

Notice of Meeting:

I hereby give notice that an ordinary Meeting of the Strategic Risk and Assurance Committee will be held on:

Date: Tuesday 13 October 2020
Time: 12.30pm
Meeting Room: Audio-visual Link
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Strategic Risk and Assurance Committee OPEN AGENDA

Membership

Chairperson External appointee - Keiran Horne
Heamana

Deputy Chairperson External appointee - Bruce Robertson
Heamana Tuarua

Membership: Mayor Paula Southgate
Chairperson of the Finance Committee – Cr Rob Pascoe
Chairperson of the Strategic Growth Committee – Cr Dave Macpherson
Chairperson of the Infrastructure Operations Committee – Cr Angela O’Leary
Chairperson of the Community Committee – Cr Mark Bunting
Maangai Maaori Representative on the Finance Committee – Hemi Rau

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

Quorum: Four members (including one external appointee)

Becca Brooke
Governance Manager
Menetia Mana Whakahaere

5 October 2020

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Purpose:

The Strategic Risk and Assurance Committee is responsible for providing objective advice and recommendations to the governing body on the adequacy and functioning of the Council's risk management and assurance framework and external reporting.

In addition to the common delegations, the Strategic Risk and Assurance Committee is delegated the following Terms of Reference and powers:

Terms of Reference:*Risk*

1. Review the effectiveness of the risk control environment established by management to safeguard Council's financial and non-financial assets, including the adequacy and appropriateness of insurance policies in place and management's actions to mitigate risks and report 6 monthly to Council.
2. To review the Risk Management Policy and recommend to Council revisions to the policy for adoption.
3. To review the Fraud and Corruption, Protected Disclosure, Conflict of Interest, and Sensitive Expenditure management policies to ensure appropriate guidance and processes are in place.
4. Review Council's strategic risk register and monitor existing and proposed controls
5. Periodic in-depth reviews of specific, significant risks
6. Monitor emerging risks
7. Review and monitor business continuity planning.
8. Oversight of risk management and assurance across Council's CCO's and CCTOs with respect to risks that may have a significant impact on Council

Internal Audit

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

External Audit

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

Statutory Reporting

17. Review and monitor the integrity of the interim and annual report, focusing particularly on:
- a. compliance with, and the appropriate application of, relevant accounting policies, practices and accounting standards
 - b. compliance with applicable legal requirements relevant to statutory reporting
 - c. The consistency of application of accounting policies as well as changes to accounting policies and practices that may affect the way that accounts are presented
 - d. Any decisions involving significant judgment, estimation or uncertainty
 - e. The extent to which financial statements are affected by any unusual transactions and the manner in which these are disclosed
 - f. the disclosure of contingent liabilities and contingent assets
 - g. the clarity of disclosures generally
 - h. The basis for the adoption of the going concern assumption
 - i. Significant adjustments resulting from the audit

Other Matters

18. Review the effectiveness of the systems for monitoring the Council's compliance legislation, regulation, policy and guidelines.
19. Review the adequacy and effectiveness of Council's health and safety programme and cybersecurity programme.
20. Engage with internal and external auditors on any specific one-off audit assignments.
21. Conduct and monitor special investigations in accordance with Council policy and approved budget or in response to material matters raised by staff or committee members, including engaging expert assistance, on matters within its Terms of Reference.
22. The Chairperson shall review the travel and other reimbursed expenses of the Chief Executive and confirm compliance with Council policies. This information will be provided to the Chairperson on a six-monthly basis.
23. Such other Matters referred to it by Council.

The Committee is delegated the following recommendatory powers:

- The Committee has no decision-making powers.
- The Committee may make recommendations to the Council and/or the Chief Executive, as appropriate.
- The Committee may request expert external advice through the Chief Executive where necessary.

Special Notes:

- In fulfilling their role on the committee, members shall be impartial and independent at all times.
- Members are appointed for an initial term of no more than three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.

- Council appoints two external members of the committee, one of whom shall be Chairperson. External members shall have a broad range of skills and experience including accounting or audit experience; the terms of the appointment to be recorded in a contract. External member contracts are to be reviewed and assessed six (6) months after each triennial election with no external members staying on Committee for longer than three (3) trienniums.
- The Chief Executive and Internal Auditor are required to attend all meetings but are not members and have no voting rights. Other Council officers may attend the committee meetings, as required.
- The Chief Executive and the Principal Advisor shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of Council, any material breakdown in internal controls, and any material event of fraud, corruption or malpractice.
- The chairperson shall present an annual Audit and Risk Self Review to Council summarising the committee's activities during the year and any related significant results and findings.

Recommendatory Oversight of Policies and Bylaws:

- *Risk Management Policy*

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1 Apologies – *Tono aroha*

2 Confirmation of Agenda – *Whakatau raarangi take*

The Committee to confirm the agenda.

3 Declaration of Interest – *Tauaakii whaipanga*

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

4 Public Forum – *Aatea koorero*

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

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

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

If you have any questions regarding Public Forum please contact Governance by telephoning 07 838 6727.

Council Report

Item 5

Committee: Strategic Risk and Assurance Committee
Date: 13 October 2020
Author: Narelle Waite
Authoriser: Amy Viggers
Position: Governance Advisor
Position: Governance Team Leader
Report Name: Confirmation of Strategic Risk and Assurance Committee Open Minutes - 3 September 2020

Report Status	Open
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Staff Recommendation - *Tuutohu-aa-kaimahi*

1. That the Strategic Risk and Assurance Committee confirm the Open Minutes of the Strategic Risk and Assurance Committee Meeting held on 3 September 2020 as a true and correct record.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Strategic Risk and Assurance Committee Open Minutes - 3 September 2020 .

Strategic Risk and Assurance Committee

OPEN MINUTES

Minutes of a meeting of the Strategic Risk and Assurance Committee held by Audio Visual Link on Thursday 3 September 2020 at 12.41am.

PRESENT

Chairperson Keiran Horne
Heamana

Deputy Chairperson Bruce Robertson
Heamana Tuarua

Membership: Mayor Paula Southgate
Cr Rob Pascoe
Cr Dave Macpherson
Cr Angela O’Leary
Cr Mark Bunting
Maangai Hemi Rau

In Attendance: Cr Maxine van Oosten
Cr Martin Gallagher
Richard Briggs – Chief Executive
David Bryant – General Manager Business Services
Eeva-Liisa Wright – General Manager Infrastructure Operations
Sean Murray – General Manager Venues and Major Events
Lance Vervoot – General Manager Community
Blair Bowcott – Executive Director Special Projects
Lousie Lukin – Director, Chief Executives Office
Dan Finn – People, Safety and Wellness Manager
Cerice DeLacy – Project and Performance Co-ordinator
Dan Silverton – Communication and Engagement Advisor
Heather Burden – Risk Manager
Irene James – Finance and Commercial Director
Julie Sanderson – Group Business Manager
Karen Saunders – Growth Programmes Manager
Katy Nudd – Business Planning Analyst
Kelvin Powell – City Safe Unit Manager
Maire Porter – City Waters Manager
Julie Ambury – Corporate Planning Manager
Julie Clausen – Unit Manager Strategy and Corporate Planning
Morva Kaye – Internal Auditor
Murray Heke – Chief Information Officer
Mothla Majeed – Legal Services Manager

Nicholas Whittaker – Risk & Insurance Advisor
 Tracey Musty – Financial Controller
 Matt White – PricewaterhouseCoopers
 Aaron Steele – PricewaterhouseCoopers
 Naude Kotze – Audit NZ

Governance Staff: Amy Viggers – Governance Team Leader
 Ian Loiterton, Narelle Waite, Carmen Fortin – Governance Advisors

1. **Apologies – *Tono aroha***
Resolved: (Ms Horne/Mr Robertson)
 That the apologies for absence from Cr Macpherson for lateness are accepted.
2. **Confirmation of Agenda – *Whakatau raarangi take***
Resolved: (Ms Horne/Mr Robertson)
 That agenda is confirmed.
3. **Declarations of Interest – *Tauaakii whaipaaanga***
 No members of the Council declared a Conflict of Interest.
4. **Public Forum – *Aatea koorero***
 No members of public wished to speak.
5. **Confirmation of the Open Strategic Risk and Assurance Committee Minutes - 23 June 2020**
Resolved: (Ms Horne/Cr Pascoe)
 That the Committee confirm the open Minutes of the Strategic Risk and Assurance Committee meeting held on 23 June 2020 as a true and correct record.
6. **Chief Executive Report - Verbal Update**
 The Chief Executive presented his verbal report. Committee Members had no questions related to the report.
Resolved: (Ms Horne/Mr Robertson)
 That the Strategic Risk and Assurance Committee receives the verbal report.
Mayor Southgate joined the meeting (12.43pm) during the above item. She was present when the matter was voted on.
Cr Macpherson joined the meeting at (12.49pm) during the above item. He was present when the matter was voted on.
7. **Safety and Wellbeing Report - 1 May 2020 to 30 July 2020**
 The People, Safety and Wellness Manager spoke to the report and informed Members about recent safety and wellness key performance indicators and notable events. Staff responded to questions from Committee Members regarding health and safety at council facilities, the downward trend of injury in the safety performance charts, contractor incident actions and responsibilities, near misses, processes for monitoring corrective actions, safety management plan assessment processes; and legal and governance requirements for noting and acting on lead indicators.
Resolved: (Ms Horne/Cr Bunting)
 That the Strategic Risk and Assurance Committee receives the report.

8. Risk Management Report

The Risk Manager took the report as read and responded to questions from Committee Members relating to deferral risks, reporting timelines of physical security review findings, work training schemes, mitigations of risk when related to finance constraints; and emerging risk identification and management relating to water reform.

Resolved: (Ms Horne/Mr Robertson)

That the Strategic Risk and Assurance Committee receives the report.

9. 2020/21 Internal Audit Update PwC

The PricewaterhouseCoopers (PwC) representatives spoke to their internal audit report, discussing the summary of findings and associated management actions and recommendations. Members asked questions relating to the risk ratings as it related to data integrity, data quality and the IBIS project assessment.

Resolved: (Ms Horne/Mayor Southgate)

That the Strategic Risk and Assurance Committee:

- a) receives the report; and
- b) notes the Hamilton City Council PwC Internal Audit work undertaken.

10. 2020/21 Internal Audit Update

The Internal Auditor provided an update including additional documentation as requested at the previous Strategic Risk and Assurance Committee 23 June 2020. Members asked questions relating to city infrastructure, and the approved Internal Audit report.

Resolved: (Ms Horne/Cr Pascoe)

That the Strategic Risk and Assurance Committee:

- a) receives the report; and
- b) notes the progress against the Hamilton City Council Internal Audit Plan for internal Council staff.

11. Interim Audit of Hamilton City Council - 30 June 2020

The Financial Controller and Audit NZ representative spoke to the report noting that due to the timing of the Committee Meeting the report is somewhat out of date and some of the issues identified have already been addressed; the Financial Controller also highlighted the review of the new accounting system. Committee Members asked questions regarding business continuity plans, resource consents, progress against recommendations and the impact of Covid-19.

Resolved: (Ms Horne/Cr Pascoe)

That the Strategic Risk and Assurance Committee:

- a) receives the report; and
- b) notes Audit New Zealand's recommendations.

12. Organisational Improvement Register as at 30 June 2020

The Internal Auditor took the report as read and responded to questions from Members regarding the absence of the Psoda review recommendations from this report.

Resolved: (Ms Horne/Cr Bunting)

That the Strategic Risk and Assurance Committee receives the report.

13. Draft Annual Report 2019/20

The Financial Controller and Audit NZ representative took the report as read.

Resolved: (Ms Horne/Mayor Southgate)

That the Strategic Risk and Assurance Committee receives the report.

14. Resolution to Exclude the Public

Resolved: (Ms Horne/Mr Robertson)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Public Excluded Strategic Risk and Assurance Committee Minutes - 23 June 2020) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Verbal update on any legal issues or risk)	
C3. Fraud and Protected Disclosures Update		
C4. Cyber Risks/Issues - Verbal Report		

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

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to maintain legal professional privilege	Section 7 (2) (g)

- | | | |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Item C3. | to protect information which is subject to an obligation of confidence and disclosure would likely prejudice continual supply of similar information where it is in the public interest for that information to continue to be available
to protect information which is subject to an obligation of confidence where disclosure would likely damage the public interest | Section 7 (2) (c) (i)
Section 7 (2) (c) (ii) |
| Item C4. | to prevent the disclosure or use of official information for improper gain or improper advantage | Section 7 (2) (j) |

The meeting went into a public excluded session at 1.58pm

The meeting was declared closed at 3.18pm

Council Report

Item 6

Committee: Strategic Risk and Assurance Committee
Date: 13 October 2020
Author: Tracey Musty
Authoriser: David Bryant
Position: Financial Controller
Position: General Manager Corporate
Report Name: Annual Report 2019/20 and Audit NZ Clearance

Report Status	Open
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Purpose - *Take*

1. To obtain a recommendation from the Strategic Risk and Assurance Committee that the 2019/20 Annual Report be adopted by the Council.

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

That the Strategic Risk and Assurance Committee:

- a) receives the report; and
- b) recommends the Council adopts the 2019/20 Annual Report.

Executive Summary - *Whakaraapopototanga matua*

2. The Annual Report and Summary Annual Report 2019/20 is a requirement under the Local Government Act 2002. The report has been prepared and is compliant with all applicable accounting standards.
3. There are no material changes from the draft Annual Report that was reviewed at the 3 September 2020 Strategic Risk and Assurance Workshop.
4. Audit New Zealand have provided verbal clearance on 2 October 2020 that the report is compliant and fairly reflects Council's financial position for the year ended 30 June 2020. Audit New Zealand will release their signed Audit Opinion to Council on 22 October 2020.

