: none"> To provide facilities on an open access basis in which food processing companies and those entering new markets can develop new or improved food ingredient products To provide open access basis a small-scale production plant capable of producing samples for market development which is to be self-sustaining in the medium to long term To participate in and promote a national network of similarly focused food innovation organisations as a shareholder in a food innovation network To provide an independent and secure facility to ensure the intellectual property and know-how of the company and its customers are protected To provide a centre of learning for food technology, catering primarily to the pastoral product value chain, in co-operation with tertiary education intuitions To provide one of several tangible centres and organisations throughout New Zealand around which networks of food processors and exporters, food equipment manufacturers and other partners can develop.

KEY PERFORMANCE TARGETS

Performance targets are specified in the WIGL Group Statement of Intent for 2018/19 and are summarised with the actual results below:

Financial performance measures:

	2018/19 targets	2018/19 results	2018/19 outcome
Group EBITDA (Earnings before interest, tax, depreciation and amortisation)	\$1.979M	\$2.745M	Achieved
Group cash from operating activities	\$1.505M	\$1.682M	Achieved
Surplus after tax and dividends	\$0.385M	\$1.295M	Achieved
Shareholders' funds (including deferred income)/Tangible assets	53%	55%	Achieved

Non-financial performance measures:

2018/19 performance targets	2018/19 outcome
<p>WIGL</p> <p>WIGL will contribute to a successful economic growth strategy, in collaboration with other regional agencies, NZTE and Callaghan Innovation.</p> <p>WIGL will specialise in funding grants from Callaghan Innovation and NZTE, incubation, clustering, mentoring and business to business collaboration.</p> <p>A key focus for the 2018/2019 year is participation in Maaori economic development. These activities will continue under the Waikato regional economic development agency on transfer.</p>	<p>Waikato Innovation Growth Ltd operations were transferred on the 1 July 2018 to Waikato Regional Economic Development Ltd. No operational activities took place during the year, therefore the reporting of actual performance against target is not applicable.</p>
<p>NZFIW</p> <p>267 days of product development production via the spray dryer, contributing exceeding \$55M to the regional economy</p> <p>Commitment by private capital to establish increased spray-drying capacity alongside the existing dryer in 2018/19</p> <p>A 10% minority interest in a new spray dryer is planned to increase open access space for sheep industry customers. \$1.4M will be available within the company's own cash flow</p> <p>Assist with the development of new valued-added sheep milk industry products and the international launch of one substantial new product.</p>	<p>Not achieved</p> <p>Achieved</p> <p>Not achieved</p> <p>Not achieved</p>

STATEMENT OF COMPLIANCE

COMPLIANCE

The Council of Hamilton City Council confirms that all statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with.

RESPONSIBILITY

Council and management of Hamilton City Council accept responsibility for the preparation of the financial statements and statement of service performance in accordance with generally accepted accounting practice and New Zealand equivalents to International Financial Reporting Standards.

Council and management of Hamilton City Council consider that the financial statements and statement of service performance have been prepared using appropriate accounting policies, which have been consistently applied and adequately disclosed and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

Council and management of Hamilton City Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of Council and management of Hamilton City Council, the financial statements fairly reflect the financial position of Council and the Group as at 30 June 2019, and the results of its operations and cash flows and the service performance achievements for the year ended on that date.



Andrew King
Hamilton Mayor
26 September 2019



Richard Briggs
Chief Executive
26 September 2019

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF HAMILTON CITY COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Auditor General is the auditor of Hamilton City Council (the City Council) and its subsidiaries and controlled entities (the Group). The Auditor General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to report on the information in the City Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the City Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the City Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 26 September 2019. This is the date on which we give our report.

UNMODIFIED OPINION ON THE AUDITED INFORMATION, EXCLUDING THE STATEMENT OF SERVICE PERFORMANCE

In our opinion:

- the financial statements on pages 81 to 150:
 - present fairly, in all material respects:
 - the City Council and Group's financial position as at 30 June 2019; and
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 152, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long term plan;
- the statement about capital expenditure for each group of activities on pages 26 to 79, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's Long term plan; and
- the funding impact statement for each group of activities on pages 26 to 79, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long term plan.

QUALIFIED OPINION ON THE STATEMENT OF SERVICE PERFORMANCE - OUR WORK WAS LIMITED IN RELATION TO THE PERFORMANCE MEASURE ON RESOURCE CONSENT PROCESSING TIMES

The City Council included in its Long-term plan a performance measure on the average processing time for non-notified land use and subdivision resource consents. The City Council has reported that it has met its performance target of 18 working days, however as disclosed by the City Council on page 51 there are issues with recorded processing times not agreeing to underlying consent information.

Due to the extent of the inaccuracies we identified from our sample testing, we are unable to determine whether the City Council's reported result for this measure is materially correct. As a result, our work was limited and there were no practical audit procedures we could apply to obtain assurance over the reported result for resource consent processing times.

In our opinion, except for the matter explained above, the statement of service performance on pages 21 to 28:

- o presents fairly, in all material respects, the City Council's levels of service for each group of activities for the year ended 30 June 2019, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- o complies with generally accepted accounting practice in New Zealand; and

REPORT ON THE DISCLOSURE REQUIREMENTS

We report that the City Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 153 to 157, which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council and Group's audited information and, where applicable, the City Council's long term plan and annual plans.

BASIS FOR OUR OPINION ON THE AUDITED INFORMATION

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

RESPONSIBILITIES OF THE COUNCIL FOR THE AUDITED INFORMATION

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the City Council and the Group or there is no realistic alternative but to do so.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDITED INFORMATION

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the City Council's Long term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service performance, as a reasonable basis for assessing the levels of service achieved and reported by the City Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the City Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the City Council and Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER INFORMATION

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 20 and the "balancing the books measure" on page 82, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the City Council and Group in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit of the audited information and our report on the disclosure requirements, we have audited the City Council's 2018-28 Long-term plan, and performed a limited assurance engagement related to the City Council's debenture trust deed. We also performed other assurance engagements over the tender process for the review of aspects of decision-making related to the Victoria River Precinct and the procurement of professional services for the Peacocke Housing Infrastructure project. Other than these engagements, we have no relationship with, or interests in, the City Council or its subsidiaries and controlled entities.

Clarence Susan
Audit New Zealand
On behalf of the Auditor General
Tauranga, New Zealand



FURTHER INFORMATION

Hamilton City Council
Garden Place, Private Bag 3010, Hamilton

 info@hcc.govt.nz

 07 838 6699 (24-7)

 hamilton.govt.nz/

 [/hamiltoncitycouncil](https://www.facebook.com/hamiltoncitycouncil)

2018/19

ANNUAL REPORT SUMMARY

KOORERO WHAKARAAPOTO

CONTENTS

INTRODUCTION	4
OUR HAMILTON	6
OUR FINANCIAL STRATEGY	8
WHERE THE MONEY WENT	11
OUR COMMUNITY OUTCOMES	13
DELIVERING FOR OUR COMMUNITY IN 2018/19	14
SERVICE PERFORMANCE SUMMARY	18
SUMMARY FINANCIAL STATEMENTS	20
AUDIT OPINION	22

This is a summary of the Annual Report. It provides a snapshot of our results for 2018/19. The full document is available at hamilton.govt.nz/annualreport

This summary and the full Annual Report have been audited by our independent auditors.

Item 6

Attachment 3

INTRODUCTION

Hamilton City Council's Annual Report presents our financial results for 2018/19 as measured against the Financial Strategy set out for year one of the 2018-28 10-Year Plan. It also shows how we performed against our service delivery targets.

This document summarises our 2018/19 Annual Report. The full report can be found at hamilton.govt.nz/annualreport

Over the past year we have made good strides towards delivering on our most ambitious 10-Year Plan ever. A big focus for us has been on looking after what we have while also responding to the demands of growth.

Wherever you live, work and play in Hamilton, you would have seen our team hard at work. We renewed footpaths, resealed roads, installed new bus shelters, upgraded public toilets, replaced lights, refurbished Waterworld, replaced wastewater pumps and much more.

We are also working hard to make sure our existing infrastructure can support our growing city and to add new infrastructure where needed. We developed community and sports parks and open spaces, upgraded stormwater, wastewater and water supply infrastructure, decided on design principles for the new Peacocke bridge, upgraded roads in our growth areas and began work on the final stage of the Hamilton Ring Road.

We can look back on a year of steady progress and solid planning that sets us up well for the challenges we face as one of the country's fastest growing metropolitan areas.

We achieved a balancing the books surplus of \$6.5M in 2018/19 compared with a deficit of \$9.4M forecast in the 10-Year Plan. Our balancing the books target measures how we are tracking against a goal of paying for everyday costs with everyday revenue (such as rates, fees and user charges). We had not expected to balance the books until 2021/22. The 2018/19 result is due to higher than budgeted revenue from rates, fees and user charges plus lower costs. We have made a concerted effort to reduce operating costs. Borrowing less has also meant lower finance and interest costs.

We ended the financial year with a net debt balance of \$344M versus a 10-Year Plan projection of \$455M. Net debt is defined as the money we owe the bank, less cash. This lower net debt level was due mainly to some capital projects being deferred to future years (these are largely funded

by debt), and higher than expected rates revenue and development contributions.

Our final debt to revenue ratio for 2018/19 was 125% against a forecast of 165%. This means we borrowed \$1.25 for every \$1 in revenue we collected. Debt was lower as we needed to fund less capital work than budgeted, while revenue was higher than expected due to growth.

