

ITEM 6

2015-25 LONG TERM PLAN

Report Author	Chief Financial Officer, Paul Conder
Report Authoriser	Chief Executive, Richard Briggs
Assessment of Significance	The recommendations included in this report are considered significant when assessed against Council's Significance and Engagement Policy

1. Purpose of this Paper

- 1.1. Council are asked to approve the Draft Budget documents required for audit.

2. Executive Summary

- 2.1. Council are requested to approve the Draft Forecast Financial Statements, Draft Funding Impact Statements, Draft Financial Strategy, Draft Significant Forecast Assumptions and Draft Long Term Plan Disclosure Statement required for audit during the next month.
- 2.2. They have been prepared based on the budget approved by Council at its meeting which concluded on 4th February 2015 and incorporate the proposals approved by Council at that meeting.
- 2.3. They will be included in the 2015-25 10 Year Plan and are also considered by Audit NZ as part of their audit of the 2015-25 10 Year Plan Consultation Document. The audit has already commenced.
- 2.4. Audit NZ are due to provide to Council on 25th March an opinion on the Consultation Document, which Council will then be requested to approve for release.
- 2.5. At the budget meeting that concluded on 4th March, Council also asked for additional information on Aquatic Facilities, Sports Grounds Rubbish & Recycling. This information is attached.
- 2.6. A funding proposal for the River Plan which is included in the draft budget is also attached.

3. Proposal Recommendations

Aquatic Facilities:

1. That \$4.850m capital expenditure commencing in 2022/23 year and associated net operating impacts for a new 25m pool at Waterworld be funded in the draft 2015-25 10-Year Plan.
2. That Council address the longer term shortfall in pool space by including in the 30-Year Infrastructure Strategy a new Aquatic Facility that services Rototuna in years 11 – 15.
3. That Council considers the options for the Municipal Pool, and undertakes public consultation on permanent closure of the Municipal Pool as part of the 2015-25 10-Year-Plan consultation.

Sports Parks:

4. That \$4.8m capital expenditure in years 2021/22 to 2024/25 and associated net operating impacts for the development of the Rototuna Sports fields be funded in the draft 2015-25 10-Year Plan.
5. That \$2.005m capital expenditure in years 2023/24 to 2024/25 and associated net operating impacts for

improvements to field irrigation, drainage and enhanced turf maintenance is funded in the draft 2015-25 10-Year Plan.

Rubbish and Recycling (Solid Waste):

6. That the report be received.

River Plan:

7. The following amounts are allocated in the 2015 – 25 10-Year Plan from the operating budget to fund implementation of the River Plan:
 - 2015/16 - \$250,000
 - In each subsequent year - \$500,000.
8. Additional funding required for specific projects will be recommended through funding models approved by Council.

4. Financial Recommendations

Draft Financial Statements:

1. That Council approve the Draft Forecast Financial Statements for audit.
2. Council amend its previous resolution to introduce a targeted rate by removing “...three financial years (from 2016/17 to 2018/19)...” and substituting with the following: “...three financial years (from 2017/18 to 2019/20)...”.

Draft Funding Impact Statements:

3. That Council approve the Draft Council Funding Impact Statement and the Group of Activities Funding Impact Statements for audit.

Draft Financial Strategy:

4. That Council approve the Draft 2015-25 Financial Strategy for audit.

Draft Significant Forecast Assumptions:

5. That Council approve the Draft Significant Forecast Assumptions for audit.

Draft Long Term Plan Disclosure Statement:

6. That Council approve the Draft Long Term Plan Disclosure Statement for audit.

Draft Asset Sales Schedule:

7. That Council approves the updated Asset Sales Schedule and the recommendations outlined against each of the seven categories of properties.

5. Attachments

- Aquatic Facilities – Unfunded proposal
- Sports Parks – Unfunded proposal
- River Plan – Funded proposal
- Rubbish & Recycling – Additional information
- Draft Forecast Financial Statements
- Draft Funding Impact Statements
- Draft Financial Strategy
- Draft Significant Forecast Assumptions
- Draft Long Term Plan Disclosure Statement
- Asset Sales Schedule

6. Aquatic Facilities – Unfunded Proposal

- 6.1. Council requested additional information in relation to this proposal. An updated proposal is attached. No allowance is included in the Draft Financial Statements for this proposal.

7. Sports Parks – Unfunded Proposal

- 7.1. Council requested additional information in relation to this proposal. An updated proposal is attached. No allowance is included in the Draft Financial Statements for this proposal.

8. Rubbish & Recycling (Solid Waste)

- 8.1. Council requested additional information in relation to the Solid Waste. An updated proposal is attached.
- 8.2. No change to the Draft Financial Statements is proposed, though final confirmation of Council's direction in relation to user charges is sought. This will enable this to be included in the procurement plan for the next contract term commencing 1 July 2017.

9. River Plan – Funded Proposal

- 9.1. Information in relation to funding the implementation of the River Plan is attached. The amount proposed is included in the Draft Financial Statements.

10. Financial Consequences of proposals

- 10.1. If the recommendations included in the two unfunded proposals are accepted, the Draft Financial Statements will require amendment to reflect the change. The proposals can be accommodated collectively within the approved Financial Strategy debt limit.

11. Draft Financial Statements

- 11.1. A long term plan must include Draft Financial Statements (technical name is Draft Forecast Financial Statements or "Draft Forecast FS") as required by Schedule 10 Local Government Act 2002 ("LGA 2002") for the coming 10 years. These Draft Forecast FS are required to be audited (s94 LGA 2002). They must be prepared in accordance with the Tier 1 Public Benefit Entity accounting standards to meet Generally Accepted Accounting Practice.
- 11.2. Council is being asked to approve these for Audit.
- 11.3. The Draft Forecast FS are attached and consist of:
- Prospective Statement of Comprehensive Income and Expense
 - Prospective Statement of Financial position

- Prospective Statement of Cashflow
 - Prospective Notes to the Accounts
- 11.4. The Draft Forecast FS have been prepared from the draft Budget approved by Council on 4 February 2015, incorporating the proposals approved at that time and the current status of matters at the end of the meeting.
- 11.5. The proposals included following approval by Council at the meeting were:
- Founders Theatre Upgrade
 - Indoor Recreation Centre
 - Smart Parking Technology
 - LED street Lighting
 - Heritage Fund
- 11.6. An allowance is made in 2018 (from 1 July 2017) to provide Recycling Wheelie Bins to each household.
- 11.7. A targeted rate is included for Recycling Wheelie Bins over three years as approved by Council. The targeted rate has been realigned in the Draft Forecast FS to start from 1 July 2017 when the associated service will commence. As the provision of Recycling Wheelie Bins is an operating cost not capital cost, the targeted rate can not commence at an earlier date than the service begins.
- 11.8. Council will need to amend its previous resolution to reflect the change in date for application of the targeted rate.
- 11.9. The following amendments are included in the Draft Forecast FS:
- Funding for the River Plan as outlined elsewhere in the paper.
 - A small number of infrastructure related items that had been treated as maintenance expenditure were reviewed and found to be capital in nature. This has now been correctly classified.
 - Additional operational savings have been identified and reflected, as part of the CEO Support Services review.
- 11.10. The net result of these changes has been an improvement to both the “Balancing the Books” and Accounting surpluses. There has been no impact on overall debt levels.
- 11.11. Council requested additional information on two proposals (Aquatic Facilities and Sports Grounds) and this is included in the Agenda for consideration at the meeting. As these were not approved they have not been included in the Draft Forecast FS.
- 11.12. The Draft Forecast FS have been fully reconciled (incorporating changes as noted) to the draft Budget approved at the beginning of February.

12. Draft Funding Impact Statements

- 12.1. A Long Term Plan must include a Funding Impact Statement for the organisation as a whole, and Funding Impact Statements for each group of activity. These must be audited (s94 and Schedule 10 of LGA 2002).
- 12.2. The Funding Impact statements must be presented in accordance with the layout specified in the Local Government (Financial Reporting and Prudence) Regulations 2014 (Forms 2 & 3 of Schedule 2).

- 12.3. The Funding Impact Statements show sources and uses of funds in delivery of both the operating and capital programmes within an activity, or Council as a whole, over the 10 Year Plan.
- 12.4. The Draft Funding Impact Statement for the organisation includes three elements:
- Rating Information
 - Rates samples
 - The Funding Impact statement financial table.
- 12.5. It should be noted that the Rating Information and Rates could be amended when rating policies are finalised and reviewed from a legal perspective.
- 12.6. The Draft Funding Impact Statements for each group of activities only includes the required table.
- 12.7. The Draft Funding Impact Statements have been fully reconciled to the Draft Budget as approved on 4 February (incorporating changes as noted) and are attached.

13. Draft Financial Strategy

- 13.1. Council at its meeting on 9 and 10 December 2014 and 3 and 4 February 2015 considered the Draft Budget for inclusion in the 2015-25 Long Term Plan.
- 13.2. As part of that meeting they considered and approved the Financial Strategy limits. The Draft Financial Strategy has been updated to reflect the outcomes from the meeting on 3 and 4 February 2015.
- 13.3. The Draft Financial Strategy is attached.

14. Draft Significant Forecast Assumptions

- 14.1. Council is required to include the Significant Forecasting Assumptions in its Long Term Plan and this is required to be audited.
- 14.2. Council at its meeting on 9 and 10 December 2014 and 3 and 4 February 2015 considered the Draft Budget for inclusion in the 2015-25 Long Term Plan. As part of that meeting they considered and approved the Significant Forecast Assumptions and this document reflects the outcomes from the meeting.
- 14.3. The Draft Significant Forecast Assumptions which reflect the outcomes from the meeting on 3 and 4 February 2015 are attached.

15. Draft Long Term Plan Disclosure Statement

- 15.1. Council is required to include the measures contained in the Local Government (Financial Reporting and Prudence) Regulations 2014 (“the regulations”) in its Long Term Plan.
- 15.2. These must be provided in the prescribed format contained in Schedule 6 of the regulations. The regulations are very specific (to the extent of graph colours).

- 15.3. The Draft Long Term Plan Disclosure Statement is attached.
- 15.4. All measures are required by the regulations. Three of the targets used are directly related to the limits included in the Draft 2015-25 Financial Strategy. The remainder are specified by the regulations.
- 15.5. The measures presented are:

Rates (Income) Affordability – based on the rating limit set by Council in the 2015-25 Financial Strategy of not exceeding 0.627% of total capital value

Rates (Increase) Affordability – based on the rating limit set by Council in the 2015-25 Financial Strategy of no more than 3.8% excluding approved targeted rates.

Debt affordability benchmark – based on the limit set by Council in the 2015-25 Financial Strategy of reducing debt to be no more than 200% of revenue by 2021 and then remaining there.

Balanced Budget Benchmark – this measure is NOT Council’s own “Balancing the Books” measure. It is a much more conservative measure excluding development & financial contributions, vested assets, revaluations of property, plant & equipment or any gains on derivative financial instruments.

Essential Services Benchmark – a measure of Council’s planned capital programme for essential services against depreciation to ensure Council is adequately maintaining assets.

Debt Servicing Benchmark – A measure to ensure Council’s are able to adequately cover their borrowing costs.

- 15.6. The Balanced Budget Benchmark (calculated as the ratio of adjusted revenue /expenses and expressed as a percentage) is not met for the first four years of the plan. The measure in the regulations differs from Council’s Balancing the Books measure as it removes growth related revenue but retains all associated costs including interest. This disadvantages councils subject to high growth. A statement explaining why measure a balanced budget according to the prescribed format is inappropriate for the City is contained in the disclosure document.

Table 1: Comparison of Government “Balanced Budget Benchmark” (Revenue / Expense ratio %) with Balancing the Books Surplus/(Deficit) expressed as a Revenue / Expense ratio %

\$000	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Balanced Budget Benchmark Surplus/(Deficit)	92%	96%	97%	97%	100%	102%	103%	102%	104%	104%	106%
Balancing the Books Surplus/(Deficit)	(3,266)	771	2,818	3,384	8,545	13,198	17,133	14,288	19,933	22,431	26,127
Balancing the Books (Revenue / Expenses ratio)	98%	100%	101%	102%	104%	106%	107%	106%	108%	109%	110%

- 15.7. As required by the LGA 2002 (s100 (2) and Schedule 10, cl 14), Council must make a resolution at the time of adopting the 10 year Plan (in June 2015) if it will not meet the Balanced Budget Benchmark for any years of the plan. It is also required to make a comment in the 10 Year Plan explaining why it does not and the implications.
- 15.8. The proposed comment is included at the end of the Draft Long Term Plan Disclosure Statement, attached to this agenda. This is the only place that Council’s can add commentary or explanation to this statement.

16. Draft Asset Sales Schedule

- 16.1. The Draft Budget does not include anticipated proceeds from asset sales. This is because there is no certainty as to the value or timing of a sale. An updated Assets sales Schedule is attached.
- 16.2. The attached schedule indicates properties that have previously been identified for possible sale and the current intent in relation to possible sale.
- 16.3. Council reviews the schedule through the Finance Committee.
- 16.4. No significant change is recommended.

17. Chief Executive's Review of Support Services

- 17.1. The Chief Executive has previously indicated to Council a review is underway within support services to ensure that these functions operate effectively and efficiently.
- 17.2. The Chief Executive will brief Council on progress separately to this meeting.
- 17.3. As a result of the review some savings have been identified and are included in the operational savings noted at paragraph 11.9.

18. Consultation Document Update

- 18.1. The Consultation Document is being prepared and will be formally adopted for public consultation on 25th March.

19. Draft Infrastructure Plan Update

- 19.1. The Infrastructure Plan is being prepared and will be approved as underlying information on 25th March before formally adopted on 30th June.

20. Audit of Long Term Plan

- 20.1. The Audit of the 2015-25 Long Term Plan is now underway.
- 20.2. Audit of the Draft Consultation Document commences on 23rd February 2015, with Audit New Zealand expected to provide to Council an opinion on 25th March 2015. Audit New Zealand must complete its own internal quality review processes on 16th March 2015 to achieve these dates.
- 20.3. As part of the audit, Audit New Zealand will receive:
 - Draft Forecast Financial Statements,
 - Draft Funding Impact Statements
 - Related Council Policies

- Draft Consultation Document
- Draft Infrastructure Strategy
- Other supporting information they may require

21. Timetable

21.1. Key dates leading to the release of the Consultation Document of the 10 Year Plan are:

25 February	This meeting
6 March	Council receive the draft Consultation Document and draft Infrastructure Plan
11 March	Council workshop to consider the draft Consultation Document and draft Infrastructure Plan
25 March	Council meeting to receive Audit NZ feedback and approve Consultation Document for release to public
1 April	Consultation commences

Aquatic Facilities

Unfunded Proposal

Proposal

The proposal is to build a new 25m pool at Waterworld commencing in 2022/23 to address current and future pool space shortages that exist, particularly during winter.

The draft 10-Year Plan budget does not include any funding for the proposal and options in this report.

Summary

During the Council meeting held 3 February, staff presented a proposal to enclose and heat the existing Lido Pool at Waterworld. Following a request for more information, staff have reviewed the proposal. This report presents further details on the options, and recommendations. The final recommendation has changed.

There are current and projected pool space shortages in Hamilton, particularly during the winter months. Both the Regional Sports Facility Plan¹ and the Opus Review² identify a current capacity issue with insufficient learn to swim and leisure swimming space. All year round pool provision in Hamilton City is 1,650m² and summer provision is 4,112m². The current identified shortage in pool space throughout the winter months is 805m².

Continuing with the status quo in existing facility provision over the next ten years is expected to have the following impact:

- Increased pressure on indoor pool space during peak times to meet the demands of leisure, club/lane swimming and water sports.
- Lower participation in swimming resulting in decreased water confidence.
- Decreasing customer satisfaction in aquatic facility provision as Hamilton continues to grow.

The Council has five options to address the deficiency:

1. Build a new 25m pool at Waterworld
2. Enclose and heat the outdoor Lido Pool at Waterworld
3. Increase the contribution to the partner pool programme
4. Fund a new Aquatic Facility at Rototuna
5. Refurbish the Municipal Pool

This report outlines the capital and operational expenditure for each of the options. It also provides an overview of the proposed functionality and use for each option, and the associated revenue potential. All figures within this report are estimates only. Final costs will depend on design and specifications and will be reflected in a business case.

The following recommendations are based on this cost-benefit analysis, while also considering the findings of the National Facilities Strategy for Aquatic Facilities³, the Waikato Regional Sports Facilities Plan¹ and the Opus Review². All of which recommends that investment in existing facilities is prioritised.

¹ Sport Waikato (2014), *Waikato Sports Facilities Review 2014*

² Opus (2014), *Hamilton City Council Aquatic Facility Review 2014*

³ Sport NZ (2013) *National Facilities Strategy – Aquatic Facilities*

Recommendations

1. That \$4.850m capital expenditure commencing in 2022/23 year and associated net operating impacts for a new 25m pool at Waterworld be funded in the draft 2015-25 10-Year Plan.
2. That Council address the longer term shortfall in pool space by including in the 30-Year Infrastructure Strategy a new Aquatic Facility that services Rototuna in years 11 – 15.
3. That Council considers the options for the Municipal Pool, and undertakes public consultation on permanent closure of the Municipal Pool as part of the 2015-25 10-Year-Plan consultation.

Background

Aquatic facilities are not a legal requirement; however, the Local Government Act 2002 states that recreational facilities are an activity that local authorities may provide.

The Council currently operates two aquatic facilities: Gallagher Aquatic Centre (Glenview) and Waterworld (Te Rapa). These facilities are used for a variety of purposes, including:

- organised swimming clubs and other water sports;
- learn to swim programmes, recreational swimming; and
- school holiday programmes.

The Municipal Pool has been closed since June 2012. The current cost to manage the site (security and maintenance) is \$10,000 per year. To remove the pool structure and reinstate the site would be an estimated operational cost of \$670,000 per annum. The Waikato Sports Facility Plan recommends that Council closes the Municipal Pool permanently.

As Hamilton's population increases, pool demand is expected to increase, particularly by those in older age groups. There is an existing shortage of pool space at Council swimming facilities. This issue is most evident at peak times when at Waterworld the 25m pool is dedicated to Learn to Swim activities and the 50m pool can often be used:

- up to 5 lanes being used by swim clubs (average 4 swimmers per lane)
- 2-3 lanes available for public lane swimming (with up to 8 swimmers per lane)

The pool space is actively being managed on a half hourly basis at these times and adjustments are constantly being made to make space available for public use. Casual users pay \$6 per admission but concession cards can be purchased with rates ranging from \$4.16 per swim (30 swims) to \$4.70 per swim (10 swims).

Swim clubs make up 5% of all users of the swimming facilities, with Fairfield and Ace swimming clubs based out of Waterworld and Hillcrest Swimming Club based at Gallagher. Swim clubs book entire lanes for training sessions and pay for lanes on a bulk basis at \$11 each hour per 25m lane during peak times (\$2.75 per swimmer based on an average of four swimmers per lane).

Other user groups include aqua education (schools), learn to swim, casual lane swimmers, leisure swimmers, families, community groups, hydrotherapy users, Club Aqua members and various water sports (diving, waterpolo, synchronised swimming and kayaking).

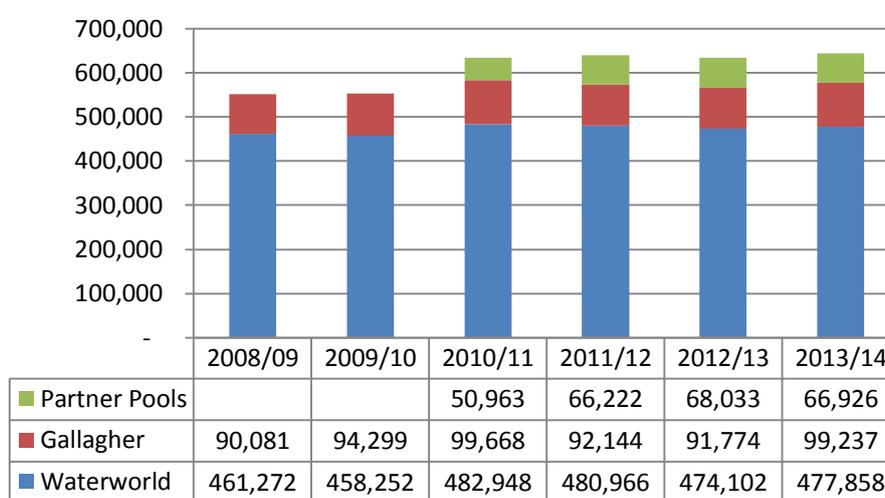
Council has a 3 year agreement with Swimming New Zealand (National Sporting Organisation) to provide a minimum of 10 regional and national swim meets at Waterworld per annum.

The different user groups have different requirements for their pool space.

Table 1 User Groups' requirements

	Pool Depth		
	0.8-1.2m	1.0-1.8m	2.0-2.4m
26-27 degrees			Club and competitive Swimming Aqua Jogging Water Polo
28-29 degrees		Learn To Swim School groups Leisure Play Leisure swimming Aqua Jogging	Leisure Swimming Inflatables Aqua Jogging
30-31 degrees	Learn To Swim Leisure Play	Learn To Swim Leisure Play Holiday Programme	

Figure 1 Pool Visitor Numbers 2008 – 2014



Council operates a partner pool programme with four partner pools (Fairfield College; Te Rapa Primary School; University of Waikato; Hillcrest Normal School). Since 2011/12 more than 66,000 visitors have used the partner pools each year. All partner pools are outdoor pools, and only open during the summer season, so do not address the winter capacity shortfall.

The MoE no longer funds school pools, and swimming standards of children is declining at a significant rate⁴.

User surveys reflect minimal spare capacity at Waterworld during peak hours over both summer and winter. The Waikato Regional Sport Facility Plan⁵ and a review undertaken by Opus⁶ both state greater aquatic facility provision is required in Hamilton in the future.

The Issue

The issue facing the swimming facilities in Hamilton are related to pool space availability. This has been identified through the following;

- The Waikato Regional Sport Facilities Plan (2014) found that the majority of Hamilton schools rely on the council provided pools for their swimming education. The Plan recommends the closure of the Municipal Pool, and further investment in existing facilities.

⁴ <http://watersafety.org.nz/statistics/>

⁵ Visitor Solutions (2014) Waikato Sport Facility Plan

⁶ Opus (2014) Aquatic Facilities

- The Opus review of Aquatic Facilities in Hamilton found that there is a current and future demand for increased pool space, especially during winter. The review recommends closure of the Municipal Pool, and upgrade of the Lido Pool at Waterworld to accommodate all-year use of the pool.
- Regular customer complaints are received about lack of pool space, particularly from recreational swimmers.

Options

To address the current swim space deficiencies in Hamilton there are five options for Council to consider:

Option 1: New 25m pool at Waterworld (Recommended)

In response to pool space shortage in Hamilton, it is possible that a new 25m pool could be added to the existing facilities at Waterworld. Figure 2 below illustrates the proposed location of a new pool. A new 25m pool is the preferred option for the following reasons:

- Utilisation of space currently not used
- Ensures continuous flow between the main pool hall and the proposed new pool
- Allows good sight lines for lifeguards supervising both the existing 50m and proposed 25m pools
- Can be used for warm-up to competitions in the 50m or dive pool
- Can be used by a variety of user groups and customers
- Visible from the Grandstand
- Minimum interruption to existing facilities during construction.

Figure 2 Site illustration of new 25m pool at Waterworld



A proposed new 25m pool can be used to accommodate leisure swimming and young families, creating increased availability of the 25m learners pool for Learn to Swim lessons.

There are four alternative options for a new 25m pool at Waterworld of varying depths and width. The financial impact of each are outlined below with further detail provided in the Summary of Options (Table 2). The increase in operational expenditure for adding another pool to the complex will be offset by increased revenue from increased visitor numbers and learn to swim programmes (currently a waiting list). The increase to operational costs to maintain and operate a new 25m pool includes:

- Additional life guards
- Cost of heating (can be minimised depending on design and insulation specifications)
- Additional chemicals
- Plant room maintenance

A. 20m x 25m (8 lanes) with adjustable floor 0.8m to 2.4m

Financial Impact

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue									430	430	860
Operating Expenditure									(390)	(390)	(780)
Net Capital Expenditure								(4,850)			(4,850)
Net Benefit/(Cost) to Council								(4,850)	40	40	(4,770)

Impact on 10 Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure								(192)	(346)	(366)	(904)
Cumulative Impact on Debt Measure								(6,103)	(6,448)	(6,815)	(6,815)

The proposal increases the net operating surplus by \$80,000 over 10 years. Cumulatively with additional capital expenditure of \$4.85m and interest this adds an estimated \$6.815m to the net debt position at the end of 2024/25. This is not included in the budget.

B. 20m x 25m (8 lanes) with a sloping floor 1.2m – 1.8m

Financial Impact

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue									410	410	820
Operating Expenditure									(365)	(365)	(730)
Net Capital Expenditure								(4,200)			(4,200)
Net Benefit/(Cost) to Council								(4,200)	45	45	(4,110)

Impact on 10 Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure								(166)	(286)	(303)	(755)
Cumulative Impact on Debt Measure								(5,285)	(5,571)	(5,873)	(5,873)

The proposal increases the net operating surplus by \$90,000 over 10 years. Cumulatively with additional capital expenditure of \$4.2m and interest this adds an estimated \$5.873m to the net debt position at the end of 2024/25. This is not included in the budget.

C. 25m x 25m (10 lanes) with sloping floor 1.2m – 1.8m

Financial Impact

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue									430	430	860
Operating Expenditure									(405)	(405)	(810)
Net Capital Expenditure								(4,700)			(4,700)
Net Benefit/(Cost) to Council								(4,700)	25	25	(4,650)

Impact on 10 Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure								(186)	(353)	(374)	(913)
Cumulative Impact on Debt Measure								(5,914)	(6,267)	(6,641)	(6,641)

The proposal increases the net operating surplus by \$50,000 over 10 years. Cumulatively with additional capital expenditure of \$4.7m and interest this adds an estimated \$6.641m to the net debt position at the end of 2024/25. This is not included in the budget.

D. 25m x 25m (10 lanes) with adjustable floor 0.8m to 2.4m

Financial Impact

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue											0
Operating Expenditure											0
Net Capital Expenditure										(5,400)	(5,400)
Net Benefit/(Cost) to Council										(5,400)	(5,400)

Impact on 10 Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure										(230)	(230)
Cumulative Impact on Debt Measure										(7,289)	(7,289)

The proposal does not impact on the 10-Year-Plan operational budget. From 2025/26 it increases the net operating surplus by \$20,000 per year. Cumulatively with additional capital expenditure of \$5.4 and interest this adds an estimated \$7.289m to the net debt position at the end of 2024/25. This is not included in the budget.

Figure 2

Concept drawing of a potential 20x25 metre pool



Option 2: Enclose and heat the outdoor Lido Pool at Waterworld

There is an opportunity for the Council to meet the capacity demand at Waterworld by enclosing the outdoor Lido Pool. The Opus Review recommends this option, maximising existing facilities to address current capacity issues.

The outdoor Lido Pool at Waterworld is currently open from Labour Day to Easter (summer months only). It is currently unused during winter because it is too cold to swim in. Enclosing and heating this pool would extend the use of this pool to all year round.

This option would address the short-term need for increased hours for leisure and lane swimming in winter, by providing an additional 800m² of pool space.

This option is significantly less cost to Council than a new build in the short term and will not result in an over-supply of pool space through summer because it has existing leisure uses during the summer months.

The estimated capital cost to enclose and heat the Lido is \$4,850,000.

The increase in expenditure for extending hours of the Lido pool through winter will be offset by increased revenue from more winter visits and learn to swim programmes (currently a waiting list). The only increase to operational costs to keep the Lido Pool open all year are:

- Additional life guards (currently only staffed when open 10am-6pm, Labour Day to Easter, as weather permits)
- Cost of heating (can be minimised depending on design and insulation specifications)
- Additional chemicals (all year use)

The Lido Pool, if enclosed and heated, can be used to accommodate leisure swimming and young families, creating increased availability of the 25m learners pool to Learn to Swim lessons.

Financial Impact –Enclose Lido Pool

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue									290	290	580
Operating Expenditure									(253)	(253)	(506)
Net Capital Expenditure								(4,850)			(4,850)
Net Benefit/(Cost) to Council								(4,850)	37	37	(4,776)

Impact on 10 Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure								(192)	(349)	(370)	(912)
Cumulative Impact on Debt Measure								(6,103)	(6,452)	(6,823)	(6,823)

The proposal increases the net operating surplus by \$74,000 over 10 years. Cumulatively with additional capital expenditure of \$4.85m and interest this adds an estimated \$6.823m to the net debt position at the end of 2024/25. This is not included in the budget.

Option 3: Hamilton Partner Pools

Council could expand the partnership pools programme. Swimming Waikato made a submission to the 2014/15 Annual Plan requesting an extension to the Partner Pool programme to increase capacity.

As the current need is to address the winter shortfall, there are limitations to the partner pool programme with the current pools only providing summer access and few pools open during the winter months; however the following options are available to Council:

- A. Fund the enclosure of an existing partner pool. Of the four pools currently used, Fairfield College would be the most appropriate for this given the size of the pool and associated amenities at the site. However, a comparative analysis with Clive Aquatic Facility (Hawkes Bay) indicated the project cost to do so would be around \$1.6m. This would be treated as an operational grant, as it will be investing in a non-Council owned asset. It would still not fully address capacity concerns as it would remain available only outside school hours.

Fairfield College would need to be consulted with on this option, prior to a Council intention to fund.