Attachments

Attachment 1 - Annual Report 2019-2020

Attachment 2 - Annual Report Summary 2019-20



2019/20

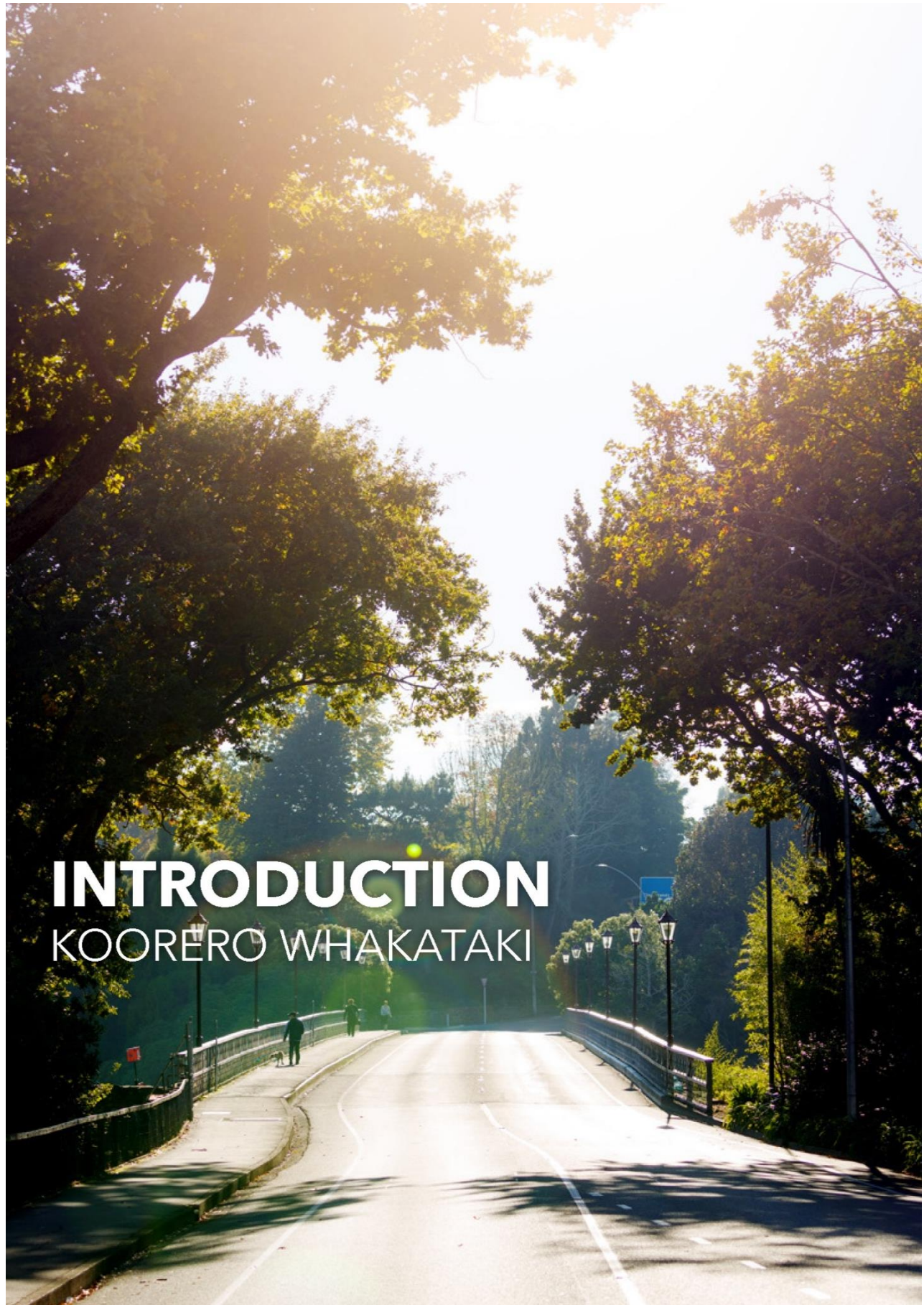
ANNUAL REPORT

PUURONGO-AA-TAU



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FROM THE MAYOR AND CHIEF EXECUTIVE

The 2019/2020 year will be remembered for many years to come as an extraordinary year. While in the grip of a global pandemic, Hamilton City Council and our city ended the financial year confident that Hamilton will be able to withstand its impacts better than some parts of New Zealand.

This is due, in part, to Hamilton's economic base and diverse economy coupled with the stoic nature of our people, our businesses and our wider community. But we were also able to call on our own resources and on key partnerships to give us strength and resilience as we tackled uncharted waters.

COVID-19

Council's work in early 2020 was dominated by the city's nimble and fulsome response to COVID-19. Within days of lock-down being announced, Council had transitioned all its operations, allowing staff to work from home while essential workers continued to provide critical services to the city. In late March, the Council was among the first in the country to announce a comprehensive 12-point recovery plan which included social service funding support, early payments to suppliers, rent relief, a comprehensive emergency response and more. Hamilton City Council was also a very strong voice in Wellington, lobbying for government support to help the city and region get back on its feet.

We were and remain incredibly proud of the way our organisation and the wider city responded to COVID-19. We will continue to do everything possible in the coming 12 months to ensure Hamilton meets and exceeds the challenges ahead.

A NEW COUNCIL

One of the most important events during the year was the election in October 2019 of a brand new Council and a new Mayor. Five new Elected Members became decision-makers after Hamilton succeeded in reversing a downward trend of voter turnout, moving upwards from 33.6% of the eligible vote in 2016 to 39.8% in 2019. We attribute the increase in part to the efforts of Council staff alongside a much more engaged and interested community.

But while this was the highest percentage increase of all metro cities in New Zealand (and meant a further 6943 people voted), it was still disappointing that little more than a third of eligible voters cast their ballot. The election reinforced a strong desire within Council by the Mayor and Elected Members to have significantly more meaningful engagement with people across our city. That commitment to working much more closely with Hamiltonians, before decisions are made, was a strong theme throughout the year and will continue through this triennium.

MAJOR MILESTONES

Our city continued to have much to celebrate during the year. In November 2019, we observed an outstanding milestone; the opening to the public of Waiwhakareke Natural Heritage Park after more than 15 years of community commitment and passion. The opening day was the culmination of complex planning and ecological restoration work from volunteers, Hamilton City Council and many partners for which we are very grateful.

The year also saw major milestones celebrated at Hamilton Gardens with the opening of the Picturesque Garden in November 2019 and the Surrealist Garden in February 2020. This key community asset continues to get better and better and remains the cornerstone of visitor tourism while providing enormous local enjoyment.

Housing, and the ongoing challenges around affordable housing, continued to be high on Council's agenda including the approval in September 2019 of the Trust Deed for the Waikato Community Lands Trust. The Trust was kick-started with a commitment by Council to fund \$2 million and, over time, aims to provide more affordable housing in the city. This coming year will see us develop a Housing Strategy to implement actions to further address the current housing shortage.

Huge progress was also made at a significant new growth cell, Peacocke, during the year, where we are building a community that will eventually be home to more than 20000 Hamiltonians. While the full impacts of COVID-19 are yet to be understood, the programme is tracking well and is currently on time and on budget. Council approved two of the three main contracts in August 2020.

As well as a significant investment into network infrastructure, Peacocke is also our biggest ever investment into the environment. This has opened up opportunities to work early with our partners to ensure the right level of amenity is delivered.

In November, in a regional celebration, we saw the official sod turning of the Rotokauri Transport Hub. This will transform public transport within, in and out of our city, including the enabling of the long-awaited Hamilton to Auckland passenger rail link. Sustainable transport, mode shift, including cycling, shared transport and rail will continue to be a focus in the year ahead.

RELATIONSHIPS

Council continued to work extremely hard on building the sustainable relationships we will need to deliver our vision

for Hamilton. Work on the Hamilton to Auckland (H2A) Corridor Plan is an exemplary example of working with central government, local government partners and iwi to achieve the best possible outcomes for two fast-growing cities.

In May 2019, a cabinet decision ratified the formal participation of government in the project. The Hamilton-Waikato Metro Spatial Plan draft (part of H2A) was completed and reported to Cabinet in early August 2020, providing a 30 to 100 year spatial plan for the wider metro area.

The past 12 months also saw great collaboration among growth councils across the country, leading to collaborative opportunities. Hamilton City Council is now a key player in Crown Infrastructure Partners Special Purpose work and is considered to be a role model for the programme. The Infrastructure Funding and Financing Act passed in July 2020 with Council playing a significant role in working with ministers and government agencies to shape this legislation. We have also strengthened relationships with the Bay of Plenty to refresh focus on the Golden Triangle and future inland and sea ports.

During the year we also continued to advocate strongly on behalf of the sector on issues like three waters reform. Work like this has positioned us as the most proactive and productive council in New Zealand by relevant ministers and Government agencies. Hamilton City Council is ambitious and is known for it.

MEASUREMENT AGAINST EXPECTATIONS

The following pages of this Annual Report present, in detail, our financial results as measured against the budget for year two of our 2018-28 10-Year Plan.

Balancing the books result ended in a deficit of \$8.3 million in 2019/20 compared with a deficit of \$7.3 million forecast in the 2019/20 Annual Plan. Our balancing the books target measures how we are tracking against our goal of paying everyday costs with everyday revenue (such as rates, fees and user charges). We have made a concerted effort to reduce operating costs and borrowing less has meant lower finance and interest costs.

We ended the financial year with a net debt balance of \$406 million versus a 10-Year Plan projection of \$587 million. Net debt is defined as the money we owe the bank, less cash.

The lower net debt level was mainly because some capital projects were deferred into later years (capital projects are largely funded by debt). We also received more revenue from development contributions. Debt levels are expected to rise as our \$2 billion capital programme, the city's largest ever, gathers steam in coming years.

Our final debt-to-revenue ratio for 2019/20 was 139% against a target of 191%. The means we borrowed \$1.39 for every \$1 in revenue collected. The lower ratio was because of less debt due to capital projects shifting years. In addition, more rates and development contributions revenue than expected was received.

This Annual Report also shows how we performed against the commitments we made to our community in all areas of service delivery. In 2019/2020 we met or exceeded 31 of our 50 non-financial performance targets, comprehensively outlined in pages 22 to 88.

In recognition of the effects of COVID-19, Council carefully balanced the need for investment to stimulate the economy and deliver core services and the impact on ratepayers. This saw Council soften the rates impact back from the 3.8% projected in the 2018-28 Long-Term Plan to 2.8% for 2020/21.

LOOKING FORWARD

As we head into the year ahead, the ongoing impact of the global pandemic has created an era of uncertainty for the city, the country and the world. Nonetheless, we remain confident that Hamilton has the planning and resourcing in place to continue to support those who need it most, and to ensure the future of our city remains bright.

We remain grateful to, and thank all, Hamilton City Council staff for the enormous contribution they made to the successful running of our city over the course of the last financial year, during some extremely testing times. Your work is truly valued and it is of no surprise that many of our staff are recognised nationally as leaders in their field. These accolades are hard-earned and well-deserved. Ensuring the health and safety of staff is always a high priority, and its importance became even more heightened in 2019/20 as our essential workers kept Council services available during the COVID-19 lockdown and others performed their roles from home. Looking after our staff is more than just providing a workplace environment that safeguards their physical health - it's about promoting a culture that cares for their emotional and cultural wellbeing. This financial year saw the refinement of our Safety Management System (SMS), with a renewed focus on continuous improvement through our high-performance culture. Health and safety also extends to caring for the wider Council network by developing better ways of working safely with contractors, volunteers and customers who engage with us.

We also recognise the efforts of a strong and unified Council which put the well-being of the community front and centre of discussions during the COVID-19 lockdown and more recently as we work to recover.

Finally, we would like to thank the residents of Hamilton. We appreciate that you care passionately about what happens here in Hamilton-Kirikiri. We are grateful you consistently hold those who work for you to account to ensure your high expectations for our city are met.



Paula Southgate
Mayor



Richard Briggs
Chief Executive

HE KUPU NAA TE KOROMATUA ME TE TUMU WHAKARAE

He tau tini hua te tau nei, 2019/2020 e mau ai kia ita ki te hirikapo o te tangata. Ahakoa ngaa aupeehitanga o te urutaa, i puta pai te ihu o te Kaunihera o Kirikiriroa me te taaone nui nei ki te taha tahua puutea, pai kee atu te puta i eetei atu whaitua i Aotearoa whaanui.

Ko teetehi take i puta peeraa ai, he pakari noo te tuuaapapa oohanga, he maaia hoki noo ngaa kainoho, ngaa pakihi me te hapori nui tonu. Otiraa, naa aa maatou ake rauemi tonu, tae atu ki ngaa hononga matua i maaia ai, i manawatiitii ai maatou, i a maatou ka anga ki ngaa taero a Kupe.

TE URUTAA COVID-19

I te tiimatanga o te tau 2020, warea katoatia ana te Kaunihera ki te whakatika i te taaone ki te paringa o COVID-19. Noo roto tonu i ngaa raa huatakinga o te mau a te motu, kua tika i te Kaunihera oona whakahaere, tukua ai oona kaimahi ki te kaainga mahi ai, aa, mahi tonu ai oona kaimahi matua i aa raatou mahi tiaki i te taaone. I te pito o te Maaehe, ko te Kaunihera tonu teetehi o ngaa whakahaere tuatahi ki te whakatakoto mahere aawhina 12-piro, peenei me te puutea tautoko hapori, ngaa utu moata ki ngaa pakihi, te puutea tautoko reti whare, te tautoko ohotata me eetei atu aawhina. I paorooro hoki te reo o te Kaunihera o Kirikiriroa ki roto o Pooneke raa anoo, e aaki ana i te kaawana ki te aawhina mai i te taaone me toona rohe.

E tairanga tonu ana te manawa o te Kaunihera i aa taatou kookiri ki mua i te urutaa nei, te COVID-19. Ko taa maatou, he whakapau kaha i roto i eenei kookiri i ngaa marama tekau maa rua kei mua i a taatou kia eke ai ngaa hiahia me ngaa wawata o Kirikiri.

HE KAUNIHERA HOU

Ko te kaupapa whakahirahira o eenei marama nei, ko te pootitanga i te Oketopa 2019 o teetehi Kaunihera hou me toona Koromatua hou. Tokorima ngaa mema hou i puea i te pootitanga, aa, he pikinga paiheenetii o te hunga pooti mai i te 33.6% i te tau 2016, ki te 39.8% i te tau 2019. Naa te pukumahi o ngaa kaimahi o te Kaunihera me te hiikaka o te hapori teenei pikinga paiheenetii o te hunga pooti.

Ahakoa koia teenei te pikinga teitei o ngaa paiheenetii, huri noa i ngaa taaone nui o Aotearoa (e 6943 taangata te pikinga o te hunga pooti), i paapoori tonu te manawa, he paku nui ake noa iho i te hautoru o te hunga i tareka te pooti, i tuku pooti. Naa teenei aahua, kua hiikaka te Kaunihera me oona mema ki te mahi tahi me te hapori kia maha ake te hunga tuku pooti. Ko te oati nei e whaaia ana e maatou kia mahi tahi me ngaa kainoho o Kirikiriroa, i mua i ngaa whakataunga, te kaupapa i tiiramarama mai i te tau nei, aa, haere ake nei.

NGAA TUTUKINGA NUI

Nui tonu ngaa kaupapa o too taatou taaone hei whakanui maa taatou. Teeraa teetehi tutukinga i te Noema, 2019; ko te

huakitanga teenaa o te Papa o Waiwhakareke, inaa raa, tekau maa rima tau e heke werawera ana ngaa rae, e kooingotia ana ka puaawai nei. Ko toona raa whakarewa te puaawainga o ngaa mahere, ngaa whakatika whenua a ngaa ringa mahi, te Kaunihera o Kirikiriroa me eetei atu whakahaere i mahi tahi mai, teenaa koutou.