Monitoring our delivery against the service commitments set in the 10-Year Plan helps us judge how we are doing. In 2018/19 we met or exceeded 36 of our 50 non-financial performance targets. Of those 50, four were new measures set during the 10-Year Plan. The goal for these measures was to set baseline targets, which we did, and we will start reporting against them next year. We did not meet 10 targets and have plans in place to address this.

In May 2019, the Local Government Act 2002 was amended to reintroduce four wellbeings into the purpose of local government. We are now required to play a broad role in promoting the social, economic, environmental and cultural wellbeing of our community. As a Council, we have work to do in teasing out what those wellbeings mean specifically for Hamilton and how we can best represent them in our activities and work programmes. This will be a key focus in the coming year.

We will continue to work with key partners on initiatives such as the Hamilton to Auckland Corridor Plan, which provides a framework for managing growth, enhancing communities and protecting the natural and cultural assets along this important route. On core issues as important as transport and infrastructure, we must get it right.

We will also continue working hard to improve community engagement. Earlier this year, we introduced our Your Neighbourhood framework with the tagline 'Share your voice, shape your city'. This new approach aims to encourage and support all Hamiltonians to be involved in, and have influence over, Council activities and decision-making at an early stage. Look out for more opportunities to get involved and have your voice heard.

KUPU WHAKATAKI

Taa te Riipoata aa-Tau a te Kaunihera o Kirikiriroa, he whakaatu i ngaa hua puutea, ki taa te tahua puutea moo te tau tuatahi o te Mahere Tekau Tau, 2018-28. Ka aata kitea hoki ngaa whakatutukinga ki taa maatou i manako ai, i haapai ai.

Koia teenei te whakaraapopototanga o te Riipoata aa-tau 2018/19. Kei te pae tukutuku e whai ake nei toona whaanuitanga ake, hamilton.govt.nz/annualreport

Noo roto o te tau kua huri, kua kotahi te waihoe o te waka kia tutuki teetehi Mahere Tekau Tau e anga nui ai ki te pae tawhiti. Ko teetehi anga nui a maatou, he tiaki i ngaa rawa, kei a taatou tonu, he whakatatuu hoki i ngaa wero o te tupu whanake.

Ahakoa kei whea toou kaainga i Kirikiriroa, kaaore hoki e kore, kua kite mai koe i too maatou tiima e whakapau werawera ana. Kua whakahoungia ngaa ara whiikoi, kua whakatikangia ngaa rori, kua whakatuungia ngaa piruru pahihou, kua whakahoungia ngaa whareiti, ngaa raaiti, tae atu ki a Ao-kauhoe, aa, kua hokona eetehi papu wai-kino, me te huhua anoo hoki o ngaa mahi kua oti i a maatou.

E whakapau kaha ana maatou kia ea i ngaa puunaha whakahaere te tupu o te taaone me oona wero, aa, ka whakatuungia eetehi puunaha hou, mehemea koiraa te hiahia. Kua tuu i a maatou eetehi papa taakaro aa-hapori, aa-haakinakina, me eetehi waahi tuwhera kau. Kua oti hoki te whakahou i ngaa papu wai, wai-kino me taa maatou whakahou ake i ngaa puunaha kawewai. Kua oti ngaa maataapono waihanga moo te piriti hou ki Peacocke, kua whakatikangia ngaa rori ki ngaa whaitua e kaha nei te tupu whanake, otiraa, kua tiimata hoki ngaa mahi, te waahanga whakamutunga ki te Rori Ringi o Kirikiriroa.

E taea te tiro whakamuri ki te tau kua hori nei, he tau kauneke tonu, he uu ngaa whakariterite e takatuu ai ki mua i ngaa wero, ko teetehi whaitua kanorau a Kirikiriroa i Aotearoa huri noa, ka nui te horo o te tupu whanake.

I te mutunga o te tau, e toru rau, e whaa tekau maa whaa miriona taa maatou nama neti, ki taa te Mahere Tekau Tau, e whaa rau, e rima tekau maa rima miriona taara te matapaetia nei. Ko te nama neti nei, koia teenei ko te puutea taurewa ki te peeke, engari, kua ko te puutea noa. I peeraa ai te nama neti, naa te mea, kiihai eetehi kaupapa matua i puuawai, he mea nuku ki t/eetehi atu tau (katoa eenei kaupapa matua, he mea utu e te puutea taurewa), tae atu ki ngaa puutea reeti i nui ake ki taa te matapae, me ngaa kohinga whakawhanaketanga.

Inaa whakaritea atu taa maatou nama ki te aawhata puutea moo te tau 2018/19, ko te kotahi rau, e rua tekau maa rima paiheenet, teenaa ki te whaainga, kotahi rau, e ono tekau maa rima paiheenet. Ko te tikanga ia, kotahi taara, e rua tekau maa rima heenet taa maatou i nama ai moo ia taara kotahi i kohia. Naa te korenga o te whakapau puutea ki eetehi o ngaa kaupapa matua i heke iho ai ngaa nama, aa, ko te pikinga hoki o te puutea i kohia - teenaa i matapaetia, i runga i te tupu hohoro.

I eke i a maatou he huanga e ono irakati rima miriona taara i tau nei 2018/19, teenaa i teetehi nama e iwa irakati whaa miriona taara te matapaetia nei ki roto i te Mahere Tekau Tau. Taa maatou whakatika pukapuka, he arotake i te ahunga whakamua, ki teetehi whaainga, ka utua ngaa nama o ia raa ki ngaa puutea o ia raa (peenei me ngaa reeti, ngaa nama noa, me ngaa nama kaiwhakamahi). I whakapaetia keetia, hei te tau 2021/22 raa anoo ngaa pukapuka whakatikangia ai. Naa ngaa reeti, ngaa nama noa me ngaa nama kaiwhakamahi tae atu ki te hekenga o ngaa whakapaunga puutea i taea ai teenei huanga 2018/19. E aata whai ana maatou kia heke ngaa nama whakahaere, kia iti iho hoki te puutea taurewa, aa, ka iti tahi hoki ngaa nama itareti.

Maa te arotake i aa maatou mahi ki ngaa whakaritenga i takoto i te Mahere Tekau Tau ka kite ai maatou, aae raanei, kaaore raanei, kei te huarahi tika maatou. I te tau 2018/19, i eke i a maatou e toru tekau maa ono o ngaa whaainga puutea kore e rima tekau i tohua ai maa maatou. O eeraa rima tekau, e whaa ngaa mea hou i whakaritea noo te whakatuunga o te Mahere Tekau Tau. Ko te whaainga o te tau 2018/19, he whakatakoto whaainga tuuaapapa, anaa, i tutuki teenei. Ka tiimata te ine i eeraa whaainga aa teeraa tau. Kiihai i tutuki ngaa whaainga tekau, otiraa, kua takoto teetehi mahere e ea ai eenei aahua.

Noo te Mei, 2019, ka tiinia te Ture Kaawanatanga aa-Rohe 2002 kia uru ai e whaa ngaa kaupapa hauora ki te kiko o te kaawanatanga aa-rohe. Inaiaanei, me whai waahi maatou ki roto i ngaa kaupapa whakatairanga hauora peenei me te hapori, te puutea, te taiao, me te ahurea o te hapori. Taa maatou e whai nei, he rapu, he aha ia te tikanga o aua kaupapa hauora e whaa ki Kirikiriroa nei, aa, me peewhea raa te whakatinana i eeraa aahua i aa maatou kawenga, hootaka hoki. Ka noho teenei hei whakamaunga kanohi matua maa maatou ki roto i te tau te mahuta mai nei.

Ka kookiri tonu maatou me oo maatou hoa whakangaatahi peenei me ngaa kaupapa, te Mahere Huarahi o Kirikiriroa ki Taamaki Makaurau, i kitea nei he tiirewa hei tiaki i te tupu whanake - he whakapakari hapori, he tiaki hoki i ngaa rawa o te taiao me ngaa taonga Maaori ki eenei huarahi. Moo runga i ngaa kaupapa nui peenei me ngaa huarahi, ngaa puunaha hoki, me matua tika aa maatou mahi.

Ko teetehi anoo mahi a maatou, he whakakaha i te taukaea i waenganui i te Kaunihera me te hapori. I te tiimatanga o te tau nei, ka puta taa maatou tiirewa, Too Waahi Noho me te whakataukii 'AAkina too reo, aahuatia too taaone'. Taa teenei titiro hou, he akiaki i a Ngaa Taatou o Kirikiriroa nei, kia kuhu ki roto i ngaa whiriwhiri a te Kaunihera me ngaa whakatau i toona maarewatanga raa anoo. Kia mataara mai ki ngaa kaupapa kei te ara ake i te pae, nau mai, koorero mai.

OUR HAMILTON

HAMILTON | KIRIKIROA

The gateway to the central North Island, Hamilton, originally named Kirikiriroa by Maaori, is New Zealand's largest inland city. The mighty Waikato River flows for 16 kilometres through the city with the eastern and western suburbs on either side.