Financial Impact –Enclosing Fairfield College Pool

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue											
Operating Expenditure								(1,600)			(1,600)
Net Capital Expenditure											
Net Benefit/(Cost) to Council								(1,600)			(1,600)

Impact on 10 Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure								(1,993)	(130)	(138)	(2,261)
Cumulative Impact on Debt Measure								(1,993)	(2,122)	(2,261)	(2,261)

Cumulatively with additional capital expenditure of \$1.6m and interest this adds an estimated \$2.261m to the net debt position at the end of 2024/25. This is not included in the budget.

- B. Expand the partnerships programme to include Hamilton Boys High School at an additional cost of \$20,000 per annum. Hamilton Boys High is proposing to heat their pool through winter. While the pool will not be enclosed at this stage, it will provide additional public access in summer and winter. The proposal is for Hillcrest Swim Club to utilise the pool on weekdays and Saturday morning which will free up the Gallagher Aquatic Centre pool space at this time. This would increase pool provision in the winter months by 300 square metres. The level of community access to the school pool is yet to be determined..

Financial Impact –Additional Partner Pools

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue											
Operating Expenditure		(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(180)
Net Capital Expenditure											
Net Benefit/(Cost) to Council		(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(180)

Impact on 10 Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure		(21)	(23)	(25)	(27)	(30)	(32)	(35)	(38)	(42)	(274)
Cumulative Impact on Debt Measure		(21)	(44)	(69)	(97)	(126)	(159)	(194)	(232)	(274)	(274)

By expanding the Partner Pools programme to include an additional school pool, the impact will be an increase to the operational expenditure by \$180,000 over 10 years. Cumulatively with additional capital expenditure of \$4.85m and interest this adds an estimated \$274,000 to the net debt position at the end of 2024/25. This is not included in the budget.

- C. Contribute funding towards the U-Leisure toilet upgrade – U-Leisure made a submission to the 2014/15 Annual Plan requesting a contribution towards the upgrade of their toilet and changing facility (total cost \$225,000). This would be treated as an Operational Grant, as it is investing in a non-Council owned asset. A further request for funding was received in February 2015, for the amount of \$100,000 to paint their existing pool.

Funding an upgrade of the facility would not increase pool capacity but Council could opt to fund in support of the existing partner pool programme. Council made a capital grant of \$393,200 in 2007/2008 towards the U-leisure plant upgrade.

Financial Impact –University of Waikato / U-Leisure Pool

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue											
Operating Expenditure								(325)			(325)
Net Capital Expenditure											
Net Benefit/(Cost) to Council								(325)			(325)

Impact on 10 Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure								(405)	(26)	(28)	(459)
Cumulative Impact on Debt Measure								(405)	(431)	(459)	(459)

The proposal increases the net operating surplus by \$325,000 over 10 years. Cumulatively this adds an estimated \$459,000 to the net debt position at the end of 2024/25. This is not included in the budget.

Option 4: New Aquatic Facility – Rototuna

The Waikato Regional Sports Plan recommends building a new facility with a 25 metre pool, learn to swim pool and hydrotherapy pool in Rototuna within the next 4 to 10 years. The Opus Review supports building a new facility to support growing demand but not until at least 2025. Building sooner could result in an over-supply of pool space in summer and impact on current facility use.

A new aquatic centre and new library in Rototuna was included in Council's 2006 and 2009 10-Year Plans. Since this time:

- Council land use planning has contemplated an aquatic centre and library in the future Rototuna town centre.
- The Rototuna Structure Plan includes an aquatic centre and library in the town centre and Council has purchased land for this purpose. A joint Comprehensive Development Plan (CDP) for the town centre is being prepared in conjunction with the developer.

The estimated capital cost to build a new facility at Rototuna is \$15m. The estimated operational cost for a new facility is \$1.83m. This is offset by estimated \$838,540 revenue resulting in an estimated net cost to ratepayers of \$991,460.

Any new significant facility in Hamilton is likely to be used by residents outside of Hamilton and regional funding opportunities should be explored. A long-term scope for a new build in Rototuna allows for development of a fundraising plan including partnerships with education providers, other external funding options and other councils.

There is no legal requirement for Council to construct an aquatic facility in Rototuna and Council doesn't legally need to provide these facilities even if they are a key part of the CDP. However Council has collected Development Contributions for Community Infrastructure from Rototuna developments and is obliged to ensure this money is spent on growth related Community Infrastructure that services this area or refunded to developers.

Since Council anticipated a new aquatic centre and new library in Rototuna its 2006 and 2009 10-Year Plans, consents granted under Development Contribution Policies from 2006-13 included a charge for Community Infrastructure that was planned in Rototuna (aquatic centre and library). These projects are not included in the current Development Contributions Policy as they are not funded in the 2012-22 10-Year Plan.

To avoid the need to refund Development Contributions, staff recommend including construction of relevant Community Infrastructure in its 2015-25 10-Year Plan or 11-15 year period of the 2015-45 Infrastructure Strategy.

Financial Impact –New Aquatic Facility

A new Aquatic Facility at Rototuna is not affordable within the draft 2015-25 10-Year-Plan, as approved by Council 3 February.

It is recommended that Council address the longer term shortfall in pool space by including in the 30-Year Infrastructure Strategy a new Aquatic Facility that services Rototuna in years 11 – 15.

Option 5: Municipal Pool

When functioning, the Municipal Pool provided two outside heated pools – a 6 lane 25m pool and a learn to swim pool. A number of options have previously been presented to Council by the community group, Sink or Swim, and staff about bringing the pool up to the standard necessary for it to operate safely and efficiently.

A) Refurbish as Open Air Pool

A three-stage proposal to renovate and rebuild the Municipal Pool, with a total cost estimate of \$6,800,000 was presented to Council in July 2013. Stage One and Two could be affordable in Year 10 of the Draft 10-Year-Plan, if only this option is selected.

Stage One - \$4,100,000

Demolition of a number of parts of the facility, including the existing large pool, which are considered beyond repair, and the development of new changing rooms, office space, green space and relocation of the existing plant.

Stage Two - \$1,400,000

Construction of a new 25-metre pool suitable for junior swimming education, plus construction of a cafe or restaurant and a grandstand upgrade.

Stage Three - \$1,300,000

Construction of new boutique office space next to the pools and the Celebrating Age Centre.

Financial Impact –Refurbish Municipal Pool as Open Air pool

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue											
Operating Expenditure											
Net Capital Expenditure										(5,500)	(5,500)
Net Benefit/(Cost) to Council										(5,500)	(5,500)

Impact on 10 Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure										(234)	(234)
Cumulative Impact on Debt Measure										(7,424)	(7,424)

There will be no financial impact on the operational budgets within the 10 Year Plan. From Year 11 there will be an increase to the operational budgets by \$350,000 per annum. This will be partially offset by projected revenue of \$150,000, resulting in a net cost to ratepayers of \$200,000 per annum.

Cumulatively with additional capital expenditure of \$5.5m and interest this adds an estimated \$7.424m to the net debt position at the end of 2024/25. This is not included in the budget.

Figure 4 Architects impression – Municipal Pool



An all year Open Air swimming pool is not supported by staff. Although the pool may be heated, it will not be suitable for Learn to Swim lessons or family leisure time during the colder months. The Opus review identified a decreasing visitor trend to other Open Air pools in New Zealand.

B) Rebuild as an indoor heated pool

As an alternative to the Open Air refurbishment proposal, Opus⁷ provided a cost estimate of \$8,800,000 to enclose and heat the Municipal Pool to allow for all year swimming and activities within the pool. This is not affordable within the draft 2015-25 10-Year-Plan as approved by Council 3 February. The project could proceed if completed over two financial years, with \$5.5M in year 10 of the 10YP, and the remaining \$3.3M in year 11.

Financial Impact –Rebuild as Indoor heated pool

⁷ Opus (2014) Aquatic Facilities

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue											
Operating Expenditure											
Net Capital Expenditure										(5,500)	(5,500)
Net Benefit/(Cost) to Council										(5,500)	(5,500)

Impact on 10 Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure										(234)	(234)
Cumulative Impact on Debt Measure										(7,424)	(7,424)

There will be no financial impact on the operational budgets within the 10 Year Plan. From Year 12 there will be an increase to the operational budgets by \$1.214m per year. This will be partially offset by projected revenue of \$386,000 resulting in a net cost to ratepayers of \$828,000 per annum.

Cumulatively with additional capital expenditure of \$5.5m in year 10 and interest this adds an estimated \$7.424m to the net debt position at the end of 2024/25. This is not included in the budget.

Staff do not recommend an investment in the Municipal Pool based on the following factors:

- The pool is currently inoperable due to major structural damage requiring at least \$5.5m to repair and upgrade the site.
- If repaired, an open air pool would not address the shortfall in indoor pool availability over winter.
- The Waikato Regional Sports Facility Plan and Opus Review recommend closure of the Municipal Pool as the capital would be better invested in a new indoor community pool, preferably in the north-east of the city.

Consultation is required with the community for Council to make a final decision on this facility. (Note: the grand stand is a Heritage 2 classification structure requiring public notification). An operating budget of \$10,000 per annum is required to manage the site. To remove the pool structure from the site and reinstate it for a future use would cost \$670,000. Given that the future of the site will be considered as part of the River Plan, it is not recommended that the pool structure is removed at this time until the future use of the site is determined

Options - conclusions

The preferred option is Option 1A – construction of a 20x25 metre pool with an adjustable floor at Te Rapa. This option is recommended for the following reasons:

- A new enclosed 25 metre pool is consistent with both the National Aquatic Strategy and the Waikato Regional Sports Facility Plan.
- The construction of a 20x25 metre pool is achievable earlier than a larger pool due to a lower construction cost.
- An adjustable floor allows for a range of uses as outlined in Table 2 below (Summary of options), noting that water polo would still have access to the diving pool as well as a new 20x 25 metre pool.

While enclosing the Lido pool is still a viable option and achieves more pool space through winter, a new 25 metre pool at Waterworld which can possibly be achieved at a similar cost, will provide more pool space over both winter and summer and accommodate a wider range of uses.

Council could choose to provide further support to the Partner Pools programme; however, this option will not provide the required increase in pool space particularly over winter. Community access may be limited in comparison to other options.

A new Aquatic Facility in Rototuna is not required in the short term if a new 25m pool is provided within the city over the 10 years. A new build is estimated to cost \$15m which is not affordable within the 10 Year Plan. Staff have recommended retaining this option within the 2015-45 Infrastructure Strategy in Years 11-15. This timeframe will also allow Council to investigate options for partnership funding.

The Municipal Pool is not recommended due to the high cost of enclosing the pool and staff not supporting an open air option which is contrary to the National Aquatic Strategy and the Waikato Regional Sports Facility Plan recommendations. The operating costs of both the Municipal Pool options are significantly higher than all other alternatives (excluding a new Aquatic Facility in Rototuna) and projected visitor numbers are relatively low.

Table 2 Summary of Options

Option	Functionality	Additional Area	Additional hours	Capital	Timing	Annual Opex (incl depreciation)	Annual Revenue	Net Impact	Years to pay off (based on revenue only)	Affordable in 15-25 10YP after 3 Feb	Consistent with Sport NZ and WRSFP
1. New 25m Pool - Waterworld											
A. 20m x 25m Adjustable Floor	Public lane swimming Learn To Swim Leisure Swimming Competition and training Water Polo x1 Aqua Jog Inflatables	500	5,000	\$4.85M	22/23	\$390K	\$430K	\$40K	11.27	Yes Year 8	Partly – New 25m community pool but not in the North East
B. 20m x 25m Sloping Floor	Public lane swimming, Learn To Swim, leisure swimming	500	5,000	\$4.2M	22/23	\$365K	\$410K	\$45K	10.24	Yes Year 8	Partly – New 25m community pool but not in the North East
C. 25m x 25m Sloping Floor	Public lane swimming, Learn To Swim, leisure swimming	625	5,000	\$4.7M	22/23	\$405K	\$430K	\$25K	10.93	Yes Year 8	Partly – New 25m community pool but not in the North East
D. 25m x 25m Adjustable Floor	Public lane swimming Learn To Swim Leisure Swimming Competition and training Water Polo x 2 Aqua Jog Inflatables	625	5,000	\$5.4M	24/25	\$430K	\$450K	\$20K	12.00	Yes Year 10	Partly – New 25m community pool but not in the North East
2. Lido Pool Enclose and heat	Public lane swimming, Learn To Swim, Leisure swimming, toddler water play area	800	3,500	\$4.85M	22/23	\$253K	\$290K	\$37K	16.72	Yes Year 8	Yes – Maximise existing assets
3. Increase Partner Pool Programme											
A. Enclose College	Fairfield School and club swimming Unknown how much community use	400	Unknown	-	22/23	One off \$1.6M	-	-	-	Yes Year 8	Yes – Partnership and maximise existing assets
B. Additional Pool	Partner School and club swimming Unknown how much community use	400	Unknown	-	As funding is available	\$20K	-	\$(20K)	-	Yes Year 2	No - Recommendations are to invest in indoor pools
C. Investment in University Pool; Changing rooms and painting of pool	Leisure swimming Older kids water play Triathlon	-	None	-	Existing request	One off \$225K + \$100K	-	-	-	Yes Year 8	No - Recommendations are to invest in indoor pools
4. Rototuna Community Pool	Public lane swimming, Learn To Swim, Leisure swimming, toddler water play area	500	5,000	\$15.0M	Year 11-15	\$1.8M	\$838K	\$(962K)	17.89	No	Yes – New 25m community pool located in the North East (growth area)
5. Municipal Pool											
A. Refurbish as Open Air (Stage One and Two)	Public lane swimming, Learn To Swim, Leisure swimming, toddler water play area	390	5,000	\$5.5M	24/25	\$350K	\$150K	\$(200K)	36.6	Yes Year 10	No - outdoor pools not recommended
B. Enclose and heat	Public lane swimming, Learn To Swim, Leisure swimming, toddler water play area	390	5,000	\$8.8M	\$5.5M 24/25 \$3.3M 25/26	\$1.2M	\$386K	\$(814K)	22.79	No	Partly - 25m pool but not located in North East

Sports Parks

Unfunded Proposal

Proposal

This proposal has two parts:

- Develop the sports fields at Rototuna to increase sports field provision.
- Improve current field quality of existing priority 1 sports parks through improvements to field irrigation, drainage and enhanced turf maintenance to maintain current sports field capacity.

The draft 10 Year Plan budget does not include any funding for sports park improvements or development options outlined in this report. It does however, include one-off capital funding of \$350,000 in 2015/16 and an ongoing operational cost of \$15,400 per annum for minor development of the Rototuna park land to create a basic park setting to align with the road and Rototuna High School construction around the park land. It does not include any development of sports fields on the park.

Recommendation

1. That \$4.8m capital expenditure in years 2021/22 to 2024/25 and associated net operating impacts for the development of the Rototuna Sports fields be funded in the draft 2015-25 10-Year Plan.
2. That \$2.005m capital expenditure in years 2023/24 to 2024/25 and associated net operating impacts for improvements to field irrigation, drainage and enhanced turf maintenance is funded in the draft 2015-25 10-Year Plan.

Summary

During the Council meeting held 3 February, staff presented a proposal to develop the Rototuna Sports Park, but not to fund improvements on existing sports fields due to financial constraints. Following a request for more information, staff have reviewed the original proposal. This report presents further details on the options and recommendations. The final recommendation has changed.

There are current and projected sports field deficiencies in Hamilton to meet hours of use for both training and competition games. At least five new fields will be required by 2021, based on current population growth projections.

The Council has options to address this deficiency:

- Develop 5 new fields in the North-East to meet future demand.
- Maintain and increase capacity of existing fields through improved quality and facility development to address current demand.

This report outlines the capital and operational expenditure for each of the options. All figures within this report are estimates only. Final costs will depend on design and specifications and will be reflected in a business case.

Continuing with the status quo in existing facility provision over the next ten years is expected to have the following impact:

- Increased pressure on sports parks which will continue to decrease the quality of the fields and reduce hours available for use.
- Continued decrease in customer satisfaction in sports park provision as Hamilton continues to grow.

Background

- Council currently provide 112 fields across 39 parks.

- Current field drainage systems are ageing and very few fields have secondary drainage. A field at Porritt Stadium and Gower Park have had recent upgrades to sand carpet increasing their capacity and improved playing quality.
- Hamilton's climate makes management of sports fields difficult, experiencing droughts in summer and high rainfall with low temperatures in winter. Many of Hamilton's sports fields are located on peat base soil resulting in poor surface levels and drainage difficulties. These factors all result in reduced number of playable hours on Council's sports fields. Current quality of fields is resulting in an average of 8 hours per week.
- Cancellations of training sessions are high during the week to preserve fields for competition play on weekends.
- The current maintenance budget for Sports Parks is \$1.9 million per annum.

The Issue

There are current and projected sports field deficiencies in Hamilton with insufficient sports field hours available to meet training and competition play demand. This is mainly due to the reduced quality/condition of the fields caused by ageing and inadequate drainage and irrigation which limits the amount of hours a field can be used before it becomes unusable and unsafe. This has been identified through:

- A capacity and demand report by Momentum Research
- Waikato Sports Facility Plan
- Sports Field and Facilities Review by Opus Consultants

A Capacity and Demand Report by Momentum Research¹ (2013) identified sports field capacity issues as follows:

- Demand for 'playable' sports fields is expected to grow as the population increases in Hamilton.
- Based on current growth projections, Hamilton will not have sufficient capacity for the winter sports codes by 2021.
- Deficits are mainly related to training hours and particularly affect rugby union and rugby league with a current combined deficit of 3,692 training hours per season.
- East and West Wards have a forecast deficit of 5,122 training hours per season by 2021. The North-East particularly will come under increased pressure with urban development.
- Limited hours of play on fields due to low quality resulting from minimal facilities on parks, lack of irrigation and drainage and substandard maintenance (mowing frequencies and grass type).
- The Sports Park Management Plan recommends an average of 16 hours of play per field. Current quality of fields is resulting in an average of 8 hours per week.
- Increasing demand from growing minority sports such as lacrosse which is likely to impact future field capacity.
- The Waikato Sports Facility Plan recommends development of Sports fields in Rototuna based on the findings above.

A detailed report by Opus Consultants² (2014) identifies potential options to increase field capacity including the development of additional sports parks, with a focus on the North-East where provision is currently low. The report makes two recommendations:

1. Develop the Rototuna Sports Park to accommodate five new fields by 2021.
2. Improve existing field quality and facilities.

¹ Momentum Research (2013) *Hamilton Winter Sports Field: Capacity and Demand*

² Opus (2014) *Hamilton City Council Sports Field and Facility Review*

Option 1: Rototuna Sports Park full development and upgrade of existing fields (Recommended)

There is potential to accommodate the full development of Rototuna Sports Park as per the original proposal presented at the 3 February Council meeting with the addition of funding the some improvements of priority 1 fields across the city. This option is outlined as follows:

Rototuna Sport Park Development

- Council has purchased land in the North-East for the development of community facilities (including sports parks) as part of the proposed Rototuna Town Centre development.
- Development contributions have been collected for *Reserve* projects in Rototuna such as the Rototuna Sports Park. Council is required to spend this money on growth related *Reserve* projects that service the catchment from which they were collected. Some DCs are collected for *Reserve* projects on a city wide basis. DCs collected over recent years Council has made significant investment in purchasing land for future reserves in Rototuna.
- For Development Contributions to be collected for the Rototuna Sports Park development, *Reserve* projects that service the Rototuna catchment should be included in the reviewed Development Contributions Policy and either Council's 2015-25 10-Year Plan capital programme or in the 2015-45 Infrastructure Strategy.
- Land has specifically been acquired for the development of a sports park running between the town centre and Rototuna High School. There is a community expectation that the sports park will be developed.
- The High School construction is planned to start in early 2015 with the Junior High School opening in February 2016 and Senior High School opening in February 2018.
- Development of the park will link the proposed Rototuna Town Centre with the school and provide capacity for the North-East catchment and the wider city.
- The Rototuna Sports Park can accommodate up to five fields as well as public changing rooms/toilets, clubrooms and parking. A playground is also proposed for year 11, funded as part of the programme to implement the Playgrounds Policy.
- The Ministry of Education is developing four sports fields which will accommodate mainly rugby and cricket. The Rototuna High School would like to utilise the sports park fields in addition to the school fields.
- The additional cost to Council to develop the Rototuna Sports Park (five sand carpet fields, public toilets/changing rooms and parking) is \$4,800,000 over four years with detailed design and engineering works from 2021/22 and full reinstatement of the park by 2024/25.
- There is potential for a partnership with Waikato Bay of Plenty Football which has expressed interest in sourcing funding towards an artificial turf. A proposal is yet to be discussed and considered.

Priority 1 Fields - Sports Park Maintenance and Renewals Programme

- The Opus Sports Field and Facility Review identified a range of options for improving field quality to increase use. Parks were prioritised as 1, 2, and 3 according to urgency of upgrade works required and or potential for increased use as a result of improvement.
- Due to financial considerations and ability to complete works without impacting on field capacity, only six of the eleven identified priority 1 parks are included in this proposal commencing in 2023/24. These are Galloway, Porritt, Mahoe, Resthills, Marist and Ashurst Parks. The other priority 1 parks Gower, Fairfield, Discovery and Fraser Tech Parks which are not included within this proposal but are included in the 2015-45 Infrastructure Strategy in years 11-30.
- Priority 1 fields are defined by high club/user demands and field quality requirements including field irrigation and drainage, more sand fields, and improved turf maintenance (mowing frequency; fertiliser input). Investing in sports field drainage and irrigation upgrades is the most effective way to address the shortfall in capacity and improve quality.

Costs for the identified priority 1 fields are outlined below. Work is scheduled over two years so fields can still maintain user needs.

- Galloway Park** – includes drainage renewal and irrigation installed on two fields. There are 5 existing fields on this site. Issues include ageing assets and limited irrigation which is resulting in a high number of training cancellations to preserve fields for weekend play. Irrigation is required to maintain quality playing surfaces to meet capacity demand.

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue											
Operating Expenditure									(54)	(54)	(108)
Net Capital Expenditure									(480)		(480)
Net Benefit/(Cost) to Council									(534)	(54)	(588)

- Mahoe Park** – includes levelling 3 new fields, installing drainage, toilets and a carpark. This park has peat soils that are unusable due to poor levels, drainage and no facilities on site. The Waikato Lacrosse Association, which is a growing sport with no allocated fields, have also expressed interest in using this park.

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue										13	13
Operating Expenditure									(27)	(27)	(54)
Net Capital Expenditure									(600)		(600)
Net Benefit/(Cost) to Council									627	(14)	(641)

- Porritt Stadium** – includes installing irrigation on one field. There are 4 existing fields on this site. This is a high use park with large number of teams. Complaints are received regularly due to surface condition through lack of drainage and inadequate changing rooms (note: public toilet/changing room upgrade is not included in this proposal). Improvements on these fields are required to maintain capacity and increase useability.

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue											
Operating Expenditure										(7)	(7)
Net Capital Expenditure										(65)	(65)
Net Benefit/(Cost) to Council										(72)	(72)

- Resthills Park** – includes drainage upgrade and irrigation installed on 2 fields. There are 3 fields on this site, which is a high use park and home of rugby league in Hamilton. Rugby league is one of the codes identified with a deficit in training hours in winter. Improved drainage and irrigation would maintain capacity of this park.

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue											
Operating Expenditure										(32)	(32)
Net Capital Expenditure										(320)	(320)
Net Benefit/(Cost) to Council										(352)	(352)

5. **Marist** – includes drainage upgrade and installation of irrigation on 2 fields. There are 3 fields on this site, which is clay soil based resulting in very wet fields requiring improved drainage systems. A high profile club on park. Improvements on these fields are required to maintain capacity.

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue											
Operating Expenditure										(32)	(32)
Net Capital Expenditure										(300)	(300)
Net Benefit/(Cost) to Council										(332)	(332)

6. **Ashurst Park** – includes levelling and drainage upgrade to 2 fields. There are 3 fields on this site, with a large junior soccer club on peat fields which cause land movement and poor drainage. Improvements on these fields are required to maintain capacity.

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue											
Operating Expenditure											
Net Capital Expenditure										(240)	(240)
Net Benefit/(Cost) to Council										(240)	(240)

Total Option 1: Rototuna Sports Park Full development and upgrade of existing fields - Financial Impact (not included in budget)

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue										38	38
Operating Expenditure									(261)	(372)	(633)
Net Capital Expenditure							(50)	(185)	(2,640)	(3,930)	(6,805)
Net Benefit/(Cost) to Council							(50)	(185)	(2,901)	(4,264)	(7,400)

Impact on 10-Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure							(2)	(11)	(463)	(877)	(1,354)
Cumulative Impact on Debt Measure							(61)	(298)	(4,090)	(10,106)	(10,106)

The proposal reduces the net operating surplus by \$595,000 over 10 years. Cumulatively with additional capital expenditure of \$6.805m and interest this adds an estimated \$10.106m to the net debt position at the end of 2024/25. This is not included in the budget.

Option 2: Rototuna Sports Park – Full Development (original proposal)

This option would see the development of Rototuna Sports Park only, as outlined in Option 1.

Option 2: Rototuna Sports Park Development (original proposal) - Financial Impact (not included in budget)

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue										25	25
Operating Expenditure									(180)	(220)	(400)
Net Capital Expenditure							(50)	(185)	(1,560)	(3,005)	(4,800)
Net Benefit/(Cost) to Council							(50)	(185)	(1,740)	(3,200)	(5,175)

Impact on 10-Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure							(2)	(11)	(315)	(555)	(883)
Cumulative Impact on Debt Measure							(61)	(298)	(2,580)	(7,063)	(7,063)

The proposal reduces the net operating surplus by \$375,000 over 10 years. Cumulatively with additional capital expenditure of \$4.8m and interest this adds an estimated \$7.063m to the net debt position at the end of 2024/25. This is not included in the budget.

Option 3: Rototuna Sports Park staged development and upgrade of existing fields

Rototuna Sports Park Development – staged approach

Opus Consultants have completed a feasibility assessment for staging the development of the Rototuna Sports Parks considering critical facilities and infrastructure required; context of the surrounding urban development and demand; potential impact on costs and the wider impact completing a staged development.

The full development of the park was phased across four years to allow detailed design and consents to be gained followed by earthworks, field development and infrastructure construction. If a staged approach was to be adopted, the first two years of funding for detailed designs and consents would still be required (\$235,000).

The minimum first stage of development, year three funding (\$2.530m) would include:

- Complete 2 fields
- Install primary drainage for the full site and secondary drainage for the 2 playing fields
- Irrigation to 2 playing fields
- 50% of car park construction with road connection
- Public toilet and changing rooms
- Utilities to site including sewer reticulation, power and water supply
- Seating, paths and hard landscaping

This initial development (\$2.765m) would provide a levelled site, two fields and associated facilities to support the use of the park. To complete the park development, funding for the remaining stages would be deferred beyond the 10 year plan. The stages would be:

- Stage 2 development (\$2.005m*) would include:
 - Complete a further 2 playing fields
 - Secondary drainage for 2 playing fields
 - Irrigation to 2 playing fields
 - Remaining car park construction
 - Seating, paths and hard landscaping
- Stage 3 development (330,000*) would include:
 - Complete final playing field
 - Secondary drainage for 1 playing fields
 - Irrigation to 1 playing fields

* Costings identified for development of stages 2 & 3 do not recognise the cost of temporary works and re-establishment of contract. Therefore, the indicative costs provided above could be higher than stated depending on the time differential between each stage.

Priority 1 Fields - Sports Park Maintenance and Renewals Programme

The upgrade of existing fields would be the same as outlined within option 1, costing a total of \$2.005m over 2 years.

Option 3: Rototuna Sports Park staged development and upgrade of existing fields - Financial Impact (not included in budget)

The staged development of Rototuna Sports Park, and development and maintenance for priority 1 parks, is currently not funded in the draft 10-Year Plan budget.

If Council chooses to support this proposal, this would require an additional capital cost of \$4,770m (\$2.765m for stage 1 Rototuna and \$2.005 for existing field upgrades) and associated additional operating cost of \$453,000. This additional expenditure would start development of Rototuna and also improve existing fields which currently have significant issues relation to limited irrigation, drainage, surface and turf type.

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue										23	23
Operating Expenditure									(191)	(262)	(453)
Net Capital Expenditure							(50)	(185)	(3,610)	(925)	(4,770)
Net Benefit/(Cost) to Council							(50)	(185)	(3,801)	(1,164)	(5,200)

Impact on 10 Year Plan Financial Strategy

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Books the Budget							(2)	(11)	(413)	(729)	(1,156)
Cumulative Impact on Debt Measure							(61)	(298)	(5,263)	(7,172)	(7,172)

The proposal reduces the net operating surplus by \$430,000 over 10 years. Cumulatively with additional capital expenditure of \$4.770m and interest this adds an estimated \$7.172m to the net debt position at the end of 2024/25. This is not included in the budget.

Options - conclusions

While a staged approach to park development is possible, it does result in a number of negative impacts and will not provide sufficient facilities for a growing area within the city. A staged approach will:

- Impact the ability of the park to meet the immediate needs and expectations of the community i.e limited pedestrian and cycling connections, and temporary infrastructure to manage a staged approach
- Result in ongoing site disturbance that could impact the surrounding ecology
- Require increased management of stormwater to mitigate impacts on surrounding areas including the swale
- Place pressure on other infrastructure, such as car parking, to cope with use
- Result in prolonged impact of construction noise and disturbance on surrounding residential properties particularly as residential development increases in later years
- Result in increased costs for development for impact management and contract start up

The undertaking of earthworks also requires ongoing management of exposed soil surfaces, which require controls to manage stormwater runoff and dust. The design and management of such controls are subject to Regional Council rules and guidelines. Reducing the timeframe of earthworks into one construction season provides savings in ongoing monitoring and management of control features.