I roto hoki i te tau, i whakanuia ngaa tutukinga nui i Ngaa Maara o Kirikiriroa, koia teenaa te huakitanga o te Maara Picturesque i te Noema 2019 me te Maara o Surrealist i te Peepuere 2020. E pakari haere ana teenei kaupapa whakahirahira a te hapori, aa, ka noho hei tuuaapapa moo ngaa mahi tuuruhi, hei papa whakangahau hoki moo te hapori.

Ko te kaupapa whare, ngaa uauatanga moo ngaa utu whare kei te pane o te hootaka mahi a te Kaunihera, peenei me te whakaaetanga o te Tiiti Whakahaere i te Hepetema 2019 i raro o Waikato Community Lands Trust. I whaangaihia tuatahitia te Whakahaere nei e te Kaunihera ki te rua miriona taara, aa, haere te waa, e whaaia ana kia pai ake te utu whare i Kirikiriroa nei. Ki roto i te tau e tuu mai nei, ka takoto taa maatou Rautaki Whare, me ngaa kookiritanga hei rongoaa i te ruarua o ngaa whare.

Ka nui te koke whakamua o te kaupapa whakawhanake i Peacocke i roto i te tau nei, e hangaia ana e maatou teetehi nohonga e taumarau ai te rua tekau mano kainoho ki teenei nohonga. Akakoa, kaaore anoo kia maarama puu te titiro ki ngaa whiu o te COVID-19, e koke whakamua ana ngaa mahi, i te waa tika me te puutea tika. O ngaa kirimana nui e toru, e rua tonu i whakaaengia e te Kaunihera i te Aakuhata, 2020.

He nui te tuku puutea ki ngaa kaupapa kaokao, anaa, ko Peacocke teenaa, te kaupapa tiketike, kua tukua nei e maatou he puutea nui rawa ki te taiao. Naa konaa, kua puare ngaa huarahi whiti koorero me ngaa hoa mahi ngaatahi, kia eke ai ngaa hua e hiahia ngaa ana.

I te Noema, i whakanuia i roto i too taatou rohe, ko te huringa oneone ki te Pokapuu o Rotokauri. Ka pai kee ake ngaa whakahaere waka, ki roto, ki waho hoki i te taaone nei, me te aranga o te tereina kawae taangata, atu i Kirikiriroa ki Taamaki Makaurau. Ko te arotahi i roto i te tau e tuu mai nei, ko te kimi rongoaa moo ngaa momo waka kawae taangata, peenei me te eke paihikara, te haere ngaatahi maa runga waka me te tereina.

NGAA HONONGA

E kaha ana te kaunihera ki te whakauu i oona honohonganga mau roa kia tutuki tonu ai oo maatou wawata moo Kirikiriroa. Inaa raa te huarahi, atu i Taamaki Makaurau ki Kirikiriroa, koia teenei te tauira papai, te whakatinanatanga o te mahi ngaatahi i waenga i te kaawana pokapuu, te kaawana aa-rohe me ngaa iwi kia puta ai ngaa tini hua moo eenei taaone, horo te tupu.

I te tau 2019, ka puta te whakatau whakaae a te uepuu whaaiti o te kaawana kia whai waahi mai te kaawana ki teenei kaupapa. Noo te Aakuhata 2020, ka oti te Hamilton-Waikato Metro Spatial Plan draft (part of H2A), ka taapaengia atu ki te Uepuu

whaaiti. E toru tekau tau ki te kotahi rau tau te pae roa o te mahere aatea nei moo runga i ngaa papa whenua o te taaone.

I eenei marama tekau maa rua kua pahure, kua kitea te tupu o ngaa kookiri ngaatahi i roto i ngaa kaunihera, puta i te motu, e hua ai ko eetei kaupapa kookiri ngaatahi. Me te aha, he pou aarahi te Kaunihera o Kirikiriroa ki roto i te Crown Infrastructure Partners Special Purpose work, aa, e meangia ana ko maatou teetehi tauira papai o te hootaka. Naa maatou, naa te Kaunihera teetehi waahanga nui i roto i te tutukinga o te ture Infrastructure Funding and Financing Act. Kua whakapakaritia hoki e maatou te hononga ki roto i te Moana a Toi, i runga i te kaupapa, Tapatoru Kooora me ngaa taunga aa-uta, aa-tai hoki.

I waenga hoki i te tau nei, naa maatou tonu te raangai i arataki ki roto i ngaa kookiri moo ngaa whakatikahanga o te wai. Naa eenei momo mahi a maatou e meangia ana e ngaa minita me ngaa tari kaawana, ko maatou teetehi kaunihera ihu oneone e puta nei ngaa tini hua. He manawa nui te Kaunihera o Kirikiriroa, e haruru ana toona rongo manawa nui nei ki tawhiti.

TE INE I NGAA WHAAINGA

Kei eenei whaarangi o te Puurongo aa-Tau, ka horahia ngaa hua puutea i inea ai ki taa te tahua moo te tau tuarua o taa maatou Mahere Tekau Tau 2018-28.

Noo te arotakenga o te tahua i te tau 2019/20, ko te \$8.3 miriona te nama i mahue mai, ki taa te Mahere aa-Tau 2019/2020, e whakapaengia ana, ka heke taua nama ki te \$7.3 miriona. Ko taa maatou arotake tahua nei, he arotahi ki ngaa whaainga, mehemea e pai ana ngaa whakapaunga puutea ki ngaa nama o ia raa me te puutea o ia raa (peenei me ngaa reti, ngaa nama me ngaa utu whakamahi). E aropuu ana maatou kia heke ngaa utu whakahaere, aa, kua iti ake hoki te puutea taurewa, me te aha, iti anoo hoki te itaretu.

I te pito o te tau puutea, ko te \$406 miriona te nama neti i mahue mai, ki taa te Mahere Tekau Tau whakapae, ko te \$587 miriona teenaa. Ko te nama neti nei, koia teenaa ko te nama, me utu ki te peeke, kaua ko te puutea aa-ringa nei.

Naa te nuku o eetei o ngaa kaupapa matua ki teetehi atu tau i heke ai te nama nei (whaangaihia ai ngaa kaupapa matua ki te puutea taurewa). Inaa hoki, he nui ake ngaa puutea naa ngaa kaupapa whakawhanake i homai ki a maatou. Ko te whakapae, teeraa ngaa nama ka piki ki te \$2 piriona taara hei whakatutuki i te hootaka matua a te taaone i ngaa tau te haere ake nei.

Ko taa maatou aawhata nama ki te puutea moo te tau 2019/20, koia ko te 130%, ki taa maatou whaainga, ko te 191%. Araa, moo ia \$1.39 puutea taurewa, he \$1 taara i kohia e maatou. Naa te nuku o ngaa kaupapa matua ki teetehi tau kee i heke ai te aawhata nei. Hei taapiri, he nui noa atu ngaa reti me ngaa utu whakawhanake i riro ai i a maatou.

Ko taa teenei Puurongo aa-Tau hoki, he whakaatu i ngaa maatou tutukinga, ki aa ngaa oati i takoto ai ki te hapori, i roto i aa maatou mahi katoa. I te tau 2019/2020, tutuki tonu ana i a

maatou ngaa whaainga puutea-kore 30 o ngaa mea 50, e aata kitea ai i ngaa whaarangi 20 ki te whaarangi 85.

Hei kaupare atu i ngaa whiu o te COVID-19, i aata whakamaheretia e te Kaunihera te taha tuku puutea hei whakakori i te oohanga, hei whakatuwhera hoki i ngaa ratonga matua, me ngaa uauatanga ki nga kaiutu reti. Me te aha, whakangaawaringia ana e te Kaunihera te whiu o ana reti, mai i te 3.8% i whakapaengia ki roto i te Mahere Pae Roa 2018-28, ki te 2.8% moo te tau 2020/21.

KI TE PAE TATA

I a taatou ka whakamau ki te tau te haere mai nei, e uwthingia ana a Kirikiriroa, Aotearoa me te ao whaanui ki ngaa tiitahatahatanga o te urutaa. Ahakoa ngaa whiu o te urutaa, e niwha ana te ngaakau o te Kaunihera, kua pakari aa maatou mahere, he rauemi hoki aa maatou hei aawhina i te hunga kimi tautoko, kia puta tonu ai ngaa tini hua ki too taatou taaone nui nei.

E whakamoemiti ana, e mihi tahi ana maatou ki ngaa kaimahi o te Kaunihera o Kirikiriroa, i te kaha o te tinana ki te whakatau i ngaa uauatanga o te waa i roto i teenei tau puutea, kia mau tonu ai te waka ki te pae whenua. E hira ana aa koutou mahi e hoa maa, otiraa, naa whai anoo koutou i meangia ai, he taangata hautuu te maha o ngaa kaimahi Kaunihera, huri noa i te motu. Ka tika hoki kia uwthingia koutou ki eenei hoonore. Ka nui te hiranga o te hauora o ngaa kaimahi, aa, piki tonu akei taua hiranga i waenga i te mau o COVID-19, inaa raa, tuwhera tonu ai aa maatou ratonga matua. Nui noa atu te tiaki i aa maatou kaimahi, teenaa i te whakarato tari me ngaa taumaruru tiaki tinana - he whakatupu kee i teetehi aaahua waahi mahi e tiakina ai te taha hinengaro me te taha ahurea. Noo roto i te tau nei i hua ai ko te Safety Management System (SMS), e aropuu ana teenei kaupapa ki ngaa ngoikoretanga hei whakapakaritanga ake maa roto i too maatou ahurea tiketike. Ka toro hoki ngaa taumaruru hauora ki ngaa kaahui hononga o te Kaunihera maa roto i te rapu whakaaro kia pai ake ai aa maatou mahi me ngaa kaikirimana, ngaa tuuao me te hapori ka whai waahi mai ki a maatou.

E aumihingia ana te maaia ngaatahi me te waihoe a te Kaunihera, ka meangia te hapori ki te pane o ngaa whiriwhiri whakatau hei whakamaunga matua maa maatou i te waa o te mau COVID-19, aa, haere tonu nei.

Hei whakakapi ake, e rere ana te wai koiora o mihi ki ngaa kainoho o Kirikiriroa. E tairanga ana te ngaakau i too aroha ki ngaa kookiri, i konei i Kirikiriroa. E whakamoemiti atu nei i taa koutou wewete i aa maatou mahi, kia eke ai ngaa wawata i wawatanga ai moo too taatou taaone nui nei.

Nā Paula Southgate
Koromatua

Nā Richard Briggs
Tumu whakarae



OUR CITY

HAMILTON | KIRIKIRIROA

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

OUR PAST



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

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

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



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



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



Formal European settlement

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



Opening of Hamilton Town Hall, 1905



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

EMBRACING GROWTH



WE'RE BOOMING

Our population is expected to increase from 171,600 (June 2020) to 194,390 in 2030.

That's an average of more than 40 new residents every week!

1622 homes

were consented in 2019, an increase of 12.6% from 2018 and the highest number of new home consents approved since digital records began in the 1990s



WE'RE BUILDING

Ruakura Reservoir



In the last 12 months,

Hamilton has been chosen as the home of the NZ Institute of Skills and Technology, the head office of Rabobank, the Criminal Cases Review Commission and the country's latest Alcohol and Other Drug Treatment Court



WE'RE ATTRACTING

WE'RE INVESTING



Our 2019/20 budget saw a record spend of just over \$190 million to enable and support growth, improve transport and look after the things we already have

A GREAT RIVER CITY

WE'RE YOUTHFUL



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

WE'RE HOME... TO BATS!



Hamilton is one of the only cities in New Zealand with an **urban population of endangered long-tailed bats**

WE'RE DIVERSE



Hamilton's residents represent more than

160 different ethnic groups

WE'RE PARTNERING



Our region banded together to provide **\$3.25 million in COVID-19 support** for community groups, with \$1 million going to Hamilton projects



WE'RE ENTHUSIASTIC

77% of residents think Hamilton is a great place to live*

WE'RE PLAYFUL



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



Waikato River

BEST IN BUSINESS

WE'RE BOOMING

Property in Hamilton is worth \$44 billion -

\$10.7 billion more than it was in 2015



WE'RE IN THE ACTION

Along with Auckland and Tauranga, Hamilton sits in the Golden Triangle, a powerful region

containing half the country's population, generating half the country's GDP

and accounting for two thirds of the freight

WE'RE WORKING

Hamilton's economy supports

15,456 businesses

(up from 15,027 in 2019) and

95,971 employees

(up from 92,735 in 2019)

WE'RE PIONEERING



Hamilton was the **first city in New Zealand to connect to the internet**, thanks to a partnership between The University of Waikato and NASA

WE'RE PARTICIPATING



In the 2019 elections, **Hamilton's 5.8% increase in voter turnout** was the **largest of all metro councils in New Zealand**

Smart Space, Garden Place



* hamilton.govt.nz/QoLJune2020

OUR FINANCIAL STRATEGY

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

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

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

Against the strategy, we are under target in balancing the books for 2019/20 by \$1 million and ended the financial year with a net debt balance \$182 million lower than projected. The results for the year are positive considering the detrimental impact of COVID-19. However, Hamilton is projected to continue growing and our infrastructure (from transport and water networks to parks and playgrounds) needs to support this growth.

RATES

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

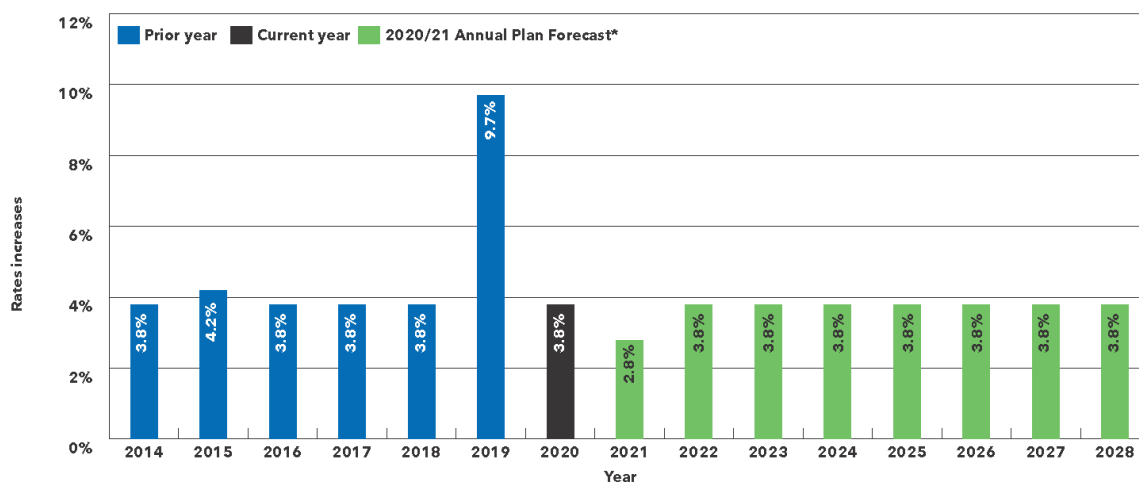
BALANCING THE BOOKS

The balancing the books measure is a way of assessing our operating performance. You can see how our balancing the books measure is calculated on page 92. There are other ways to measure operating performance, including the Government's balanced budget measure, which we report against in the Disclosure Statement section of this report on page 162.