Hamilton's earliest settlers included Maaori from the Tainui waka, who called the area Kirikiriroa meaning **long strip of gravel**, and this remains the Maaori name for the city



The area has a history of **700-800 years** of Maaori occupation and settlement, highlighted by paa sites, traditional gardens and agricultural features along the **Waikato River**

Formal European settlement

began on 24 August 1864, when Captain William Steele disembarked from the gunboat Rangiriri and established the first redoubt near what is now Memorial Park

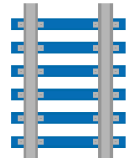


The Borough of Hamilton was established on 27 October 1877 with a population of 1245 and an area of 752 hectares, through the combining of the East and West settlements. On 13 December 1945, Hamilton became a **city with 20,000 citizens**

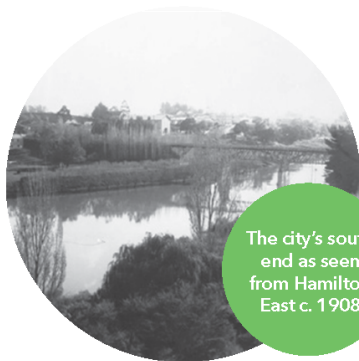
There are five Tainui hapuu (sub-tribes) that continue to hold mana whenua (traditional) **connections to the land and waterways within Kirikiriroa/Hamilton**



In 1867 the road was opened to Auckland and a regular coach service began, followed by **railway from Auckland** in 1877



In the 1860s, the New Zealand Wars and the NZ Settlement Act enabled land to be taken from Maaori by the Crown; **a total of 1.2M hectares** was confiscated in the Waikato region and provided the basis for subsequent European settlement in Hamilton



The city's south end as seen from Hamilton East c. 1908

EMBRACING GROWTH



WE'RE BOOMING

Our population is expected to increase from **169,300 (June 2018) to 187,600 in 2028**. That's an average of nearly 40 new residents every week!

1552 homes

were consented **in 2018/19, an increase of 35% on 2017/18** and the highest number of new home consents approved since digital records began in the 1990s



WE'RE BUILDING

Rototuna



With so many new residents, we are planning for an extra **12,500 homes by 2028** from infill housing and new development

WE'RE WELCOMING

WE'RE INVESTING



The Council's 2018-28 10-Year Plan includes a **record \$2B** to enable and support growth, improve transport and look after the things we already have

A GREAT RIVER CITY

WE'RE YOUTHFUL



Hamilton's median age is 32, the lowest of all cities in New Zealand

WE'RE A DESTINATION



Approximately 23% of current residents were born overseas. Tertiary institutions The University of Waikato, Wintec and Te Waananga o Aotearoa enrol more than 40,000 students each year, from around New Zealand and the world

WE'RE DIVERSE



Hamilton's residents represent more than

160 different ethnic groups



WE'RE FEELING GOOD

84% of residents rate their quality of life positively (2018), and a third of our community believe their quality of life has increased over the last 12 months. This change is the highest of the eight major cities surveyed*

WE'RE HAPPY HERE



75% of residents think their city is a great place to live*

WE'RE PLAYFUL



The city has more than 1000 hectares of open space with 145 parks and gardens, 85 playgrounds and 63 sports areas



Victoria on the River

BEST IN BUSINESS

WE'RE CONTRIBUTING



Hamilton's GDP is \$8.08B, **approximately 3.4% of New Zealand's total.**

Hamilton's GDP is growing at 3.9%, greater than New Zealand's growth of 3% (to September 2018)

WE'RE IN THE ACTION

Hamilton sits with Auckland and Tauranga in the **Golden Triangle, a powerful region with half the country's population, generating half the country's GDP.** Through the Hamilton-Auckland corridor partnership, we've connected with Auckland, mana whenua and other councils to coordinate growth.

WE'RE WORKING

Hamilton's economy supports **15,027 businesses** (up from 14,424 in 2016) and **92,735 employees**, (up from 87,600 in June 2016)

WE'RE PARTNERING



Hamilton's community is working together to deliver projects such as the **\$73M Waikato Regional Theatre**

WE'RE APPEALING



Waikato is New Zealand's fifth biggest tourism economy, **contributing \$1.571B annually**, with Hamilton the region's tourism hub

Casabella Lane



* <https://www.nzps.co.nz/quality-of-life/2018>

OUR FINANCIAL STRATEGY

Our 2018-28 10-Year Plan includes a financial strategy that aims to enable us to respond sustainably to growth in a way that is cost-effective for existing ratepayers. The Financial Strategy's guiding principles are:

- Everyday expenses are funded from everyday revenues.
- Service levels and assets are maintained.
- Surpluses are generated to repay debt.
- Investment in community, infrastructure and growth initiatives is supported.
- Investments are funded from debt.

The Financial Strategy can be read in full in the 2018-28 10-Year Plan or on our website. It sets limits on the amount of debt we can take on compared to revenue (the debt to revenue ratio) and forecasts net debt (the money we owe lenders, less cash) and when we will balance the books. The Council books are balanced when everyday revenue pays for everyday expenses.

Against the strategy, we exceeded our balancing the books target for 2018/19 by \$15.9M and ended the financial year with a net debt balance \$111M lower than projected. The results for the year are positive. However, Hamilton is projected to continue growing and our infrastructure (from transport and water networks to parks and playgrounds) needs to support this growth.

RATES

The 10-Year Plan sets the limits on average rate increases to existing ratepayers. Under the plan, rates increases were limited to 9.7% in 2018/19 and 3.8% from 2019/20 onwards. We have stayed within these limits: the actual average rate increase for 2018/19 was 9.7% and the 2019/20 Annual Plan confirmed an average rate increase of 3.8%.

BALANCING THE BOOKS

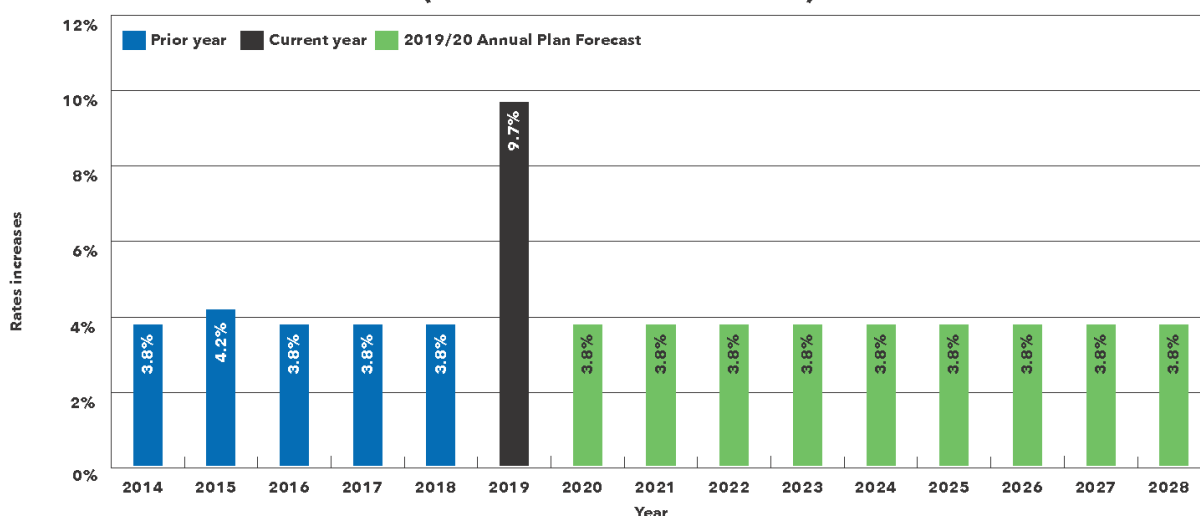
The balancing the books measure is a way of assessing our operating performance. There are other ways to measure operating performance, including the Government's balanced budget measure.

The main differences between the two measures are:

- Our measure removes capital revenue (NZ Transport Agency subsidies for capital expenditure and other capital contributions). These revenue items are included in the Government measure. We exclude this revenue as it funds specific capital items and is therefore not available to fund everyday costs
- The Government measure removes all revenue from development contributions (fees charged for new developments). Our measure only removes a portion of development contributions revenue (the portion retained is to cover interest costs on development contributions-funded growth assets)
- Our measure removes certain revenue not considered everyday (such as the fair value benefit on the Housing Infrastructure Fund loan from Central Government). It also removes certain expenditure not considered everyday (such as grants for the Waikato Regional Theatre and the discount unwind on the Housing Infrastructure Fund loan). These are not adjusted for in the Government measure.