With strong links to the Rototuna High School and other surrounding schools, as well as the Rototuna Town Centre, development of the entire park will reinforce community and developer confidence in Council's intention to deliver on what is outlined in the Rototuna Structure Plan. Full development is likely to be more satisfactory to residents living within the Rototuna town centre and areas close by.

It is recognised the upgrade of existing fields will provide additional capacity to those areas, but will not meet the demand of a newly developed area. As there is an ability to include the full development of Rototuna Sports Park, in addition to an upgrade to existing priority one fields within the later years of the 10 year plan, option 1 is recommended by staff.

Other Information

Fees and Charges

- It is difficult to benchmark with other Councils due to varying fee structures and public/private benefit assumptions.
- Other council charges range from free of charge to \$1,971 per field for a winter season. Generally the higher the fees the higher the quality of sports facilities provided.
- HCC has a current cost recovery of 6%, with a fee of \$1,225 per field for the winter season.
- In order to increase fees the customer would expect to receive a higher level of service. It would be appropriate to consider a fee increase to be comparable to other councils, if the quality of turf increased.

Costs of Artificial Turf vs. Sand Carpet vs. Soil Fields

The following table provides full life costs for various turf options. This information has been sourced from the Sport New Zealand Guidance Document for Sport Field Development Options (February 2013).

Field Type	Capacity (per field per week)	Opex Costs (per field) per annum	Capex Costs (per field)	Replacement
Artificial	40 hours	25,000	1,600,000 – 2,200,000	At 10 years turf layer and infill - \$350,000 At 20 years turf layer, infill and shock pad - \$550,00 At 30 years turf layer and infill - \$350,000
Sand Carpet	12 hours 3 fields equivalent hours of play to artificial turf	25,000	210,000 – 250,000	At 7 Years turf grass layer and slit drains (Includes grow-in - \$100,000)
Soil Based	4-8 hours	12,500	49,000 – 120,000	30 Years

The costs associated with artificial turf need to consider:

- High initial capital cost of installation. The cost of installing an artificial turf is equivalent to the installation cost of approximately 8 sand carpet fields; however higher operating costs associated with sand carpets.
- Maintenance requirements of approximately 1 hour per 8 hours of use.
- High renewal costs (turf layer requires replacing every ten years).
- High potential hours of use, noting that in reality field quality is not the only driver of use - peak time for general public mid-week would be 5pm to 9pm.
- A significant shift in how competition is played would be required from RSO and Clubs (same number of games on one field over a longer period of time versus more).

Partnership Options

Waikato Bay of Plenty Football have expressed interest in a partnership for the Home of Football being based on this site and stated they could potentially provide funding for an artificial turf. The following would need to be taken into consideration to further this partnership:

- Further discussion/negotiation to ascertain costs and funding contribution
- Ensure there is sufficient field allocation for other users including rugby and rugby league.

Feasibility of sale of some parks to fund upgrade of other parks

- Insufficient capacity by 2021 – selling parks likely to increase capacity issues through greater pressure on remaining parks in peak times, even if the quality of fields was increased.
- Challenges with the selling of reserve land to fund development of other parks taking into account:
 - Open Space Plan states that existing open space will be retained and new open space developed in growth areas.
 - Levels of service are set out in the District Plan for open space provision - a well balanced and accessible open space network.
 - Reserves Act processes for the selling of land can be long and costly. Reserve land often has lower value than general land and costs of revocation are high.

Summary

- Demand will overtake capacity if a park is not developed and quality of fields improved.
- While actual numbers of people participating in outdoor sports on fields has not been quantified, the Momentum report showed 488 teams (ages 5 – adult) train on fields in winter for football (273); rugby (175) and rugby league (40) alone. When taking into account summer sports, informal sports play, spectators, coaches, and officials, numbers of people participating in outdoor sport in Hamilton are significant.
- Improving capacity will positively impact community health and well-being through participation in sports and levels of physical activity.
- Current field quality is low. There is increasing pressure from clubs and RSO's to improve quality, as evidenced by recent 10-Year Plan submissions.
- Ground closures will increase over time as quality continues to decrease and demand for fields grows.

River Plan

Funded Proposal

Proposal

This proposal outlines initial funding for implementing the River Plan and has been included in the draft budget and Forecast Financial Statements.

Recommendations

1. The following amounts are allocated in the 2015 – 25 10-Year Plan from the operating budget to fund implementation of the River Plan:
 - 2015/16 - \$250,000
 - In each subsequent year - \$500,000.
2. Additional funding required for specific projects will be recommended through funding models approved by Council.

Summary

- The River Plan is a 30-year vision to better integrate the Waikato River with Hamilton and contains a list of implementation projects that cover the whole river corridor within the city's boundary and specific sites.
- While implementation of the River Plan includes business as usual work that can be carried out within existing budgets, a financial commitment from Council is required to contribute to delivering the River Plan.
- Much of the initial work relates to development planning or master planning which will develop in detail the projects identified in the River Plan. This means major project funding will not be known immediately and is not required or included in the recommendation at this stage.
- Staff have considered a number of factors to recommend a level of funding commitment required by the Council including that any financial commitment must fit within the financial strategy.
- Based on the implementation section of the River Plan which identifies a short, medium and long term timeline, the recommendation for Council funding is \$250,000 in 2015/16 and \$500,000 in each subsequent year of the 10-Year Plan.
- The initial focus of the funding will be on the Ferrybank/Roose Commerce Park Development Plan, Hayes Paddock/Wellington Street beach development and the Pukete Flower Bridge.

Background

The River Plan was approved by the Council on 11 December 2014. It is a 30-year vision to better integrate the Waikato River with Hamilton and contains a list of implementation projects that cover the whole 16km of river corridor within the city's boundary and specific sites.

Since the River Plan was approved, the River Plan Management Office reporting to the Chief Executive has been set up and a River Plan Manager, responsible for implementation, has been appointed.

Implementation of the River Plan requires a financial commitment from Council and this report recommends a proposal for that financial commitment.

Implementation also requires a multiparty approach that includes the Council, relevant stakeholders, iwi and the private sector. Many of the projects will require detailed planning which will be developed over the coming years and project business cases and funding proposals will be brought to the Council for approval. The operational funding recommended in this proposal may be used to seed or contribute to major projects, however additional funding sources, and partnership opportunities will be explored on a project case by case basis.

The Proposal

To ensure delivery of the River Plan, a financial commitment from the Council is required. To recommend an estimate for the level of funding commitment required in the 10-Year Plan staff have considered:

- The work for the coming years based on the short, medium and long term timeline in the implementation section of the River Plan
- Any financial commitment must fit within the financial strategy
- Much of the initial work relates to development planning or master planning which will develop in detail the projects identified in the River Plan. This means major project funding will not be known immediately and is not required or included in the recommendation at this stage.
- There are some projects which are business as usual work. These will be carried out within existing budgets
- Where possible work will be completed internally
- Specialist skills are required for some projects because the Council does not have the appropriate expertise for the type of work required
- Funding partnerships will be required for major projects and to access this funding, a Council contribution will be required.

Staff recommend funding in the 2015/16 of \$250,000 and thereafter, \$500,000 each year. In the first two years the funding will focus on the following projects which have been identified in the implementation section of the River Plan:

- The Ferrybank and Roose Commerce Park Development Master Plan.
This is a development and master plan for this River Plan site. It will provide the detail about how this area will be developed over the coming decades. The master plan process is expected to take a year to develop using internal and external resources with specific expertise as appropriate.
- Hayes Paddock/Wellington Street beach development
This is the detailed work to identify the enhancements to the river bank and park area required and the feasibility and design of the river-based structure for the swimming feature.
- Pukete Flower Bridge
This is design and installation of a landscaped garden on the Pukete pedestrian bridge by Braithwaite Park.

There are a range of other projects in the River Plan that will be progressed during the 2015/16 and 2016/17 years, for example:

- Development and implementation of the Vegetation Management Plan
- Progress towards the restoration of significant Maori sites, as detailed in the Maori Landmarks on Riverside Reserves Management Plan (2003).

Financial Impact

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Revenue											
Operating Expenditure	(250)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(4,750)
Net Capital Expenditure											
Net Benefit/(Cost) to Council	(250)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(4,750)

\$000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Impact on Balancing the Books Measure	(258)	(545)	(593)	(646)	(703)	(765)	(832)	(905)	(984)	(1,070)	(7,301)
Cumulative Impact on Debt Measure	(258)	(802)	(1,396)	(2,042)	(2,744)	(3,509)	(4,341)	(5,247)	(6,231)	(7,301)	(7,301)

This is a funded proposal and these amounts are already included in the draft budget.

Rubbish and Recycling

Additional Information Report

Purpose

This report is to provide information as requested by Elected Members on the options and cost implications of:

- User pays rubbish
- Council continuing with the existing kerbside recycling collection service on a status quo basis

Overview

- Council contracts Transpacific Waste Management NZ Ltd to provide kerbside collection for rubbish and recycling. This contract and the lease of the Refuse Transfer Station (RTS) both expire in 2017.
- A new contract for kerbside collection services must be in place by 1 July 2017, making this the most appropriate time to introduce any changes.
- Council is required by the Waste Minimisation Act 2008 to implement its Waste Management and Minimisation Plan (WMMP) and continued receipt of waste minimisation levy funding is dependant on implementing this plan.
- Current collection services provided will not achieve the vision and actions of the WMMP.
- Council has made the decision to introduce recycling wheelie bins from 2017/18 in the draft 2015-25 10 Year Plan, which is a step towards achieving the WMMP. This will provide a 240 litre bin to each household in the city for fortnightly collection, in addition to the existing recycling crates.
- Council has made the decision that the cost of the recycling wheelie bin purchase (\$2.8m) be met by a uniform charge targeted rate to all residential properties receiving the refuse and recycling service across a three year period. The introduction of the targeted rate in 2017/18 is equivalent to a 0.68% rates increase.
- A business case will look at what recyclables would be included in the wheelie bin to determine the most cost effective implementation. This business case will also look at overall kerbside collection service, including contract and procurement matters. This is due to be completed in 2017 prior to tendering the new contract. The business case may also include testing some options with the market through the tender process.
- The final overall cost of any service will be determined by the market through the procurement process and the \$3.04m for the wheelie bins represents a funding allocation to sit alongside the existing cost of service built into the draft 10-Year Plan.
- Council's previous direction to staff has been to not consider user pays rubbish at this time, but to consider this in the future.
- Council must give clear direction on user pays rubbish if it now wishes to advance it to enable this to be included in the business case and the procurement plan for the new contract. This direction could then be signalled in the 2015-25 10 Year plan consultation.

User Pays Rubbish

User Pays Rubbish Implementation Methods

User pays is a common method implemented by Council's in New Zealand and internationally to fund the cost of kerbside rubbish collections. There are several different methods employed:

- Pre-paid bags - A bag system requires households to purchase official bags from either Council directly or retail agent such as a supermarket. Bags can be uniquely coloured and marked with user information such as what can and can't be included in collection i.e. no hazardous or dangerous goods.
- Pre-paid stickers - residents still purchase their own bags but a sticker is purchased from Council directly or from a retail agent and is required to be placed on bag for collection.
- Wheelie bins - there are many different options available including:
 - Pay by volume, set annual feeds paid based on volume of bin chosen. This method is currently used by private contractors operating in Hamilton.
 - Pay per pick up. User pays each time their bin is collected, different charges for different sizes may be applied. This option requires a sophisticated billing system.
 - Pay by weight. Users pay each time their bin is collected on its weight, different charges for different size bins may be applied. This option requires a sophisticated billing system.
- Combinations of systems - some examples are:
 - Waikato District Council is currently reviewing how refuse collection and disposal is funded. One option proposes a split between targeted rate and user pays.
 - Matamata Piako provides each property with 52 rubbish bags per property per year, with additional bags purchased by the resident.

Bags incentivise waste minimisation, they are simple to establish and administer, most widely used within New Zealand, are robust and well tested. A summary of bag charges set by several key local authorities are shown below:

Table 1: User Pays Bag Charges

Tauranga City Council	Waikato District Council	Wellington City Council	Palmerston North City Council	New Plymouth District Council	Auckland City Council	Dunedin City Council	Hauraki District Council	Matamata Piako District Council	Thames Coromandel District Council
\$2.40 - handle type \$2.20 - low cost type	One Proposed option – \$121.08 (targeted rate) + \$78.00 (user pays based on \$1.50 for one rubbish bag per week)	\$2.50	\$2.60	\$3.30	\$2.50	\$2.20 (65L) \$1.90 (40L)	\$2.20	52 bags supplied Additional bags \$3.00	\$2.25 standard size \$1.20 half size

The private sector is already providing a wheelie bin rubbish collection service in Hamilton. The costs of this service are based on the pay by volume method; one provider has the following advertised fees:

- \$6.42 per week for a 120 L wheelie bin
- \$9.46 per week for a 240 L wheelie bin

User Pays Rubbish Rates Impact

The costs for the kerbside rubbish collection and disposal service currently makes up approximately 2.2% of Council's total rating costs. The current 2014/15 budget for providing the kerbside rubbish and recycling services is \$4,259,000 per annum.

The average annual cost per household for the rubbish collection is approximately \$66 per annum. As property values vary, the cost per individual household for rubbish collection also varies.

At this stage there is no change proposed in the draft 2015-25 10 Year Plan for the current kerbside rubbish collection. The current draft budget includes the cost of providing the existing service of two rubbish bags collected kerbside weekly and funded through the general rate.

Council were previously advised that user pays rubbish was complementary to providing additional recycling options to incentivise behaviour. Council provided direction to consider user pays rubbish but not at this time.

Should Council now wish to consider user pays rubbish, this should be signalled in the draft 2015-25 10 Year Plan for consideration during the 2016/17 annual plan for implementation from 1 July 2017 in conjunction with the new contract. This will enable staff to consider user pays when developing the business case and procurement plan for the new contract.

Amendments to Ratings policies would be required and made (effective from the 1 July 2017) to reflect removal of costs associated with rubbish collection from rating to coincide with the introduction of user pays.

User Pays Rubbish Financial Impact

The change to user pays rubbish is neutral and has no financial impact for Council.

User Pays Rubbish Considerations and Risks

If Council were to set a rate for user pays in Hamilton, the following considerations will need to be included:

- The cost of bag collection per property, this is currently a fixed cost in the current contract
- The cost for disposal, this is currently a cost per tonne in the current contract
- Outlets would look to put a mark-up on the bag price which would need to be factored into costing's.
- Manufacture and distribution of the bags
- Will the user pays fund the entire activity e.g. refuse, recycling, fly tipping, education etc. or will contributions from the general rate be also used?
- Actual cost of the bag can only be determined once the service has been tendered and a robust financial peer review of the costs is carried out.

The following risks would be considered in the business case or communication plan:

- Customer perception, recent survey (495 households) showed that 51% opposed user pays, and 36% supported it
- Loss of market share. Private companies are already providing a wheelie bin service.
- Counterfeit bags

Recycling

Current Legislation and Waste Management and Minimisation Plan

The Waste Minimisation Act 2008 requires councils to promote effective and efficient waste management and minimisation within their district and to produce and implement a Waste Management and Minimisation Plan (WMMP). Council is expected to deliver the actions in the WMMP.

In 2012 Council adopted a WMMP following a public consultation process.¹ The WMMP is a long term plan that sets actions for six years from 2012 and is due for review in 2017. Council currently receives approximately \$400,000 per annum in waste levy funding from the Ministry for the Environment for use on waste minimisation activities. This funding is provided on the acknowledgement that Council will fulfil its vision as detailed in its WMMP. Failure to carry out these works, could put this funding at risk.

The current kerbside collection service is not sufficient to enable Council to meet the vision of the WMMP and an improved service is required.

Council has made the decision to introduce recycling wheelie bins from 2017/18 in the draft 2015-25 10 Year Plan, which is a step towards achieving the WMMP. Previous direction to staff was to consider user pays rubbish at a later date and not to do it concurrently with introducing more recycling options.

The Local Government Act 2002 Schedule 10, section 6(b) requires councils to identify and explain in their 10-Year Plans any significant variation between the proposals outlined in the WMMP and the 10-Year Plan.

Waste Management and Minimisation Options

A number of options were outlined to Councillors in July 2014 for waste management and minimisation for their consideration. These options included:

- Retaining the status quo,
- Improved service, with future enhancements which would meet the vision of the waste minimisation and management plan over time (30 years). This service proposed to introduce wheelie bins for kerbside recycling collection in 2017, and then over time introduce kerbside food collection, refuse transfer station improvements, city wide drop off points and a resource recovery centre.
- A new service that would meet the vision of the waste minimisation and management plan immediately. This included wheelie bins for kerbside recycling, food collection, improvements to the refuse transfer station, city wide drop of points and a resource recovery centre.
- User pays for refuse collection

In July 2014, Council provided the following direction on its preferred options to meet the actions in the WMMP and for inclusion in the draft 2015-25 10-Year Plan:

- continue with Council providing refuse and recycling services (rather than promote only)
- continue to fund the service through the general rate at this time
- increase kerbside recycling opportunities
- increased citywide recycling opportunities
- take a long term view (30 years) to achieve the WMMP vision.

¹ A copy of the WMMP is on the Hamilton City Council website - [Waste Management and Minimisation Plan 2012](#)

Financial Impact

The current 2014/15 budget for providing the kerbside rubbish and recycling services is \$4,259,000 per annum.

The total additional cost to Council for the improved recycling service (wheelie bins) is \$3.04m operating cost (excluding debt servicing), which is the cost to provide approximately 53,000 wheelie bins (240 litre) to each household in the city and the associated financing costs. This is included in the draft 2015-25 10 year plan budget.

Council has made the decision that the cost of the recycling wheelie bin purchase (a once only cost of \$2.8m) be met by a uniform charge targeted rate to all residential properties receiving the refuse and recycling service across a three year period.

There is a neutral financial operational impact when comparing the current service to the proposed new service with wheelie bins, as any savings obtained in rubbish collection and disposal costs (by transferring plastic containers from rubbish bags to the recycling wheelie bin) is offset by the cost of collecting the wheelie bins.

Given that this is neutral, the improved service does not result in any identifiable cost benefit; the benefits are associated with achieving the vision of the WMMP and environmental sustainability (increased recycling, reduction in waste to landfill). The improved service also minimises the impacts of expected cost increases over time related to disposal of rubbish to land fill but this is hard to quantify due to certainty about cost increases (for example Emissions Trading scheme).

Staff will endeavour to minimise the introduction cost of recycling wheelie bins via the procurement process.

Proposed Kerbside Recycling Service Improvements

The financial provision included within the draft 2015-25 10 Year Plan is to provide the following kerbside recycling service improvements:

1. Improved kerbside recycling service. This service will be confirmed upon a successful tender outcome, and may be a variation of the following:
 - A wheelie bin provided to all households (this is in addition to the existing crate), to be used paper, card, tin, aluminium, and plastic's (all grades).
 - The existing green crate would be used for glass (to minimise contamination).
 - There would no longer be a separate collection for paper as it would be put in the wheelie bin.
 - Move from weekly collection to fortnightly (this reflects the larger containers which hold more).
2. City wide services
 - Improvements to the refuse transfer station and city wide drop of points are unfunded in the draft 2015-25 10 Year Plan, but will be included in the 30 Year Infrastructure Plan for consideration
 - Implementation of a regional resource recovery centre is a long term aspiration and will also be included in the 30 Year infrastructure Plan for consideration.

Increasing the number of green crates supplied by Council was considered but is not recommended due to the plastics recycling of type 1 and 2 only, the volume of recycling collected is limited by the volume of the recycling crates (45 litre) and the recycling contained within the crates not being contained increasing the risk of windblown litter during collection days.

Comparison with other urban centres

The wheelie bin service to be implemented in Hamilton is very similar to that of Wellington, Palmerston North and Dunedin. The actual service Hamilton will provide will be subject to contract tender outcomes.

- Wellington, Palmerton North, Dunedin – alternative weekly collection
 - Week 1- crate for glass
 - Week 2 – wheelie bin for all other materials – paper, card, tin, aluminum, plastic’s (all grades)
 - No food collection
- Christchurch and Auckland (currently being introduced)
 - Wheelie bin for all materials – paper, card, tin, aluminum, plastic’s (all grades) and glass (collected fortnightly)
 - Food collection (Auckland introducing in 2016), collected weekly
- Tauranga
 - No council kerbside recycling collection, residents can recycle at the transfer stations or by paying for a private user pays service

Implementation

Council contracts Transpacific Waste Management NZ Ltd to provide kerbside collection for rubbish and recycling. This contract and the lease of the Refuse Transfer Station (RTS) both expire in 2017.

A new contract for kerbside collection services must be in place by 1 July 2017, making this the most appropriate time to introduce any changes.

A business case will look at the overall kerbside collection service, including contract and procurement matters. This is due to be completed in 2017.

The benefits for the introduction of wheelie bins will be tested through the significant re-tender process for the waste management contract, which must be completed by 2017.

A business case will look at what recyclables would be included in the wheelie bin to determine the most cost effective implementation. Council will then get the opportunity to see a more detailed business case before the release of any funding. The final overall cost of any service will be determined by the market through the procurement process and the \$3.04m for wheelie bins represents a funding allocation to sit alongside the existing cost of service built into the draft 10-Year Plan.

Once direction is provided by Council and the community through the draft 2015-25 10 Year Plan consultation process, a long term education and communications plan will be rolled out to promote waste minimisation and engage with the community regarding the proposed changes.

Environmental Impact of Rubbish and Recycling

As the city grows, so will the amount of waste produced which requires disposing. Ensuring options for residents to divert more material from landfill will reduce the environmental impact.

Based on consultant assessment, the use of a 240 litre wheelie bin and crate will increase recycling from 10,400 tonnes per year to 11,600 tonnes per year (i.e. a 23kg increase per household in recycling). This represents an 11% increase in recycling across the city or 1,200 tonnes diverted from landfill.

This assessment also indicated that we can also increase recycling using our current service by education but the quantity of recyclables which can be diverted is limited by the current volume of recycling crates and the limited plastic recycling options available.

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Forecast for the year ended 30 June 2016-2025

	Notes	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue												
Rates, excluding targeted water supply rates	2	132,404	138,472	144,819	152,441	158,816	166,123	172,641	180,581	188,890	197,578	206,668
Targeted rates for water supply	2	8,121	8,162	8,352	8,555	8,775	9,013	9,269	9,547	9,845	10,167	10,514
Revenue from activities	3	41,280	40,281	41,681	42,690	43,975	45,396	46,476	47,586	49,328	51,160	52,923
Subsidies and grants	4	14,582	8,394	9,076	9,596	13,402	13,351	15,213	13,674	12,874	12,253	13,384
Development and financial contributions	5	7,571	9,500	9,027	9,141	9,215	9,464	9,734	10,025	10,339	10,677	11,041
Other revenue	6	11,141	12,547	12,690	12,829	11,282	11,394	11,495	11,608	11,729	11,843	11,966
Total revenue		215,099	217,356	225,645	235,253	245,465	254,739	264,828	273,021	283,006	293,679	306,495
Expenses												
Personnel costs		56,184	63,289	65,287	67,177	68,903	70,770	72,787	74,911	77,256	79,838	82,561
Depreciation and amortisation	7	56,295	58,102	57,426	59,110	60,680	62,367	63,672	65,306	67,814	70,293	73,405
Finance costs	8	24,887	22,903	23,839	25,096	26,022	26,628	27,152	27,751	28,413	28,882	28,431
Other expenses	9	66,225	63,810	67,726	71,869	72,629	73,019	75,257	81,870	80,623	83,195	86,858
Total expenses		203,591	208,104	214,278	223,251	228,234	232,785	238,869	249,838	254,105	262,208	271,254
Operating surplus/(deficit)		11,508	9,252	11,367	12,001	17,231	21,955	25,959	23,183	28,901	31,471	35,242
Gains												
Losses												
Share of associates' surplus/(deficit)												
Surplus/(deficit) before tax		11,508	9,252	11,367	12,001	17,231	21,955	25,959	23,183	28,901	31,471	35,242
Income tax expense												
Surplus/(deficit) after tax		11,508	9,252	11,367	12,001	17,231	21,955	25,959	23,183	28,901	31,471	35,242
Other comprehensive revenue and expense												
Gain/(loss) on property revaluations		143,967	18,594	20,841	55,762	79,985	48,384	70,923	109,382	54,850	91,036	149,617
Fair value through other comprehensive revenue and expense												
Share of associates' other comprehensive revenue and expense												
Other comprehensive revenue and expense for the period		143,967	18,594	20,841	55,762	79,985	48,384	70,923	109,382	54,850	91,036	149,617
Total comprehensive revenue and expense for the period		155,475	27,846	32,208	67,763	97,216	70,339	96,882	132,565	83,751	122,507	184,859

The accompanying notes form part of these financial statements.

PROSPECTIVE STATEMENT OF CHANGES IN NET ASSETS/EQUITY

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Equity balance at 1 July	3,406,177	2,950,507	2,978,353	3,010,562	3,078,325	3,175,541	3,245,880	3,342,762	3,475,327	3,559,078	3,681,585
Total comprehensive revenue and expense for the period	155,475	27,846	32,208	67,763	97,216	70,339	96,882	132,565	83,751	122,507	184,859
Equity balance at 30 June	13	3,561,652	2,978,353	3,078,325	3,175,541	3,245,880	3,342,762	3,475,327	3,559,078	3,681,585	3,866,443
Accumulated comprehensive revenue and expense											
Balance at beginning of year	1,600,538	1,618,890	1,628,142	1,639,510	1,651,511	1,668,742	1,690,697	1,716,656	1,739,839	1,768,740	1,800,211
Total comprehensive revenue and expense for the period	11,508	9,252	11,367	12,001	17,231	21,955	25,959	23,183	28,901	31,471	35,242
Transfers (to) from restricted and council created reserves (62)											
Balance at end of year	1,611,984	1,628,142	1,639,509	1,651,511	1,668,742	1,690,697	1,716,656	1,739,839	1,768,740	1,800,211	1,835,452
Revaluation reserves											
Balance at beginning of year	1,788,333	1,314,249	1,332,843	1,353,684	1,409,446	1,489,431	1,537,815	1,608,738	1,718,120	1,772,970	1,864,006
Revaluation gains	143,967	18,594	20,841	55,762	79,985	48,384	70,923	109,382	54,850	91,036	149,617
Balance at end of year	1,932,300	1,332,843	1,353,684	1,409,446	1,489,431	1,537,815	1,608,738	1,718,120	1,772,970	1,864,006	2,013,623
Restricted and council created reserves											
Balance at beginning of year	17,306	17,368	17,368	17,368	17,368	17,368	17,368	17,368	17,368	17,368	17,368
Transfers to (from) reserves 62											
Balance at end of year	17,368										
Equity balance at 30 June	3,561,652	2,978,353	3,010,561	3,078,325	3,175,541	3,245,880	3,342,762	3,475,327	3,559,078	3,681,585	3,866,443

The accompanying notes form part of these financial statements.