The main differences between the two measures are:

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

TOTAL RATES INCREASES TO EXISTING RATEPAYERS



* The figures for 2021 to 2028 have been reforecast as part of the 2020/21 Annual Plan process. See page 24 of the Annual Plan 2020/21.

We are under target in balancing the books in 2019/20, with an adjusted operating deficit of \$8.3 million against a target of a \$7.3 million deficit. Using the Government's balanced budget measure, we are reporting a surplus of \$11.9 million against a budgeted surplus of \$53.2 million.

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

- higher than budgeted subsidies and grants due to the Victoria Bridge Painting project being completed in the early part of the financial year and the Rotokauri Park & Ride project
- higher than budgeted operating expenses, which includes higher personnel costs, professional costs, administration costs and operating and maintenance costs.

DEBT

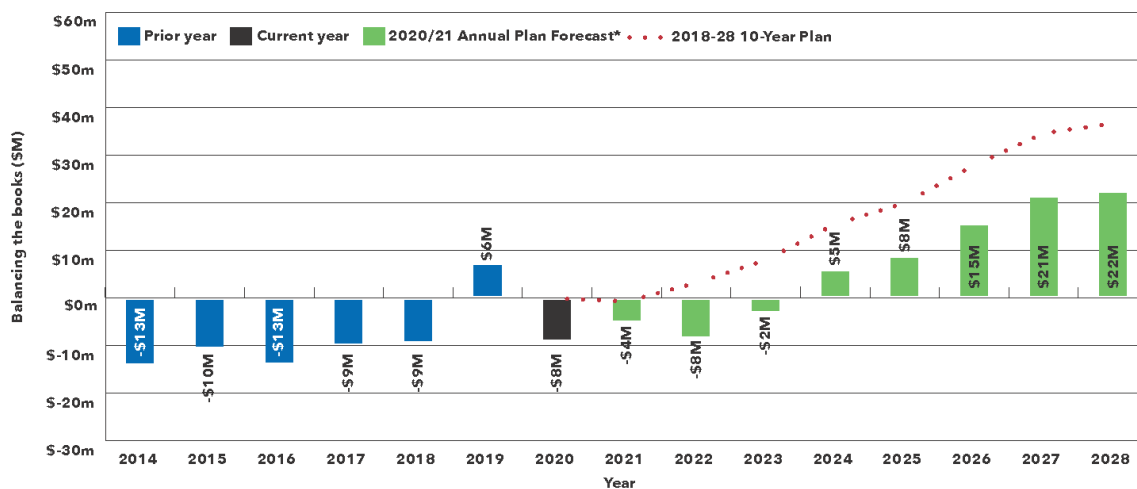
The definition we use for debt is money we owe the bank, less cash. We refer to this as a net debt. To see the details of how this figure is calculated, see note 30 to the financial statements on page 140.

We ended the financial year with a net debt balance of \$406 million, which was lower than the projected target of \$588 million. Our debt is now 139% of revenue against a performance target of 191%.

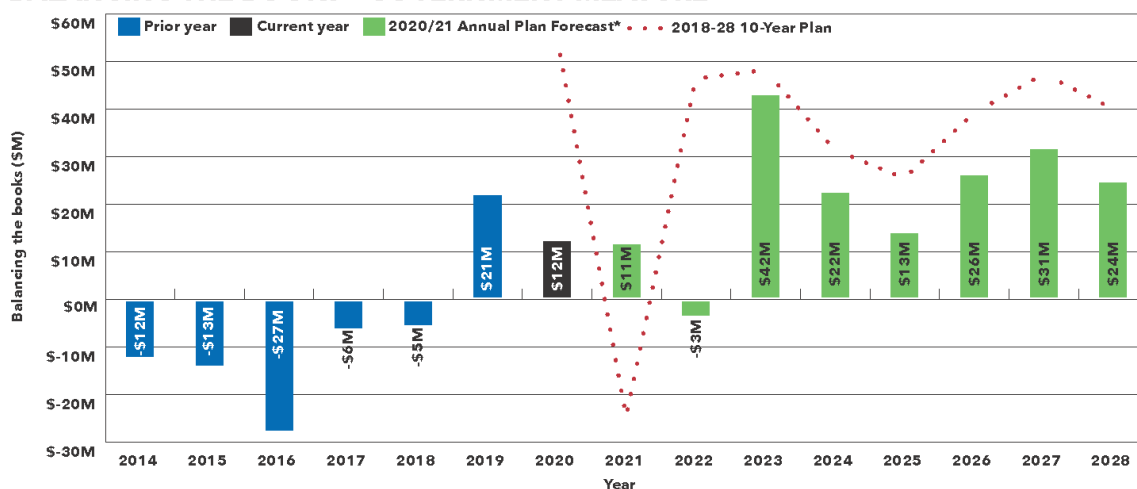
The main reasons for this favourable result are:

- higher than budgeted revenue from development contributions (\$6.8 million)
- savings of \$5.6 million on capital projects
- total deferrals of \$142 million, being the net position between projects moved out to future years and projects brought forward into 2019/20.

BALANCING THE BOOKS - HAMILTON CITY COUNCIL MEASURE



BALANCING THE BOOKS - GOVERNMENT MEASURE



* The figures for 2021 to 2028 have been reforecast as part of the 2020/21 Annual Plan process. See page 24 of the Annual Plan 2020/21.

The 2019/20 approved capital budget was \$323.6 million and was a significant increase over the previous 2018/19 budget of \$254.8 million. Actual spend for the capital portfolio was \$190.8 million, representing a 24% increase on the prior year spend \$153.8 million.

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

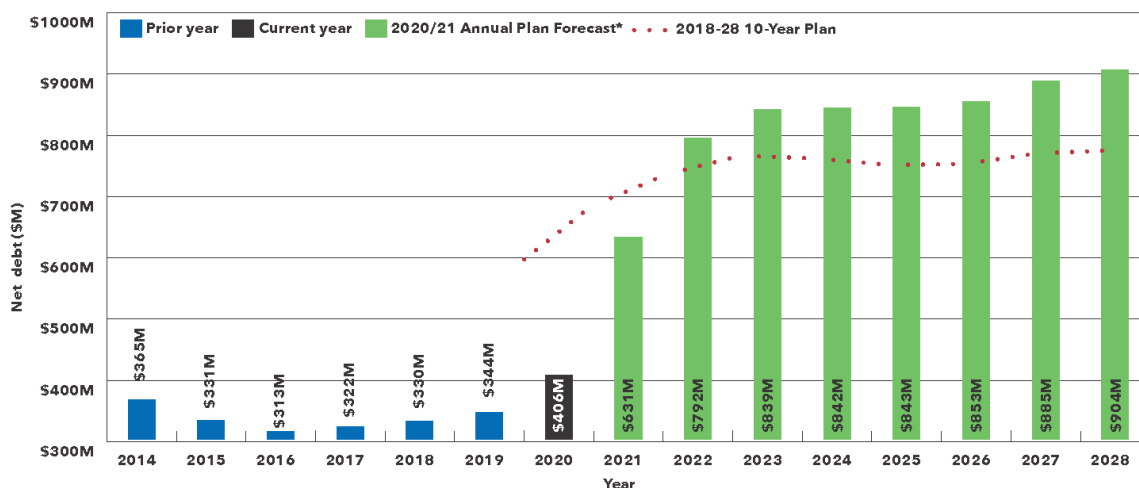
Projects were deferred due to:

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

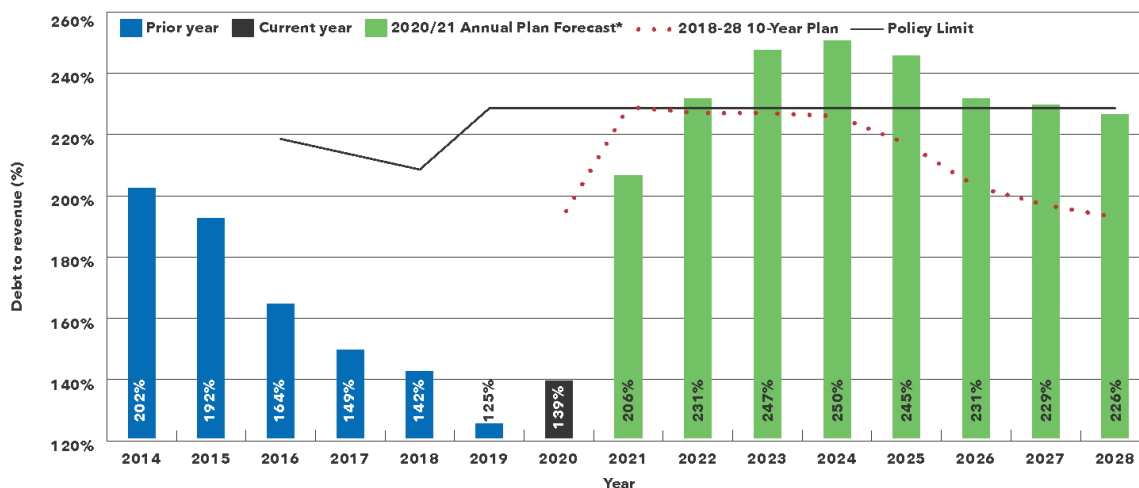
To keep debt to manageable levels, the financial strategy caps debt to revenue at 230%. Our lenders will let us borrow up to a maximum debt to revenue ratio of 250%, which gives us a buffer for unforeseen events.

Debt capacity headroom (the gap between the limit and forecast) is forecast to worsen in later years of the 10-Year Plan. In 2020/21 the debt to revenue is forecast as 231% and is not forecast to return below 230% until 2026/27. The change from the 10-Year Plan over the next few years is due to the forecast loss of revenue from COVID-19. The debt to revenue forecast will be reviewed as part of the financial strategy for 2021/22 as part of the 2021-2031 Long Term Plan.

TOTAL OVERALL DEBT



DEBT-TO-REVENUE RATIO



* The figures for 2021 to 2028 have been reforecast as part of the 2020/21 Annual Plan process. See page 24 of the Annual Plan 2020/21.

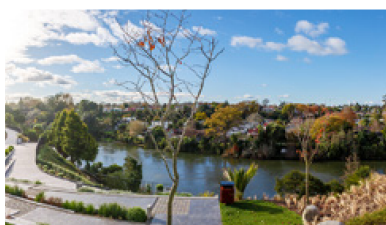
OUR COMMUNITY OUTCOMES

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

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

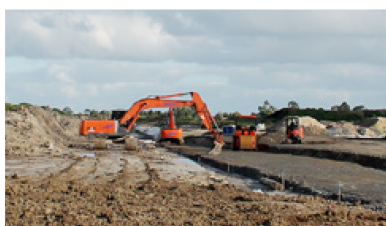
If we achieve all the expectations we have set for our service delivery, we will be making progress on achieving all three outcomes.

OUR THREE COMMUNITY OUTCOMES ARE:



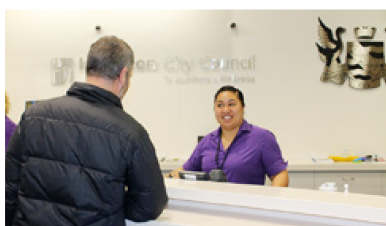
A GREAT RIVER CITY

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



A CITY THAT EMBRACES GROWTH

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

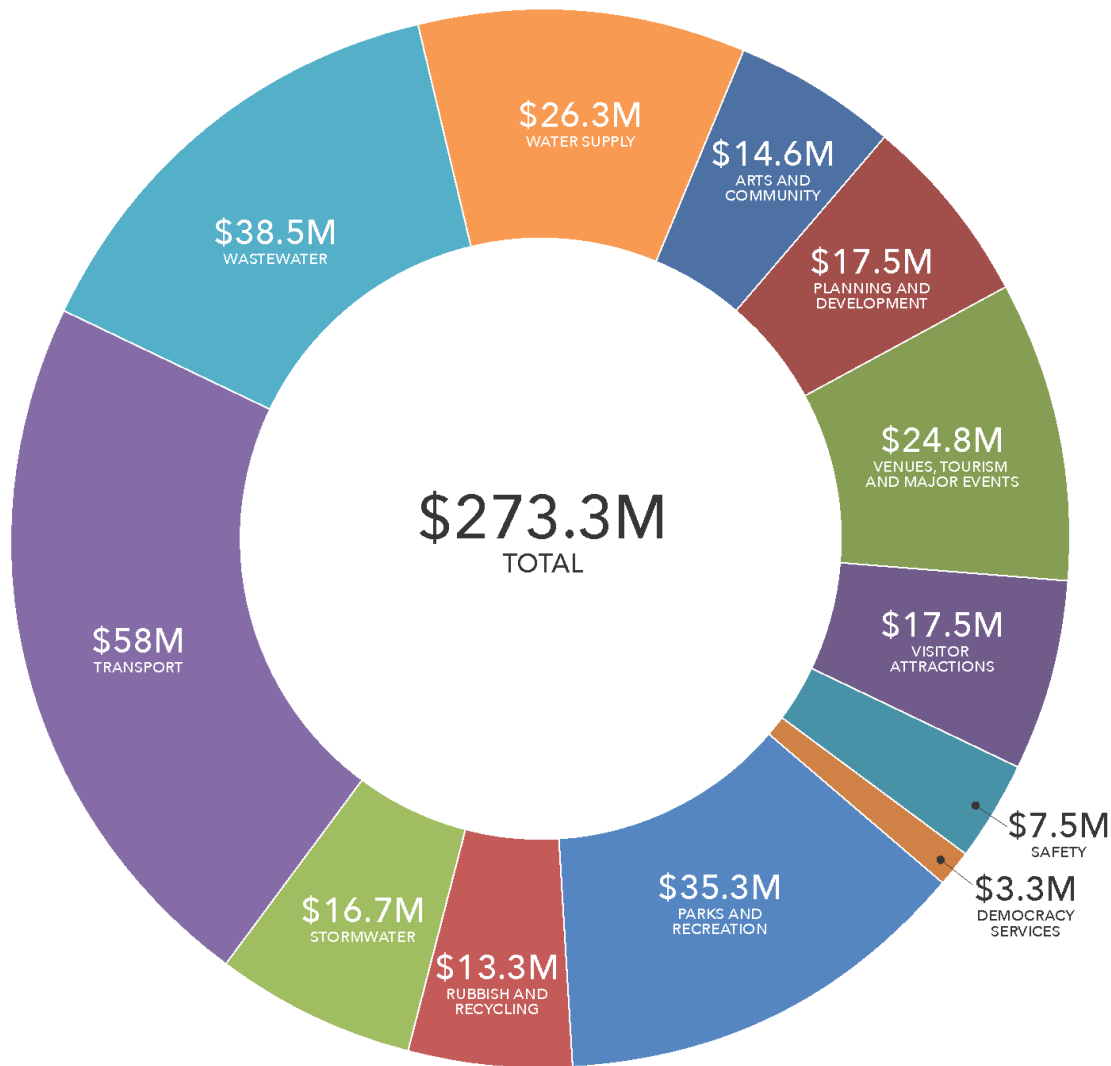


A COUNCIL THAT IS BEST IN BUSINESS

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

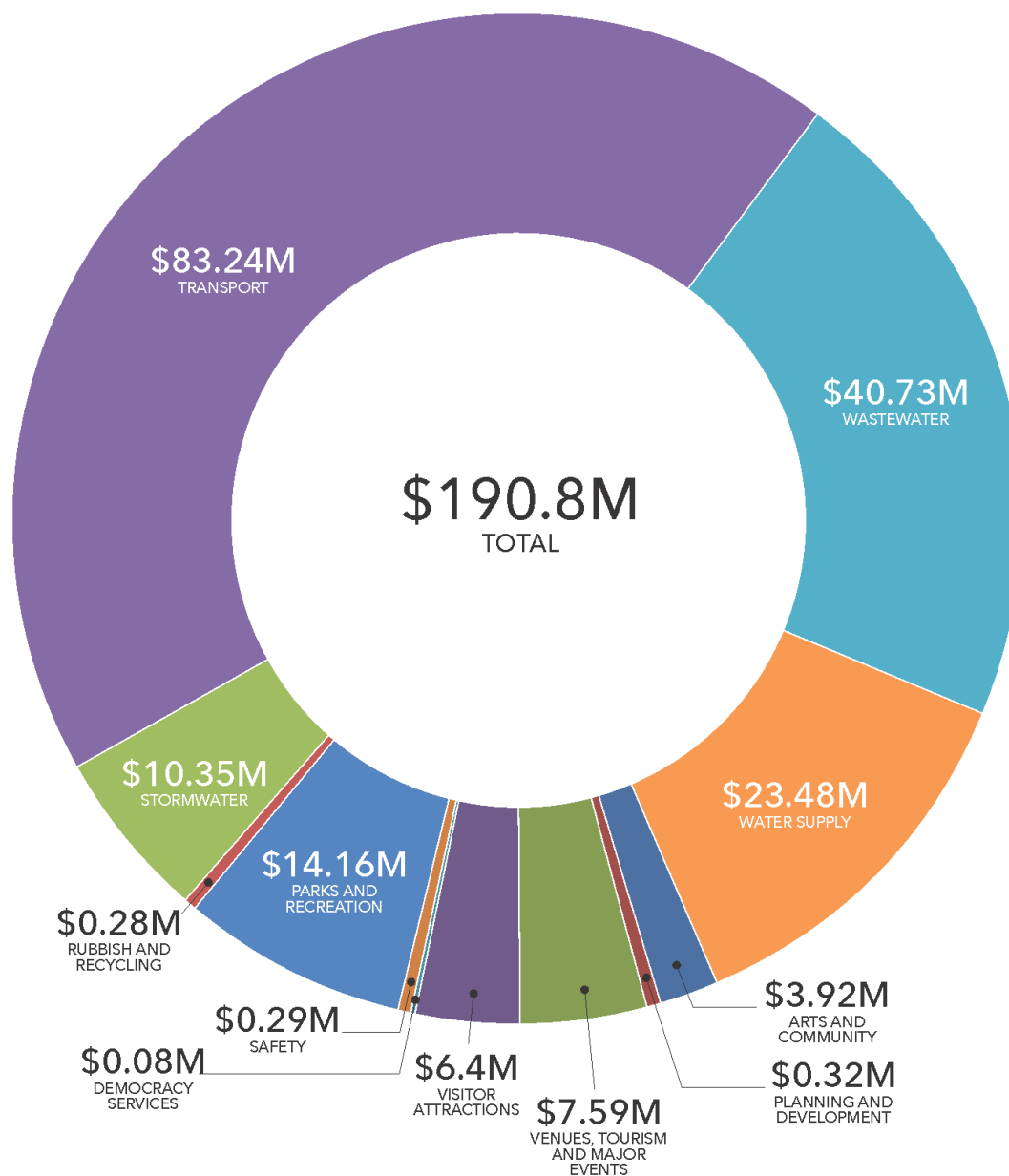
WHERE THE MONEY WENT

OPERATING EXPENDITURE BY ACTIVITY 2019/20 YEAR



NB: This information is also provided in Note 2 of the Notes to the financial statements.

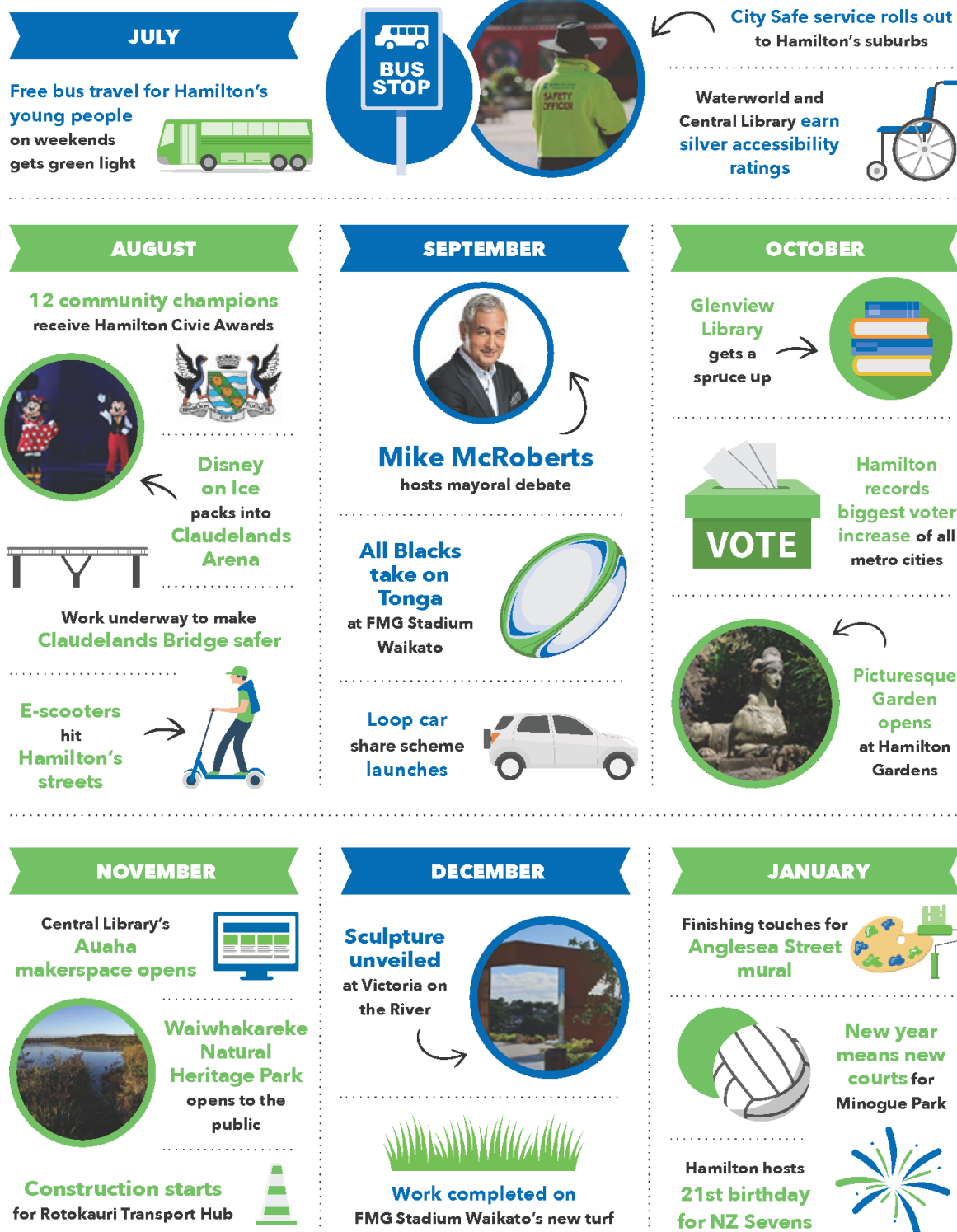
TOTAL CAPITAL EXPENDITURE BY ACTIVITY 2019/20 YEAR



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

HIGHLIGHTS OF 2019/20

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





IMPACTS OF COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) and two weeks later the New Zealand Government declared a State of National Emergency. The country was in lockdown at Alert Level 4 from 26 March 2020 to 27 April 2020, and then remained in lockdown at Alert Level 3 until 13 May 2020. After 13 May 2020, the country moved back to level 2 and 1. Economic uncertainties have arisen which are likely to negatively affect our operations and services.

The effect on our operations is reflected in these financial statements, based on the information available to the date these financial statements are signed. At this time, it is difficult to determine the full on-going effect of COVID-19 and therefore some material uncertainties remain. There could also be other matters that affect the Council in future, of which we are not yet aware.

We have also disclosed in the financial statements our significant assumptions and judgements regarding the future potential impacts that may have a material impact on the Council. These uncertainties might have a material impact on the Council in future.

In response to COVID-19, we announced a 12-point recovery plan to help the city withstand the economic and social effects of the virus. Phase 1 of this recovery plan resulted in a budget of \$3.4 million being allocated across the following areas:

- Social service funding support
- Early payments to suppliers
- Consent fees relief and refunds
- Rent relief
- Rates remissions
- Development contributions relief
- Emergency response
- Business response centre

COVID-19 has had the following financial impacts on Hamilton City Council during the 2019/20 financial year:

	2019/20 \$M	Impacts
Revenue		
Rates	(0.5)	Rates relief provided to community groups and additional hardship. Reduction in water by meter charges over the lockdown period.
Fees and charges	(3.3)	Reduction in parking revenue, wastewater, trade waste, parks and recreation, cemetery, aquatics, visitor attractions and venues, tourism and major events due to facilities closures.
Other revenue	(0.3)	Rent relief provided.
Total revenue	(4.1)	
Expenses		
Personnel costs	1.1	Higher leave accrual due to cancelled leave.
Operating and maintenance costs	(0.4)	Delays in maintenance work carried out on community buildings, safety and various projects within the parks and recreation area.
Property costs	(0.3)	Reduction in electricity costs in areas such as parks and recreation and visitor attractions, due to the closure of Council facilities during the lockdown period.
Administration costs	(4.5)	Reduction in expenses in advertising and promotions, safety and other administration expenses. Delays in payment of the grant for the Waikato Theatre. Increase in expenses in the Arts areas and an increase in Civil Defence Emergency costs incurred.
Total expenses	(4.1)	
Surplus/(deficit)	0.0	Net impact
Capital expenditure	2.8	Increase in contract costs associated with COVID-19.

In addition to the above impacts, there are also indirect impacts on interest revenue and finance costs due to reduction in interest rates. There has been increases in the financial instrument liabilities due to reduction in interest rates. There are lower discount rates on the landfill provision which has resulted in additional landfill provision expenses. We have considered the impacts on debtor receivables and adjusted the provision to reflect the doubtful debts.

The valuation of investment property has considered any estimated impacts of COVID-19, therefore there is a greater degree of uncertainty attached to the valuation. This has been explained in note 26. Fair value assessments have been performed over all assets that are revalued. We believe the current carrying value of the assets represents the fair value and no adjustments have been required for COVID-19. Further information about the key valuation assumptions used in estimating the fair value at 30 June 2020 are provided in note 24. Impairment assessment has been completed for tangible and intangible assets. No impairment losses have been recognised because of COVID-19.

We are expecting the following financial impacts during the 2020/21 financial year. The financial impacts have been factored into our 2020/21 Annual Plan Budgets:

	2020/21 \$M	Impacts
Revenue		
Rates	(0.4)	Rates relief provided to community groups and additional hardship expected.
Fees and charges	(7.6)	Reduction in revenue received from building control, planning and guidance, customer services and major events.
Other revenue	(0.5)	Rent relief provided.
Development contributions	(7.4)	Reduction in revenue received due to less development.
Capital revenue	(0.2)	Delays in Hamilton Gardens development.
Total revenue	(16.1)	
Expenses		
Personnel costs	(0.1)	Reductions due to vacant position no longer required and reduction in training.
Operating and maintenance costs	(1.0)	Expected reduction in expenditure due to less events and other cost reductions.
Professional costs	0.1	Increase due to project delays
Administration costs	6.9	Delays in payment of the grant for the Waikato Theatre until 2020/21. Increase in community grants and costs associated with the COVID-19 response centre.
Total expenses	5.8	
Surplus/(deficit)	(21.9)	Net impacts

In addition to the above impacts, there is also the indirect impacts on interest revenue and finance costs due to the reduction in interest rates. Contractor cost increases for capital projects have been absorbed in the current capital budgets. There is some uncertainty around this and the projects cost could increase significantly more.

The impacts on non-financial reporting impacts have been explained in Service Performance section of our Annual Report as part of our performance story. In total we have not been able to meet 4 targets due to COVID-19 and there was no data available for 5 targets due to COVID-19.

At this time, it is difficult to determine the full effect of COVID-19, and there could be other matters that affect Hamilton City Council.



SERVICE PERFORMANCE

PAEARU MAHI RATONGA

SUMMARY

This part of the Annual Report covers the services we provide. Here you can read about how we performed against our service commitments for 2019/20.

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

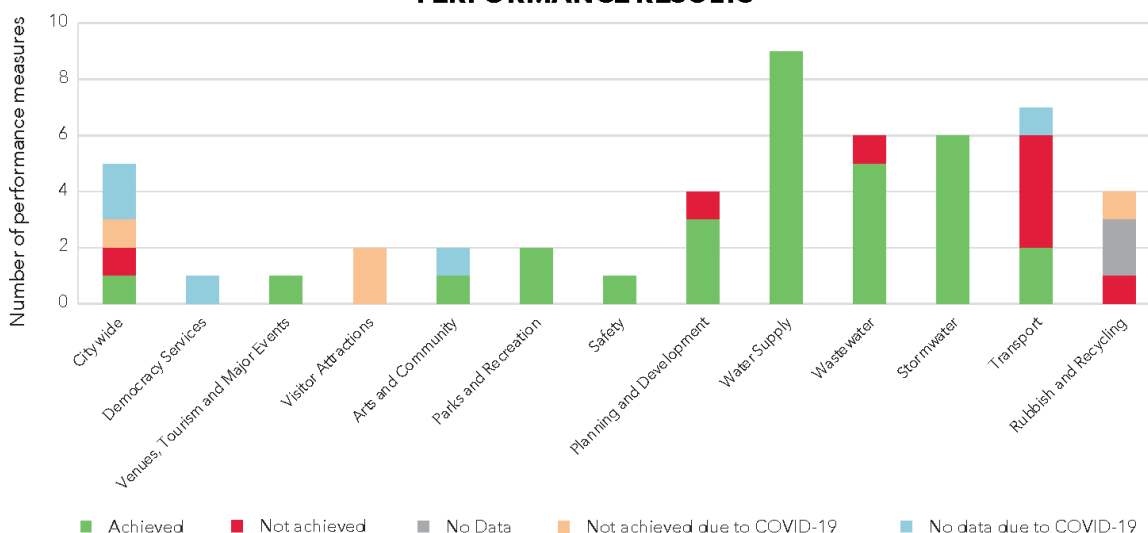
The performance measures and targets are from year two (2019/20) of our 2018-28 10-Year Plan, which you can find on our website [here](#).