We exceeded our balancing the books target in 2018/19, with an adjusted operating surplus of \$6.5M against a target

AVERAGE RATES INCREASES (TO EXISTING RATEPAYERS)

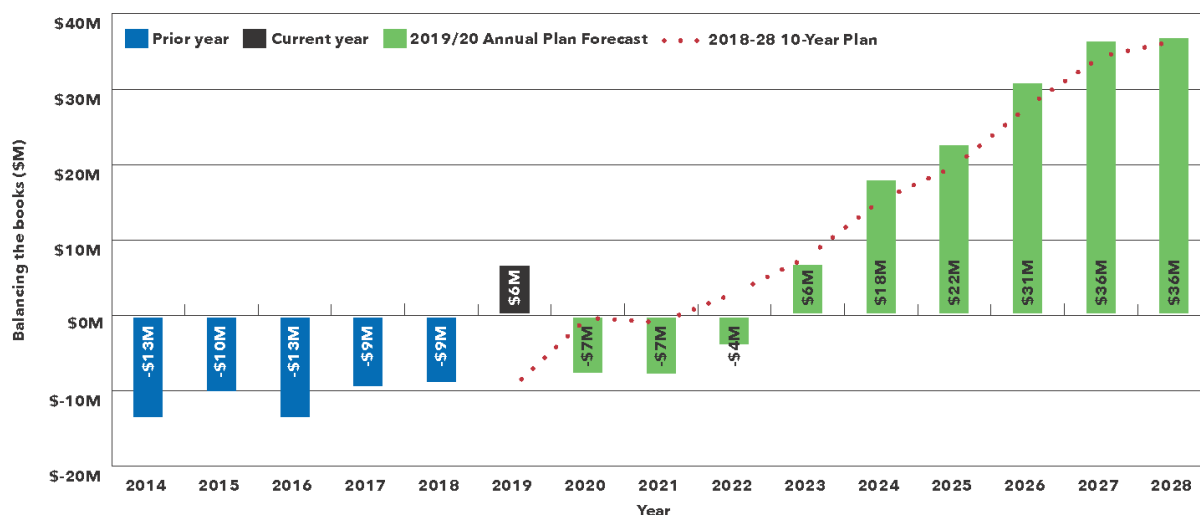


of a \$9.4M deficit. Using the Government's balanced budget measure, we are reporting a surplus of \$21.5M against a budgeted surplus of \$28.3M.

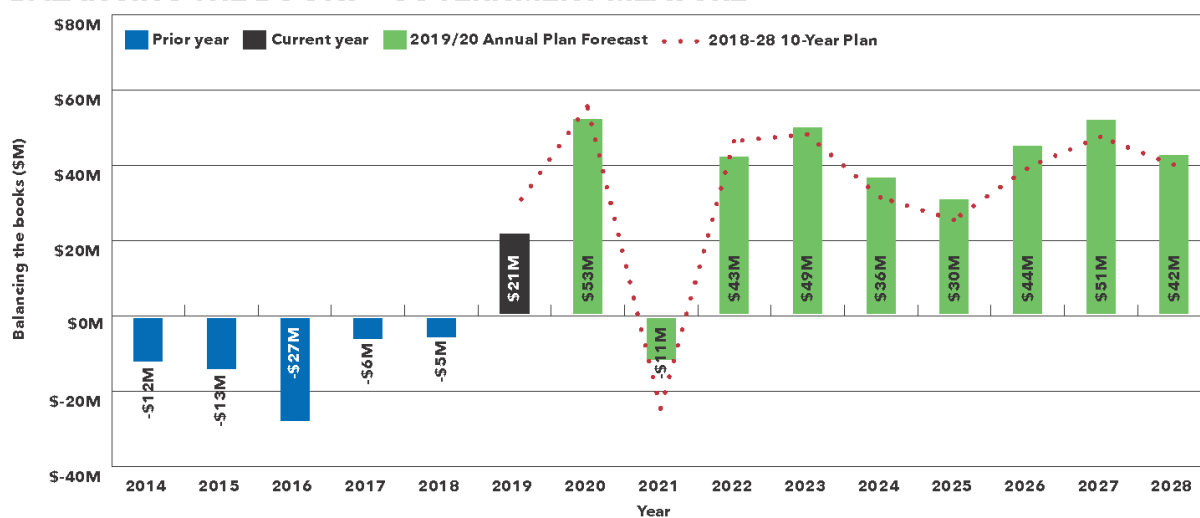
The significant revenue and expenditure variances that contributed to our balancing the books result include:

- higher than budgeted rates (\$1.4M) due to greater than expected growth and revenue from water rates;
- higher than budgeted revenue from fees and charges (\$5.4M) across the organisation due to high levels of activity in the city;
- lower than budgeted finance costs and higher interest revenue (\$1.2M) due to lower debt and interest rates;
- lower than budgeted operating expenses (\$3.2M), which includes lower personnel costs, professional costs and administration costs.

BALANCING THE BOOKS - HAMILTON CITY COUNCIL MEASURE



BALANCING THE BOOKS - GOVERNMENT MEASURE



DEBT

The definition we use for debt is money we owe the bank, less cash. We refer to this as a net debt. To see the details of how this figure is calculated, see note 30 to the financial statements in the full Annual Report.

We ended the financial year with a net debt balance of \$344M, lower than the projected target of \$455M. Our debt is now 125% of revenue against a performance target of 165%.

The main reasons for this favourable result are:

- higher than budgeted rates (\$1.4M) due to greater than expected growth and water rates;
- higher than budgeted revenue from development contributions (\$7.1M);
- savings of \$8M on 16 capital projects;
- deferral of 108 capital expenditure projects with a value of \$96M from 2018/19 to future years.

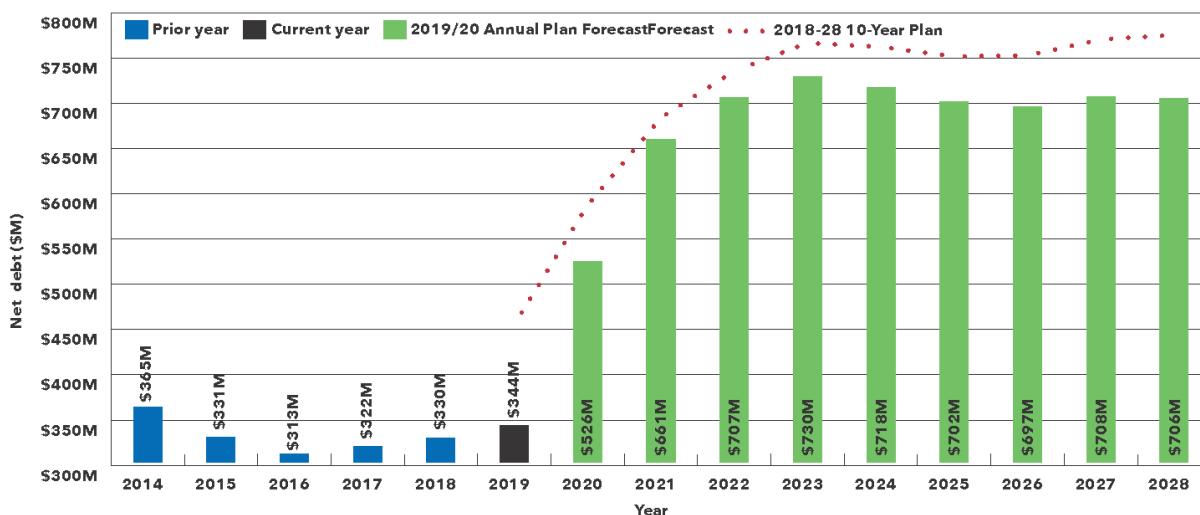
The 2018/19 approved capital budget was \$254.8M (including deferrals) and was a significant increase over the 2017/18 budget of \$100.7M. Actual spend for the capital portfolio was \$152.1M, representing a 51% increase on the prior year spend (\$51.4M).

Project deferrals have a favourable impact on our financial result. However, it is only a timing impact as the expenditure will still be incurred, although later than originally planned.

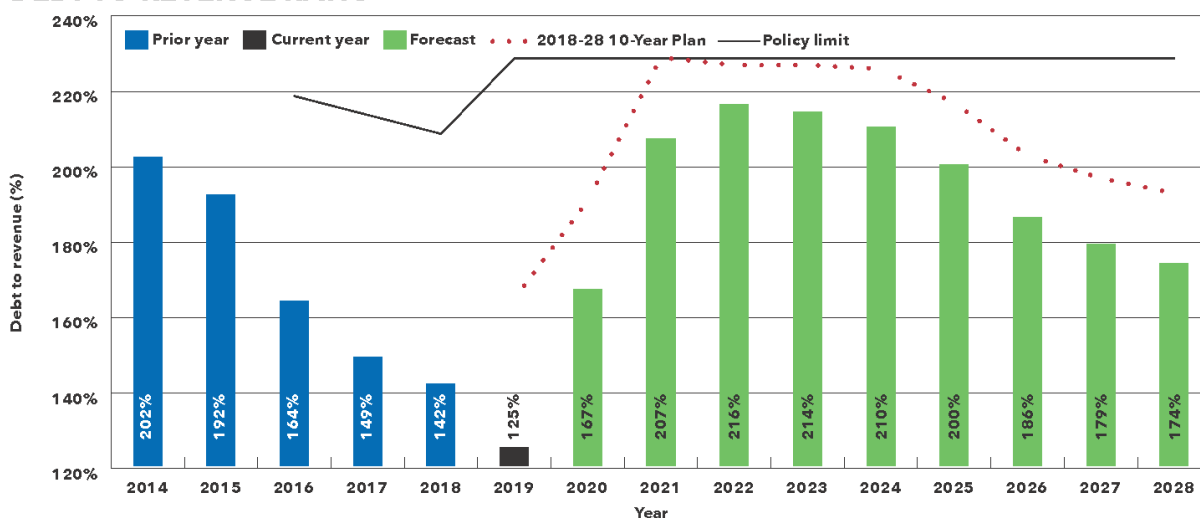
Projects were deferred due to:

- third party delays e.g. infrastructure that is dependent on developers;
- contractual delays e.g. a design issue or delay in the tender process;
- delays due to change in project scope or change in prioritisation by the Council.