BALANCING THE BOOKS MEASURE

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total comprehensive revenue and expense for the period	155,475	27,846	32,208	67,763	97,216	70,339	96,882	132,565	83,751	122,507	184,859
Adjustments for balancing the books measure											
Losses	0	0	0	0	0	0	0	0	0	0	0
(Loss)/gain on property revaluations	(143,967)	(18,594)	(20,841)	(55,762)	(79,985)	(48,384)	(70,923)	(109,382)	(54,850)	(91,036)	(149,617)
Vested assets (included in Other revenue)	(8,414)	(8,481)	(8,549)	(8,618)	(8,686)	(8,756)	(8,826)	(8,897)	(8,968)	(9,040)	(9,112)
Ring Road subsidy (included in Subsidies and grants)	(6,360)	0	0	0	0	0	0	0	0	0	0
Total adjustments	(158,741)	(27,075)	(29,390)	(64,380)	(88,671)	(57,140)	(79,749)	(118,279)	(63,818)	(100,076)	(158,729)
Balancing the books surplus/(deficit)	(3,266)	771	2,818	3,383	8,545	13,199	17,133	14,286	19,933	22,431	26,130

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

Forecast as at 30 June 2016-2025

Notes	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000
Assets											
Current assets											
Cash and cash equivalents	25,000	45,000	45,106	45,256	45,532	45,855	47,801	50,950	51,866	52,998	54,228
Debtors and other receivables	17,661	17,101	17,614	18,142	18,686	19,247	19,824	20,419	21,032	21,663	22,313
Prepayments	0	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663
Inventory	533	237	244	251	259	267	275	283	291	300	309
Other financial assets	242	100	100	100	100	100	100	100	100	100	100
Derivative financial instruments											
Non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total current assets	43,436	64,101	64,727	65,413	66,240	67,132	69,663	73,415	74,952	76,725	78,613
Non-current assets											
Trade and other receivables	3,901,574	3,293,892	3,338,968	3,421,975	3,527,219	3,618,834	3,716,220	3,840,339	3,962,731	4,072,355	4,215,770
Property, plant and equipment	9,090	20,467	20,814	19,526	18,866	17,904	19,197	21,271	23,328	24,137	25,122
Intangible assets	57,326	24,308	24,308	24,308	24,308	24,308	24,308	24,308	24,308	24,308	24,308
Investment property	7,431	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430
Investment in associates	9,765	8,280	8,280	8,280	8,280	8,280	8,280	8,280	8,280	8,280	8,280
Other financial assets	0	10,150	10,150	10,150	10,150	10,150	10,150	10,150	10,150	10,150	10,150
Investment in subsidiaries											
Total non-current assets	3,985,186	3,364,527	3,409,950	3,491,669	3,596,253	3,686,906	3,785,585	3,911,778	4,036,227	4,146,660	4,291,060
Total assets	4,028,621	3,428,628	3,474,677	3,557,082	3,662,492	3,754,038	3,855,248	3,985,192	4,111,179	4,223,385	4,369,673
Liabilities											
Current liabilities											
Employee entitlements	6,177	5,013	5,053	5,094	5,134	5,175	5,217	5,258	5,301	5,343	5,386
Creditors and other payables	18,183	18,728	15,806	16,553	17,161	17,845	18,518	19,229	19,798	19,925	20,205
Borrowings	107,744	77,656	79,758	82,900	85,294	86,529	88,485	90,089	92,448	92,869	89,750
Derivative financial instruments											
Provisions	2,024	1,724	1,074	824	774	724	674	624	574	524	474
Total current liabilities	134,128	103,121	101,691	105,371	108,364	110,274	112,894	115,200	118,121	118,661	115,815
Non-current liabilities											
Employee entitlements	1,917	886	886	886	886	886	886	886	886	886	886
Borrowings	321,446	338,515	351,885	365,746	376,310	381,756	390,388	397,462	407,869	409,730	395,970
Derivative financial instruments											
Provisions	9,479	8,085	8,072	8,059	8,046	8,033	8,020	8,007	7,994	7,981	7,968
Total non-current liabilities	332,842	347,486	360,843	374,691	385,242	390,675	399,294	406,355	416,749	418,597	404,824
Total liabilities	466,970	450,607	462,534	480,062	493,605	500,948	512,188	521,556	534,870	537,258	520,639
Net assets	3,561,652	2,978,021	3,012,143	3,077,020	3,168,887	3,253,090	3,343,060	3,463,637	3,576,310	3,686,127	3,849,035

PROSPECTIVE STATEMENT OF CASH FLOWS

Forecast for the year ended 30 June 2016-2025

Notes	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities											
Cash will be provided from:											
Rates revenue	140,525	146,634	153,171	160,996	167,591	175,185	181,910	190,128	198,736	207,745	217,182
Fees, rents and charges	41,280	40,281	41,681	42,690	43,975	45,396	46,476	47,586	49,328	51,160	52,923
Government operating subsidies and grants	4,426	4,247	4,305	4,632	5,139	4,984	5,011	5,269	5,323	5,438	6,057
Government capital subsidies and grants	10,156	4,147	4,771	4,964	8,263	8,367	10,202	8,405	7,551	6,815	7,327
Other capital contributions	8,572	11,213	10,784	10,946	9,377	9,632	9,905	10,202	10,522	10,866	11,236
Interest received	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Dividends received	100	143	144	145	146	147	149	150	152	154	155
Sundry revenue	426	1,010	1,036	1,061	1,088	1,117	1,149	1,184	1,221	1,261	1,304
	206,685	208,875	217,091	226,635	236,779	245,979	256,002	264,124	274,033	284,639	297,383
Cash will be applied to:											
Salaries and wages	56,184	63,289	65,287	67,177	68,903	70,770	72,787	74,911	77,256	79,838	82,561
Payments for suppliers	64,368	63,810	67,726	71,869	72,629	73,019	75,257	81,870	80,623	83,195	86,858
Interest paid	24,887	22,903	23,839	25,096	26,022	26,628	27,152	27,751	28,413	28,882	28,431
Net GST paid	1,917	150,002	156,852	164,141	167,554	170,418	175,197	184,532	186,291	191,915	197,849
	59,329	58,873	60,239	62,493	69,225	75,561	80,805	79,592	87,742	92,724	99,535
Net cash flow from operating activities											
Cash flows from investing activities											
Cash will be provided from:											
Proceeds from reduction in other financial assets											
Proceeds from sale of shares											
Proceeds from sale of investment property	108	139	147	156	160	162	169	171	178	185	188
Proceeds from sale of property, plant and equipment	108	139	147	156	160	162	169	171	178	185	188
	216	278	294	312	320	324	338	342	356	370	376
Cash will be applied to:											
Acquisition of investments											
Purchase of investment property											
Purchase of intangible assets											
Purchase of property, plant and equipment	67,903	66,586	71,546	79,336	81,941	82,015	89,514	85,207	99,583	93,340	81,026
	67,903	66,586	71,546	79,336	81,941	82,015	89,514	85,207	99,583	93,340	81,026
	(67,795)	(66,447)	(71,399)	(79,180)	(81,781)	(81,853)	(89,345)	(85,036)	(99,405)	(93,155)	(80,838)
Net cash flow from investing activities											
Cash flows from financing activities											
Cash will be provided from:											
Loans raised	25,618	33,575	66,266	111,837	77,832	16,616	70,486	38,593	77,580	41,564	50,000
Finance leases raised	25,618	33,575	66,266	111,837	77,832	16,616	70,486	38,593	77,580	41,564	50,000
	51,236	67,150	132,532	223,674	155,664	33,232	140,972	77,186	155,160	83,128	100,000
Cash will be applied to:											
Loan repayments	17,152	26,000	55,000	95,000	65,000	10,000	60,000	30,000	65,000	40,000	67,467
Finance lease repayments	17,152	26,000	55,000	95,000	65,000	10,000	60,000	30,000	65,000	40,000	67,467
	34,304	52,000	110,000	190,000	130,000	20,000	120,000	60,000	130,000	80,000	134,934
	17,932	15,150	22,532	128,674	90,664	13,232	20,972	17,186	20,160	3,164	65,066
Net cash flow from financing activities											
Net increase/(decrease) in cash held	0	1	106	150	276	323	1,946	3,148	916	1,132	1,229
Opening cash and cash equivalents balance	25,000	44,999	45,000	45,106	45,256	45,532	45,855	47,801	50,950	51,866	52,998
Closing cash and cash equivalents balance	25,000	45,000	45,106	45,256	45,532	45,855	47,801	50,950	51,866	52,998	54,228

PROSPECTIVE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Hamilton City Council is a territorial local authority governed by the Local Government Act 2002.

The primary objective of the Council is to provide goods or services for community or social benefit rather than making a financial return. Accordingly, for the purposes of financial reporting, Hamilton City Council is a public benefit entity.

These prospective financial statements are for Hamilton City Council (the Council) as a separate legal entity. Consolidated prospective financial statements comprising the Council and its subsidiaries and associates have not been prepared.

BASIS OF PREPARATION

Statement of compliance

The prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The prospective financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 1 entity. The Council is adopting the PBE standards for the first time.

The reporting period for these prospective financial statements is the year ending 30 June 2016. The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand (\$000), unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

Measurement base

The measurement basis applied is historical cost, modified by the revaluation of certain assets and liabilities as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated.

For the assets and liabilities recorded at fair value, fair value is defined as the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's-length transaction. For investment property, non-current assets classified as held for sale and items of property, plant and equipment which are revalued, the fair value is determined by reference to market value. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction.

Amounts expected to be recovered or settled more than one year after the end of the reporting period are recognised at their present value. The present value of the estimated future cash flows is calculated using applicable inflation factors and a discount rate. The inflation rates used are obtained from the latest relevant BERL21 forecasts and the discount rate is the Council's forecast long-term cost of borrowing.

Judgements and estimations

The preparation of prospective financial statements using PBE standards requires the use of judgements, estimates and assumptions. Where material, information on the main assumptions is provided in the relevant accounting policy.

The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under

the circumstances. Subsequent actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis and adjustments are made where necessary.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes. Significant judgements and estimations include landfill post-closure costs, asset revaluations, impairments, certain fair value calculations and provisions.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue comprises rates, revenue from operating activities, investment revenue, gains, finance and other revenue and is measured at the fair value of consideration received or receivable.

Revenue may be derived from either exchange or non-exchange transactions.

Exchange transactions

Exchange transactions are transactions where the Council receives assets (primarily cash) or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the Council either receives value from or gives value to another entity without directly giving or receiving approximately equal value in exchange.

An inflow of resources from a non-exchange transaction recognised as an asset, is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Council satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Specific accounting policies for major categories of revenue are outlined below:

Rates

Rates are set annually by a resolution from the Council 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.

Operating activities

The following categories (except where noted) are generally classified as transfers of non-exchange revenue.

- **Grants, subsidies and reimbursements**

Grants, subsidies and reimbursements are initially recognised at their fair value where there is reasonable assurance that the payment will be received and all attaching conditions will be complied with. Grants and subsidies received in relation to the provision of services are recognised on a percentage of completion basis. Reimbursements (e.g. NZTA roading claim payments) are recognised upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

- **Development contributions**

Development contributions are recognised as revenue when the Council provides the service connection or code of compliance.

- **Rendering of services**

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) and Waste (disposal and reduction) which are 100 percent funded by users and classified as exchange revenue.

- **Fines and penalties**

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.

- **Sale of goods**

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

Investment revenues

- **Dividends**

Dividends are classified as exchange revenue and are recognised when the Council's right to receive a payment has been established.

- **Investment property lease rentals**

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

Other revenue

Specific accounting policies for major categories of other revenue are outlined below:

- **Donated, subsidised or vested assets**

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 the control of the asset is transferred to the Council.

- **Gains**

Gains include additional earnings on the disposal of property, plant and equipment and movements in the fair value of financial assets and liabilities. Gains are classified as exchange revenue.

Finance revenue

- **Interest**

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

- **Donated services**

The Council benefits from the voluntary service of many Hamiltonians in the delivery of its activities and services. Due to the difficulty in determining the precise value of these donated services with sufficient reliability, donated services are not recognised in these financial statements.

Expenses

Specific accounting policies for major categories of expenditure are outlined below:

Grants and sponsorship

Expenditure is classified as a grant or sponsorship if it results in a transfer of resources (e.g. cash or physical assets) to another entity for compliance with certain conditions relating to the operating activities of that entity. It includes any expenditure arising from a funding arrangement with another entity that has been entered into to achieve the objectives of the Council. Grants and sponsorships are distinct from donations which are discretionary or charitable gifts. Where grants and sponsorships are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled.

Finance expense

Interest expense is recognised using the effective interest rate method. All borrowing costs are expensed in the period in which they are incurred.

Goods and Services Tax (GST)

All items in the prospective financial statements are stated exclusive of GST, with the exception of 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.

Taxation

Income tax expense on the surplus or deficit for the year comprises current and deferred tax.

Current tax is the expected tax payable based on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, plus any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the assets and liabilities, and the unused tax losses using tax rates enacted or substantively enacted at the end of the reporting period. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

Financial instruments

Financial instruments include financial assets (loans and receivables and financial assets at fair value through other comprehensive revenue and expense), financial liabilities (payables and borrowings) and derivative financial instruments. Financial instruments are initially recognised on trade-date at their fair value plus transaction costs. Subsequent measurement of financial instruments depends on the classification determined by the Council. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Council has transferred substantially all of the risks and rewards of ownership.

Financial instruments are classified into the categories outlined below based on the purpose for which they were acquired. The classification is determined at initial recognition and re-evaluated at the end of each reporting period.

Financial assets

Financial assets are classified as loans and receivables or financial assets at fair value through other comprehensive revenue and expense.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and loans and deposits.

Cash and cash equivalents comprise cash balances and call deposits with maturity dates of three months or less.

Trade and other receivables have fixed or determinable payments. They arise when the Council provides money, goods or services directly to a debtor, and has no intention of trading the receivable.

Loans and deposits include loans to other entities (including subsidiaries and associates), and bank deposits with maturity dates of more than three months.

Financial assets in this category are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for assets of a similar maturity and credit risk. Trade and other receivables due in less than 12 months are recognised at their nominal value. A provision for impairment is recognised when there is objective evidence that the asset is impaired. As there are statutory remedies to recover unpaid rates, penalties and water meter charges, no provision has been made for impairment in respect of these receivables.

Financial assets at fair value through other comprehensive revenue and expense relate to equity investments that are held by the Council for long-term strategic purposes and therefore are not intended to be sold. Financial assets at fair value through other comprehensive revenue and expense are initially recorded at fair value plus transaction costs. They are subsequently measured at fair value and changes, other than impairment losses, are recognised directly in a reserve within equity. On disposal, the cumulative fair value gain or loss previously recognised directly in other comprehensive revenue and expense is recognised within surplus or deficit.

Inventory

Inventories consumed in the provision of services (such as botanical supplies) are measured at the lower of cost and current replacement cost.

Property, plant and equipment

Property, plant and equipment consist of:

- **Operational assets**

These include land, buildings (which includes cultural assets, community and leisure facilities), improvements, non-restricted parks and gardens, plant and equipment, vehicles, sports areas and library books.

- **Zoo animals**

Zoo animals are held primarily for a social and recreational purpose. The capital cost consists of the actual expense incurred in acquiring the Zoo animals.

- **Restricted assets**

These are parks and reserves owned by Council that cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community.

- **Heritage assets**

These are museum collections and library collections (New Zealand Room).

- **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.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

- **Additions**

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council 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 for a nominal cost, it is recognised at fair value as at the date of acquisition.

- **Disposals**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported in the net 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.

- **Subsequent costs**

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Revaluation

Land and buildings (operational and restricted), library books, and infrastructural 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 three years. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income 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 income 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 income.

- **Depreciation**

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.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings - structure/fit out/services	10-100 yrs	1%-10%
Plant and vehicles	3-15 yrs	6.6%-33.3%
Furniture, fittings and equipment	5-10 yrs	10%-20%
Library books	14 yrs	7.1%
Zoo animal (acquisition costs)	10 yrs	10%
Improvements – Parks & Gardens	5 – 50 yrs	2% - 20%
Roads and traffic network:		
Top surface (seal)	6 - 18 yrs	5.5% - 16.6%
Pavement (basecourse)	30 - 140 yrs	2% - 4%
Catchpits	70 yrs	2%
Culverts	60 - 80 yrs	1.25% - 1.6%
Footpaths	50 - 70 yrs	1.4% - 2%
Kerbs and traffic islands	70 yrs	1.4%
Signs	12 yrs	8.3%
Street lights	25 yrs	4%
Bridges	150 yrs	0.6%
Traffic signals	15 yrs	6.6%
Barriers	25 - 40 yrs	2.5% - 4%
Bus shelters and parking meters	4 - 10 yrs	10% - 25%
Verge, embankment and retaining walls	60 yrs	1.6%
Wastewater reticulation:		
Pipes	60 - 100 yrs	1% - 1.6%
Manholes	75 yrs	1.3%
Treatment plant	5 - 100 yrs	1% - 20%
Bridges	75 - 100 yrs	1% - 1.3%
Pump stations	15 - 100 yrs	1% - 6.6%
Stormwater system:		
Pipes	100 yrs	1%
Manholes, cesspits	100 yrs	1%
Service connections and outlets	30 - 100 yrs	1% - 3.3%
Water reticulation:		
Pipes	60 - 80 yrs	1.25% - 1.6%
Butterfly valves	50 - 75 yrs	1.3% - 2%
Treatment plant	10 - 120 yrs	0.8% - 10%
Meters	20 yrs	5%
Hydrants	50 yrs	2%
Reservoirs	30 - 80 yrs	1.25% - 3.3%

The residual value and useful life of an asset is reviewed and adjusted if applicable at each financial year end.

Heritage assets are depreciated by a nominal amount to reflect their extremely long life and heritage value.

Depreciation is not provided in these statements on the following assets:

- Land
- Formation costs associated with roading
- Investment properties
- Non-current asset held for resale
- Work in progress and assets under construction

Any work undertaken on infrastructure assets to reinstate (termed 'renewal') or add to the service potential is capitalised.

Investment properties

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.

Non-current assets held for sale

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 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. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Intangible assets

Intangible assets comprise:
Computer software licences are capitalised at historic cost and are amortised on a straight-line basis over their estimated useful lives (5 years). Costs associated with maintaining computer software are recognised as an expense when incurred.

Resource consents which are not attributed to a specific asset are capitalised at historic cost and are amortised on a straight-line basis over their estimated useful lives (7 to 35 years).

Impairment of non-financial assets

The carrying amount of the Council's assets, other than investment property and inventories are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the future economic benefits of an asset are not primarily dependant on the asset's ability to generate net cash flows, and where the Council would, if deprived of the asset, replace its remaining future economic benefits, value in use shall be determined as the depreciated replacement cost of the asset.

Where the Council accounts for revaluations of property, plant and equipment on a class of asset basis, an impairment loss on a revalued asset is recognised directly against any revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

Where the Council accounts for revaluations of property, plant and equipment on a class of asset basis, a reversal of an impairment loss on a revalued asset is credited directly to the revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the surplus or deficit, a reversal of that impairment loss is also 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.

- **Financial assets at fair value through surplus or deficit**

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy below.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.

- **Fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are those that are designated into this category at initial recognition or are not classified in any of other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The Council and Group includes in this category;

- Investments that it intends to hold long-term but which may be realised before maturity; and
- Shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive income, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Impairment of financial assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

- **Loans and other receivables, and held-to-maturity investments**

Impairment is established when there is objective evidence that the Council and Group will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written-off against the allowance account. Overdue receivables

that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government stock bonds, general and community loans are recognised directly against the instruments' carrying amount.

- **Financial assets at fair value through other comprehensive income**

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt instruments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through the other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Creditors and other payables

Short-term creditors and other payables are recorded at their face value.

Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the surplus or deficit using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the Council or Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Employee entitlements

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 twelve months after balance date.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as retirement 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, annual leave, and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

Derivative financial instruments

The Council's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. Council uses foreign exchange forward contracts and interest rate swaps to manage their foreign currency and interest rate exposure. Derivative financial instruments are recognised initially at fair value. The Council has elected not to hedge account for these derivative financial instruments.

Changes in the fair value of the derivative financial instruments are recognised in the surplus/deficit.

Leases

Leases consist of:

- **Finance leases**

A finance lease is a lease that 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 commencement of the lease term, Council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or 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 certainty as to whether Council 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.

- **Operating leases**

An operating lease is a lease that does not 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.

Provisions

Council recognises a provision 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 expenditures 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 an interest expense and is included in "finance costs".

- **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the Council or Group to make specified payments to reimburse the holder of the contract for loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value, even if a payment under the guarantee is not considered probable. If a financial guarantee contract was issued in a stand-alone arms length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, a liability is recognised based on the probability that the Council or Group will be required to reimburse a holder for a loss incurred discounted to the present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation. However, if it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

Landfill post-closure costs

The Council has legal obligations under resource consent to provide ongoing maintenance and monitoring services at several of its landfill sites. Provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a rate that reflects current market assessments of the time value of money and the risks specific to the Council.

All subsequent changes in the liability shall be recognised in the surplus/deficit and the periodic unwinding of the discount will also be recognised in the surplus/deficit as a finance cost as it occurs.

Equity

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Accumulated funds
- Revaluation reserves
- Restricted reserves
- Council created reserves

Accumulated funds comprise accumulated surpluses over the years.

Revaluation reserves comprise accumulated revaluation increments/decrements.

Restricted reserves are those funds subject to external restrictions accepted as binding by Council, which may not be revised by Council without reference to the Courts or a third party.

Council created reserves are formally imposed designations of public equity that indicate Council's intention to use a certain level of resources for a special purpose.

Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are recorded at the point at which the contingency is evident and if the possibility that they will materialise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Prospective Statement of cash flows

Cash and cash equivalents for the purposes of the cashflow statement comprises bank balances, cash on hand and short term deposits with a maturity of three months or less.

Operating activities include cash received from all non-financial revenue sources of the Council and record the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets and investment revenue. Financing activities relate to activities that change the equity and debt capital structure of the Council and financing costs.

Public Benefit Entity Financial Reporting Standard 42 Prospective Financial Statements (PBE FRS 42)

The Council has complied with PBE FRS 42 in the preparation of these prospective financial statements. In accordance with PBE FRS 42, the following information is provided:

(i) Description of the nature of the entity's current operation and its principal activities

The Council is a territorial local authority, as defined in the Local Government Act 2002. The Council's principal activities are outlined within this Annual Plan.

(ii) Purpose for which the prospective financial statements are prepared

It is a requirement of the Local Government Act 2002 to present prospective financial statements that span 1 year and include them within the Annual Plan. This provides an opportunity for ratepayers and residents to review the projected financial results and position of the Council. Prospective financial statements are revised annually to reflect updated assumptions and costs.

(iii) Bases for assumptions, risks and uncertainties

The financial information has been prepared on the basis of best estimate assumptions as the future events which the Council expects to take place. The Council has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined within this Annual Plan

Note 2: Rates revenue

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
General rates, rates penalties											
General rate	125,592	13,154	27,566	43,322	60,543	79,249	99,616	121,729	145,709	171,675	199,762
Rates penalties	708	741	775	810	848	887	927	970	1,015	1,061	1,110
Less rates charges to Council properties	(843)	(630)	(654)	(679)	(705)	(731)	(759)	(788)	(818)	(849)	(881)
	125,457	13,265	27,687	43,453	60,687	79,405	99,783	121,911	145,906	171,887	199,991
Targeted rates attributable to activities:											
- Transitional rate	0	118,385	110,262	101,084	90,756	79,249	66,410	52,169	36,427	19,075	0
- Community use rates	1,062	932	975	1,020	1,067	1,116	1,167	1,221	1,277	1,336	1,397
- Access Hamilton rate	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
- Business Improvement District rate	280	280	280	280	280	280	280	280	280	280	280
- Hamilton Gardens rate	605	610	615	620	0	0	0	0	0	0	0
- Recycling Bin rate	0	0	0	985	1,026	1,073	0	0	0	0	0
	6,947	125,207	117,132	108,989	98,129	86,718	72,857	58,670	42,984	25,691	6,677
Total rates, excluding metered water rates	132,404	138,472	144,819	152,441	158,816	166,123	172,641	180,581	188,890	197,578	206,668
Rates, excluding metered water rates	132,404	138,472	144,819	152,441	158,816	166,123	172,641	180,581	188,890	197,578	206,668
Metered water rates	8,121	8,162	8,352	8,555	8,775	9,013	9,269	9,547	9,845	10,167	10,514
Total gross rates excluding metered water rates	133,506	140,443	147,556	156,011	163,289	171,575	179,152	188,237	197,784	207,806	218,334
Rates Remissions:											
- hardship		353	369	386	404	423	442	462	484	506	529
- other	1,102	1,618	2,368	3,184	4,069	5,029	6,069	7,194	8,410	9,722	11,137
Total remissions	1,102	1,971	2,737	3,570	4,473	5,452	6,511	7,656	8,894	10,228	11,666
Rates (net of remissions)	132,404	138,472	144,819	152,441	158,816	166,123	172,641	180,581	188,890	197,578	206,668

- Rates revenue is classified as a non-exchange transaction except for metered water rates which are classed as exchange revenue.

- Hamilton City Council are transitioning from a Land Value to a Capital Value rating system

The move to a capital value general rate is transitioned over a 10 year period. From year 1, 10% of the 'General Rate' figure will be on capital value, the remaining 90% will be a land value transitional targeted rate. For each year of the LTP the increase on the general rate figure on capital value will increase by 10% until it has been 100% transitioned to a capital value by 2024/25.

Note 3: Activity Revenue

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Activities by Activity											
Arts & Culture	7,918	1,679	1,718	1,760	1,805	1,854	1,907	1,671	1,724	2,229	2,305
Community Support	3,654	2,399	2,454	2,514	2,579	2,649	2,724	2,806	2,893	2,988	3,090
Democracy Services	30	17	220	18	18	237	19	20	259	21	22
Economic Development	9,895	8,871	9,077	9,298	9,537	9,795	10,074	10,376	10,700	11,050	11,427
Parks and Green Spaces	1,260	2,207	2,269	2,340	2,417	2,500	2,590	2,686	2,790	2,901	3,022
Planning and Development	1,119	7,410	7,583	7,767	7,967	8,182	8,416	8,667	8,939	9,231	9,546
Recreation *	4,429	4,429	4,790	5,103	5,415	5,562	5,720	5,891	6,076	6,274	6,488
Rubbish and Recycling	328	649	664	680	697	716	737	759	783	808	836
Safety	7,458	2,131	2,180	2,233	2,291	2,353	2,420	2,492	2,570	2,654	2,745
Sewerage	3,826	4,254	4,353	4,492	4,607	4,732	4,869	5,012	5,169	5,338	5,520
Stormwater	301	241	246	252	259	266	273	281	290	300	310
Transport	11,243	6,039	6,180	6,330	6,493	6,669	6,859	7,064	7,285	7,523	7,779
Water Supply	294	157	161	164	169	173	178	183	189	195	202
Overheads/Support Units		2,062	2,112	2,164	2,217	2,279	2,343	2,415	2,489	2,572	2,658
Less: internal revenue	(1,620)	(1,634)	(1,672)	(1,746)	(1,791)	(1,840)	(1,894)	(1,949)	(2,010)	(2,075)	(2,146)
Less: rates charged to Council properties		(630)	(654)	(679)	(705)	(731)	(759)	(788)	(818)	(849)	(881)
Less: operating subsidies and grants	(4,426)										
Total revenue from activities	41,280	40,281	41,681	42,690	43,975	45,396	46,476	47,586	49,328	51,160	52,923
Revenue from Activities by Type											
Adshel Contribution	36	449	459	471	483	496	510	525	542	559	578
Environment Waikato Contribution (project water shed)		410	1,340	1,372	1,407	1,445	1,487	1,531	1,579	1,631	1,686
Waste Minimisation Levy		28,382	29,315	30,273	31,248	32,113	33,048	33,760	34,837	36,445	37,709
Sale of Goods	2,090	2,090	2,139	2,191	2,247	2,308	2,374	2,445	2,521	2,604	2,692
Fees and User Charges	6,065	6,065	6,206	6,357	6,521	6,697	6,888	7,094	7,316	7,556	7,813
Infringements and Fines	951	973	996	996	1,022	1,050	1,080	1,112	1,147	1,184	1,225
Rents Received	14	14	14	15	15	15	16	16	17	17	18
Commission Received	2,493	2,493	2,753	2,613	2,680	2,971	2,831	2,916	3,246	3,105	3,211
Ticketing Commission Received	11	11	11	12	12	12	13	13	13	14	14
External Recoveries	334	334	340	348	357	367	377	389	401	414	428
Donations Received	(1,634)	(1,634)	(1,672)	(1,746)	(1,791)	(1,840)	(1,894)	(1,949)	(2,010)	(2,075)	(2,146)
Other income	(630)	(630)	(654)	(679)	(705)	(731)	(759)	(788)	(818)	(849)	(881)
Less: internal revenue											
Less: rates charged to Council properties											
	41,280	40,281	41,681	42,690	43,976	45,396	46,476	47,586	49,328	51,160	52,923

Note 4: Subsidies and grants

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
NZTA Roading Subsidy - Operating	3,341	3,651	3,696	4,008	4,499	4,326	4,335	4,573	4,605	4,696	5,290
NZTA Roading Subsidy - Capital	11,241	4,147	4,771	4,964	8,263	8,367	10,202	8,405	7,551	6,815	7,327
Government Grants & Subsidies	0	0	0	0	0	0	0	0	0	0	0
Grants Received	596	609	624	640	657	676	696	718	741	767	767
Total Subsidies and Grants	14,582	8,394	9,076	9,596	13,402	13,351	15,213	13,674	12,874	12,253	13,384

Note 5: Development and financial contributions

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Stormwater	378	502	477	483	487	500	514	529	546	564	583
Transport	1,840	2,656	2,524	2,556	2,576	2,646	2,721	2,803	2,890	2,985	3,087
Wastewater	2,215	2,877	2,733	2,767	2,790	2,866	2,948	3,036	3,132	3,233	3,343
Water	1,483	1,915	1,820	1,843	1,858	1,908	1,963	2,021	2,084	2,153	2,226
Community Infrastructure	788	0	0	0	0	0	0	0	0	0	0
Reserves	867	1,550	1,473	1,492	1,504	1,544	1,588	1,636	1,687	1,742	1,802
Total Development and Financial Contributions	7,571	9,500	9,027	9,141	9,215	9,464	9,734	10,025	10,339	10,677	11,041

Note 6: Other revenue

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Other revenue	1,001	1,713	1,757	1,805	162	168	171	177	183	189	195
Capital Contributions - General	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Interest Income	100	143	144	145	146	147	149	150	152	154	155
Dividends		1,010	1,036	1,061	1,088	1,117	1,149	1,184	1,221	1,261	1,304
Petrol Tax Income	8,414	8,481	8,549	8,618	8,686	8,756	8,826	8,897	8,968	9,040	9,112
Vested Assets	426	0	5	0	0	5	0	0	5	0	0
Other Sundry Income											
Total other revenue	11,141	12,547	12,690	12,829	11,282	11,394	11,495	11,608	11,729	11,843	11,966

Revenue may be derived from either exchange or non-exchange transactions: Exchange Transactions are transactions where the Council receives assets (primarily cash) or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services, or use of assets) to another entity in exchange. Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the Council either receives value from or gives value to another entity without directly giving or receiving approximately equal value in exchange.