Prior to the restrictions put in place to address COVID-19, the Council was on track to achieve at least 40 of our 50 service performance measures. COVID-19 has impacted our ability to meet or gather data on nine service performance measures. We have identified these by stating if the result was impacted by COVID-19 and also by differentiating them in the Performance Results graph. In the graph, yellow indicates the measure was not achieved due to the impact of COVID-19 restrictions and blue indicates data was not able to be gathered for this measure due to the impact of COVID-19 restrictions.

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

- we have met the targets for 31 measures
- we have not met the targets for 8 measures
- we have no data for 2 measures
- We have not met the target for 4 measures due to COVID-19
- We have no data for 5 measures due to COVID-19.

PERFORMANCE RESULTS



The following sections provide more detail for each of these activity groups including an overview of the past financial year and a summary of what's behind the results.

WELLBEINGS UNDER THE LOCAL GOVERNMENT ACT

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

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

KEY IMPACT ON COMMUNITY WELLBEING	SOCIAL	ECONOMIC	ENVIRONMENTAL	CULTURAL

DELIVERING ON OUR COMMUNITY OUTCOMES

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

OUR COMMUNITY OUTCOMES

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

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

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

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
Percentage of residents who think Hamilton is a great place to live.	Maintain or increase from the previous rating	Unable to collect data due to COVID-19	75%	No data
Percentage of residents who are proud of how Hamilton looks and feels.	Maintain or increase from the previous rating	Unable to collect data due to COVID-19	53%	No data

WHAT'S BEHIND THE RESULTS

Every two years we survey our residents to find out what they think of our city. The most recent survey was completed in 2018. Due to COVID-19 the 2019/20 survey scheduled for May 2020 did not take place.

We know views change within the two-year survey cycle so to better and more frequently understand the insights, Council has commissioned Nielsen (which undertook the last Quality of Life Survey) to run a series of pulse surveys. The pulse survey asks these questions on a six-monthly basis and the results are used to inform subsequent work programmes. The most recent survey was conducted once we returned to COVID-19 Alert Level 1, in June 2020.

The survey found 53% of residents have a sense of pride in Hamilton - this is the same result as the 2018 Quality of Life Survey. It also found that the number of people who disagreed or strongly disagreed had reduced.

The survey also found that 77% of residents agree Hamilton is a great place to live - an increase on the 2018 Quality of Life Survey result. Agreement is lower amongst younger age groups, with those aged under 25 significantly less likely to agree.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The annual average percentage change in the GDP growth for Hamilton.	Positive growth on 3.1% (2018/19 result)	1.9% positive growth - not achieved (March 2019-March 2020)	3.1% (March 2018-March 2019)	3.2%* (March 2017-March 2018)

WHAT'S BEHIND THE RESULTS

Economic activity dropped significantly in the March 2020 quarter. Estimates indicate a 0.4% contraction in activity from the December quarter, meaning GDP grew by 1.9% over the 12 months to March 2020. Negative GDP growth is anticipated for the 12 months to June 2020. Early GDP projections anticipate GDP to be lower than pre-COVID-19 levels for approximately 24 months.

This is a lag indicator and reflects the economic growth for the 12-month period ending March 2020. As such, it only includes a small portion of the COVID-19 Alert Level 4 period.

We will be financially responsible.

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
We will stay within the debt and rating limits, as described in the Financial Strategy.	Achieved	Achieved	Achieved	Achieved

WHAT'S BEHIND THE RESULTS

Our 2018-28 10-Year Plan's Financial Strategy stated that our annual average rates increase for existing ratepayers for 2019/20 would be 3.8%. This was confirmed during our 2019/20 Annual Plan process. The Financial Strategy also stated that our net debt-to-revenue ratio would remain below 230%.

Our budgeted net debt-to-revenue ratio for 2019/20 (as set in the Annual Plan) is 167%. We have remained within the Financial Strategy limit for the 2019/20 financial year with a net debt-to-revenue ratio of 139% - refer to page 14 for the debt-to-revenue graph.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
We are rated positively when asked how easy we are to do business with.	Maintain or increase from the previous year	42% - not achieved	Established baseline - 55%	New measure

WHAT'S BEHIND THE RESULTS

The purpose of the survey is to understand and hear the customer's view of our services close to the time of the interaction. Over 1160 customers gave us feedback on our services. The feedback indicates one common issue was the website wasn't easy enough to navigate. Further analysis of the survey questions may be required to fully understand the issues people are encountering. It should be noted due to COVID-19 some of our services were not fully operational, which may have also contributed to the lower than expected score.

Customer initiatives and improvements were planned for the Annual Report financial year, which have been delayed due to COVID-19. Organisational improvements, including digital access, are planned for 2020/21 along with streamlined processes that will give an improved customer experience. The onsite surveys were suspended on 20 March 2020. Email-based surveys continued throughout Alert Level 3 and 4 targeted at services operating during that time, and on-site surveys resumed on 10 June 2020.

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

DEMOCRACY SERVICES

Local democracy is about providing Hamiltonians with excellent governance and sound leadership for the city. We provide open and effective city governance and opportunities for people to be involved in shaping our city.

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

THIS ACTIVITY CONTRIBUTES TO US BEING BEST IN BUSINESS

WHAT WE DO

OUR ACTIVITIES:

- Governance and public affairs
- Partnership with Maaori

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

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

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

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

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

EFFECTS ON THE COMMUNITY

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

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

Hamilton City Council is made up of the Mayor and 12 Councillors who represent the citizens of Hamilton. The Council is elected every three years with the next elections scheduled for October 2022.

In 2018, Maangai Maaori were appointed to all council committees and continue to represent Maaori on all committees of the council for the 2019-2022 triennium.

The Council meets six-weekly (or as required) with committees meeting at varying frequencies as shown in the table below.

Committee	Frequency
Finance	Six-weekly
Strategic Growth	
Infrastructure Operations	
Community	
Economic Development	Quarterly (or as required)
Environment	
Hearings and Engagement	As required
Strategic Risk and Assurance (external Chair and Deputy Chair)	Quarterly (or as required)

Members of the public have an opportunity to present their views on issues being considered at each Council or committee meeting through the public forum, which is 30 minutes set aside before each meeting for the public to speak.

A key focus for 2019 was Hamilton City Council's elections with a goal to 'make the elections real for Hamiltonians'. As part of the communication campaign, a dedicated website, yourcityelections.co.nz, was developed as a one-stop shop with all the information about standing and voting for Council. The campaign concluded in October 2019, resulting in increased diversity of Elected Members representing the community, and succeeding in reversing the downward trend of voter turnout - moving from 33.6% in 2016 to 39.8% this year (the highest percentage increase across all metro cities). A comprehensive Elected Member induction plan was developed, with the aim of creating a sense of collegiality, helping Elected Members to understand key issues/opportunities for Hamilton, and for Elected Members to understand their responsibilities with respect to decision-making.

The upgrade of the livestream cameras in the Council Chamber has been completed, with a significant improvement in video quality. The new cameras are automated and are operated by the Governance Team without the need for an external contractor. After a successful trial, a paperless system for Elected Members has been implemented, with agendas and other meeting materials accessed digitally with the intention for the Elected Members to be fully paperless in the 2019-2022 triennium.

The COVID-19 Response (Urgent Management Measures) Legislation Act 2020 amended the Local Government Act 2002 and Local Government Official Information and Meetings Act 1987 to allow Elected Members to meet remotely and still satisfy quorum requirements. An Extraordinary Council meeting was held on 27 March, the second day of the Alert Level 4 lockdown, with all Elected Members appearing remotely via an audio-visual link to discuss the Council's response package to COVID-19. The speed with which we were able to adapt our democratic processes was recognised by New Zealand Society of Local Government Management, which asked for our input and assistance to present a nationwide webinar for other councils.

In 2020 the council conducted an Electoral System Review to determine which voting system would be used for the next triennial elections. As part of this review, council undertook a city-wide engagement campaign to educate and better understand the views of the community on the matter, which was well received by the community and noticed nationally.

MAAORI AND DECISION-MAKING

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

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

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

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

In February, a review of the Maangai Maaori representation arrangements was completed. Council reaffirmed that the arrangements in place were working well and were providing valuable input to the decision-making process. Hemi Rau was appointed as the Maangai Maori representative on the Finance and Strategic Risk and Assurance committees. He replaced Bella Takiari-Brame who resigned from the position in early 2020.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year two (2019/20) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2019/20 Annual Plan budget.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2019/20 TOTAL APPROVED BUDGET \$000	2019/20 ACTUAL \$000	VARIANCE \$000
Share of facilities, information services, customer services and strategic property capital expenditure	G/LOS/R	116	84	(32)
Total		116	84	(32)

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

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

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The percentage of residents who believe we make decisions that are in the best interests of the city.	Maintain or increase from the previous rating	Unable to collect data due to COVID-19	25%	No data

WHAT'S BEHIND THE RESULTS

Every two years we survey our residents to find out what they think of our city. The most recent survey was completed in 2018. Due to COVID-19 the 2019/20 survey scheduled for May 2020 did not take place.

We know views change within the two-year survey cycle so to better and more frequently understand the insights, Council has commissioned Nielsen (who undertook the last Quality of Life Survey) to run a series of pulse surveys. The pulse survey asks these questions on a six-monthly basis and the results are used to inform subsequent work programmes. The most recent survey was conducted once we returned to COVID-19 Alert Level 1, in June 2020.

The survey found an increase in confidence that Council makes decisions in the best interest of Hamilton, from 30% in December 2019's pulse survey to 42% in June 2020's pulse survey. This 12% improvement in just over six months was the biggest change in survey results. Another 16% of respondents disagreed Council makes good decisions, down from 21%, while 42% neither agreed nor disagreed.

DEMOCRACY SERVICES FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	10-Year Plan 2018/19	Actual 2018/19	10-Year Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	1,418	1,450	2,714	2,228
Targeted rates	1,236	1,264	791	652
Subsidies and grants for operating purposes	-	1	-	1
Fees and charges	60	59	64	176
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	2	2	2	25
Total operating funding	2,716	2,776	3,571	3,082
Application of operating funding				
Payments to staff and suppliers	2,752	2,499	3,380	3,221
Finance costs	1	(3)	1	(1)
Internal charges and overheads applied	-	18	-	-
Other operating funding applications	-	-	-	-
Total applications of operating funding	2,753	2,514	3,381	3,220
Surplus/(deficit) of operating funding	(37)	262	190	(138)
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	12	-	14
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	-	12	-	14
Applications of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	1
- to improve the level of service	3	2	3	3
- to replace existing assets	105	65	68	80
Increase/(decrease) in reserves	(145)	207	119	(208)
Increase/(decrease) in investments	-	-	-	-
Total applications of capital funding	(37)	274	190	(124)
Surplus/(deficit) of capital funding	37	(262)	(190)	138
Funding balance	-	-	-	-

VENUES, TOURISM AND MAJOR EVENTS

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

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

THIS ACTIVITY HELPS US DELIVER A GREAT RIVER CITY

WHAT WE DO

OUR ACTIVITIES:

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

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

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

EFFECTS ON THE COMMUNITY

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

Significant events at Claudelands, Seddon Park and FMG Stadium Waikato may have temporary negative environmental and social effects on the city. These include litter, traffic congestion, antisocial behaviour, noise and lighting effects for surrounding residents. We manage these effects in compliance with the District Plan, resource consents and effective asset management planning. This means having effective event management plans in place, including monitoring alcohol consumption, traffic, patron safety and security at and around the event.

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

Council's Major Event venues activity is managed by the H3 Group, a standalone business unit within the Council. H3 hosts a wide range of events with a variety of shows, sports events, performance and business events taking place across our venues.

We continue to deliver events that support local business opportunities, stimulate our economy and promote our city.

Our reputation in the events and venue industry continues to be strong across the New Zealand market, which reflects well on Hamilton. During the year, H3 was awarded two industry awards at the Entertainment Venues Association of New Zealand (EVANZ)

Awards in Christchurch. Claudelands was named 'Large Venue of the Year' and a staff member (Kyle Evelyn - Lead Technician) was awarded 'Rising Star of the Year' for his innovation and leadership within the business and industry.

Claudelands continues to attract patrons, with over 261000 visitors across the year. Highlighted ticketed events during the year include:

- Disney on Ice's Mickey and Friends (24300 patrons across 10 shows)
- The sole New Zealand leg of the Professional Darts Corporation's World Series of Darts 'NZ Darts Masters' event (5900 patrons across one weekend)
- Te Mana Kuratahi (Primary School Kapa Haka)
- Synthony
- Ultimate Queen with Mark Martel
- 4 and Rotary Nationals
- The Great Kiwi Beer Festival.

Claudelands hosted several exhibitions and sale events during the year, including:

- The Craft and Quilt Fair
- House of Travel's Travel Bazar
- 1-day Sale
- The Baby Expo
- Waikato Home and Garden Show
- Waikato A&P Show
- The popular weekly Hamilton Farmers' Market and Gourmet in the Garage Food Market.

Claudelands Arena continues to provide facilities for numerous community-focused events, including school prizegivings, tertiary institution graduations, corporate end-of-year functions and charity events. We also hosted several medium and large conferences such as Trafanz Annual Conference 2019, NZ Recreation Association Conference 2019 and Practice Managers and Admin Association of NZ Conference 2019. The private functions market including weddings continues to be a growing market for the iconic Grandstand venue.

FMG Stadium Waikato also had a busy start to the event year. The Tonga Invitational XIII vs Great Britain Rugby League Lions match was held in October and was the final fixture on the previous turf, with a replacement taking place in November and December. In early January, FMG Stadium Waikato held a small blessing ceremony for the newly installed turf closely followed by the first international event of the calendar year, the 2020 HSBC NZ Sevens. The event was enjoyed by over 35500 patrons across two days. FMG Stadium Waikato also hosted Mitre 10 rugby club matches and three Super Rugby matches in February and early March - including the Chiefs vs Hurricanes with over 13500 spectators before closing the year with Super Rugby Aotearoa matches.

Seddon Park hosted another successful cricket season, with a Blackcaps vs England test match, a T20 and ODI between the Blackcaps and India, and several Super Smash domestic cricket matches.

Hamilton's reputation as a host city for international sporting events was further enhanced with the announcement the city and Seddon Park will host a semi-final, as well as pool matches including the White Ferns, for the ICC Women's Cricket World Cup in February and March 2021. In late June, Hamilton was also named as one of the host cities in the successful joint New Zealand and Australia bid to host the FIFA Women's World Cup in 2023, with matches to be played at FMG Stadium Waikato.