NET DEBT

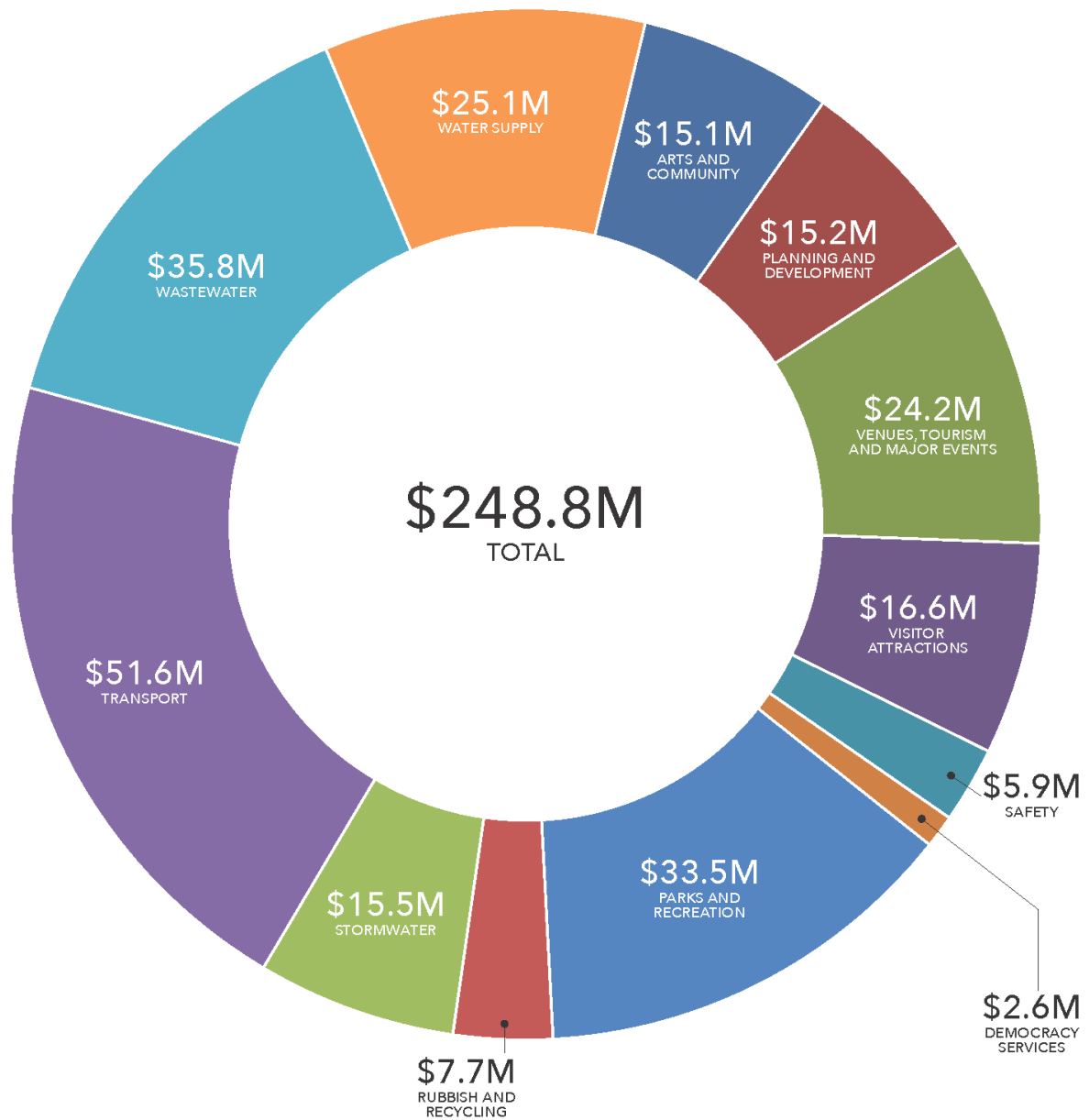


DEBT TO REVENUE RATIO

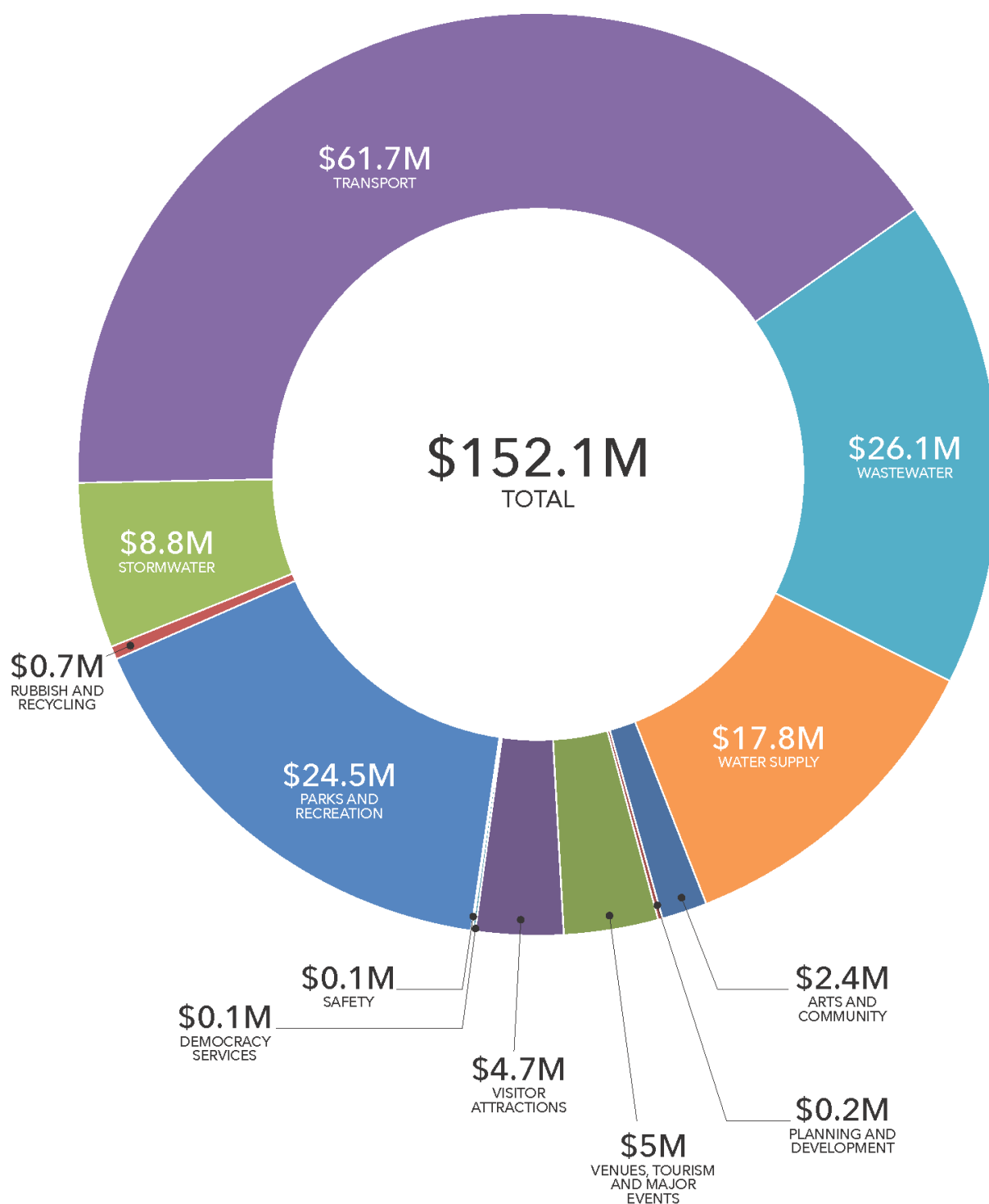


WHERE THE MONEY WENT

OPERATING EXPENDITURE BY ACTIVITY 2018/19 YEAR



TOTAL CAPITAL EXPENDITURE BY ACTIVITY 2018/19 YEAR*



* Capital expenditure by activity represents the gross capital spend before accounting for any associated capital subsidies received.

OUR COMMUNITY OUTCOMES

Our community outcomes describe what we aim to achieve for our community and what you can expect us to work towards. These outcomes have helped shape the development of the 10-Year Plan.

All the activities we carry out contribute to the overall achievement of our community outcomes.

If we achieve all the expectations we have set for our service delivery, we will be making progress on achieving all three outcomes.

OUR THREE COMMUNITY OUTCOMES ARE:



A GREAT RIVER CITY

Our city embraces its natural environment and has green spaces, features and community facilities that make it a great place to live, work, play and visit.



A CITY THAT EMBRACES GROWTH

Our city has infrastructure that meets our current demands, supports growth and helps build a strong economy.



A COUNCIL THAT IS BEST IN BUSINESS

Our council is customer focussed, financially sustainable and has the best people delivering the best outcomes for the city.

DELIVERING FOR OUR COMMUNITY IN 2018/19

The 2018-28 10-Year Plan is our most ambitious yet. We have pledged to invest more than \$2B in capital projects and we also committed to investing in community partnership opportunities and strategic plans.

During preparation of the 10-Year Plan, the community made it clear how we should focus our efforts and this set the game plan for 2018/19:

- Looking after what we've got
- Embracing growth
- Investing in community infrastructure
- Investing in transport improvements

LOOKING AFTER WHAT WE'VE GOT

As our city grows, our infrastructure needs to as well. While there is still lots of life remaining in much of what we have, we need to keep maintaining and replacing it so it continues to function.