Note 7: Depreciation and amortisation expenses by group of activity

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Directly attributable depreciation and amortisation expense by group of activity											
Arts & Culture *	3,196	2,604	2,599	2,703	2,823	2,916	3,111	3,157	3,217	3,879	3,890
Community Support	139	1,143	1,105	1,177	1,117	1,023	1,063	1,013	945	1,047	1,037
Democracy Services	0	0	0	0	0	0	0	0	0	0	0
Economic Development	2,184	5,912	5,200	5,630	5,518	5,468	6,148	5,950	6,085	6,458	6,436
Parks & Green Spaces	1,580	3,331	3,339	3,665	3,696	3,684	4,009	3,957	4,027	4,487	4,591
Planning & Development	0	0	0	0	0	0	0	0	0	0	0
Recreation *	0	1,627	1,617	1,689	1,657	1,657	1,797	1,800	1,769	1,926	1,939
Rubbish & Recycling	395	307	312	321	325	359	379	378	406	415	418
Safety	39	84	76	78	71	65	92	92	91	82	62
Sewerage	7,391	8,067	7,786	7,964	8,573	8,936	9,337	10,164	10,463	10,628	11,593
Stormwater	5,706	5,728	5,710	5,731	6,278	6,340	6,455	7,090	7,202	7,402	8,329
Transport	17,406	17,917	17,640	17,517	17,377	18,670	19,177	19,114	20,735	20,781	20,799
Water Supply	7,190	7,532	7,294	7,502	8,136	8,421	8,828	9,577	9,742	9,870	10,810
	45,226	54,252	52,678	53,977	55,571	57,539	60,396	62,292	64,682	66,975	69,904

Depreciation and amortisation not directly related to group of activities

Fleet Vehicles	684	660	638	639	599	635	672	678	726	751	839
Total depreciation and amortisation expense	56,295	58,102	57,426	59,110	60,680	62,367	63,672	65,306	67,814	70,293	73,405

Note 8: Finance costs

Interest on bank borrowings	24,743	22,903	23,839	25,096	26,022	26,628	27,152	27,751	28,413	28,882	28,431
Interest on finance leases	144										
Total finance costs	24,887	22,903	23,839	25,096	26,022	26,628	27,152	27,751	28,413	28,882	28,431

Variations to Council's 2015-25 10-Year Plan

* It should be noted that the activity structure between the LTP 2012-22 and the LTP 2015-25 has changed

Note 9: Other expenses

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Arts & Culture *	33,571	17,034	17,798	18,310	18,964	19,268	19,500	19,653	20,334	21,741	22,516
Community Support	8,328	6,380	6,577	6,899	7,939	6,698	6,938	7,115	7,260	7,643	7,669
Democracy Services	5,316	5,237	6,110	5,560	5,710	6,657	5,955	6,145	7,255	6,543	6,783
Economic Development	29,081	26,893	26,823	27,904	28,755	29,127	30,819	30,845	31,658	32,439	33,112
Parks & Green Spaces	16,039	20,888	21,881	22,863	23,235	23,774	24,277	24,744	25,605	26,753	27,603
Planning & Development	8,924	11,522	12,070	12,054	12,263	12,531	12,597	12,978	13,428	14,063	14,767
Recreation *	0	11,166	11,610	12,046	12,123	12,423	12,664	17,773	13,560	13,935	14,410
Rubbish & Recycling	6,407	7,303	7,451	10,697	8,030	8,262	8,509	8,821	9,115	9,468	9,862
Safety	5,860	5,053	5,202	5,344	5,477	5,597	5,704	5,867	6,040	6,228	6,427
Sewerage	23,136	24,166	24,688	25,490	26,726	27,549	28,501	30,122	30,957	31,862	33,230
Stormwater	8,758	8,499	8,553	8,724	9,293	9,304	10,037	10,194	10,328	10,615	11,592
Transport	43,100	44,426	45,169	46,452	48,091	49,683	50,690	51,847	54,325	55,344	57,173
Water Supply	18,612	19,162	19,986	20,589	21,325	22,149	22,931	23,996	24,519	25,860	26,414
Overheads/Support Units	0	2,639	2,686	2,744	2,799	2,334	2,400	2,475	2,549	2,638	2,723
Less internal expenses	(1,620)	(1,634)	(1,672)	(1,746)	(1,791)	(1,840)	(1,894)	(1,949)	(2,010)	(2,075)	(2,146)
Less rates charged to Council properties	(843)	(630)	(654)	(679)	(705)	(731)	(759)	(788)	(818)	(849)	(881)
Less interest on internal borrowing	(1,078)										
Total expenses from activities	203,591	208,104	214,278	223,251	228,234	232,785	238,869	249,838	254,105	262,208	271,254
Less depreciation and amortisation	(56,295)	(58,102)	(57,426)	(59,110)	(60,680)	(62,367)	(63,672)	(65,306)	(67,814)	(70,293)	(73,405)
Less finance costs	(24,887)	(22,903)	(23,839)	(25,096)	(26,022)	(26,628)	(27,152)	(27,751)	(28,413)	(28,882)	(28,431)
Less personnel costs	(56,184)	(63,289)	(65,287)	(67,177)	(68,903)	(70,770)	(72,787)	(74,911)	(77,256)	(79,838)	(82,561)
Total other expenses	66,225	63,810	67,726	71,869	72,629	73,019	75,257	81,870	80,623	83,195	86,858

Variations to Council's 2015-25 10-Year Plan

* It should be noted that the activity structure between the LTP 2012-22 and the LTP 2015-25 has changed

Note 10: Other financial assets

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Current portion:											
Investments											
Loans investments											
Loan to CTC Aviation Training (NZ) Ltd	242	0	0	0	0	0	0	0	0	0	0
Loan to Staples Rodway		100	100	100	100	100	100	100	100	100	100
Term Deposits with maturities less than 1 year											
Total current portion	242	100									
Non-current portion:											
Loans and Receivables											
Loan to Staples Rodway		0	0	0	0	0	0	0	0	0	0
Term deposits with maturities greater than 1 year	4,300	3,303	3,303	3,303	3,303	3,303	3,303	3,303	3,303	3,303	3,303
Unlisted shares											
NZ Local Government Insurance Co Ltd	337	227	227	227	227	227	227	227	227	227	227
Local Government Funding Agency	2,000	1,866	1,866	1,866	1,866	1,866	1,866	1,866	1,866	1,866	1,866
Innovation Waikato Ltd	2,400	2,506	2,506	2,506	2,506	2,506	2,506	2,506	2,506	2,506	2,506
Total non-current portion	9,765	8,280									
Total Other financial assets	10,007	8,380									

Note 11: Investments in associates and subsidiaries

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Associates											
Waikato Regional Airport	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430
Subsidiaries											
Hamilton Properties Limited	1	0	0	0	0	0	0	0	0	0	0
Total investment in associates and subsidiaries	7,431	7,430									

Note 12: Borrowings

The city's debt has been issued in accordance with the Local Government Act 2002. The loans are secured through the debenture trust deed over all rates with one exception. The \$1.0m loan used to purchase Victoria on the River property which is secured by first registered mortgage over the property.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current portion:											
Secured loans	106,918	77,056	79,142	82,260	84,635	85,861	87,801	89,393	91,734	92,152	89,057
Finance leases	826	600	616	640	659	668	684	696	714	717	693
Total current portion	107,744	77,656	79,758	82,900	85,294	86,529	88,485	90,089	92,448	92,869	89,750
Non-current portion:											
Secured loans	319,519	336,473	349,776	363,553	374,054	379,467	388,048	395,080	405,424	407,273	393,596
Finance leases	1,927	2,042	2,109	2,193	2,256	2,289	2,340	2,383	2,445	2,456	2,374
Total non-current portion	321,446	338,515	351,885	365,746	376,310	381,756	390,388	397,462	407,869	409,730	395,970
Total external debt	429,190	416,171	431,643	448,646	461,604	468,285	478,873	487,551	500,317	502,599	485,720
Adjustments required to determine overall debt:											
Less term deposits	(4,300)	(3,303)	(3,303)	(3,303)	(3,303)	(3,303)	(3,303)	(3,303)	(3,303)	(3,303)	(3,303)
Plus reserves	17,368	17,368	17,368	17,368	17,368	17,368	17,368	17,368	17,368	17,368	17,368
Total overall debt	417,258	385,236	400,602	417,455	430,137	436,494	445,137	450,667	462,516	463,665	445,557
Debt servicing performance indicators											
Financial ratios											
Liquidity ratio > 110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%
Debt to revenue ratio (target 200% by 2021)	220%	197%	197%	196%	196%	191%	189%	183%	181%	174%	160%
Interest to revenue ratio (target <20%)	12%	11%	11%	11%	11%	11%	11%	11%	11%	10%	10%
Debt to cashflow (target <15)	8.4	5.3	5.2	3.7	3.1	3.8	3.1	2.5	3.4	2.6	1.8

The financial ratios are calculated as follows:

- Liquidity ratio** - (total funds available through committed facilities/floating rate notes/bonds/cash held) divided by (external debt)
- Debt to revenue ratio** - (total overall debt) divided by (total operating revenue less vested assets less capital subsidies less revenue from development contributions)
- Interest to revenue ratio** - (total interest) divided by (total operating revenue less vested assets less capital subsidies less revenue from development contributions)
- Debt to cashflow** - (total overall debt) divided by (net surplus (deficit) plus depreciation less vested assets less capital subsidies less sundry revenue)

Council uses synthetic instruments (swaps and FRAs) to manage its interest rate risk profile based on independent professional advice. The specific limits are outlined in the investment and liability management policy.

NOTE 13: RESERVES

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Restricted and Council created reserves											
Restricted reserves											
Cemetery plot maintenance in perpetuity	1,541	1,541	1,541	1,541	1,541	1,541	1,541	1,541	1,541	1,541	1,541
Dame Hilda Ross library memorial reserve	2	2	2	2	2	2	2	2	2	2	2
Domain endowment fund	2,144	2,144	2,144	2,144	2,144	2,144	2,144	2,144	2,144	2,144	2,144
Roman Catholic schools library reserve	2	2	2	2	2	2	2	2	2	2	2
Waikato art gallery endowment reserve	8	8	8	8	8	8	8	8	8	8	8
Municipal endowment fund	9,435	9,435	9,435	9,435	9,435	9,435	9,435	9,435	9,435	9,435	9,435
Total restricted reserves	13,132										
Council created reserves											
Bus shelter (Adshel) reserve	212	212	212	212	212	212	212	212	212	212	212
Hamilton Gardens	527	527	527	527	527	527	527	527	527	527	527
Housing upgrade reserve	3,101	3,101	3,101	3,101	3,101	3,101	3,101	3,101	3,101	3,101	3,101
Project watershed operating reserve	396	396	396	396	396	396	396	396	396	396	396
Total council created reserves	4,236										
Total restricted and Council created reserves	17,368										

Council has resolved to only hold Reserves where either there is a legislative requirement or to account for funds received from an external source. Reserves that did not meet either of these conditions and have been closed.

Note 13. RESERVES

Reserve	Activities to which the reserve relates	Opening balance July 2015 \$000	Transfers into reserve \$000	Transfers out of reserve \$000	Closing balance June 2025 \$000
Restricted reserves					
Cemetery plot maintenance in perpetuity reserve To maintain and provide for improvements to the cemeteries.	Cemeteries and Crematorium	1,695			1,695
Domain endowment fund reserve 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.	Parks and Green Spaces and Stormwater	1,778			1,778
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.	Strategic property investment	9,435			9,435
Waikato Art Gallery Endowment reserve To provide funds for the acquisition of works of art for the Waikato Museum of Art and History.	Arts promotion	9			9
Dame Hilda Ross Children's Library Memorial Fund To manage a bequest by Dame Hilda Ross given for the purpose of extending the children's collection in the Dame Hilda Ross Memorial Arts Centre (Children's Library). Only the interest from the fund may be used for purchases.	Libraries	1			1
Roman Catholic Schools Library Fund To manage a bequest made for the purpose of extending the children's collection in the Children's Library. The interest income from the fund may be used for children's book collection purchases.	Libraries	2			2
Total restricted reserves		12,920	-	-	12,920

Reserve	Activities to which the reserve relates	Opening balance July 2015	Transfers into reserve	Transfers out of reserve	Closing balance June 2025
Council created reserves					
Bus shelter reserve	To manage the income generated from advertising in bus shelters to provide, maintain and enhance passenger infrastructure.	305			305
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.	960			960
Housing upgrade reserve	To assist in improving council owned housing. There is no specific plan to use this reserve for the coming ten years while the council considers its future role in this activity.	3,332			3,332
Rotokauri land sale reserve	To manage funds derived from the sale of land in Foreman Road. These funds are for a purchase of land reserves in the Rotokauri growth cell.	2,167			2,167
Reserves contribution fund	This fund receives contributions from Council policy on levying sub-dividers 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 sub-divisions approved prior to the advent of development contributions for reserves which came into effect on 1 July 2006.	2,332			2,332
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 of Environment and expenditure includes grants to others, waste minimisation initiative operating expenses and recycling contract.	508			508
Total Council created reserves		9,604	-	-	9,604
Total restricted and Council created reserves		22,524	-	-	22,524

NOTE 14: CAPITAL EXPENDITURE

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CAPITAL EXPENDITURE DISCLOSED IN FUNDING IMPACT STATEMENTS *											
Arts and Culture	3,637	2,339	2,245	3,541	3,704	3,111	2,015	10,962	11,279	3,192	3,197
Community Support	178	200	205	211	216	222	229	236	244	252	261
Democracy Services	0	0	0	0	0	0	0	0	0	0	0
Economic Development	294	2,677	1,912	2,083	1,710	3,418	6,196	4,676	4,602	3,002	2,031
Parks and Green Spaces	2,299	5,695	5,841	5,326	2,658	3,083	3,420	3,625	4,245	3,946	3,934
Planning and Development	0	0	0	0	0	111	0	0	0	0	131
Recreation	1,046	829	1,214	1,801	1,127	1,593	2,799	1,439	1,394	688	1,122
Rubbish and Recycling		307	422	425	158	261	258	367	78	272	574
Safety		110	41	42	43	44	46	47	49	50	52
Sewerage	7,623	13,679	15,590	23,072	23,813	18,970	23,779	16,881	14,800	21,854	16,780
Stormwater	2,301	2,464	1,550	2,714	3,017	2,683	3,168	6,591	15,977	15,638	4,004
Transport	25,647	18,206	20,286	17,643	22,544	28,606	30,993	28,977	31,741	22,468	25,692
Water supply	17,409	16,265	17,994	18,334	18,363	16,560	13,226	7,773	10,042	17,744	18,924
CAPITAL EXPENDITURE INCURRED BY BUSINESS UNITS AND INTERNAL SERVICE UNITS											
Fleet Vehicles	0	839	884	938	962	978	1,019	1,027	1,072	1,115	1,130
Information services	2,809	2,794	3,234	2,102	2,766	1,956	2,075	2,481	3,133	2,372	2,544
Corporate Buildings	4,660	182	128	1,104	859	419	292	125	927	747	650
Total capital expenditure	67,903	66,586	71,546	79,336	81,941	82,015	89,514	85,207	99,583	93,340	81,026

NOTE 15: RECONCILIATION BETWEEN PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE AND PROSPECTIVE FUNDING IMPACT STATEMENT

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating surplus/(deficit) per Prospective Statement of Comprehensive Income	11,508	9,252	11,367	12,001	17,231	21,955	25,959	23,183	28,901	31,471	35,242
Development and financial contributions	(7,571)	(9,500)	(9,027)	(9,141)	(9,215)	(9,464)	(9,734)	(10,025)	(10,339)	(10,677)	(11,041)
Recognition of revenue from vested assets and interest on internal borrowing not included in the FIS	(8,414)	(8,481)	(8,549)	(8,618)	(8,686)	(8,756)	(8,826)	(8,897)	(8,968)	(9,040)	(9,112)
Environment Waikato Contribution (project water shed)											
Non-cash items recognised in Statement of Comprehensive Income and not included in Funding Impact Statement:											
Depreciation	56,295	58,102	57,426	59,110	60,680	62,367	63,672	65,306	67,814	70,293	73,405
Provision for LGFA guarantee											
Finance leases											
Interest on internal borrowing											
Operating funding surplus/(deficit) per Prospective Funding Impact Statement	40,661	43,513	44,689	46,583	51,585	57,567	60,698	60,985	69,674	75,043	80,972
Balance as per Council FIS operating surplus/(deficit) of funding	40,661	43,513	44,689	46,583	51,585	57,567	60,698	60,985	69,674	75,043	80,972

Variations to Council's 2012-2022 10-Year Plan

* Refer to the individual Funding Impact Statements for detailed commentary on variations.

Council Funding Impact Statement

The Funding Impact Statement is made up of three parts:

- Rating Information for 2015/16
- Rates Samples for 2015/16
- The Whole of Council Funding Impact Statement for 2015/25

The Funding Impact Statement should be read in conjunction with the Revenue and Financing Policy and Rating Policy. Figures in this statement are GST inclusive.

RATING INFORMATION FOR 2015/16

Council sets and assesses the following rates under the Local Government (Rating) Act 2002.

- General Rate
- Targeted Rates:
 - Transitional
 - Access Hamilton
 - Business Improvement District
 - Hamilton Gardens
 - Community Use Water
 - Community Use Sewerage
 - Community Use Refuse
 - Metered water
 - Commercial non-metered water
 - Horsham Downs Hall

Details of the amount of rates to be collected and the categories that will pay these rates are in this funding impact statement.

GENERAL RATE

A general rate is set and assessed on the capital value of all rateable land in the City.

General rates are set on a differential basis on the categories of land identified below. The rating categories are defined in the Rating Policy. The differential basis is the use to which the land is put and in the case of the CBD Commercial differential, the location of the land. The different categories of rateable land are outlined in the table below.

This funding mechanism covers all services of Council. The total revenue sought is \$15.335 million.

Land described in Part 2 Schedule 1 of the Local Government (Rating) Act 2002 (broadly land owned or used by societies for arts or sports) will be assessed 50% of the general rate that applies to the land. The total revenue sought from the land is \$186,784.

The general rate set and assessed on a differential basis as follows:

SOURCE	DIFFERENTIAL CATEGORIES	DIFFERENTIAL FACTOR	PERCENTAGE OF TOTAL GENERAL RATES	GENERAL RATE IN THE DOLLAR OF CAPITAL VALUE (GST INCL)	RATES REVENUE (GST INCL)
General Rate	Residential	1.0000	65%	0.000574	\$9,967,780
	Commercial	1.79	25.82%	0.001028	\$3,959,755
	CBD Commercial	1.70	8.18%	0.000977	\$1,254,161
	Rural	0.42	1.0%	0.000239	\$153,350

Uniform Annual General Charge

Council does not use a uniform annual general charge.

TARGETED RATES

Lump sum contributions are not sought or invited by Council in respect of targeted rates.

Transitional Rate

The rate is set and assessed on the land value of all rateable properties in the City.

SOURCE	DIFFERENTIAL CATEGORIES	DIFFERENTIAL FACTOR	PERCENTAGE OF TOTAL TRANSITIONAL RATES	TRANSITIONAL RATE IN THE DOLLAR OF LAND VALUE (GST INCL)	RATES REVENUE (GST INCL)
Transitional Rate	Residential	1.0000	63.17%	0.011126	\$87,551,245
	Commercial/Industrial	2.3272	26.25%	0.025777	\$36,229,892
	CBD Commercial/Ind	2.2108	7.74%	0.024488	\$10,695,351
	Multi Unit Residential	1.4092	1.79%	0.015609	\$2,470,814
	Rural Residential	0.4643	0.05%	0.005143	\$62,694
	Rural Small	0.3363	0.75%	0.003725	\$1,034,533
	Rural Large	0.1550	0.25%	0.001717	\$345,621

The transitional rates are set on a differential basis on the categories identified in the table below. The rating categories are defined in the Rating Policy. The differential basis is based on the use to which the land is put, the location of the land and/or area of the land.

The Transitional rate funds the following activities

- Planning Guidance & Compliance
- Animal Education and Control
- Stormwater Network
- Catchment Management
- Refuse Collection
- Waste Minimisation
- Landfill Site Management
- Arts Promotion
- City Planning
- Theatres
- Sewage Collection
- Sewage Treatment and Disposal
- Hamilton Gardens
- Economic Initiatives
- Libraries
- Museum
- Community Development
- Community Parks
- Gullies and native plantings
- Streetscapes
- Sports Parks
- Governance & Civic Affairs
- Environmental Health and Public Safety
- Water Treatment and Storage
- Water Distribution
- Transport Network
- Zoo
- Stadiums
- Claudelands
- Leisure Facilities
- Emergency Management

Metered Water Rate

The rate is set and assessed for metered and restricted flow water supply on a differential basis to all metered rating units (as defined by Hamilton City Council's Water Supply Bylaw 2013).

The rate is:

- i. a fixed amount based on the nature of the connection as follows:
 - \$422 for all metered rating units(except rural receiving a restricted flow supply);
 - \$312 for rural rating units receiving a restricted flow supply.
- ii. a charge per unit of water consumed or supplied on every metered connection in accordance with the following scale:
 - All metered rating units (except rural receiving a restricted supply) - \$1.76 per kilolitre of water supplied after the first 240 kilolitres of consumption or supply;

- rural rating units receiving a restricted flow supply - \$1.30 per kilolitre of water supplied after the first 240 kilolitres of consumption or supply.

The rates contribute to the funding of the Water Distribution and Water Treatment and Storage activities.

The total revenue sought is \$9.132m.

Commercial Non-metered Water Rate

The rate is set and assessed on non-metered Commercial and Rural properties which are connected to or have a water supply available. The rate is \$422 per separately used inhabited part of the rating unit.

The rates contribute to the funding of the Water Distribution and Water Treatment and Storage activities. The total revenue sought is \$251,138

Properties in the Waikato District Council and Waipa District Council supplied with water under contractual arrangements will be charged according to Council's Fees and Charging schedule.

Access Hamilton Rate

The rate is set and assessed at a uniform rate per dollar of capital value on all rating units in the City (excluding 100% non-rateable and 50% non-rateable properties).

The rate is \$0.00024831 per dollar of capital value. The total revenue sought is \$5,750,000.

The Access Hamilton rate funds the work programmes and/or financing costs relating to this project as part of the Transport Network activity.

Business Improvement District Rates (BID)

The rate is set and assessed on all separately used or inhabited part of commercial rating units in the BID area as mapped in the Rating Policy. The rate is:

- a) BID Fixed rate: a fixed amount of \$230 per separately used or inhabited parts of a rating unit within the defined area; and
- b) BID CV Rate: a rate per dollar of capital value required to meet the total revenue (after allowing for the total revenue raised by the fixed amount of \$230 per rating unit or separately used portion of a rating unit, is \$0.00003757

The rate provides funding to the Economic Initiatives activity. The total revenue sought is \$322,000.

Hamilton Gardens Rate

The rate is set and assessed as a fixed amount on all separately used or inhabited part of each rating unit within the City. The rate is set at \$11.50.

The rate contributes funding to develop themed gardens and infrastructure as part of the Hamilton Gardens activity.

The total revenue sought is \$701,500.

Community Use Water Rate

The rate is set and assessed on properties as defined as a community use (see Rating Policy) and which are connected to the water supply.

- a) a fixed amount of \$422 per separately used or inhabited part of a rating unit; and
- b) a rate per dollar of land value of the rating unit, set at \$0.0026010.

The rate provides funding towards the water distribution and water treatment and storage activities.

The total revenue sought is \$1,085,600.

Community Use Refuse Rate

The rate is set and assessed on properties defined as a community use (see Rating Policy) and which are provided with refuse collection service. The rate is:

- a) a fixed amount of \$151 per separately used or inhabited part of a rating unit; and
- b) a rate per dollar of land value) per rating unit set at \$0.000846.

The rate provides funding towards the refuse collection activity.

The total revenue sought is \$1,085,600.

Community Use Sewerage Rate

The rate is set and assessed on properties defined as a community use (see Rating Policy) and which are connected to the sewerage network. The rate is:

- a) a fixed amount of \$412 per separately used or inhabited part of a rating unit; and
- b) The rate per dollar of land value set at \$0.0026450.

The rate provides funding towards the sewage distribution and sewage treatment and storage activities.

The total revenue sought is \$1,085,600.

Horsham Downs Hall Rate

The rate is set and assessed as a fixed amount of \$25 per rating unit located within the Horsham Downs Hall rating area.

The rate provides funding to the Community Development activity. The total revenue sought for is \$1,550.

FUTURE RATES

Council intends to set and assess rates from the sources listed above in each year of the plan except:

- a) The Hamilton Gardens rate is budgeted to stop after the 2017/18 rating year.
- b) A new Recycling Bin rate will start in 2017/18 and finish after the 2019/20 rating year. This rate will be set and assessed on all serviced rating units at \$21.50(GST inclusive). The total revenue sought in 2017/18 is \$1,132,750 (GST inclusive)

SEPARATELY USED OR INHABITED PART OF A RATING UNIT (SUIP) - DEFINITION

Any part of a rating unit that is, or is able to be, separately used or inhabited by the ratepayer, or by any other person or body having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or other agreement.

For example, this means that each flat within a block of flats, or each shop within a block of shops, for example, would be charged the relevant targeted rate. The same would apply to a farm with more than one dwelling, (i.e. worker accommodation), or a residential property with a separate fully self-contained unit available for visitor accommodation.

Each use that involves a different activity that is conducted by a person, company, or organisation different to the ratepayer is considered to be a separate use. For example, if a photographic processing franchise operated within a store is operated by the store's staff, it is not a separate use. However if the same franchise is operated by a person, company, or organisation

different to the store operator, it is considered a separate use.

**INSPECTION OF RATING INFORMATION
DATABASE**

In accordance with the Local Government (Rating) Act 2002, the District Valuation Roll and Rates Records are available for public inspection at the Council Offices, Garden Place, Hamilton, between the hours of 8.00am and 4.45pm on all business days of the week.