In late March 2020, event activity was suspended due to COVID-19 as mass gathering restrictions were implemented. For H3 venues, the impact of COVID-19 began from mid-February onwards, with several cancellations including high profile events such as netball, Super Rugby and cricket.

From 21 March, Claudelands became a hub for the COVID-19 response in Hamilton. Claudelands opened as a drive-thru Community Based Assessment Centre (CBAC) offering COVID-19 testing facilitated by Waikato DHB. This was momentarily ceased in mid-June, before re-starting 27 June. As at 30 June, 21894 COVID-19 tests had been conducted at the Claudelands CBAC. The Grandstand at Claudelands was also used by the DHB as a flu vaccination centre.

Claudelands was the location of a logistics and distribution hub for a community-led frozen food and food parcelling initiative by the Wise Group and Civil Defence called "Here to Help", supported by Montana Food and Events and H3 staff. Over 457500 total units of food were provided to people in Hamilton and the wider Waikato through frozen meals and food parcels, prepared and provided by Montana from venue kitchens and packed and distributed out of Claudelands Arena.

Several H3 staff supported the city's Civil Defence operation from the Genesis Building's Emergency Operation Centre through Alert Level 3 and 4, using their skills, experience and expertise to support the function. H3 Finance staff supported the Civil Defence team with accounting provision including procurement of welfare services and National Emergency Management Agency claim reimbursement of COVID-19 costs.

From June 2020, H3 venues operated at Alert Level 1 with no restrictions on events or mass gatherings. This resulted in events taking place including Super Rugby Aotearoa matches at FMG Stadium Waikato and several business events, leading to 49850 people attending events at H3 venues.

In 2019/20, 15 events were approved to receive funding from the Major Event Sponsorship Fund totalling \$392500. These events were approved for funding due to supporting the intent of Council's Event Sponsorship Policy, directed to large events which attract significant numbers of visitors to the city resulting in exposure, promotion and economic benefit for the city, as well as promoting pride and a sense of place for Hamiltonians. The sponsored events that took place across the 2019/20 year were:

- NZ Brass Band Championships
- NZ Secondary Schools Swimming Championships
- NZ National Bridge Congress
- Hamilton Filipino Festival
- Waikato 100
- Round the Bridges
- Tainui Waka Primary School Kapa Haka
- Porritt Classic
- Hamilton Gardens Arts Festival
- Boon Street Art Festival
- Balloons Over Waikato.

Due to COVID-19 and early uncertainty around event procedures, three events were cancelled by event organisers that would have otherwise taken place. They were: Wheels Along the Waikato, Waikato International Badminton Open and Feast Waikato. One event, Waikato Nesian Festival 2019, was cancelled by the event organisers for matters unrelated to COVID-19 and did not take place. A total of \$380500 in funding was paid out resulting in a small surplus (\$12346) in the fund at year end.

Alongside several neighbouring councils, our annual funding grant to Hamilton and Waikato Tourism supported the development of a range of strategic tourism initiatives, strengthening the attraction of Hamilton and the wider region to a growing and lucrative visitor market. Staff also worked alongside and supported Hamilton and Waikato Tourism's efforts to support the recovery of the local visitor and hospitality economy via their 'Mighty Local' campaign after the COVID-19 lockdown.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year two (2019/20) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2019/20 Annual Plan budget.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2019/20 TOTAL APPROVED BUDGET \$000	2019/20 ACTUAL \$000	VARIANCE \$000
Business administration plant and equipment	R	52	-	(52)
Claudeland's plant and equipment	R	135	262	127
Seddon Park plant and equipment	R	34	-	(34)
Waikato Stadium plant and equipment	R	402	304	(98)
Turf services plant and equipment	R	75	75	-
Seddon Park property renewals	R	18	20	2
Waikato Stadium property renewals	R	1,663	1,465	(198)
Stadia building renewals	R	1,826	3,455	1,629
Claudeland's building renewals	R	1,033	558	(475)
Claudeland's capital improvements programme	LOS	167	221	54
Stadia capital improvement function	LOS	357	126	(231)
i-Site building renewals	R	54	111	57
Technical services equipment renewals*	R	362	247	(115)
Share of facilities, information services, customer services and strategic property capital expenditure	G/LOS/R	1,043	748	(295)
Total		7,221	7,592	371

* Technical services equipment renewals for the 2019/20 Annual Plan was included under the Arts and community activity. The equipment sits with Claudeland's and has been included in the Venues, tourism and major events activity.

Capital expenditure was higher than the budgeted, primarily due to the Seddon Park lights overspend and the FMG lift replacement, which was a break-in project. These overspends were partially offset by timing delays in other projects.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The number of people attending events at the stadia (FMG Stadium Waikato and Seddon Park) and Claudeland's.	440000	440897 - (Claudeland's: 261424 Stadia: 179473) achieved	558395 (Claudeland's: 334332 Stadia: 224063)	540197 (Claudeland's: 321469 Stadia: 218728)

WHAT'S BEHIND THE RESULTS

This measure indicates the use of stadia (FMG Stadium Waikato and Seddon Park) and Claudeland's. The result includes attendance at both ticketed and non-ticketed events. The number of people attending events at our facilities is difficult to forecast as it is dependent on the availability and cycles of major events in the city. For example, a major event such as the Rugby World Cup can cause a peak in attendance that may not be matched in future years. The target of 440000 was set to reflect the cyclical nature of events.

The impact of COVID-19 began from mid-February, with several cancellations including high profile events such as netball, Super Rugby Aotearoa and cricket. Prior to COVID-19 numbers were strong with 391047 people attending events between July to December 2019, an 11% increase on the same time last year.

On 9 June 2020, H3 venues began operating at Alert Level 1 with no restrictions on events or mass gatherings. Events including Super Rugby Aotearoa matches at FMG Stadium Waikato and several business events across venues were attended by 49850 people.

VENUES, TOURISM AND MAJOR EVENTS FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	10-Year Plan 2018/19	Actual 2018/19	10-Year Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	7,286	7,516	12,938	11,603
Targeted rates	6,716	7,165	4,098	3,337
Subsidies and grants for operating purposes	-	7	-	11
Fees and charges	6,464	7,554	6,069	5,831
Internal charges and overheads recovered	20	107	20	-
Local authorities fuel tax, fines, infringement fees and other receipts	249	381	133	1,101
Total operating funding	20,735	22,730	23,286	21,883
Application of operating funding				
Payments to staff and suppliers	16,962	16,702	16,420	17,310
Finance costs	1,998	1,887	1,829	1,694
Internal charges and overheads applied	20	37	20	-
Other operating funding applications	-	-	-	-
Total applications of operating funding	18,980	18,626	18,269	19,004
Surplus/(deficit) of operating funding	1,755	4,104	4,989	2,879
Sources of capital funding				
Subsidies and grants for capital expenditure	100	2	100	40
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	(26)	(1,398)	(1,295)	12,399
Gross proceeds from sale of assets	3,963	8	2,125	124
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	4,037	(1,388)	930	12,563
Applications of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	5
- to improve the level of service	1,093	375	266	371
- to replace existing assets	5,117	4,657	4,760	7,216
Increase/(decrease) in reserves	(375)	403	893	1,578
Increase/(decrease) in investments	(43)	(2,719)	-	6,272
Total applications of capital funding	5,792	2,716	5,919	15,442
Surplus/(deficit) of capital funding	(1,755)	(4,104)	(4,989)	(2,879)
Funding balance	-	-	-	-

VISITOR ATTRACTIONS

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

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

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

THIS ACTIVITY HELPS US DELIVER A GREAT RIVER CITY

WHAT WE DO

OUR ACTIVITIES:

- Hamilton Gardens
- Waikato Museum
- Hamilton Zoo
- i-SITE Visitor Information Centre

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

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

Hamilton Zoo provides a recreational and educational resource for visitors and our community, while also working to conserve wildlife. Waiwhakareke Natural Heritage Park opened in November 2019 and provides a complementary dimension to the zoo experience of local wildlife and habitats in the Waikato.

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

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

EFFECTS ON THE COMMUNITY

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

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

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

The Hamilton Gardens development programme is progressing. The Picturesque Garden opened in early November to great reviews and the Surrealist Garden opened in February, attracting large numbers of visitors and extensive social media interest. Construction works for the Gardens' development were put on hold due to COVID-19 and started again at Alert

Level 2. This put the programme approximately three months behind, with longer term impacts on external funding yet to be fully understood.

In October 2019, Hamilton Gardens received a Green Flag Award – an international award scheme recognising and rewarding well-managed parks and green spaces. The Hamilton Gardens Arts Festival took place during February and March and was well attended.

The Enclosed Gardens, Information Centre and public toilets closed to the public on March 22 due to COVID-19. The open spaces were accessible throughout Alert Level 3 and 4. The Enclosed Gardens reopened at Alert Level 2 in mid-May with a one-way visitor system and contact tracing. Screens were installed between counter staff and visitors at the Information Centre. The Gardens reopened with restricted hours so maintenance work could be done without overlaps between staff and visitors. Two gardens remained shut for maintenance.

Alert Level 3 and 4 fell during autumn, which is a busy regeneration and planting time at the Gardens. The Indian Char Bagh Garden and the Chinoiserie Garden missed steps in their maintenance cycles that couldn't be adjusted for until spring. It is possible the full planting programme won't be completed to plan, due to delays in ordering and supply.

Social media activity has been positive over the year, although website traffic has been lower. Follower numbers have grown on both the Facebook and Instagram platforms. During COVID-19 Alert Level 3 and 4 we maintained connections with the Gardens' community. Two social media engagement campaigns were initiated, featuring daily posts on Facebook with a variety of images from archives, local photographers and user-generated content. The behind-the-scenes posts were particularly popular, receiving very positive comments. The challenging Quizword competition campaign on Facebook and the Gardens website encouraged interaction with followers as they tried to guess the answer. Winners received vouchers to encourage visits to Hamilton attractions. The competition posts reached more than 45000 people over the campaign with good levels of engagement.

Anecdotally, the Gardens is experiencing an increase in domestic tourists. The reduction of income from venue hire, weddings, café rental and commission, retail sales, guided tours, Waikato Explorer fees and donations is less than originally predicted.

Waikato Museum hosted several attractions and exhibitions during the year, including

- Puuhoro o mua Puuhoro ki Tua
- E Hina e! E Hine e!
- Hard on the Heels – Peter Bush capturing the All Blacks (opened by All Black captain Kieran Reid).

The blockbuster Dinosaur rEvolution exhibition attracted 1538 visitors in the 21 days it was open before COVID-19 restrictions began. Attendance has been strong since Waikato Museum and the exhibition reopened at Alert Level 2.

The biennial Waiclay National Ceramic Award, now in its 18th year, opened in December showcasing the best ceramic artists from the Waikato and beyond. This year's selector, Japanese ceramic artist Kasumi Ueba, chose a fine selection of pieces that represented the traditional and contemporary trends in the ceramic movement in New Zealand.

Waikato Museum was also one of four New Zealand museums to join the Raranga Matihiko/Weaving Digital Futures programme. The programme is led by the Museum of New Zealand Te Papa Tongarewa as part of the Ministry of Education's Digital Technologies for All Equity Fund. It is designed to provide school students with the opportunity to use and engage with rich digital technologies experiences and to draw on museum resources to tell the stories that matter to them and their communities. It combines school visits to museums with museum-based resources students can access at school or home to encourage the use of digital technologies within their learning. It focuses particularly on young people with limited digital learning opportunities.

Waikato Museum educators were part of the new national television series to support home and school-based learning that started screening in late May. The television series focuses on the concept of kaitiakitanga (guardianship) in its various forms and is being broadcast on Papa Kāinga TV. Waikato Museum's contribution examined the kaitiakitanga of history and knowledge through storytelling in various forms (including carving, weaving and artistry), and the kaitiakitanga of te awa (the river) and caring for our natural resources.

To boost community interaction during the COVID-19 lockdown, Waikato Museum launched a new social media initiative, #mywaikatomuseum. The campaign encouraged the community to respond with imagery of their favourite item at home, creating a virtual exhibition. The responses were diverse and personally significant with several local personalities participating. Staff are now curating an exhibition based on the taonga shared. Museum staff working from home created a series of videos called Museum Craftables, which provided a range of interactive crafts or experiments for viewers to try at home. Social media was also used to promote the Online Collection Browser capability and virtual 360 gallery imagery. A blessing by kaumatua took place at the Museum prior to reopening.

In September, Hamilton's i-SITE successfully relocated to the ArtsPost building. Due to COVID-19, the Museum, ArtsPost and i-SITE closed to the public on 22 March, reopening at Alert Level 2 on 15 May. i-SITE's customer patronage was impacted by closure, with overall service uptake lower compared to the same period last year at the Caro St site. Since reopening, i-SITE staff participated in the Welcome Back to the Waikato! promotional video launched by Hamilton & Waikato Tourism. i-SITE also partnered with Hamilton Central Business Association to create family package deals to promote and support local businesses in the July school holidays with booking arrangements made exclusively through i-SITE. With international border

restrictions still in place, it is expected that i-SITE visitors and service uptake will remain suppressed.

Hamilton Zoo's contribution to the rhino breeding programme continued with the birth of Zahra, a female white rhino, in March. Auckland Zoo also announced that Jamila, who was transferred from Hamilton to Auckland last year, is pregnant.

Hamilton Zoo initiated and hosted a three-day event focused on animal training led by internationally renowned animal trainer Peter Giljam from Zoospensefull, an animal training and behaviour consultancy. The event was well received by zookeepers from Hamilton and around the country, who learned techniques to improve the animal/trainer connection, understand animal cues and gradually shape behaviour to establish routines that keep animals and staff happy, healthy and safe.

The Christmas at the Zoo event welcomed over 900 guests to Hamilton Zoo on what is traditionally a quiet Saturday in December. It was a very successful day as people enjoyed choirs, Santa, a Christmas card-making station and giveaways. The inaugural Children's Day event in March broke records with just under 2500 people attending.

Zoo staff began monitoring the COVID-19 situation in January and preparing a pandemic plan with a four-phase approach. This identified key tasks to ensure the Zoo was properly prepared to safely continue its animal husbandry and welfare functions under pandemic restrictions. In addition to staff exposure, keepers were concerned about potential animal exposure. Any contagious virus that affects humans will likely pose a risk to some species at the Zoo.

Good biosecurity measures were essential to ensure the health and wellbeing of staff and animals. Precautionary measures continued in the lower alert levels. Ongoing consideration will be given to exhibit design and operational improvements through the capital and renewals programme to support staff and animal welfare in pandemic situations. Preventative precautions included additional daily cleaning at reception, suspending keeper talks and encounters to protect both staff and animals, ensuring the supply chain for critical animal feed and veterinary supplies, and communication to staff to reinforce good hygiene and biosecurity practices. On-site supplies of essentials such as PPE, animal food and bedding were increased.