In 2018/19 we made good progress in delivering our comprehensive renewals and compliance programme, which aims to look after the assets that we have and make sure they are fit for purpose.

Here's a snapshot of what we achieved.

VENUES, TOURISM AND MAJOR EVENTS

- Replacement of Seddon Park floodlights (in progress).
- Safety access ways for working at heights at Claudelands and FMG Stadium Waikato.
- Barn roof renewal at Claudelands.

VISITOR ATTRACTIONS

- Upgraded some of our lighting and shelving at Waikato Museum.
- New flooring for the museum's Excite science gallery and ArtsPost.
- Replaced the walkway in Hamilton Zoo's bird aviary.
- Upgraded the zoo's eel enclosure to make it interactive.
- Safety enhancements for handling rhino and tigers.
- Renewal of the irrigation assets at Hamilton Gardens.
- Replaced retaining walls and paths and paving across the gardens.

PARKS AND RECREATION

- New pedestrian access bridges for Ranfurly and Sandford parks.
- Five sports fields upgraded over three sites to increase capacity for our users.
- Major erosion works in Days Park.
- New and upgrades to toilet and changing rooms at Swarbrick, Hillcrest, Galloway and Flagstaff parks.
- Replaced and installed 1km of footpaths and 110m of boundary fencing across our parks.
- Crematorium building currently undergoing an upgrade.
- New accessible toilet block at Hamilton Cemetery.
- Completed a major renewal at Waterworld.
- Internal fitout/upgrade at Gallagher Aquatic Centre.

ARTS AND COMMUNITY

- Frankton Railway Institute Hall renewed.
- Roof renewal for the Central Library.

TRANSPORT

- 40.97km of resealing done on our roads.
- 41 LED solar lights installed in existing and new bus shelters to improve safety.
- 18.22km of footpaths renewed.
- 7482 LED lights replaced throughout the city.
- Accessible kerb installed at 21 locations across the city (total length 203m).

WATER SUPPLY, WASTEWATER, STORMWATER (THREE WATERS)

- More than 6km of watermain renewals.
- Wymer and Waterford streams have had fish passages constructed - this allows freshwater fish and other organisms to complete their lifecycles.
- Replaced 6km of wastewater pipes.
- 20 pump stations were renewed (not including pumps).
- 15 wastewater pumps replaced, out of 246 pumps on our network.

A CITY THAT EMBRACES GROWTH

Hamilton is one of New Zealand's fastest-growing cities - we are now a city of 169,300 people and by 2028 we expect to be home to more than 187,600 people. To respond to this pace of growth, the city needs infrastructure in place to deliver high-standard core services to an increasing population.

In 2018/19 we invested heavily in citywide projects to support Hamilton's growth generally and in projects to support development of our residential, commercial and industrial growth areas.

Here's a snapshot of what we achieved.

PEACOCKE

- Service relocations for the proposed Ohaupo Rd (SH3) roundabout are underway so work can start.
- We have decided what kind of bridge we are building in Peacocke and design is underway. Procurement will begin soon so we can start building the bridge before the end of 2020.
- For efficiency, we are working on combining nearby projects with key Peacocke infrastructure. This includes upgrading existing pump stations to increase capacity.
- We are designing an upgrade for Peacocke Rd so the road is safe and appropriate for the residential area.
- We are currently designing the wastewater main transfer pump station and the network for Peacocke.
- We have started investigation to progress design of stage two of the east/west roading network.
- We have purchased nine pieces of land for planned arterial roads and acquisition of another 30 is underway.
- We've progressed investigations into land for active recreation reserves and bought land for a neighbourhood park in Stage 1 of Peacocke.
- We've completed an Ecological Monitoring and Management Plan to ensure we look after the environment as part of a sustainable community.
- Planning is well underway to ensure Peacocke has great walking, cycling and public transport connections.



ROTOTUNA

- Construction of the Resolution Dr extension to the Waikato Expressway is underway.
- We have installed more than 2km of main water pipes to ensure water supply throughout the Rototuna area is maintained.
- Concept development and the business case are underway for extending Borman Rd East and associated services.
- We have acquired land and are completing design to develop a new stormwater treatment pond on Borman Rd.
- We have been progressing design to complete an urban upgrade of North Ridge Dr.
- The first section of the North City Rd upgrade is nearing completion.
- Construction on the final section of Borman Rd West to Kay Rd is underway.
- Rototuna sports park will have five new soccer fields and two grass cricket pitches and will be ready for summer.

RUAKURA

- Approximately 1.5km of large wastewater pipes have been installed in Ruakura to enable development in this area.
- Construction of the new Ruakura water reservoir is underway.
- Two key projects are progressing through NZ Transport Agency business case phase: Ruakura Rd and the construction of the Ruakura Spine Rd.

ROTOKAURI

- Rotokauri Greenway: The designation for the drainage and treatment system has progressed well and is expected to be secured by December 2019.
- Design for the urbanisation of Baverstock Rd is underway with construction starting over summer.
- Work is underway with the NZ Transport Agency to fund arterial roads in Rotokauri.
- Bulk water pipes are ready to be connected to and extended to support Rotokauri development.

CITYWIDE

- Wastewater upgrades: Planning/implementation for a citywide wastewater network upgrade is underway. Western interceptor construction is underway and design for the Hillsborough pump station is complete.
- Construction is underway for upgrading various components of the Pukete wastewater treatment plant.
- Water network upgrades: Planning/implementation for a citywide water network upgrade is underway. Fairfield reservoir works are nearing completion and design is underway for a Newcastle reservoir upgrade.
- Construction is underway for upgrading the chemical facility at the Waiora water treatment plant. Design is underway for new clarifiers, sand filters, balancing tank, pump station and electrical control work.
- The Integrated Management Catchment Plan Programme continues, with Mangaheka completed (Arthur Porter Dr area) and Te Rapa North now underway.
- Investigation and design of stream erosion protection and remediation projects is underway for the stormwater network improvement sub-programme. Erosion remediation works on the lower Te Awa O Katapaki Stream are approaching completion.

INVESTING IN COMMUNITY INFRASTRUCTURE

Providing community spaces and assets that enable people to come together and enjoy themselves helps a city thrive. The 2018-28 10-Year Plan provides for new community spaces and facilities for our growing city as well as enhancing what we have.

In 2018/19 we worked across Hamilton to deliver the community infrastructure a growing and vibrant city needs.

Here's a snapshot of what we achieved .

- Hillcrest Stadium playground completed. Includes a multi-use pump track, basketball court, double mouse wheel and junior bike track.
- Innes Common playground: Opens in spring. Includes exercise equipment, a parkour area, basketball court and play equipment.
- Play Strategy approved, recognising the Council's vital role in providing space, facilities and services that enable everyone to play and be active.
- Mangaiti Park: A new playground including teepee-themed play equipment and mini bike track.
- Waiwhakareke Natural Heritage Park Development: The toilet block and tracks have been completed and a platform overlooking the lake is in development.

- Hamilton Gardens development:
 - Earthworks are underway to enable the development of the next four gardens.
 - Construction of the toilet block has begun.
 - The Picturesque Garden is now completed and will be opened in November 2019 once the plant growth and lawns are settled in.
 - The Surrealist Garden is almost complete with the ivy growth almost fully covering the Tron sculptures. This will be opened in February 2020.
- The Clyde Park cricket block is complete and will be ready for use in summer.
- Hamilton Zoo/Waiwhakareke shared entry precinct: A concept plan has been developed.
- A new proposed jetty has been consented.

INVESTING IN TRANSPORT IMPROVEMENTS

Our transport improvement programme aims to deliver a transport system that enables growth, improves safety and offers better transport choices. We're balancing safety upgrades, improvements to the most congested parts of the network and investment in alternative modes of transport such as biking and public transport.

In 2018/19 we worked across Hamilton to improve safety and city mobility.

Here's a snapshot of what we achieved.

ENABLING GROWTH

- Work on the final stage of the Hamilton Ring Road has started. This is the extension of Wairere Dr to connect to Cobham Dr (SH1), which will also serve as a major transport link into Peacocke.
- The Waikato Expressway (Hamilton section) is currently being built around the eastern side of the city by the NZ Transport Agency.

IMPROVING SAFETY

- Thomas Rd/Gordonton Rd intersection, which was rated as one of Hamilton's most dangerous, has been completed. The installation of traffic signals and raised safety platforms has significantly improved safety and traffic flows.
- Raised platforms, pedestrian signals and intersection improvements across the city including:
 - Bankwood Primary School
 - Grantham St/Victoria St intersection
 - Anzac Pde/Memorial Dr intersection
 - Sandleigh Rd/Ohaupo Rd intersection
 - Killarney Rd/Ellis St intersection
 - Masters Ave and River Rd
 - Grey St/Te Aroha St and London St/Barton St are underway
 - NZ Transport Agency funding has been approved for the Anglesea St/Bryce Street safety upgrade. Design is underway.