2015/2016 PROPOSED RATES - SAMPLE PROPERTIES

Differential	SUIPs	Land Value	Capital Value	2014/15 RATES			2015/2016 PROPOSED RATES			Total Rates Change (\$)	Total Rates Change (%)	
				General Rate	Targeted Rates	Total Rates	Land Value Transitional Rate	Capital Value General Rate	Targeted Rates			Total Rates
RESIDENTIAL SECTOR												
Residential	1	200,000	200,000	2,360	61	2,422	2,225	115	61	2,402	-20	-0.83%
Residential	1	100,000	200,000	1,180	61	1,242	1,113	115	61	1,289	47	3.81%
Residential	1	200,000	400,000	2,360	111	2,472	2,225	230	111	2,566	95	3.89%
Residential	1	250,000	800,000	2,950	211	3,162	2,782	461	210	3,452	291	9.19%
Multi Unit Residential	4	300,000	800,000	4,905	246	5,151	4,624	461	245	5,330	179	3.47%
RURAL SECTOR												
Rural Small	1	400,000	400,000	1,608	111	1,719	1,516	97	111	1,723	4	0.25%
Rural Small	1	800,000	1,200,000	3,215	311	3,526	3,031	291	309	3,631	105	2.97%
Rural Large	1	2,000,000	2,300,000	3,639	586	4,225	3,431	557	583	4,570	345	8.17%
COMMERCIAL SECTOR												
Commercial	1	100,000	200,000	2,713	61	2,775	2,558	204	-143	2,619	-155	-5.60%
Commercial	1	250,000	500,000	6,783	136	6,919	6,395	510	-374	6,531	-389	-5.62%
Commercial	1	500,000	1,500,000	13,566	386	13,952	12,790	1,530	-1,146	13,174	-778	-5.58%
CBD Commercial	1	300,000	800,000	7,733	473	8,206	7,290	775	470	8,536	330	4.02%
CBD Commercial	4	500,000	1,500,000	12,888	1,401	14,289	12,151	1,454	418	14,023	-266	-1.86%

COUNCIL FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	125,459	13,265	27,687	43,453	60,687	79,405	99,783	121,911	145,906	171,887	199,991
Targeted rates	15,068	133,369	125,484	117,543	106,904	95,731	82,127	68,217	52,830	35,858	17,191
Subsidies and grants for operating purposes	4,426	5,142	5,221	5,570	6,101	5,972	6,027	6,316	6,403	6,553	7,210
Fees and charges	37,260	39,549	40,946	41,974	43,250	44,663	45,726	46,818	48,547	50,352	52,090
Interest and dividends from investments	1,300	1,343	1,344	1,345	1,346	1,347	1,349	1,350	1,352	1,354	1,355
Local authorities fuel tax, fines, infringement fees, and other receipts	4,446	3,111	3,186	3,263	3,347	3,438	3,536	3,641	3,755	3,878	4,010
Total operating funding	187,960	195,779	203,867	213,149	221,636	230,556	238,548	248,253	258,793	269,882	281,847
Application of operating funding											
Payments to staff and suppliers	120,822	129,362	135,452	141,579	144,308	146,693	151,084	159,936	161,634	167,039	173,617
Finance costs	24,887	22,903	23,839	25,096	26,022	26,628	27,152	27,751	28,413	28,882	28,431
Other operating funding applications	1,587	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	147,297	152,265	159,290	166,675	170,331	173,321	178,236	187,688	190,047	195,921	202,048
Surplus (deficit) of operating funding	40,663	43,514	44,577	46,474	51,305	57,235	60,312	60,566	68,746	73,961	79,799
Sources of capital funding											
Subsidies and grants for capital expenditure	11,157	4,147	4,771	4,964	8,263	8,367	10,202	8,405	7,551	6,815	7,327
Development and financial contributions	7,571	9,500	9,027	9,141	9,215	9,464	9,734	10,025	10,339	10,677	11,041
Increase (decrease) in debt	9,445	7,575	11,266	16,837	12,832	6,615	10,486	8,593	12,580	1,564	(17,467)
Gross proceeds from sale of assets	108	139	137	145	149	151	157	159	166	172	175
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	1,712	1,769	1,775	178	184	233	148	201	151	151
Total sources of capital funding	28,281	23,073	26,969	32,862	30,636	24,781	30,812	27,330	30,837	19,379	1,227
Application of capital funding											
Capital expenditure	9,164	25,988	30,068	36,452	36,902	33,260	39,528	30,746	40,333	36,968	21,372
- to meet additional demand	28,979	7,643	7,058	5,491	6,178	8,745	5,787	6,082	7,612	11,861	17,046
- to improve the level of service	29,760	32,955	34,420	37,393	38,861	40,010	45,809	51,067	51,638	44,511	42,608
- to replace existing assets	62	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in reserves	979	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	68,944	66,586	71,546	79,336	81,941	82,015	91,124	87,895	99,583	93,340	81,026
Total applications of capital funding	(40,663)	(43,513)	(44,577)	(46,474)	(51,305)	(57,235)	(60,312)	(60,566)	(68,746)	(73,961)	(79,799)
Surplus (deficit) of capital funding	0										
Funding balance	0										

ARTS & CULTURE FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	13,233	1,451	2,955	5,445	7,481	8,211	8,750	19,816	22,727	16,782	19,841
Targeted rates	143	13,733	12,790	11,726	10,528	9,193	7,704	6,052	4,226	2,213	0
Subsidies and grants for operating purposes	0	38	39	40	41	42	43	44	46	47	49
Fees and charges	2,513	1,991	2,038	2,087	2,141	2,199	2,261	2,037	2,100	2,617	2,707
Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Interest and dividends from investments	13	12	12	12	12	12	12	12	12	12	12
Local authorities fuel tax, fines, infringement fees, and other receipts	0	11	11	12	12	12	13	13	13	14	14
Total operating funding	15,902	17,237	17,845	19,321	20,214	19,668	18,783	27,974	29,124	21,685	22,622
Application of operating funding											
Payments to staff and suppliers	11,550	9,784	10,257	10,461	10,849	10,956	11,239	11,249	11,734	12,292	12,832
Finance costs	329	236	247	260	270	277	282	288	294	299	296
Internal charges and overheads applied	3,258	4,254	4,439	4,589	4,735	4,813	4,757	4,888	5,014	5,183	5,398
Other operating funding applications	30	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	15,167	14,274	14,943	15,311	15,855	16,046	16,278	16,425	17,042	17,774	18,526
Surplus (deficit) of operating funding	736	2,963	2,902	4,011	4,360	3,622	2,505	11,549	12,082	3,911	4,096
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	172	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	1,861	118	165	226	160	75	111	86	114	13	(139)
Gross proceeds from sale of assets	18	(4)	11	12	12	12	13	13	12	13	13
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	2,051	113	175	238	172	87	124	98	126	27	(126)
Application of capital funding											
Capital expenditure											
- to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
- to improve the level of service	941	377	189	53	87	61	100	70	81	83	86
- to replace existing assets	1,845	2,699	2,889	4,195	4,444	3,648	2,529	11,576	12,128	3,854	3,884
Increase (decrease) in reserves	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	2,786	3,076	3,078	4,248	4,531	3,709	2,629	11,646	12,208	3,937	3,970
Surplus (deficit) of capital funding	(735)	(2,963)	(2,903)	(4,010)	(4,359)	(3,622)	(2,505)	(11,548)	(12,082)	(3,911)	(4,096)
Funding balance	0	(0)	(0)	0	0	0	0	0	(0)	0	(0)

COMMUNITY SUPPORT FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	2,844	(980)	(562)	(47)	1,356	504	1,148	1,803	2,521	3,286	3,884
Targeted rates	31	4,025	3,749	3,437	3,086	2,694	2,258	1,774	1,239	649	0
Subsidies and grants for operating purposes	50	0	0	0	0	0	0	0	0	0	0
Fees and charges	2,013	2,415	2,471	2,531	2,596	2,667	2,743	2,825	2,913	3,009	3,111
Internal charges and overheads recovered	0	3	3	3	3	3	3	3	4	4	4
Interest and dividends from investments	1	1	1	1	1	1	1	1	1	1	1
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding	4,939	5,464	5,662	5,925	7,042	5,870	6,153	6,406	6,678	6,948	7,000
Application of operating funding											
Payments to staff and suppliers	4,745	4,057	4,260	4,469	5,527	4,339	4,542	4,730	4,911	5,144	5,112
Finance costs	38	18	19	20	20	21	21	21	22	22	22
Internal charges and overheads applied	713	1,093	1,082	1,105	1,152	1,191	1,269	1,325	1,354	1,398	1,460
Other operating funding applications	6	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	5,502	5,167	5,361	5,594	6,699	5,551	5,832	6,076	6,287	6,563	6,594
Surplus (deficit) of operating funding	(563)	296	301	331	343	319	321	330	391	385	406
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	500	10	13	19	13	6	9	7	9	1	(11)
Gross proceeds from sale of assets	7	1	5	6	6	6	7	6	6	6	7
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	507	11	19	24	19	12	16	13	15	7	(5)
Application of capital funding											
Capital expenditure											
- to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
- to improve the level of service	82	34	17	5	8	6	9	6	7	8	8
- to replace existing assets	151	273	303	350	354	325	327	337	399	385	393
Increase (decrease) in reserves	(289)	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	(56)	307	320	355	362	331	336	343	407	393	401
Surplus (deficit) of capital funding	563	(296)	(301)	(331)	(343)	(319)	(320)	(331)	(391)	(385)	(406)
Funding balance	0	(0)	(0)	(0)	(0)						

DEMOCRACY SERVICES FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	4,065	761	1,725	1,725	2,274	3,406	3,432	4,168	5,645	5,829	6,797
Targeted rates	43	4,499	4,190	3,841	3,449	3,011	2,524	1,982	1,384	725	0
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees and charges	17	20	228	21	22	246	23	23	269	25	26
Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Interest and dividends from investments	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding	4,125	5,280	6,143	5,587	5,744	6,664	5,978	6,174	7,298	6,578	6,822
Application of operating funding											
Payments to staff and suppliers	1,892	2,287	3,070	2,440	2,508	3,353	2,584	2,666	3,670	2,839	2,937
Finance costs	10	0	0	0	0	0	0	0	0	0	0
Internal charges and overheads applied	2,935	2,951	3,033	3,110	3,193	3,278	3,362	3,473	3,579	3,696	3,838
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	4,837	5,239	6,104	5,550	5,701	6,631	5,946	6,139	7,249	6,535	6,774
Surplus (deficit) of operating funding	(712)	41	39	37	43	33	32	35	50	43	48
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	957	3	4	5	4	2	3	2	3	0	(4)
Gross proceeds from sale of assets	2	(6)	(1)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	959	(3)	3	5	3	0	1	1	2	(1)	(5)
Application of capital funding											
Capital expenditure											
- to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
- to improve the level of service	91	17	9	2	4	3	5	3	4	4	4
- to replace existing assets	156	21	34	39	42	31	29	33	48	39	39
Increase (decrease) in reserves	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	247	38	42	41	46	34	34	36	51	42	43
Surplus (deficit) of capital funding	712	(41)	(39)	(36)	(42)	(33)	(32)	(35)	(50)	(43)	(48)
Funding balance	0	(0)	0	0	0	(0)	(0)	(0)	(0)	0	0

ECONOMIC DEVELOPMENT FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	15,847	(3,253)	(3,114)	(2,089)	585	4,895	9,887	10,603	12,844	14,725	18,379
Targeted rates	169	16,262	15,165	13,926	12,532	10,979	9,245	7,323	5,198	2,855	280
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees and charges	9,285	9,057	9,268	9,493	9,737	10,001	10,286	10,594	10,925	11,282	11,667
Internal charges and overheads recovered	0	(197)	(202)	(207)	(212)	(218)	(224)	(231)	(238)	(246)	(254)
Interest and dividends from investments	414	341	341	341	341	341	341	341	341	341	341
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding	25,715	22,210	21,459	21,465	22,983	25,998	29,536	28,630	29,070	28,958	30,413
Application of operating funding											
Payments to staff and suppliers	14,886	10,008	10,169	10,320	10,885	10,977	11,905	11,823	12,163	12,241	12,798
Finance costs	7,279	6,002	6,249	6,579	6,820	6,982	7,108	7,267	7,447	7,572	7,453
Internal charges and overheads applied	2,240	4,646	4,783	4,912	5,072	5,201	5,332	5,509	5,655	5,842	6,079
Other operating funding applications	470	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	24,875	20,656	21,201	21,811	22,777	23,160	24,345	24,599	25,265	25,654	26,330
Surplus (deficit) of operating funding	840	1,554	258	(346)	206	2,837	5,191	4,030	3,804	3,304	4,083
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	193	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	1,191	1,552	2,113	2,876	2,000	941	1,369	1,036	1,353	154	(1,586)
Gross proceeds from sale of assets	11	(9)	8	9	9	9	10	9	10	9	10
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	1,395	1,543	2,121	2,885	2,008	949	1,378	1,045	1,363	164	(1,576)
Application of capital funding											
Capital expenditure											
- to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
- to improve the level of service	355	279	275	27	44	31	50	53	40	42	43
- to replace existing assets	901	2,818	2,104	2,512	2,171	3,756	6,519	5,022	5,126	3,426	2,464
Increase (decrease) in reserves	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	979	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	2,235	3,097	2,379	2,539	2,215	3,787	6,568	5,076	5,167	3,468	2,507
Surplus (deficit) of capital funding	(840)	(1,554)	(258)	346	(206)	(2,838)	(5,190)	(4,031)	(3,804)	(3,304)	(4,083)
Funding balance	0	0	(0)	0	(0)	(0)	0	(0)	0	(0)	0

PARKS & GREEN SPACES FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	14,823	1,855	3,612	4,364	5,800	8,427	10,413	12,974	16,183	19,093	22,949
Targeted rates	761	15,527	14,508	13,356	11,435	9,985	8,368	6,573	4,590	2,403	0
Subsidies and grants for operating purposes	281	241	246	252	259	266	273	281	290	300	310
Fees and charges	2,622	2,166	2,227	2,298	2,374	2,455	2,543	2,638	2,741	2,851	2,969
Internal charges and overheads recovered	0	816	835	855	877	901	927	954	984	1,016	1,051
Interest and dividends from investments	87	100	100	100	100	101	101	101	101	101	102
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding	18,575	20,704	21,529	21,226	20,846	22,135	22,625	23,522	24,890	25,765	27,381
Application of operating funding											
Payments to staff and suppliers	13,241	6,856	7,463	7,801	7,805	8,004	8,020	8,205	8,646	8,934	9,270
Finance costs	1,655	1,669	1,736	1,830	1,897	1,942	1,981	2,025	2,072	2,105	2,073
Internal charges and overheads applied	2,272	9,748	9,954	10,158	10,458	10,758	11,113	11,468	11,793	12,183	12,647
Other operating funding applications	98	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	17,265	18,272	19,154	19,789	20,160	20,704	21,114	21,698	22,511	23,222	23,990
Surplus (deficit) of operating funding	1,310	2,432	2,375	1,438	686	1,430	1,511	1,825	2,379	2,543	3,391
Sources of capital funding											
Subsidies and grants for capital expenditure	81	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	453	1,550	1,473	1,492	1,504	1,544	1,588	1,636	1,687	1,742	1,802
Increase (decrease) in debt	2,930	512	756	1,201	914	434	644	499	676	79	(838)
Gross proceeds from sale of assets	9	(4)	12	12	13	13	13	13	13	14	14
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	1,562	1,616	1,616	0	0	0	0	0	0	0
Total sources of capital funding	3,473	3,620	3,856	4,322	2,430	1,991	2,245	2,149	2,377	1,835	978
Application of capital funding											
Capital expenditure											
- to meet additional demand	440	3,040	2,874	3,055	192	39	0	52	595	0	46
- to improve the level of service	1,010	737	839	546	302	578	608	616	456	661	685
- to replace existing assets	2,806	2,274	2,518	2,158	2,622	2,804	3,148	3,306	3,704	3,717	3,638
Increase (decrease) in reserves	527	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	4,783	6,051	6,231	5,760	3,116	3,421	3,756	3,973	4,756	4,378	4,369
Surplus (deficit) of capital funding	(1,310)	(2,432)	(2,375)	(1,438)	(686)	(1,430)	(1,511)	(1,825)	(2,379)	(2,543)	(3,390)
Funding balance	0	0	0	(0)	(0)	0	(0)	0	(0)	(0)	0

PLANNING & DEVELOPMENT FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	3,481	578	1,177	1,135	1,590	1,915	2,278	2,947	3,769	4,592	5,679
Targeted rates	37	3,788	3,528	3,235	2,904	2,536	2,125	1,669	1,166	610	0
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees and charges	6,376	7,436	7,610	7,795	7,995	8,212	8,446	8,698	8,970	9,264	9,580
Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Interest and dividends from investments	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding	9,894	11,802	12,315	12,164	12,489	12,663	12,849	13,315	13,905	14,466	15,259
Application of operating funding											
Payments to staff and suppliers	8,047	8,540	8,907	8,766	8,884	9,107	9,328	9,647	10,009	10,522	11,074
Finance costs	7	0	0	0	0	0	0	0	0	0	0
Internal charges and overheads applied	2,305	2,855	2,968	3,067	3,165	3,220	3,194	3,285	3,369	3,483	3,626
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	10,359	11,394	11,875	11,833	12,048	12,327	12,523	12,931	13,378	14,004	14,700
Surplus (deficit) of operating funding	(466)	408	440	332	440	336	326	384	528	462	559
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	695	60	84	116	82	39	58	44	59	7	(73)
Gross proceeds from sale of assets	5	5	10	10	11	11	12	12	12	12	12
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	700	65	94	126	93	50	69	56	71	19	(61)
Application of capital funding											
Capital expenditure											
- to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
- to improve the level of service	86	240	121	34	56	39	64	45	51	53	55
- to replace existing assets	148	233	413	424	477	347	332	395	547	428	444
Increase (decrease) in reserves	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	234	473	534	458	533	386	395	440	599	481	499
Surplus (deficit) of capital funding	466	(408)	(440)	(332)	(440)	(336)	(326)	(383)	(527)	(462)	(559)
Funding balance	0	(0)	(0)	(0)	0	0	0	0	0	(0)	(0)

RECREATION FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	5,248	284	1,071	2,015	1,718	2,833	4,649	8,942	5,335	5,438	7,119
Targeted rates	57	5,446	5,072	4,650	4,175	3,645	3,055	2,400	1,676	877	0
Subsidies and grants for operating purposes	0	276	282	289	296	305	313	323	333	344	355
Fees and charges	4,828	4,452	4,814	5,127	5,440	5,587	5,746	5,918	6,104	6,303	6,518
Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Interest and dividends from investments	16	19	19	19	19	19	19	19	19	19	19
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding	10,149	10,476	11,258	12,101	11,648	12,389	13,782	17,601	13,466	12,982	14,011
Application of operating funding											
Payments to staff and suppliers	7,986	7,272	7,604	7,867	7,898	8,148	8,340	13,395	9,152	9,282	9,643
Finance costs	344	302	314	331	344	352	361	368	375	381	375
Internal charges and overheads applied	1,552	1,863	1,915	1,975	2,045	2,087	2,100	2,169	2,220	2,294	2,394
Other operating funding applications	12	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	9,894	9,437	9,832	10,173	10,287	10,587	10,802	15,931	11,747	11,958	12,413
Surplus (deficit) of operating funding	254	1,040	1,426	1,928	1,361	1,802	2,981	1,670	1,719	1,024	1,599
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	68	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	739	111	152	208	146	68	100	76	100	12	(120)
Gross proceeds from sale of assets	7	2	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(4)	(4)
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	814	112	149	205	143	65	97	73	97	8	(124)
Application of capital funding											
Capital expenditure											
- to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
- to improve the level of service	0	154	98	22	36	25	41	29	33	34	35
- to replace existing assets	1,069	998	1,477	2,111	1,468	1,842	3,037	1,714	1,783	998	1,440
Increase (decrease) in reserves	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	1,069	1,152	1,576	2,133	1,503	1,867	3,078	1,743	1,816	1,032	1,476
Surplus (deficit) of capital funding	(255)	(1,039)	(1,427)	(1,928)	(1,361)	(1,802)	(2,981)	(1,670)	(1,719)	(1,024)	(1,599)
Funding balance	0	0	(0)	(0)	(0)	0	0	0	0	(0)	(0)

RUBBISH & RECYCLING FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	5,006	1,666	2,176	4,764	2,225	2,927	4,787	5,796	6,429	7,672	9,189
Targeted rates	54	4,854	4,521	5,129	4,747	4,322	2,723	2,139	1,494	782	0
Subsidies and grants for operating purposes	0	410	420	430	441	453	466	480	495	511	528
Fees and charges	293	355	363	372	382	392	403	415	428	442	458
Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Interest and dividends from investments	7	9	9	9	9	9	9	9	9	9	9
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding	5,360	7,294	7,489	10,705	7,804	8,104	8,388	8,840	8,854	9,416	10,184
Application of operating funding											
Payments to staff and suppliers	4,699	5,393	5,460	8,624	5,895	6,037	6,251	6,511	6,729	7,007	7,320
Finance costs	163	140	146	154	160	163	167	170	174	177	174
Internal charges and overheads applied	733	1,394	1,422	1,471	1,526	1,576	1,665	1,733	1,774	1,832	1,908
Other operating funding applications	10	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	5,605	6,927	7,029	10,248	7,581	7,776	8,083	8,414	8,677	9,017	9,402
Surplus (deficit) of operating funding	(245)	367	460	456	223	328	304	426	177	400	782
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	1,587	48	72	107	76	37	55	43	58	7	(74)
Gross proceeds from sale of assets	5	(0)	5	6	5	5	5	6	6	6	6
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	1,592	48	78	113	81	42	61	49	64	13	(68)
Application of capital funding											
Capital expenditure											
- to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
- to improve the level of service	275	234	276	241	61	108	65	63	66	124	72
- to replace existing assets	1,072	180	261	328	243	262	300	411	174	289	642
Increase (decrease) in reserves	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	1,347	414	537	569	304	370	365	474	241	413	714
Surplus (deficit) of capital funding	245	(366)	(460)	(456)	(223)	(328)	(304)	(426)	(177)	(399)	(781)
Funding balance	0	0	0	0	(0)	(0)	(0)	(0)	0	0	0

SAFETY FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	2,430	1,104	1,242	1,426	1,698	2,018	2,153	2,481	2,854	3,207	3,783
Targeted rates	25	1,776	1,654	1,516	1,361	1,189	996	783	546	286	0
Subsidies and grants for operating purposes	106	125	128	131	134	138	142	146	151	156	161
Fees and charges	1,967	2,131	2,180	2,233	2,291	2,353	2,420	2,492	2,570	2,654	2,745
Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Interest and dividends from investments	2	2	2	2	2	2	2	2	2	2	2
Local authorities fuel tax, fines, infringement fees, and other receipts	0	10	10	10	11	11	11	12	12	12	13
Total operating funding	4,529	5,148	5,216	5,319	5,497	5,711	5,725	5,915	6,136	6,318	6,703
Application of operating funding											
Payments to staff and suppliers	4,009	3,634	3,730	3,820	3,919	4,016	4,126	4,254	4,387	4,531	4,685
Finance costs	45	31	32	34	35	36	37	37	38	39	38
Internal charges and overheads applied	563	1,257	1,293	1,330	1,373	1,404	1,421	1,466	1,505	1,555	1,617
Other operating funding applications	3	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	4,620	4,922	5,054	5,184	5,327	5,456	5,584	5,757	5,930	6,124	6,340
Surplus (deficit) of operating funding	(91)	225	162	135	170	255	140	158	206	194	363
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	161	25	36	49	34	16	24	18	24	3	(29)
Gross proceeds from sale of assets	6	1	3	4	4	4	4	4	4	5	5
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	167	27	39	52	38	20	28	22	29	7	(25)
Application of capital funding											
Capital expenditure											
- to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
- to improve the level of service	28	69	34	10	16	11	18	13	15	15	16
- to replace existing assets	48	184	166	178	192	264	150	168	220	186	322
Increase (decrease) in reserves	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	76	252	201	187	208	275	168	181	234	201	338
Surplus (deficit) of capital funding	91	(226)	(162)	(135)	(170)	(255)	(140)	(158)	(206)	(193)	(363)
Funding balance	0	(0)	(0)	(0)	(0)	(0)	0	0	0	0	0

SEWERAGE FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	16,425	4,482	7,522	15,423	18,625	16,519	23,129	19,996	17,912	30,477	32,826
Targeted rates	178	16,796	15,750	14,565	13,228	11,735	10,066	8,212	6,158	3,892	1,397
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees and charges	3,746	4,284	4,383	4,523	4,639	4,765	4,902	5,047	5,205	5,375	5,558
Internal charges and overheads recovered	0	1,012	1,035	1,095	1,123	1,153	1,188	1,222	1,260	1,301	1,345
Interest and dividends from investments	193	227	227	228	228	229	229	230	230	231	232
Local authorities fuel tax, fines, infringement fees, and other receipts	427	0	0	0	0	0	0	0	0	0	0
Total operating funding	20,969	26,802	28,919	35,833	37,844	34,401	39,514	34,706	30,765	41,276	41,359
Application of operating funding											
Payments to staff and suppliers	7,841	8,670	9,103	9,365	9,768	9,979	10,453	11,027	11,568	12,116	12,404
Finance costs	4,145	3,674	3,826	4,027	4,174	4,272	4,357	4,455	4,559	4,635	4,561
Internal charges and overheads applied	1,596	4,676	4,871	5,062	5,224	5,368	5,544	5,733	5,892	6,088	6,324
Other operating funding applications	266	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	13,848	17,019	17,800	18,454	19,166	19,619	20,354	21,215	22,019	22,839	23,290
Surplus (deficit) of operating funding	7,121	9,782	11,118	17,379	18,678	14,782	19,160	13,491	8,746	18,437	18,069
Sources of capital funding											
Subsidies and grants for capital expenditure	270	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	2,225	2,877	2,733	2,767	2,790	2,866	2,948	3,036	3,132	3,233	3,343
Increase (decrease) in debt	(1,012)	1,213	1,942	3,137	2,572	1,449	2,426	2,090	3,170	388	(4,425)
Gross proceeds from sale of assets	9	13	13	14	14	15	15	15	16	17	17
Lump sum contributions	0										
Other dedicated capital funding	0	81	101	105	117	121	148	106	136	112	115
Total sources of capital funding	1,492	4,184	4,789	6,023	5,493	4,451	5,537	5,248	6,454	3,750	(950)
Application of capital funding											
Capital expenditure											
- to meet additional demand	926	5,454	7,906	14,598	14,327	10,259	13,947	8,918	5,682	11,305	6,606
- to improve the level of service	1,801	1,193	1,106	1,359	1,434	1,242	1,291	1,556	2,220	2,296	2,381
- to replace existing assets	5,886	7,319	6,896	7,446	8,410	7,732	9,459	8,264	7,298	8,586	8,131
Increase (decrease) in reserves	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	8,613	13,966	15,908	23,403	24,171	19,233	24,697	18,739	15,200	22,188	17,118
Surplus (deficit) of capital funding	(7,121)	(9,782)	(11,119)	(17,379)	(18,677)	(14,782)	(19,160)	(13,491)	(8,746)	(18,438)	(18,069)
Funding balance	0	(0)	(0)	0	0	(0)	0	(0)	0	(0)	0

STORMWATER FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	7,265	(2,456)	(2,871)	(1,242)	(152)	275	2,013	5,810	15,670	17,133	8,323
Targeted rates	78	6,748	6,285	5,762	5,173	4,517	3,785	2,974	2,076	1,087	0
Subsidies and grants for operating purposes	275	215	220	225	231	237	244	251	259	268	277
Fees and charges	10	32	33	34	35	36	37	38	39	40	41
Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Interest and dividends from investments	18	22	22	22	22	22	22	22	22	22	23
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding	7,646	4,561	3,689	4,801	5,309	5,088	6,101	9,095	18,067	18,551	8,664
Application of operating funding											
Payments to staff and suppliers	1,273	737	750	778	856	765	1,385	866	871	936	970
Finance costs	425	351	366	385	399	408	416	425	435	442	436
Internal charges and overheads applied	316	1,677	1,756	1,825	1,882	1,939	2,012	2,082	2,145	2,219	2,304
Other operating funding applications	27	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	2,041	2,765	2,871	2,988	3,137	3,112	3,813	3,373	3,451	3,596	3,710
Surplus (deficit) of operating funding	5,605	1,797	818	1,813	2,173	1,976	2,288	5,722	14,616	14,954	4,954
Sources of capital funding											
Subsidies and grants for capital expenditure	271	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	538	502	477	483	487	500	514	529	546	564	583
Increase (decrease) in debt	(3,760)	171	257	427	361	192	326	344	816	138	(1,514)
Gross proceeds from sale of assets	2	(7)	(0)	0	(1)	(1)	(1)	(1)	(0)	(1)	(1)
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	50	51	53	62	64	88	44	70	44	43
Total sources of capital funding	(2,949)	716	785	963	909	755	927	917	1,432	744	(889)
Application of capital funding											
Capital expenditure											
- to meet additional demand	878	1,757	973	1,885	2,074	1,481	1,954	5,339	14,684	14,300	2,617
- to improve the level of service	833	17	9	186	231	259	245	251	260	269	279
- to replace existing assets	1,026	738	621	704	776	991	1,016	1,049	1,105	1,130	1,169
Increase (decrease) in reserves	(81)	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	2,656	2,512	1,602	2,776	3,082	2,731	3,215	6,639	16,048	15,699	4,065
Surplus (deficit) of capital funding	(5,605)	(1,796)	(817)	(1,813)	(2,173)	(1,976)	(2,288)	(5,722)	(14,616)	(14,955)	(4,954)
Funding balance	0	0	0	0	(0)	(0)	(0)	0	0	(0)	(0)

TRANSPORT FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	26,224	(248)	2,118	(2)	5,705	15,309	17,115	20,360	25,871	23,777	35,847
Targeted rates	5,281	23,468	22,201	20,769	19,158	17,363	15,360	13,138	10,683	7,976	5,000
Subsidies and grants for operating purposes	3,714	3,837	3,886	4,203	4,699	4,532	4,546	4,791	4,830	4,928	5,530
Fees and charges	3,363	5,036	5,153	5,278	5,414	5,561	5,719	5,890	6,074	6,273	6,487
Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Interest and dividends from investments	397	433	433	433	433	433	433	434	434	434	434
Local authorities fuel tax, fines, infringement fees, and other receipts	4,019	3,090	3,164	3,241	3,324	3,414	3,512	3,617	3,730	3,852	3,983
Total operating funding	42,998	35,616	36,955	33,922	38,733	46,612	46,685	48,229	51,621	47,240	57,280
Application of operating funding											
Payments to staff and suppliers	11,697	13,507	14,023	14,823	16,106	16,030	16,406	17,263	17,746	18,339	20,001
Finance costs	7,338	7,584	7,888	8,302	8,613	8,810	8,986	9,184	9,404	9,556	9,407
Internal charges and overheads applied	3,311	5,157	5,198	5,326	5,527	5,691	5,943	6,174	6,321	6,528	6,807
Other operating funding applications	466	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	22,812	26,248	27,109	28,451	30,246	30,530	31,335	32,622	33,471	34,423	36,215
Surplus (deficit) of operating funding	20,186	9,367	9,846	5,471	8,487	16,082	15,349	15,608	18,150	12,817	21,065
Sources of capital funding											
Subsidies and grants for capital expenditure	10,156	4,147	4,771	4,964	8,263	8,367	10,202	8,405	7,551	6,815	7,327
Development and financial contributions	2,155	2,656	2,524	2,556	2,576	2,646	2,721	2,803	2,890	2,985	3,087
Increase (decrease) in debt	(5,354)	2,566	3,706	5,272	3,876	1,991	3,197	2,656	3,884	467	(5,166)
Gross proceeds from sale of assets	21	(2)	19	21	20	21	21	21	22	23	23
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	6,978	9,368	11,020	12,813	14,736	13,024	16,141	13,886	14,347	10,290	5,271
Application of capital funding											
Capital expenditure											
- to meet additional demand	1,148	6,344	6,878	4,627	9,051	14,805	16,846	14,841	17,259	7,174	10,264
- to improve the level of service	15,754	2,157	2,104	1,767	1,833	1,867	1,943	1,986	2,055	2,126	2,205
- to replace existing assets	10,276	10,235	11,884	11,889	12,339	12,433	12,701	12,666	13,183	13,806	13,866
Increase (decrease) in reserves	(14)	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	27,164	18,735	20,866	18,284	23,222	29,106	31,491	29,493	32,497	23,106	26,335
Surplus (deficit) of capital funding	(20,186)	(9,368)	(9,846)	(5,471)	(8,487)	(16,081)	(15,350)	(15,607)	(18,151)	(12,816)	(21,065)
Funding balance	0	(0)	0	0	(0)	0	(0)	0	(0)	0	(0)

WATER SUPPLY FUNDING IMPACT STATEMENT

Forecast for the year ended 30 June 2016-2025

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Annual Plan											
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	8,569	8,021	10,636	10,536	11,783	12,164	10,031	6,215	8,145	19,876	25,377
Targeted rates	8,211	16,449	16,070	15,631	15,128	14,560	13,918	13,198	12,395	11,503	10,514
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees and charges	227	173	177	182	186	191	197	203	209	216	223
Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Interest and dividends from investments	152	177	177	178	178	178	179	179	180	180	181
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding	17,159	24,820	27,061	26,526	27,275	27,094	24,325	19,795	20,930	31,775	36,295
Application of operating funding											
Payments to staff and suppliers	5,888	4,322	5,030	5,094	4,938	5,259	5,543	5,640	5,971	6,977	6,442
Finance costs	3,109	2,896	3,015	3,174	3,290	3,366	3,435	3,511	3,593	3,654	3,595
Internal charges and overheads applied	1,275	4,360	4,586	4,768	4,910	5,036	5,143	5,305	5,467	5,655	5,872
Other operating funding applications	199	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	10,471	11,578	12,631	13,036	13,138	13,661	14,121	14,457	15,031	16,286	15,910
Surplus (deficit) of operating funding	6,688	13,242	14,430	13,490	14,137	13,433	10,203	5,339	5,899	15,488	20,385
Sources of capital funding											
Subsidies and grants for capital expenditure	379	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	1,767	1,915	1,820	1,843	1,858	1,908	1,963	2,021	2,084	2,153	2,226
Increase (decrease) in debt	8,950	1,187	1,967	3,193	2,595	1,366	2,164	1,690	2,313	295	(3,489)
Gross proceeds from sale of assets	6	117	3	4	4	3	3	4	4	3	3
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	50	51	53	54	56	57	59	61	63	65
Total sources of capital funding	11,102	3,269	3,841	5,093	4,511	3,333	4,188	3,774	4,462	2,514	(1,194)
Application of capital funding											
Capital expenditure											
- to meet additional demand	5,772	9,393	11,437	12,287	11,258	6,676	6,781	1,596	2,114	4,189	1,839
- to improve the level of service	7,723	2,135	1,980	1,238	2,068	4,515	1,349	1,389	2,325	6,146	11,176
- to replace existing assets	4,376	4,984	4,854	5,058	5,322	5,575	6,262	6,127	5,923	7,668	6,176
Increase (decrease) in reserves	(81)	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	17,790	16,512	18,271	18,583	18,648	16,767	14,391	9,112	10,361	18,003	19,191
Surplus (deficit) of capital funding	(6,688)	(13,243)	(14,430)	(13,490)	(14,137)	(13,434)	(10,203)	(5,339)	(5,899)	(15,489)	(20,385)
Funding balance	0	(0)	0	0	0	(0)	(0)	0	0	(0)	(0)

Financial Strategy

Balancing Growth with Good Financial Management

COUNCIL WILL KEEP RATES INCREASES AT 3.8% AND DEBT UNDER 200% OF REVENUE.