TRANSPORT CHOICE

- We have installed 40 new bus shelters, 21 new accessible kerbs and 41 solar lights in our Orbiter route shelters.
- We have progressed design and land purchase for a new Rotokauri Transport Hub. NZ Transport Agency funding has been approved and we have gone out to tender for construction.
- Design is almost complete for the final piece of the Hamilton section of the Te Awa River Ride. The land for the cycle route has been secured and we will be seeking NZ Transport Agency funding for construction.
- The Eastern Pathways, known previously as the School Link and University Link cycleways and public transport projects, have been progressing through the business case process.
- Planning and design have been completed for the Claudelands Bridge cycleway, which will deliver separated cycleways and shared vehicle/cycle lanes along Claudelands Rd from Victoria St to Grey St.

SERVICE PERFORMANCE SUMMARY

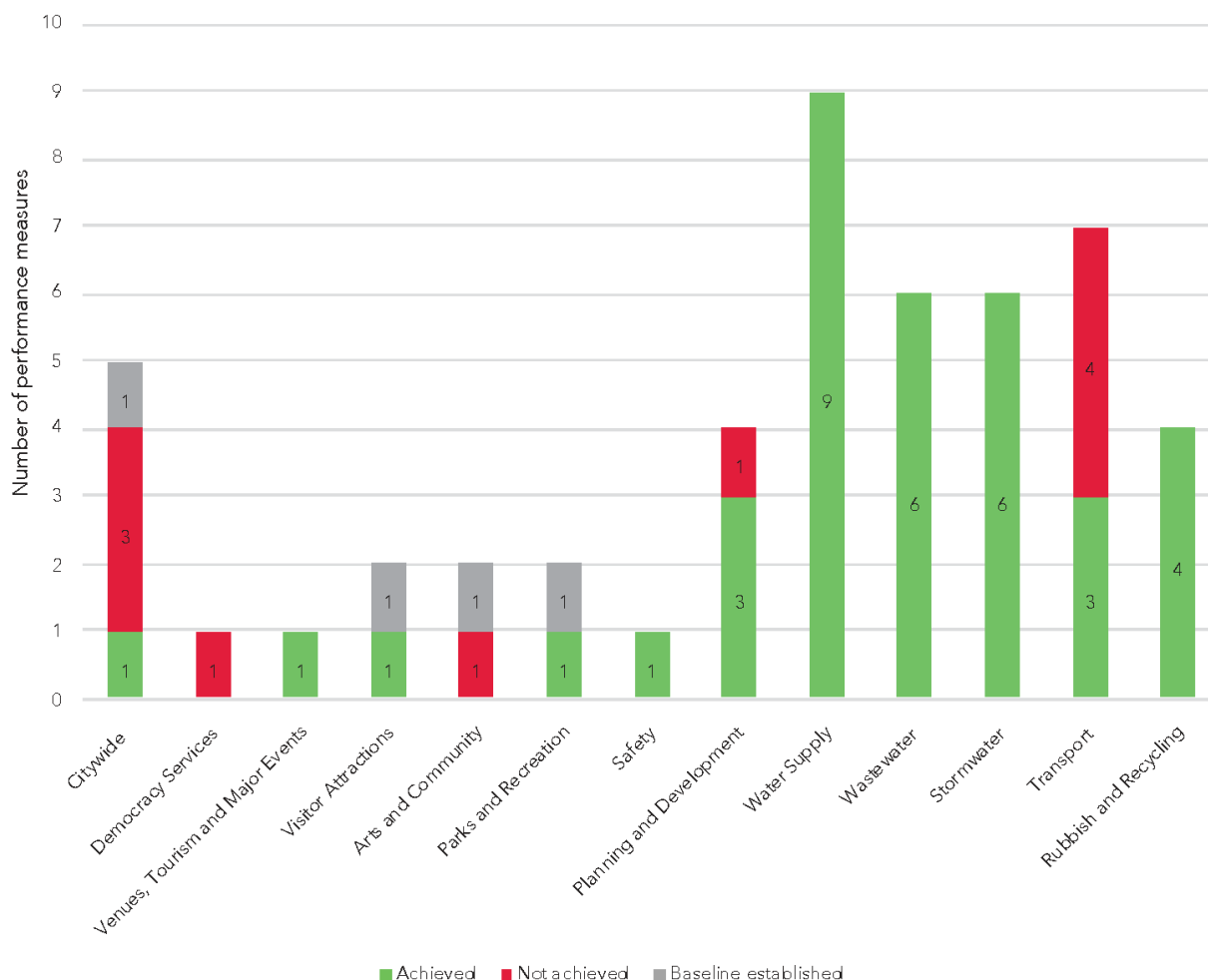
Our 2018-28 10-Year Plan divided the business into 12 activity groups that contribute to the delivery of our community outcomes. Each group has performance measures that show how well we are delivering our services to the community.

Of the 50 measures we use to track performance, the summary graph below shows:

- we have met the targets for 36 measures
- we have not met the targets for 10 measures
- we have established baselines for four new measures.

The full Annual Report provides more detail for each of these activity groups, including an overview of the year that has been and a description of what sits behind the results.

PERFORMANCE RESULTS SUMMARY



Highlights from the 2018/19 year include:

- Nearly 560,000 people attended events at the stadia (FMG Stadium Waikato and Seddon Park) and Claudelands - an increase of 3.4% on the prior year and more than 27% above the target number of attendees for the year.
- More than 79% of households have access to a neighbourhood park or open space within 500m walking distance - an increase on the prior year and target of 76%.
- 86% of central city users surveyed feel very safe or reasonably safe in the central city during daytime - this result is up on 2017/18 and exceeded the target (at least 80%).
- A record number of building consents were processed during the year (2095 consents were processed, 13% more than the previous year), for which the average processing time was 17.04 working days. This result was within our target of 18 working days.
- Average use of drinking water per Hamilton resident per day remained below the target of 400 litres, despite record-breaking water use over a hot summer. Actual water use averaged 347 litres per resident per day.
- More than 18,000 tonnes of waste received at our waste facilities was diverted from landfill, exceeding our target of 16,000 tonnes.

Although 10 of our targets were not achieved during the period, we were close to target in a number of areas. We have identified areas for improvement, including the following measures where actual performance was below target:

- Only 25% of residents felt we made decisions that were in the best interests of the city, compared to a target of 47%. To improve performance in this area we are continuing with the Your Neighbourhood community engagement framework, which encourages Hamiltonians to 'share your voice, shape your city'. As more Hamiltonians get involved in council activities, we hope to increase the percentage of residents who believe we make decisions in the city's best interests.
- Across the city there is currently 2.4 years of business zoned land supplied for infrastructure development, which is lower than our target of three years. We are working on a change to the District Plan to enable further land for industrial development in the Te Rapa North area of the city.
- We aimed to have at least 1380 people cycling into the central city but recorded 1238 on the date of the survey. We are investing in capital works to support the Biking Plan implementation, which is expected to encourage more people to ride bikes.
- During the year there was an increase in the number of deaths and serious injuries on our local road network (a total of 57 deaths and serious injuries were recorded, compared to 56 in the prior year). Our target was a decrease on the previous year, as we continue to work towards a vision of zero deaths and serious injuries. We are continuing our programme of works for transport safety improvements to improve the safety of our network for all users.

We have identified improvements needed in respect of our record-keeping for non-notified land use and subdivision resource consents. Resource consenting activities for non-notified land use and subdivisions increased by 12% on the prior year, with a total of 803 resource consents issued during the year.

This increase in activity has led to challenges and we have identified a weakness where, for some resource consents, the dates recorded in our consenting system do not agree to the underlying consenting information. This finding does not reflect on the quality of technical decisions on which the resource consents are issued and does not impact on the validity or appropriateness of the decisions reached in respect of resource consents.

In response to the weakness identified, we have begun implementing a targeted improvement programme, and intend to resolve the issues identified over the next financial year.

SUMMARY FINANCIAL STATEMENTS

SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

FOR THE YEAR ENDED 30 JUNE 2019	Notes	Council			Group	
		Actual 2019	Budget 2019	Actual 2018	Actual 2019	Actual 2018
COMPREHENSIVE REVENUE AND EXPENSE TO 30 JUNE						
Rates revenue		\$000	\$000	\$000	\$000	\$000
		181,153	179,713	161,356	181,153	161,320
Other revenue	1	152,617	148,097	138,629	163,508	147,305
Total revenue		333,770	327,810	299,985	344,661	308,625
Personnel costs	2	79,951	83,168	74,993	81,968	77,410
Depreciation and amortisation		69,033	68,473	65,567	70,220	66,776
Finance costs		20,246	22,010	20,006	20,469	20,627
Other expenses		79,522	78,383	74,486	91,978	78,639
Total expenditure		248,752	252,034	235,052	264,635	243,452
Operating surplus/(deficit)		85,018	75,776	64,933	80,026	65,173
Net gains/(loss)	3	(19,457)	565	(4,705)	(19,569)	(4,166)
Share of associates' surplus/(deficit)		-	-	-	1,033	1,433
Net surplus/(deficit) before tax		65,561	76,341	60,228	61,490	62,440
Income tax expense		-	-	-	13	(217)
Net surplus/(deficit) after tax		65,561	76,341	60,228	61,503	62,223
Other comprehensive revenue and expense						
Financial assets at fair value through other comprehensive revenue and expense		945	-	845	945	845
Gain/(loss) on property revaluations	4	280,468	227,644	1,114	287,763	1,114
Income tax on other comprehensive income		-	-	-	(605)	-
Impairment of revalued property, plant and equipment		(2,893)	-	(2,545)	(2,893)	(2,545)
Other revaluation reserve movements		(6,864)	-	(612)	(6,864)	(92)
Total comprehensive revenue and expense		337,217	303,985	59,030	339,849	61,545
Total comprehensive revenue and expense attributable to:						
Hamilton City Council		337,217	303,985	59,030	339,003	61,420
Non-controlling interest		-	-	-	846	125
CHANGES IN EQUITY TO 30 JUNE						
Equity at the beginning of the year		3,589,090	3,606,403	3,530,060	3,639,477	3,580,191
Total comprehensive revenue and expense attributable to Hamilton City Council		337,217	303,985	59,030	339,003	61,420
Total comprehensive revenue and expense attributable to non-controlling interest		-	-	-	846	125
Non controlling interest de-recognition		-	-	-	-	(3,547)
Pre-completion dividend		-	-	-	-	608
Issue of NZFIW shares		-	-	-	-	1,200
Equity at the end of the year		3,926,307	3,910,388	3,589,090	3,979,326	3,639,477
Total equity at the end of the year attributable to:						
Hamilton City Council		3,926,307	3,910,388	3,589,090	3,975,127	3,636,124
Non-controlling interest		-	-	-	4,199	3,353
FINANCIAL POSITION AS AT 30 JUNE						
Current assets	5	84,378	71,365	123,245	86,961	133,466
Non-current assets	6	4,356,985	4,438,690	3,976,766	4,416,875	4,026,547
Total assets		4,441,363	4,510,055	4,100,011	4,503,836	4,160,013
Current liabilities	7	94,127	127,935	127,986	95,606	129,695
Non-current liabilities	8	420,929	471,732	382,935	428,904	390,841
Accumulated comprehensive revenue and expense		1,825,150	1,801,331	1,756,116	1,840,928	1,776,282
Other reserves		2,061,447	2,069,215	1,792,933	2,094,489	1,819,801
Restricted reserves		38,395	38,587	38,163	38,395	38,163
Council created reserves		1,315	1,255	1,878	1,315	1,878
Non-controlling interest		-	-	-	4,199	3,353
Total equity and liabilities		4,441,363	4,510,055	4,100,011	4,503,836	4,160,013
CASH FLOWS TO 30 JUNE						
Opening cash and cash equivalents balance at 1 July		48,414	39,149	27,121	48,907	28,021
Net cash inflows/(outflows) from operating activities		109,604	110,556	90,350	104,969	90,065
Net cash inflows/(outflows) from investing activities		(92,093)	(199,354)	(54,546)	(87,309)	(50,921)
Net cash inflows/(outflows) from financing activities		(14,436)	99,149	(14,511)	(14,996)	(18,258)
Closing cash and cash equivalents balance at 30 June		51,489	49,500	48,414	51,571	48,900

NOTES

- Other revenue was favourable to budget by \$4.5M. The main contributors were:
 - Development contributions, capital contributions and vested assets higher than budget due to high growth in the city.
 - Fees and charges were favourable due to higher building consents, events facilities and parking fees.
 - NZTA capital subsidies were unfavourable to budget due to various capital projects such as the Peacocke subdivision and Ring Road projects progressing more slowly than anticipated.
 - Other revenue was unfavourable due to the HIF fair value benefit not being realised due to less development occurring than expected.
- Staff remuneration was favourable against budget by \$3.2M due to vacancies across the organisation. Additionally, there were budgeted positions that were not recruited due to deferred capital projects.
- Council did not budget for losses due to the unpredictable nature of these items. There was a net decrease in the revaluation of interest rate swaps by \$14.2M and net book value write-down of assets that have been renewed by \$5.8M.
- The gain on revaluations is due to an increase in the value of stormwater, wastewater, water treatment and land more than budgeted.
- Current assets were favourable to budget due to the NZTA receivable and GST refund for May and June 2019 not being received until after balance date. There was also more cash on hand due to less cash being used to fund capital expenditure than initially expected.
- Non-current assets were unfavourable due to less capital spend in the year than budgeted.
- Current liabilities were favourable to budget by \$33.8M. The main contributors were:
 - Current borrowings were favourable to budget due to lower capital projects spending and more cash received through fees and charges and development contributions.
 - Payables were higher due to accruals created for city development and transportation work completed in June 2019 that were larger than initially budgeted for.
- Non-current liabilities were favourable to budget by \$50.8M. The main contributors were:
 - Term borrowings were favourable to budget due to lower capital projects spending and more cash received through fees and charges and development contributions.
 - Provisions were favourable to budget as a result of the landfill provision being lower than budget due to estimated cash flows for the provision being lower each year and the discount rate being slightly higher.
 - Derivative financial instrument liabilities were unfavourable to budget due to unfavourable movements in market interest rates.

ACCOUNTING POLICIES

Hamilton City Council is a territorial authority governed by the Local Government Act 2002.

The Group consists of the ultimate parent, Council, and its subsidiaries, Vibrant Hamilton Trust (100% controlled) and Waikato Growth Innovation Ltd (100% owned). The associate, Waikato Regional Airport Ltd, is equity accounted.

The summary financial statements of the Council and Group are for the year ended 30 June 2019.

Council has designated itself and the Group as a public benefit entity as defined under the PBE International Public Sector Accounting Standards (PBE IPSAS).

These financial statements have been prepared in accordance with Tier 1 PBE accounting statements and generally accepted

accounting practice in New Zealand (NZ GAAP). The full financial statements make an explicit and unreserved statement of compliance with PBE Standards for each period presented in this summary annual report.

Council's summary annual report complies with PBE Financial Reporting Standards 43 (PBE FRS 43) Summary Financial Statements.

All amounts are shown in New Zealand dollars and are rounded to the nearest thousand dollars (\$000).

CAPITAL COMMITMENTS AND CONTINGENCIES

Council has capital contract commitments of \$181.4M (2018 \$71.9M).

Council has one contingent asset: it is a 63% capital beneficiary of the WEL Energy Trust. Given the uncertainty surrounding the life of the Trust, Council is unable to accurately establish the appropriate value of its share.

Contingent liabilities, which are dependent on future events, are \$3.0M (2018 \$2.9M).

Council has identified two unquantified contingent liabilities. The first is in respect to ongoing legal action against Carter Holt Harvey, and the second in respect to a limited number of holiday-related payments to employees that Council is investigating.

RECLASSIFICATION ADJUSTMENTS FOR THE COUNCIL AND GROUP

Reclassification adjustments were made to the Statement of Comprehensive Revenue and Expense, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Funding Impact Statements to align with the presentation and new group of activities set out in the 2018-28 10-Year Plan.

RELATED PARTIES

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates, use of Council facilities, etc).

EVENTS AFTER BALANCE DATE

There have been no events after balance date.

DISCLAIMER

The specific disclosures included in this summary annual report have been extracted from the full annual report and were authorised for issue by the Chief Executive on 26 September 2019.

These summary financial statements do not include all of the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full annual report.

This summary cannot be expected to provide as complete an understanding as provided by the full annual report of the financial and service performance, financial position and cash flows of Hamilton City Council.

The summary has been examined for consistency with the full annual report and was audited by Audit New Zealand on behalf of the Office of the Auditor-General. The summary has been examined for consistency with the full annual report and was audited by Audit New Zealand on behalf of the Office of the Auditor-General. The full annual report (other than the service performance measures) received an unmodified audit opinion on 26 September 2019. A modified opinion was received on the service performance measures due to inaccuracies identified in the average processing times for non-notified land use and subdivision resource consents.

The full annual report can be obtained from our website - hamilton.govt.nz/annualreport - or from the Hamilton City Council main office.

AUDIT OPINION

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF HAMILTON CITY COUNCIL AND GROUP'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

The summary of the annual report was derived from the annual report of the Hamilton City Council and group (the City Council) for the year ended 30 June 2019.

The summary of the annual report comprises the following summary statements on pages 18-21:

- the summary statement of financial position as at 30 June 2019;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2019;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the non-financial summary.

OPINION

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

SUMMARY OF THE ANNUAL REPORT

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

THE FULL ANNUAL REPORT AND OUR AUDIT REPORT THEREON

In our auditor's report for the year ended 30 June 2019 dated 26 September 2019 on Hamilton City Council and group's annual report we expressed an unmodified audit opinion on the information we audited, other than the statement of service performance, upon which we issued a modified audit opinion because our work was limited in relation to resource consent processing time measures.

COUNCIL'S RESPONSIBILITY FOR THE SUMMARY OF THE ANNUAL REPORT

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS 43: *Summary Financial Statements*.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Other than our audit of Hamilton City Council's annual financial statements and performance information and our assignment in the area of the debenture trust deed and other assurance engagements over the tender process for the review of aspects of decision-making related to the Victoria River Precinct and the procurement of professional services for the Peacocke Housing Infrastructure project we have no relationship with or interests in the City Council or its subsidiaries. Other than these engagements we have no relationship with, or interests in the City Council or its subsidiaries.

Clarence Susan,
Audit New Zealand
On behalf of the Auditor General
Tauranga, New Zealand
26 September 2019



FURTHER INFORMATION

Hamilton City Council
Garden Place, Private Bag 3010, Hamilton

 info@hcc.govt.nz

 07 838 6699 (24-7)

 hamilton.govt.nz/

 [/hamiltoncitycouncil](https://www.facebook.com/hamiltoncitycouncil)

Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of Audit and Risk Committee Minutes - Public Excluded - 3 September 2019) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	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)
----------	--	-------------------