The financial strategy is the cornerstone to Council achieving the goal of managing growth while living within its means.

Council will do this by keeping rates increases at 3.8%¹ and reducing debt to under 200% of revenue by 2021.

Council has successfully operated within the limits of its first financial strategy since 2012. The 2015/25 strategy builds on this by continuing with the same limits which have proven to be prudent and sustainable.

By sticking to these limits Council is able to maintain its assets and service levels, keep its strong credit rating, balance its books and provide for growth.

¹ Except for special short term targeted rates for Hamilton Gardens and Recycling Bins

Debt

Debt Limit

The debt to revenue ratio will be reduced to under 200% by 2021 and thereafter will remain below 200%.

Council has successfully changed the direction of debt and is projecting debt levels within sustainable limits.

In 2011 our debt to revenue ratio peaked at 226%. It is prudent to operate at a lower level and Council has set a target to get this ratio under 200% by 2021 and to keep it there in the future.

During the past three years Council has been able to achieve an even lower debt balance than budgeted meaning that Council is now in a strong position to accommodate the significant expenditure required for new infrastructure assets to service our growing city and have capacity to provide funding for unforeseen events.

Table 1: Debt to Revenue Ratio

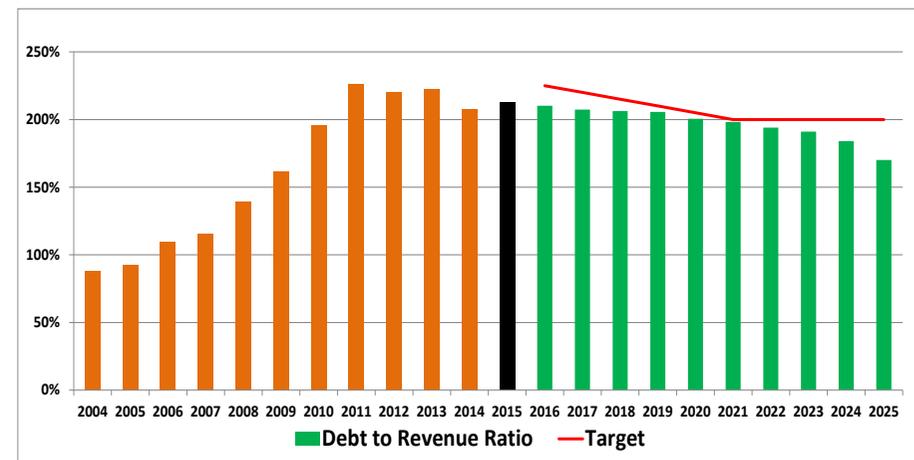
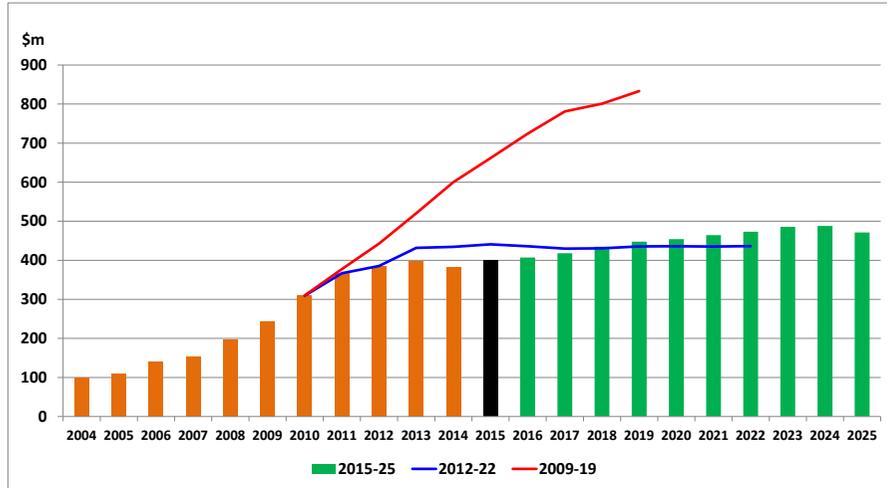


Table 2 shows our debt projections from the 2009-19, 2012-22, and 2015-25 10-Year Plans. By sticking to the 200% financial limit Council will be able to prudently increase borrowing to provide infrastructure to support the growth of Hamilton.

Table 2: Total Overall Debt



Rates

Rating Limits

Rates Increase

Rates increases to existing ratepayers will not exceed 3.8%, except for special targeted rates (Hamilton Gardens and Refuse/Recycling).

Total Rates

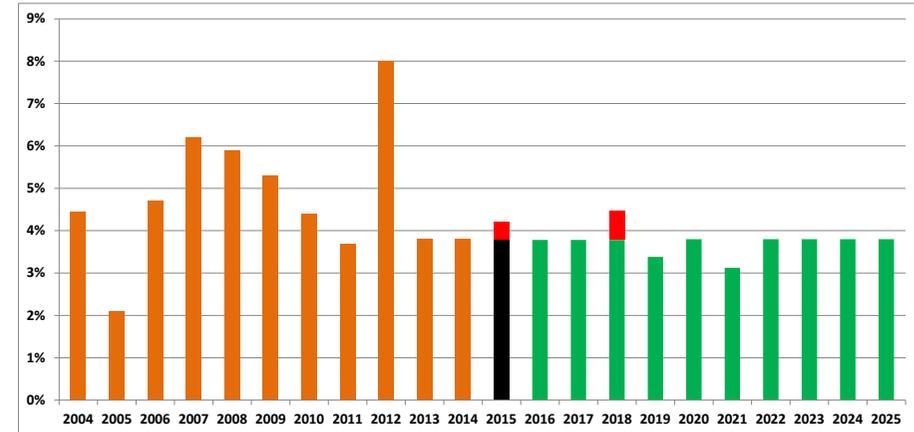
Rates will not exceed 0.627% of Hamilton's rateable capital value.

Council will provide certainty to ratepayers over their rates bills. Council has successfully achieved this since 2012.

With that in mind a 3.8% rates rise per year to existing ratepayers for each of the next 10 years is proposed.

Council's total rates revenue is budgeted to increase by 4.6% per year, allowing for a 0.8% per year growth in the rates base.

Table 3: Rates increases (to existing ratepayers)



As shown in Table 3 rates increased greater than the proposed 3.8% increase in 7 of the first 9 years.

2015 saw the introduction of the Hamilton Gardens targeted rate, which ceases in 2019.

Council has proposed that in 2018 a new Recycling Bin targeted rate for the purchase of kerbside recycling wheelie bins. This rate ceases in 2021.

Setting rates at the 3.8% level helps us to live within our means, by ensuring that current ratepayers are paying for the services they are using. Council can achieve this constant rate increase by carefully managing costs, service levels and debt.

The overall level of rates will also be capped relative to Hamilton's capital value.

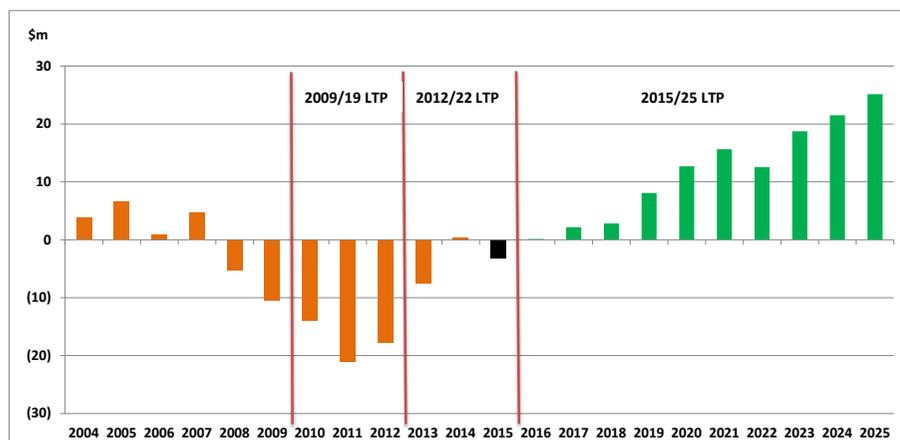
Balancing the Books

Council will balance the books by 2016.

In recent years Council has spent more than it has earned and borrowed to pay the difference. Since 2012 we have changed direction and will balance the books in 2016 as shown in Table 4.

With operating surpluses Council will be able to invest in the future by maintaining existing and providing new infrastructure for our growing city.

Table 4: Operating Surplus/Deficits



Council has taken a conservative approach in considering whether it has balanced its budget by removing subsidies on significant one-off capital projects (such as the Ring Road project) and the value of assets vested to Council from new development from its operating revenues. This revenue is irregular in nature and, and distorts the true operational surplus/deficit of Council.

Surpluses from 2016 onwards will allow new assets and upgrades to be paid for with reduced requirements for increasing borrowing.

Asset Sales

Council continues to investigate selling some assets in order to pay off debt quicker than projected. Council has not included any projected asset sales in the 2015-25 10-Year Plan due to the uncertainty associated with deciding to sell and ultimately achieving a sale. An example is our social housing assets. A decision has been made to sell these assets but they will only be sold if Council gets the right price. Until there is certainty of a sale progressing, Council will not anticipate receiving the proceeds.

Growth

Managing growth over the period of this 10-Year Plan and beyond is a big challenge because Hamilton is growing fast. Growth is positive for Hamilton because it means people want to live here and we are attracting businesses and investment.

With growth comes the need for investment in infrastructure. It is very expensive to put in new infrastructure and we also need to look after the assets we already have. Managing the demands for growth and balancing the opportunities for future ratepayers against affordable rates and debt levels for current rate payers is an enormous challenge for Hamilton.

Hamilton's population has been projected to grow from 153,000 in 2016 to 176,000 in 2025. This projection is based on fertility, mortality and migration assumptions and is prepared by the University of Waikato. Population projections have been used to help prepare 30 year demand forecasts for the Infrastructure Strategy and the related capital expenditure programme for the 10-Year Plan has been prioritised from this base.

Table 5: Capital Expenditure

Activity Group	2015-25 10-Year Plan		
	Growth (\$000's)	Improve Level of Service (\$000's)	Renewal (\$000's)
Sewerage	99,002	15,701	74,516
Stormwater	47,066	1,951	8,791
Transport	108,089	19,396	119,670
Water Supply	67,570	33,944	53,711
Other	9,893	36,246	122,834
All Activity Groups	331,619	107,238	379,523

Table 5 shows the total cost of projects over the period of the 10-Year Plan categorised by type of expenditure. Growth capital expenditure provides new or improved assets enabling more residents to live in our city; capital expenditure to improve levels of service is where we are creating new assets to service the existing population; and renewals restore our existing assets to their original function or capacity.

While Council is contributing significantly to growth not all growth infrastructure in all areas can be funded and third party funding will be required.

There are additional operating costs associated with adding new assets including depreciation. These can and will be absorbed in the 3.8% rates increase limit.

Policy on Securities

In order to borrow money Council has to offer our lenders some security, just like residents do with their mortgage. Like most councils we secure our debt against our rates income. Our lenders like this as security and it helps keep our interest rates low. Giving rates as security means that our lenders can make us rate you more to repay debt. That is why it is important to keep our debt at a sustainable level.

In certain circumstances Council may offer other security, including physical assets.

The full policy on giving securities can be found in the investment and liability management policy at council's website.

Investments

Council holds investments in companies, a trust, property and cash.

Investments in Companies/Trusts

Council is an equity holder in six companies and one trust. The principal reason for holding an equity interest in these investments is to achieve efficiency and community outcomes rather than for a financial return on investment. Council holds shares in the following companies and trusts:

Table 9: Council's Shareholdings

Company	Shareholding	Principal reason for Investment	Budgeted return
Hamilton Properties Ltd	100%	Protect tax losses	Nil
Waikato Regional Airport Ltd	50%	Economic development	Nil
Innovation Waikato Ltd	100%	Economic Development	Nil
Local Authority Shared Services Ltd	24.58%	Efficient Government	Nil
New Zealand Local Government Funding Agency Ltd	8.3%	Borrowing	\$100,000 per annum
New Zealand Local Government Insurance Corporation Ltd	3.17%	Risk management	Nil

Council has no plans to change its shareholdings, though in accordance with good practice this is reviewed regularly.

Property Investments

Council's Economic Development group of activities includes Council's property investment activity. Property investments are divided into two categories:

- Municipal and Domain Endowment Properties, and
- Municipal Endowment Investment Properties.

Council's objective is to maximise the return from both categories, however due to historic arrangements the return on endowment properties is below market rates.

Expected rate of return on property value for the two categories is 3.5% on the Municipal and Domain Endowment Properties, and 7% on Municipal Endowment Investment Properties.

Council from time to time will buy and sell endowment properties in the portfolio to improve financial returns. Surplus cash is held in the Municipal or Domain Endowment Fund and is available for reinvestment in property. All endowment transactions are governed by Council's investment and endowment policies.

Cash Investments

Council holds cash for three main reasons:

- To support the balance of 'cash-backed' reserves (this cash is not available to offset external debt).
- To ensure strong lines of liquidity and access to cash remain available to Council. Cash is supplemented by the use of committed banking facilities. In the present financial markets, holding cash is a cheaper option than is available through the use of committed facilities.
- As a result of pre-funding maturing debt.

Cash is invested on short-term deposit to manage cash flows and maximise returns. Council targets to exceed the average 90 day bank bill rate.

Other Investments

As part of borrowing from the Local Government Funding Agency, Council is required to invest in financial bonds with the agency. Council will receive interest on these bonds equivalent to the cost of borrowing.

Insurance

A group of Waikato councils, including Hamilton City Council, collectively tender their insurance programme through Local Authority Shared Services Ltd(LASS).

Significant savings for all councils in material damage insurance and Infrastructure insurance have been made by using a 'maximum probable loss' approach rather than reinstatement value for all properties, and the benefit of spreading risk across a wider geographical area. Maximum probable loss is the anticipated value of the biggest monetary loss that might result from a catastrophe, whether natural or otherwise.

Underground infrastructure insurance is currently purchased up to 40% of the asset value, with the assumption that central government will provide 60% assistance in a disaster event. The central government funding is not guaranteed.

Based on risk and hazard profiling Council has incorporated an additional layer of insurance on top of the regionally shared limit to ensure appropriate cover for our assets which include the five Council owned bridges that span the Waikato River, key transportation bridges and underground infrastructure. The water and wastewater treatment plants, reservoirs and pump stations are fully insured including increased costs of operation through business interruption during a disaster event.

External expertise has been engaged to provide scientific and engineering advice on current assumptions relating to the environment and ground conditions of key council infrastructure. We are trying to establish if the current assumptions that influence our insurance levels are appropriate or are required to be increased or decreased. The work will review the exposure to both the reticulation networks and point assets (reservoirs, pump stations and treatment plants) to both above ground and below ground assets to provide Council with a comprehensive understanding for the loss potential associated with a given event.

SIGNIFICANT FORECASTING ASSUMPTIONS

This section is designed to identify the significant assumptions made and explain the risks associated with those assumptions. Where there is a high level of uncertainty the potential effects of the assumptions being inaccurate are also identified.

The assumptions outlined in this section are both financial and non-financial assumptions. The assumptions are grouped as follows:

- A Growing City
- Revenue
- Expenditure
- Debt & Interest
- Assets
- Specific activity assumptions
- Other significant assumptions.

A GROWING CITY

Infrastructure Priority

Council has identified the ongoing delivery of Core Network Infrastructure (water, wastewater, stormwater and transportation) as being the primary focus in the development of the 2015-25 10-Year Plan. Three waters (Stormwater, Water Supply and Wastewater) infrastructure has been considered a priority over transport.

It has been assumed that Council will take a lead role in providing strategic citywide infrastructure.

Water and wastewater infrastructure requirements are based on the Water and Wastewater Master Plans and Asset Management Plans.

The strategic transport network is largely in place and does not require significant additional investment over the life of the 2015-25 10-Year Plan.

Settlement Pattern

Hamilton Urban Growth Strategy (HUGS), Future Proof Growth Strategy and the Proposed Waikato Regional Policy Statement outline the existing long-term settlement pattern for the city.

The 10-Year Plan budget has been developed based on the following land use assumptions. There is a risk that central government may intervene and require Council to release more land for development. Only the following areas have been considered for Council provision of growth infrastructure.

Citywide Development

Investment in infrastructure to service the existing city will be ongoing over the life of the 2015-25 10-Year Plan, with a higher priority given to investment in water and wastewater infrastructure over improvements to the transport network.

These ongoing investments will support infill and intensification.

Infill development within the existing city will be progressed in parallel with Greenfield areas to accommodate approximately 50% of Hamilton’s new dwellings. This regeneration will focus in and around key nodes as identified in the Proposed District Plan.

Stage 1 Residential Greenfields

Rototuna to remain the city’s primary growth cell with investment prioritised on completing core strategic infrastructure including a connection to the Waikato Expressway (Resolution Drive extension).

Rotokauri Stage 1 Residential (as per the Operative District Plan boundary - noting that decisions on the PDP have extended this) and Peacockes Stage 1 Residential to be the focus for the city in parallel with Rototuna.

Stage 2 Residential Greenfields

Peacockes Stage 2 Residential to be the focus for the city following the development of Stage 1 Residential Greenfields, with key strategic infrastructure being progressed after 2025.

Leading up to this, ongoing investment is planned to meet the Southern Links/Peacockes transport arterial designations in preparation for delivery of strategic transport infrastructure. Additionally, work with the Ruakura developers to future-proof a waste water solution using the far eastern waste water interceptor will be progressed.

Rotokauri Stage 2 Residential to be the focus for the city following Peacockes Stage 2 Residential with infrastructure investment sitting outside of the 2015-25 10-Year Plan.

Ruakura Growth Cell

Council’s role is limited to previous investments in strategic wastewater and transport infrastructure with private investment largely enabling development in this cell.

Limited funding allocated to work with the developer.

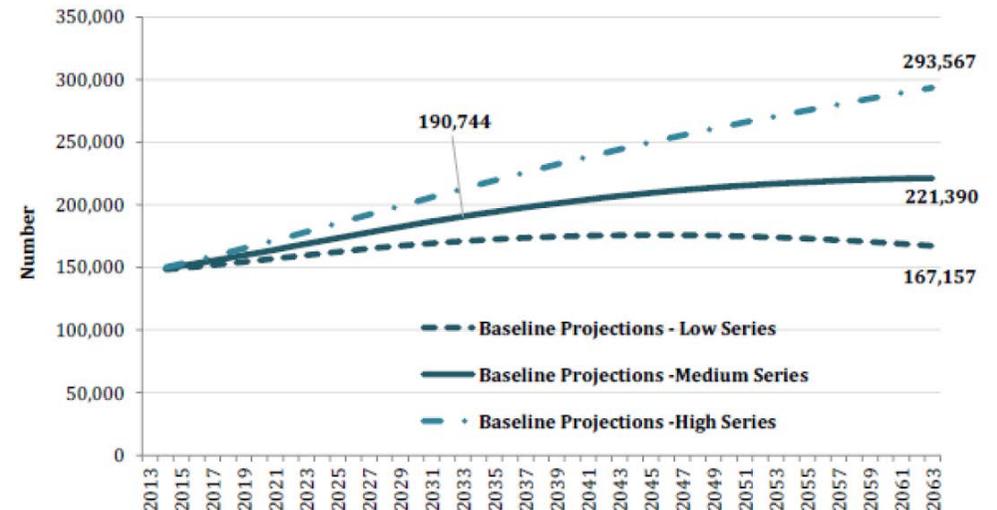
Temple View and Te Rapa North

There is no Council investment programmed to service Temple View or Te Rapa North in the 2015-25 10-Year Plan.

Population Growth

Population growth has been forecast for territorial authorities in the Waikato by the National Institute of Demographic and Economic Analysis (University of Waikato). High, medium and low projections have been produced based on different fertility, mortality and migration. The medium projection has been used by Council to prepare this budget.

Figure 7: Projected population growth



Population projections have been used to help prepare 30 year demand forecasts for the Infrastructure Strategy and the related capital expenditure programme for the 10-year plan has been prioritised from this base.

Total population at 30 June is projected to be:

2016	2021	2025
153,330	164,280	175,863

Ageing population

People aged 60 years and above constitute Hamilton’s fastest growing age group. This has been factored into the dwelling and population projections upon which Hamilton City’s growth projections are based.

Growth Infrastructure Investment

It is anticipated that all growth cells will be developed in a partnership between Council and privately funded infrastructure.

As Council’s current Financial Strategy does not allow for all growth infrastructure in all areas zoned for development, third party funding has been anticipated across all growth cells through the vesting of developer provided infrastructure and the use of private development agreements (PDAs).

Limited funding has been assumed in the budget for the partnering with the development community. This funding for ‘upsizing’ is required to ensure that infrastructure is adequately sized to provide an efficient network and able to be used by downstream developments.

It has been assumed that Council will generally make upsizing contributions to developers on an incremental marginal cost basis where these are required.

REVENUE

Development Contributions Revenue

Assumed revenue has been estimated using the existing Development Contributions (DC) Policy (applicable from 1 July 2013). The DC revenue assumption also considers current payment patterns, the number of DC’s still to be paid and when those assessments would expire and new assessments likely to be collected.

Development contribution revenue expected to be collected is (\$m):

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
\$9.500	\$9.027	\$9.141	\$9.215	\$9.464	\$9.734	\$10.025	\$10.339	\$10.677	\$11.041

Should Hamilton grow more quickly than expected, then development contribution revenue is likely to exceed these expectations. However the increase in revenue is likely to be offset by a need to accelerate growth related core network infrastructure. Conversely, if growth is slower than expected new infrastructure may be deferred until needed and this will offset loss of projected revenue.

Ratepayer Growth

Hamilton's population is projected by National Institute of Demographic and Economic Analysis (University of Waikato) to grow at over 1.3% per annum over the 10 year period (2015-25) and 1% for the 30 year period (up to 2045). Employment growth forecasts by Market Economics are lower than this, at around 1% for the 10 year period and 0.7% for the 30 year period.

There is a considerable amount of uncertainty around these forecasts, and the number of new ratepayers has been set at a conservative level of 0.8% per annum, which is in line with its actual average over the last 8 years.

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%

Rates Increases

Council has included annual rates increases in the 2015-25 10 Year Plan that do not exceed the 2015-25 Financial Strategy limit of 3.8% for existing rate payers, excluding the Hamilton Garden and Refuse/Recycling Bin Targeted rates.

The recent change to the rating system from land value to capital value did not change the relativities between the sectors (residential 65%, commercial 34%, and rural 1%) nor the amount of rates that Council will be seeking to collect. The rating system change does impact on the share that an individual rateable property incurs. The transition in rating system is being made over the entire 10 Year Plan period.

EXPENDITURE

Cost Growth Due To Growth

As Hamilton grows costs increase on some services. The 2015-25 10 Year Plan allows for increases of \$250k per annum for contract escalations relating to the growing number of households. This occurs only where the supplier agreement includes a set number of households and a contracted escalation if the number of households increase (an example is the household refuse collection contract). Many contracts do not include a contracted escalation clause.

Cost growth due to growth allowance includes in the 10 Year Plan (\$m)

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
\$0.00	\$0.25	\$0.50	\$0.75	\$1.00	\$1.25	\$1.50	\$1.75	\$2.00	\$2.25

Further consequential cost growth has been included in relevant activity draft budgets, reflecting the cost of maintenance and operating new assets as a result of new growth assets being created.

Inflation Treatment

Separate inflation rates have been used for the operational and capital budgets due to the different cost drivers that impact these types of cost.

Business and Economic Research Ltd (BERL) have been contracted on behalf of the local government sector to provide inflation forecasts for the period of the 10-Year Plan. These forecasts are related to the types of costs that the local government sector is likely to incur. These sector specific inflation cost adjustors are called the Local Government Cost Index (LGCI). This is a different inflation cost adjustor to the frequently used Consumer Price Index (CPI) and chosen because it is more relevant to the activities Council does.

The major cost components of the LGCI include:

- The general goods and services index
- The transport capex index
- The water services capex index
- Materials

- Fuels & Electricity
- Transport and communication
- Commission and contract services
- Business services
- Insurance premiums.

Operating expenditure inflation used in financial modelling is:

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2.16%	2.33%	2.43%	2.57%	2.71%	2.85%	2.99%	3.13%	3.27%	3.41%

Capital expenditure inflation used in financial modelling is:

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2.34%	2.61%	2.64%	2.67%	2.80%	2.96%	3.11%	3.27%	3.48%	3.67%

A variance in the LGCI operating expenditure rate of inflation of 1% would impact the draft budget by approximately \$1.270m per annum (including staff costs). A similar variance in the capital expenditure inflation rate would impact the capital programme by approximately \$0.608m per annum.

Inflation is not applied to community grants, arts grants, event sponsorship, fixed priced contracts and other amounts that are not subject to inflation adjustments.

DEBT AND INTEREST

Interest rates

Council uses PWC Treasury Division for the provision of advice for all aspects of Council's treasury management. Council has in place policies that provide direction in the management of risks associated with its debt portfolio.

Council's interest rate risk, the risk of adverse interest rate movements, is mitigated by requiring at least 50% (but no more than 95%) of Council's debt to be at fixed rates with greater than 12 month to maturity. Council's Liquidity and Funding Risk, the risk that Council may not be able to access funds at the time that we need or at a cost no greater than the existing terms, is mitigated in two ways: firstly, by spreading the due dates of our debt per the policy; and, secondly, by ensuring we have access to additional undrawn funds.

The policy also outlines the financial institutions from whom Council can borrow and includes borrowing caps for all but Local Government Funding Agency (LGFA) and the New Zealand Government.

Being credit rated as AA- by Fitch Credit Ratings has provided the opportunity to access cheaper sources of debt. On average the margin benefit is 20 to 30 base points, for example if the market is 6.4% then Council can borrow at 6.1%

Interest rates applying to debt are estimated based on current fixed rate contracts, forward looking market rates and expected credit margins.

The rates used in the 10 Year Pan are:

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
6.1%	6.2%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%

These rates reflect the current Fitch Credit Rating being maintained throughout the 10-Year Plan. A change in rating up or down could be expected to impact on interest costs by approximately 0.05% or 5 basis points.

A 1% variance to interest rates would increase or decrease interest cost by \$4.097m per annum based on expected 2015/16 debt levels assuming all of

Council's debt is floating. Council currently has 85% of its borrowings at fixed rates, therefore the impact of a 1% variance would be \$0.615m

Prudent Financial Position

The 2015-25 Financial Strategy set a debt limit that "The debt to revenue ratio will be reduced to below 200% by 2021 and thereafter will remain below 200%".

A 1% variance to debt levels would increase or decrease interest cost by \$0.231m per annum based on 2015/16 interest rates.

ASSETS

Property Investment

Return on investment in property is based on the objective to maximize the financial return by operating these property assets to achieve the market or better than the market rates of return through maximum rental income, high levels of building occupancy and with quality tenants. Rents have been set in line with prevailing market conditions.

Asset sales

No future asset sales are included for the 10-Year Plan due to the uncertainty of timing and sale value.

Proceeds from confirmed sales are factored into opening debt and Municipal endowment funds as appropriate.

Revaluation of non-current Assets

Revaluations have only been calculated on Property Plant and Equipment as they are Councils largest area of non-current assets. The revaluation has been calculated on the preceding years balance as disclosed in the Statement of Financial Position with an inflation allowance calculated based on LGCI as listed in the Forecasts of Price Levels Change Adjustors 2014 Update (www.berl.co.nz).

Useful lives of significant assets.

Assets are depreciated on a straight-line basis over their useful lives with annual depreciation expense included in the total costs for each significant service. The Council has made a number of assumptions about the useful lives of its assets. These are disclosed in the depreciation note within the Statement of Accounting Policies included in the Forecast Financial Statements.

Sources of funds for replacement of significant assets.

Replacement of assets (renewals) are primary funded from rates, and capital expenditure is funded by loans.

ACTIVITY SPECIFIC ASSUMPTIONS

Strategic plans & Implementation Plans

A number of strategic plans are in development or have recently been approved by Council. The related implementation plans are not yet finalised.

These plans include:

- River Plan
- Library plan
- Zoo Plan (still in development)
- Dog Exercise Areas Plan
- City Transformation Plan

Seed funding has been provided for the River Plan. Other than this funding, these plans will require additional funding for implementation and this will be gained through future Annual Plan budget processes. Mechanisms through the annual plan process do allow for amendment to the 10-Year Plan budget.

Theatres

The recent decision of Council to gift ownership of Clarence St Theatre (building and fixtures only) to a community trust has not been included in the 10 Year Plan. Operating expenditure has been included for the theatre assuming it is being operated by Council. Renewals and replacement of some related assets have been deferred pending a final decision during 2015 and are not included in the capital expenditure programme.

A capital amount of \$0.100m is allowed for the preparation of a Founders Theatre Upgrade Business Case in the 2016 year to explore all options in detail and identify the best outcomes. The estimated upgrade cost is included from the 2022 year.

Indoor Recreation Centre.

An allowance has been made for an Indoor Recreation grant of \$4m and on-going operating cost of \$0.120m per year and is included in the 10 Year Plan from 2022.

Pensioner Housing

Council has resolved to sell the Pensioner Housing portfolios to Social Housing providers but there is no certainty over the timeframe, value or extent of the portfolio being sold. It is probable that a sale of part or all of the portfolio will occur in the first 1-2 years of the 10 Year Plan. A request for expressions of interest (REOI) sale process will run from 23 February 2015 for 6 months, and following this Council will consider any complying purchase offers. During the REOI process, it is possible that some units may become vacant and not be filled which may have implications for revenue.

As a result of the inherent uncertainties in the sale process, the following assumptions have been taken:

- No sale proceeds have been assumed in the budget.
- Revenue has been budgeted at a level required to meet the 100% cost recovery target for the Pensioner Housing activity, and rental charges will need to increase an average 11% to meet the revenue target in 2015/16. However, we recommend deferring the rental increases until the outcome of the sale process is determined, later in 2015.
- Operational costs are budgeted at the level required to maintain the service including repairs and maintenance and painting in accordance with the Asset Management Plan (AMP). Due to the pending sale, these costs will be kept to a minimum until the outcome of the sale process is determined, thus offsetting any budgeted revenue shortfall.
- The renewals programme has been modified from that recommended in the AMP to a “minimal” renewal budget reflecting essential health and safety and building renewals. The budgets are an estimate, reflecting a “just in time” renewals approach. There is a risk that the budget for essential renewals is insufficient due to

unanticipated issues or a sale process that takes longer than 1-2 years. In these situations the Housing Upgrade reserve (value \$3.3m) or the 2016/17 Annual Plan may be required to fund any increase or shortfall in the renewals programme.

The renewal programme in accordance with the AMP was as follows (\$000s):

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
\$343	\$313	\$330	\$1,023	\$1,070	\$813	\$1,679	\$136	\$970	\$1,380

This has been amended to:

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200

OTHER SPECIFIC ASSUMPTIONS

Third Party funding – New Zealand Transport Subsidies, Waste minimisation levy and Project Watershed funding

Council has assumed that operating and capital expenditure programs which have in the past received NZTA subsidies and/or satisfy the criteria that NZTA require in order to provide subsidy will continue to receive subsidy funding over the course of the 10-Year Plan. The subsidy rates that have generally been applied have been at the subsidy rate of 51%.

Council has assumed that levy contributions from central government under the relevant provisions of the Waste Minimisation Act 2008 will still be received over the full term of 10-Year Plan. Council will apply these funds to projects that meet the criteria set out in the Act.

Over the full term of 10-Year Plan Council has assumed that contributions will still be received from Waikato Regional Council for Project Watershed projects. These contributions are sourced from the Waikato Regional Council targeted rate for Project Watershed. Council will apply these funds to projects that meet the criteria set out in the project Watershed agreement between Council and Waikato Regional Council.

Climate Change

The New Zealand Climate Change Office (NZCCO) has been established as a business unit within the Ministry for the Environment responsible for leading the development, coordination and implementation of whole-of-government climate change policy. Climate trends are monitored by the NZCCO, which has predicted impacts of a moderate rate of climate change for the Waikato, including changes in average temperature, sea level rise and rainfall patterns. In general, Waikato, like much of the west coast of the New Zealand, is likely to become warmer and wetter.

There is variation with different predictions of likely changes to climate from different agencies and organisations. However the impact on Council's

infrastructure is considered acceptable when compared with the currently used design standards for new infrastructure if the NZCCO predicted impacts are generally accurate for:

average temperature increases of 0.5 - 0.7°C, strongest warming in winter, temperatures up to 3°C warmer over the next 70 - 100 years and

Up to 20% wetter with more varied rainfall patterns and flooding up to four times as frequent by 2070

The topography and general lack of natural hazards in Hamilton is considered an advantage of other parts of the country (such as coastal communities) that will be more directly impacted by changes to climate.

Future Legislative changes

The details of future legislative changes are unclear and therefore unable to be anticipated with any level of certainty.

The information that has been made available through various policy announcements to date suggests that the potential risks to materially impact the 10-Year Plan are moderate in scale. However given the lack of detail available on future legislative changes and their timing, the projects contained in the 10-Year Plan have been planned based on the current legislative regime.

Changes to other legislation affecting the operation of Council cannot be anticipated at this point and therefore the 10-Year Plan has been developed based on current legislation and policy.

Resource Consents

It has been broadly assumed that the necessary consents will be able to be obtained and funding provision and time has been made within the relevant capital project budget and programme plan to facilitate obtaining the necessary planning permissions. The provision made has been determined by the relevant asset / budget manager based on previous experience and expert knowledge of the contemporary planning framework and legislation.

Long-term plan disclosure statement for period commencing 1 July 2015

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 long-term plan 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.

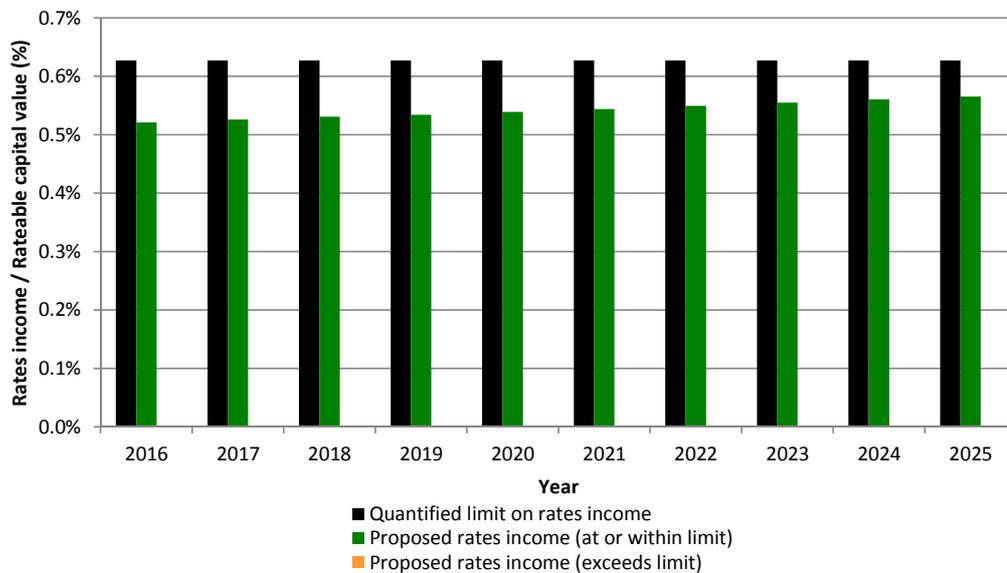
Rates affordability benchmark

The council meets the rates affordability benchmark if -

- its planned rates income equals or is less than each quantified limit on rates; and
- its planned rates increases equal or are less than each quantified limit on rates increases.

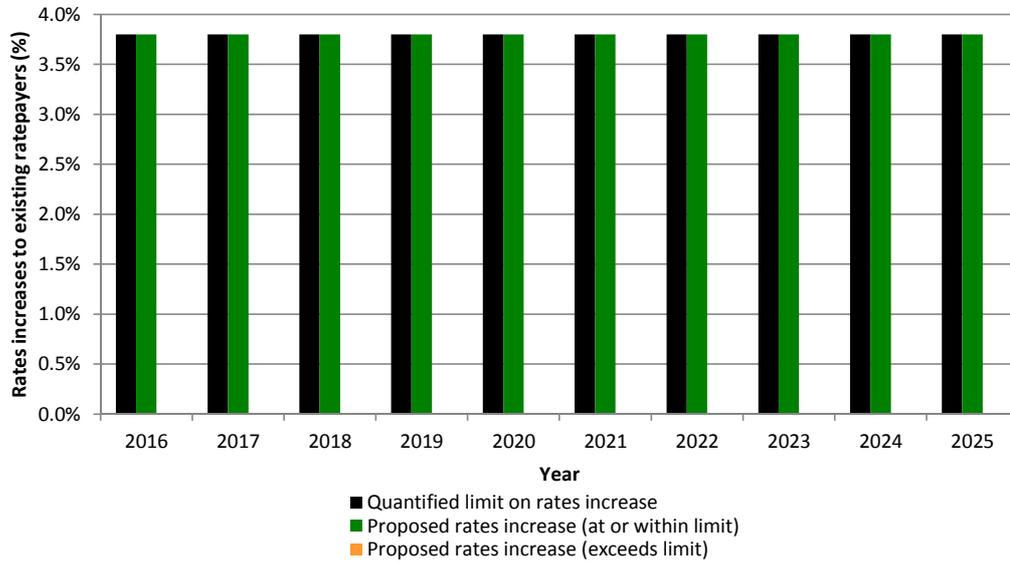
Rates (income) affordability

The following graph compares the council's planned rates income with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is that rates will not exceed 0.627% of the city's rateable capital value.



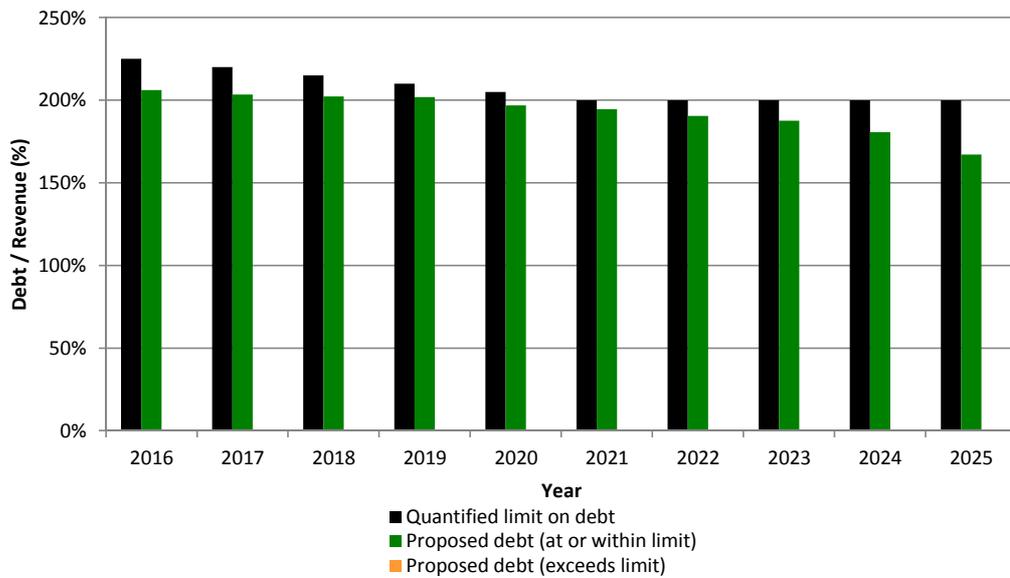
Rates (increases) affordability

The following graph compares the council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this long-term plan. The quantified limit is that rates increases to existing ratepayers will not exceed 3.8%, except for targeted rates (Hamilton Gardens and Refuse/Recycling).



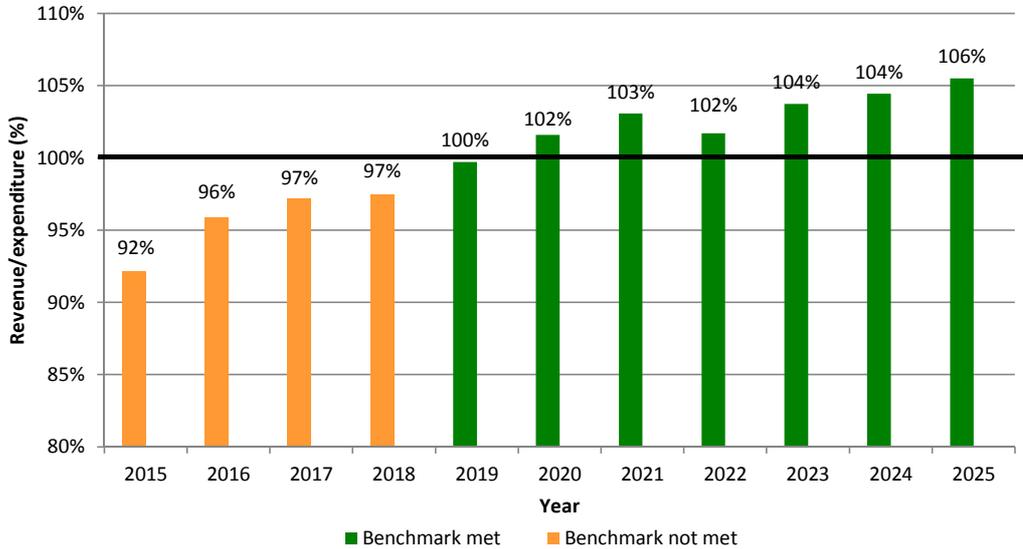
Debt affordability benchmark

The council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing. The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is that the debt to revenue ratio will be reduced to under 200% by 2021 and thereafter will remain below 200%.



Balanced budget benchmark

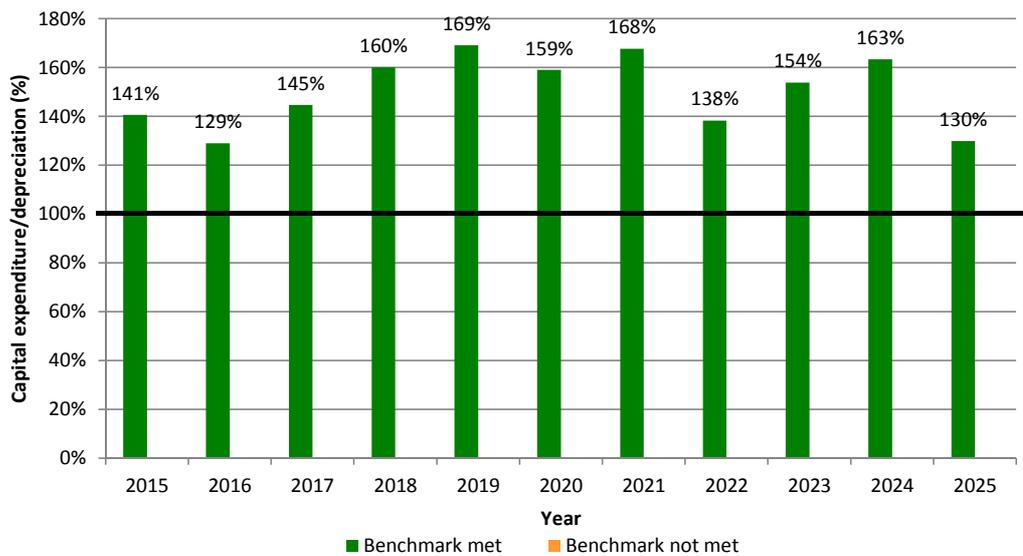
The following graph displays the council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment). The council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



NOTE: This is a statutory benchmark and is not the same as Council's own Balance the Books measure referred to in the financial strategy.

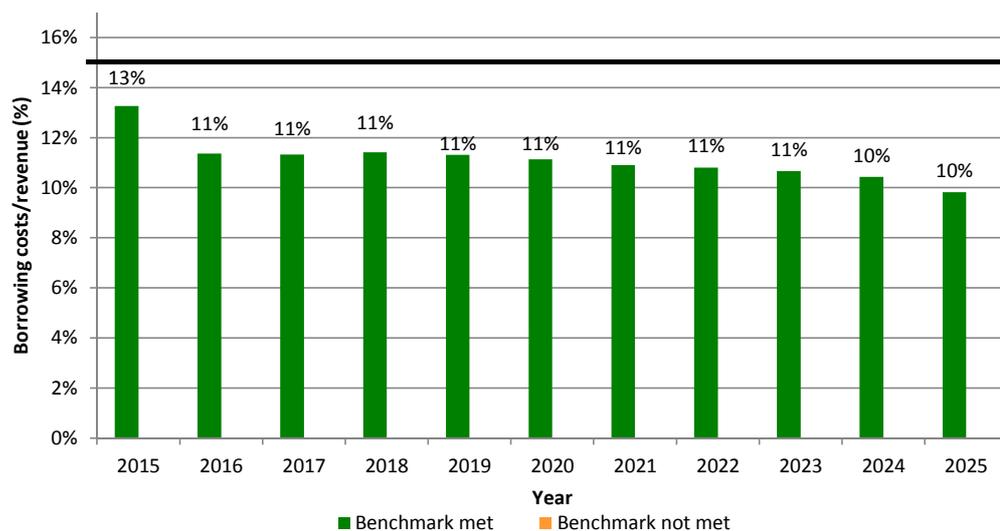
Essential services benchmark

The following graph displays the council's planned capital expenditure on network services as a proportion of expected depreciation on network services. The council meets this benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

The following graph displays the council's planned borrowing costs as a proportion of planned 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 is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 15% of its planned revenue.



Additional Information or Comments

Council meets all the measures required by the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations) with one exception.

Council is required to measure its budget in accordance with the Balanced Budget Benchmark using the formulae proscribed by the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Balanced Budget Benchmark excludes a number of items of revenue that are included in both Generally Accepted Accounting Practice and Council's own balancing the Books. These include development & financial contributions, vested assets, revaluations of property, plant & equipment or any gains on derivative financial instruments.

The 10-year Budget does not meet the Balanced Budget Benchmark as defined under the regulation until 2020. Council is of the opinion that this is due to the overall conservative nature of the measure and its inappropriateness in a growing city rather than any underlying unsustainable budget.

Council has noted the failure to meet this Benchmark but after considering the surpluses measured in accordance with its own "Balancing the Books" measure and Generally Accepted Accounting Practice is satisfied this is appropriate.

Council is of the opinion there are no material implications of not meeting the Balanced Budget Benchmark for the first four years of the 10 Year Plan and that the strong improvement in its financial results over the term of this plan shows that its financial performance is sustainable.

10-Year Plan Property Asset Sales

Purpose

To identify Council-owned assets for inclusion in the 2015-2025 10-Year Plan for investigation and consideration for potential sale.

Summary

In its 2012-22 10-Year Plan, Council identified a number of assets for potential sale. These assets were clearly listed in the 10-Year Plan as being potential sales.

Since July 2012 a number of these properties have been sold and proceeds have been used to repay debt or in the case of those Municipal Endowment Fund (MEF) properties proceeds are held in cash reserve. The proceeds from the sale of three housing complexes were applied to help cover the renewal costs for the remainder of the housing portfolio.

Staff have reviewed the full list of Council's remaining properties and identified a number of properties that could potentially be sold if Council chose to do so.

An updated list of Council properties for sale for inclusion in the 2015-25 10-Year Plan needs to be developed.

The potential properties have been grouped into similar categories and these are listed on the attached schedule.

Categories of Properties

1. Properties Approved for Sale

- Council has approved these four properties as strategic sites that may be sold depending on development proposals.
- Listed for possible sale in the 2012-22 10-Year Plan.
- There have been a number of alternative development proposals presented.
- Currently under discussion for ideal development.

Recommendation: Continue to pursue divestment options

2. Properties Considered for Sale but to be retained

- Council has considered sale of these four assets and has resolved to retain them.
- The two refuse sites are listed for possible sale in the 2012-22 10-Year Plan subject to further Council deliberation and decision.
- The RTS site is considered strategically important by Council's City Waters Unit who do not support the sale of this asset.
- The HOC site could be sold but may jeopardise Council's waste recovery and minimisation initiatives.
- The Horotiu Lifestyle Blocks could be sold but (1) gas migration from adjoining closed landfill may expose Council to future liability (2) the sale of the blocks is counter to Council's position of rural residential subdivision on the city boundary and (3) subdivision conditions impose significant cost that will reduce the sale proceeds.

Recommendation: Remove from possible sales list and retain

3. Properties for Investigation for Sale

- The Downtown Plaza Carpark has always been intended for sale and staff are currently working through the valuation and sale process set out in an existing agreement for sale and purchase. Clarence Street Theatre is likely to be gifted to a community trust and as such is not included in the list.

Recommendation: Upon completion of investigation any properties identified for potential sale will require Council approval to do so

4. Community Facilities – Properties for Investigation

- The assets included in this category have not previously been considered for sale and are not listed for possible sale in the 2012-22 10-Year Plan.
- This list includes Corporate, Parks and Open Spaces and Community Facilities assets. There is political and public interest in these sites and as such, they have been included for further investigation.
- St Peter’s Hall and the Waikato Woodturners sites do not have any strategic value and could be sold.
- The other sites could be investigated to identify options (including retention, sale, decommissioning, relocation, utilisation and leasing).

Recommendation: Upon completion of investigation any properties identified for potential sale will require Council approval to do so

5. Community Facilities - Properties for Investigation for Decommissioning

- Three of the properties are currently tenanted under the Community Occupancy Policy.
- Default position in many cases where assets are redundant and at the end of their life.
- Decommissioning entails either mothballing or demolition - and associated costs.

Recommendation: Upon completion of investigation any properties identified for potential sale will require Council approval to do so

6. Municipal Endowment Fund – Investment Assets

- Endowment investment assets may be sold at any time subject to certain conditions and an acceptable sale price.
- Sale of any of these individual assets is currently subject to further Council approval.
- The assets are held to generate maximum financial return with net proceeds used to offset rates.
- Sale of the assets impacts negatively on budgets because the income on invested proceeds is less than the income generated by the assets – thereby creating a budget deficit that requires funding from alternative sources.

Recommendation: Status Quo – governed as per policy

7. Municipal and Domain Endowment Fund – Land

- Endowment investment assets may be sold subject to certain conditions and an acceptable sale price and are listed for possible sale in the 2012-22 10-Year Plan.
- Council owns the Freehold (the land) but all sites are subject to a perpetual lease.
- Currently the only exit option is if the lessee wishes to acquire the freehold.
- Council could vary the existing policy to allow the properties to be sold on the open market – the implications of this change will require further analysis.
- Sale of any of these individual assets is currently subject to further Council approval.

Recommendation: Status Quo – sell at any opportunity

HCC 2015-2025 10 YEAR PLAN: PROPOSED PROPERTY ASSET SALES SCHEDULE 19.2.2015

Name	Description	Decision	Authority	Status	Purpose
1. Properties Approved for Sale					
Land Behind Artspost	Land (Carpark)	Sell	Council 29 September 2011	UNDER ACTIVE CONSIDERATION FOR IDEAL DEVELOPMENT	Debt
Brooklyn Road	Land and Buildings	Sell	Council 23 February 2012	UNDER ACTIVE CONSIDERATION FOR IDEAL DEVELOPMENT	Debt
Sonning Carpark	Land (Carpark)	Sell	Council 23 February 2012	UNDER ACTIVE CONSIDERATION FOR IDEAL DEVELOPMENT	Transportation/Debt
Victoria on the River (VOTR)	Land (carpark)	Sell	Council 23 February 2012	UNDER ACTIVE CONSIDERATION FOR IDEAL DEVELOPMENT	Debt
2. Properties Considered for Sale but to be retained					
Organic Recycling Station	Land and Buildings	Defer	Council 4 July 2013	PREVIOUSLY DEFERRED - Pending outcome of Waste Services Review and direction from City Waters	Debt
Refuse Transfer Station	Land and Buildings	Defer	Council 4 July 2013	PREVIOUSLY DEFERRED - Pending outcome of Waste Services Review and direction from City Transportaion	Debt
Horotiu Lifestyle Blocks	Land (Grazing)	Defer	Council 11 December 2012	PREVIOUSLY DEFERRED - Potential gas migration from adjoining closed landfill	Debt
Waiwhakareke Smart Subdivision	Land (Grazing)	Defer	Council 29 May 2014	PREVIOUSLY DEFERRED - Pending investigation of alternate options by Parks and Open Spaces	Debt
3. Properties for Investigation for Sale					
Downtown Plaza Carpark	Building (Unit Title)	Defer	Council 4 July 2013	Subject to contract obligations and negotiations	Debt
4. Community Facilities - Properties for Investigation					
St Peter's Hall (Historic)	Land and Buildings	None	None	AWAITING INVESTIGATION	Debt
Citizens' Advice	Land and Buildings	None	None	AWAITING INVESTIGATION	Debt
HCC Municipal Building	Land and Buildings	None	Hold	AWAITING INVESTIGATION	TBC
HCC Caro Wing	Land and Buildings	None	Hold	AWAITING INVESTIGATION	TBC
Enderley Community Centre	Land and Buildings	None	None	AWAITING INVESTIGATION	NA
Migrant Resource Centre	Land and Buildings	None	None	AWAITING INVESTIGATION	NA
Flagstaff Club	Land and Buildings	None	None	AWAITING INVESTIGATION	NA
Fairfield Hall	Land and Buildings	None	None	AWAITING INVESTIGATION	NA
Waikato Woodturners (8 Storey Avenue)	Land	None	None	AWAITING INVESTIGATION	Debt
5. Community Facilities - Properties for Investigation for Decommission					
Frankton Railway Hall - Historic	Land and Building	None	None	Reserve land. Historic building. Investigate alterntive usage (decommission, renovation, reocation)	NA
Ward Park Arts Centre	Land and Building	None	None	Reserve land. Buildings fully occupied. Investigate alternative usage (demolition)	NA
ATC Hall	Land	None	None	Fee simple land - long term tenant. Investigate alternative usage (development, intensification, relocation, demolition) Impacted by Wairere Drive and Southern Links Designation project.	NA
River City Skills Centre	Land and Buildings	None	None	Reserve land. Investigate alternative usage (decommission, renovation, relocation demolition)	NA
Metro Judo Club	Land and Building	None	None	Reserve land. Investigate alternative usage (decommission, renovation, relocation demolition)	NA
6. MUNICIPAL ENDOWMENT FUND - INVESTMENT ASSETS					
Beggs Wiseman Building	Commercial Building	None	None	HOLD for financial return	Municipal Endowment
Iron Mountain Building	Industrial Building	None	None	HOLD for financial return	Municipal Endowment
Masters Avenue Shops	Retail Building	None	None	HOLD for financial return	Municipal Endowment
SCA Hygiene Building	Industrial Building	None	None	HOLD for financial return	Municipal Endowment
7. MUNICIPAL ENDOWMENT FUND - LAND (Lessor's Interest)					
Clyde Street 92	Leasehold Land	None	None	Council owns the freehold but all sites are subject to a perpetual lease. The improvements (buildings) are owned by the lessee. Under existing policy the only exit option is if the lesee wishes to aquire th freehold which only if the opportunity presented itself would be pursued.	Municipal Endowment
Fox Street 258	Leasehold Land	None	None		Municipal Endowment
Norton Road 77	Leasehold Land	None	None		Municipal Endowment
Norton Road 79	Leasehold Land	None	None		Municipal Endowment
Ward Street 145 - 149	Leasehold Land	None	None		Municipal Endowment
Ward Street 151 - 155	Leasehold Land	None	None		Municipal Endowment
Ward Street 179	Leasehold Land	None	None		Municipal Endowment
Willoughby Street 58	Leasehold Land	None	None		Municipal Endowment
Wiremu Street 12	Leasehold Land	None	None		Municipal Endowment
DOMAIN ENDOWMENT FUND - LAND (Lessor's Interest)					
Bryce Street 82 (Countdown)	Leasehold Land	None	None	Council owns the freehold but all sites are subject to a perpetual lease. The improvements (buildings) are owned by the lessee. Under existing policy the only exit option is if the lesee wishes to aquire the freehold. Revenue derived from these properties funds parks and reserves activity.	Domain Endowment
Cotter Place 5	Leasehold Land	None	None		Domain Endowment
Dey Street 225	Leasehold Land	None	None		Domain Endowment
Fox Street 126	Leasehold Land	None	None		Domain Endowment
Fox Street 189	Leasehold Land	None	None		Domain Endowment
Graham Street 13 (Pensioner Housing)	Leasehold Land	None	None		Domain Endowment
Henry Street 5	Leasehold Land	None	None		Domain Endowment
Naylor Street 101 (includes 103 Dey)	Leasehold Land	None	None		Domain Endowment
Ulster Street 297 (Beetham Park Motel)	Leasehold Land	None	None		Domain Endowment

PENDING SALE

Decision to sell has been made. Sale process under action or subject to future event. No further need to revert to Council.

UNDER ACTIVE CONSIDERATION

Decision to sell has been made in principle subject to further Council approval.

PREVIOUSLY DEFERRED

Council has considered sale or retention and has resolved to defer a decision subject to further Council approval.

AWAITING INVESTIGATION

Council has not considered sale of retention. Subject to future Council consideration and approval