The Zoo shut to the public on 22 March but given the nature of its operations, it was deemed an essential service, enabling staff to continue to work onsite. City Parks staff were redeployed to the Zoo to assist with ground maintenance. The chimpanzee exhibit fence construction was ruled a critical project due to the risk to animal and staff welfare if construction halted. The contractor was approved as an essential worker and precautions were put in place regarding social distancing, hygiene and contact tracing.

During Alert Level 3 and 4, social media interaction increased with Facebook followers up by 8% to over 15000. Average post engagements increased to 12000 and the most popular post, announcing the Zoo reopening and introducing baby rhino Zahra, reached 27000 people. The Zoo joined the TikTok platform (8000 followers in three months from launch) and its videos have had over one million views. The hashtag #hamzoo2u has received 1.5 million views and videos have received 37000 likes.

While contractors were able to return at Alert Level 3, this meant delays to several capital projects including completion of the eel pond, service road renewal and renewing the cheetah enclosure. The new South American aviary was completed just before the lockdown.

The longer-term impact of COVID-19 on animal management across Australasia and the wider world, including breeding programmes, at the end of 2019/20. It is expected animals will not travel internationally for some time yet and delays in sourcing overseas materials such as eucalyptus fencing is anticipated.

The Zoo reopened at Alert Level 2 on 15 May for six days a week (closed on Mondays), with keeper talks and animal encounters suspended. Feedback from visitors after reopening was very positive with many commenting on how safe they felt due to the precautions implemented, such as a one-way system.

The Monday closure provided staff with additional cleaning time and reduced the pressure on the team who worked throughout the period. Zoo hours are now back to normal. The playground and retail shop did not reopen until Alert Level 1. Keeping staff continue to wear masks as an additional precaution when caring for animals identified at-risk of transmission from humans, such as primates. The café received the rent relief approved by the Council.

Our education programme attracted student visitors, over 7400 students through the Learning Experiences Outside the Classroom programme during the year. The Warehouse put its funding of the Zoofari programme on hold.

Waiwhakareke Natural Heritage Park was opened to the public in November after 15 years of ecological restoration. The park welcomed 262 people on opening day and had 3168 visitors between opening day and 31 December 2019.

Waiwhakareke normally hosts a very well-attended Arbor Day community planting celebration. This year a small commemorative event was attended by several key representatives including Mayor Paula Southgate, Councillor Sarah Thomson, Norm Hill, Council kaumatua Tame Pokaia, Community General Manager Lance Vervoort, members of the Waiwhakareke Advisory Group and Community Planting Coordinator Gerard Kelly.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year two (2019/20) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2019/20 Annual Plan budget.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2019/20 TOTAL APPROVED BUDGET \$000	2019/20 ACTUAL \$000	VARIANCE \$000
Hamilton Gardens renewals	R	99	19	(80)
Hamilton Gardens building renewals	R	80	94	14
Hamilton Gardens development	G/LOS	3,366	2,247	(1,119)
Zoo animal enclosure renewals	R	586	78	(508)
Zoo building renewals	R	25	82	57
Zoo property renewals	R	43	34	(9)
Zoo animal replacement	R	63	7	(56)
Water and stormwater reticulation (Zoo)	R	98	81	(17)
Zoo safety improvements	LOS	1,581	2,377	796
Zoo improvement programme	LOS	79	-	(79)
Zoo and Waiwhakareke entrance precinct	LOS	1,562	205	(1,357)
Museum asset renewal	R	76	107	31
Collection acquisition fund	R	52	27	(25)
Public art support fund	R	31	3	(28)
Museum activity building renewals	R	766	486	(280)
ArtsPost earthquake strengthening	LOS	-	155	155
Share of facilities, information services, customer services and strategic property capital expenditure	G/LOS/R	558	400	(158)
Total		9,065	6,402	(2,663)

Capital expenditure was lower than budgeted by \$2.6 million, primarily due to underspends on the Hamilton Gardens development (\$1.1 million) and Hamilton Zoo entry precinct projects (\$1.35 million).

Construction of the Egyptian Garden and completion of the Hamilton Club Summerhouse have been pushed into 2020/21 due to delays caused by COVID-19. The Hamilton Club Summerhouse is in progress and the main construction component of the Egyptian Garden is now under contract.

The Zoo/ Waiwhakareke Entry Precinct is in the detailed design phase and budgeted capital expenditure of \$1.3 million was deferred into 2020/21 to start construction of stage 1A after annual plan approval.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
Maintain or increase visitation to the Hamilton Enclosed Gardens.	Equal or greater than 440000	Not achieved - due to COVID-19 418258	Established baseline - 440000	New measure
Maintain or increase visitation to the Waikato Museum and Hamilton Zoo.	At least 250000	Not achieved - due to COVID-19 214768 (Waikato Museum: 96783 Hamilton Zoo: 117985)	278828 (Waikato Museum: 133898; Hamilton Zoo: 144930)	278557 (Waikato Museum: 138873; Hamilton Zoo: 139684)

WHAT'S BEHIND THE RESULTS

Our attractions offer a diverse range of quality, relevant programmes and experiences. These measures indicate whether visitors (residents and non-residents) show increased interest in these attractions.¹

The Enclosed Gardens closed on 22 March due to COVID-19, reopening at Alert Level 2 on 16 May. After reopening, the Enclosed Gardens welcomed 29436 visitors. Prior to closing, the Enclosed Gardens had 388822 visitors compared to 372052 for the same time last year. Without the impact of COVID-19, and based on past attendance records, this target would have been exceeded.

Visitor numbers to the Enclosed Gardens are likely to remain suppressed while international travel restrictions are in place. However, there were more domestic tourists than usual, helped by the generally milder weather.

Waikato Museum closed on 22 March due to COVID-19, reopening at Alert Level 2 on 16 May. After reopening, the Waikato Museum welcomed 11185 visitors, bringing the annual total to 96783.

Hamilton Zoo closed on 22 March, reopening to the public at Alert Level 2 on 16 May with reduced opening hours, limits on visitor numbers and suspension of education visits, keeper talks and animal encounters. After reopening, the Zoo welcomed 13232 visitors, bringing the annual total to 117985.

Before closing, the Zoo and Waikato Museum had welcomed 190351 visitors compared to 206876 for the same time last year. The number of visitors to the Waikato Museum and Hamilton Zoo was 14% below target. Without the impact of COVID-19, and based on past attendance records, this target would have been exceeded.

As well as being closed during Alert Level 3 and 4, the attractions missed out on promotional opportunities connected to Easter, the April school holidays, Anzac Day and Mother's Day.

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

VISITOR ATTRACTIONS FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	10-Year Plan 2018/19	Actual 2018/19	10-Year Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	7,483	7,207	10,820	11,081
Targeted rates	7,732	6,251	4,088	3,948
Subsidies and grants for operating purposes	85	78	85	95
Fees and charges	3,296	3,275	3,742	2,585
Internal charges and overheads recovered	-	7	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	153	186	47	279
Total operating funding	18,749	17,004	18,782	17,988
Application of operating funding				
Payments to staff and suppliers	13,994	14,167	14,025	14,961
Finance costs	183	158	169	148
Internal charges and overheads applied	-	9	-	-
Other operating funding applications	-	-	-	-
Total applications of operating funding	14,177	14,334	14,194	15,109
Surplus/(deficit) of operating funding	4,572	2,670	4,588	2,879
Sources of capital funding				
Subsidies and grants for capital expenditure	300	282	1,862	125
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	2,042	(126)	(115)	1,120
Gross proceeds from sale of assets	193	90	-	71
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	2,535	246	1,747	1,316
Applications of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	1,962
- to improve the level of service	4,746	2,735	4,076	3,064
- to replace existing assets	2,904	1,943	1,704	1,376
Increase/(decrease) in reserves	(941)	(1,516)	555	(2,783)
Increase/(decrease) in investments	398	(246)	-	576
Total applications of capital funding	7,107	2,916	6,335	4,195
Surplus/(deficit) of capital funding	(4,572)	(2,670)	(4,588)	(2,879)
Funding balance	-	-	-	-

ARTS AND COMMUNITY

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

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

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

We want to support our local artists.

THIS ACTIVITY HELPS US DELIVER A GREAT RIVER CITY

WHAT WE DO

OUR ACTIVITIES:

- Community development
- Libraries
- Arts promotion
- Theatre

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

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

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

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

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

EFFECTS ON THE COMMUNITY

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

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

KEY IMPACT ON
COMMUNITY
WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

As approved during the 2018-28 10-Year Plan, the Council will contribute a total of \$25 million of funding over 2018-21 towards construction of the Waikato Regional Theatre. The theatre project is being led by community foundation Momentum Waikato. The theatre is expected to open in 2022 and will be owned by the Waikato Regional Property Trust. The Council will provide ongoing asset maintenance contributions of \$1.1 million per year for 20 years.

Founders Theatre remained closed for all but essential maintenance during the year. The future use of Founders Theatre is yet to be decided and will be referred back to Council for a final decision in October 2020. At present, there is provision in the 2021/22 financial year for demolition costs.

In 2019/20, community grants totalling more than \$1.2 million were allocated. These grants comprised community event funding, multi-year community grants and single-year community grants. The grants support a variety of community-led projects that are aligned with Council plans and strategies and contribute to the social wellbeing of the city. A total of 108 community organisations received a share of the \$440,000 annual Single-Year Community Grant. Each of these organisations do important work in connecting individuals across our diverse community with others, building a greater sense of community wellbeing.

Throughout the year our Community and Social Development team continued to support local projects and the wellbeing of our communities. With the support of the Community Advisors, Hamilton hosted the annual National Filipino Festival, welcoming more than 4,000 Filipinos over Labour Weekend 2019. There were 94 basketball teams, 30 volleyball teams, 316 badminton entries and tenpin bowling, billiards, table tennis, darts and futsal held in eight venues across the city. There was also a migrant forum, a youth event and Filipino food stalls.

Community Advisors supported the programme to increase voter turnout and engagement around the 2019 Hamilton City Council elections, including running workshops, speaking at public events, getting our community houses registered to receive votes, and collecting votes from a range of community facilities and events. Significant community conversations occurred around what wellbeing means to our community, in partnership with the Community and Engagement team through the "Shape your Future City" campaign. The Community and Social Development team undertook targeted consultation with external partners, particularly with Hamilton's disability, youth, older and arts champions.

The Community and Social Development team was significantly involved in supporting the Council's COVID-19 recovery plan, including:

- Participating in the emergency response team at Civil Defence
- Connecting community groups working with impacted Hamiltonians, particularly around emergency food access
- Coordinating funding as part of the Waikato Combined Funders group.

The team also supported community organisations to navigate new ways of working, including assisting groups to change their operational methods alongside ongoing funding and capacity conversations. Team members were critical in the establishment of an operation at Claudelands to provide emergency food to the community.

Over the 10 weeks of operation the initiative achieved:

- 45,751 total units of care
- 9,029 individuals served
- 6,204 frozen meals distributed to providers
- 8,110 food parcels distributed to providers
- 886 daily average for frozen meals
- 145 daily average for food parcels (calculated on a seven-day average).

The rapport and strong working relationships the team has built over time with our community partners was noted as being key to the successful emergency response.

The Council allocated \$450,000 to community groups through the COVID-19 Community Response Fund. Longer-term, the team expects the impact of the pandemic to continue to affect our communities and the groups that support them. For some this will be two-fold with an increase in demand for support and a reduction in availability of funding, including sponsorships and grants.

In September 2019, the Council approved the draft trust deed of the Waikato Community Lands Trust. The primary purpose of the trust is to provide funding for programmes which provide safe, secure and long-term affordable housing to working people and their households who are unable to access other meaningful government assistance.

The Council's library services have undergone significant transformation this year. Opening out onto Garden Place, the Auaha Makerspace opened in November 2019. Auaha is a collaborative work space with high-tech and no-tech tools the community can use for making, learning and exploring. It includes a bookable meeting space.

Glenview Library was closed for three weeks while it underwent a major renewal. Work included a full internal and external repaint, full recarpeting, rebranding and shelving renewal. A new self-service system using radio frequency identification (RFID) was launched across the libraries network at the end of November 2019. The system is used to issue, return and better manage the lending collection using new smart technology. It allows customer service representatives to put more focus on supporting customers.

Due to COVID-19 all library branches restricted visitor capacity from March 2020. The sites closed to the public on 22 March 2020 with an automatic extension on items out on loan to 30 June 2020 to reduce administrative and financial burdens. To support the community, staff worked to develop online content including online Storytime and enabling remote access to eResources such as the Ancestry and Find My Past databases plus a movie-streaming service free to library members.

Under Alert Level 3 and 4, eCollection access increased 106% against the same period in 2019; access of eBooks was up 141%, eAudiobooks 96%, eMagazines 9%, Lynda.com courses 2650%. The new movie-streaming service, Beamafilm, was accessed 512 times. Libraries ran engagement initiatives including several competitions, quizzes and creative challenge videos on social media platforms (Facebook and Instagram) including re-creating a book cover, Lego builds, a Star Wars quiz and family quiz nights. Staff or guest Storytimes (31 posted) attracted a good level of likes and positive comments. Significant planning was also undertaken to manage the return of the almost 60000 items on loan at time of closure.

The libraries reopened at Alert Level 2 on 16 May 2020 but the doors remained closed to the public until 2 June 2020 while staff were deployed on other duties or dealing with the significant number of returns. A 'click and collect' solution was offered over this period where borrowers could select a category of up to 10 books (adult, teen, junior, preschool) of preferred genres to be packed and collected from library sites in a contactless manner. Over a thousand packs were collected in the first week of the service. It proved so popular that it has been continued under Alert Level 1.

Physically, the libraries' shelving capacity assumes a steady level of items on loan. Borrowers were encouraged to return items over time to prevent a mass return. The introduction of RFID earlier in the year was a great benefit as it has dramatically reduced the physical return handling process. In the first two weeks of Alert Level 2 (following reopening of return chutes), nearly half the borrowed items had been returned.

Regular programming (e.g. Wriggle and Rhyme) was adjusted to reduce the number of programmes and locations before schedules returned to normal from Alert Level 1. The upskilling undertaken by staff during Alert Level 3 and 4 has resulted in increased levels of customer service as staff are more confident in a number of areas.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year two (2019/20) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2019/20 Annual Plan budget.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2019/20 TOTAL APPROVED BUDGET \$000	2019/20 ACTUAL \$000	VARIANCE \$000
Library collection purchases	R	1,182	1,063	(119)
Library asset renewal	R	160	133	(27)
Library building asset renewal programme	R	540	378	(162)
Libraries strategic plan	LOS	1,340	1,335	(5)
Rototuna community facilities	G	1,405	574	(831)
Share of facilities, information services, customer services and strategic property capital expenditure	G/LOS/R	616	442	(174)
Total		5,243	3,925	(1,318)

Community facilities building renewals for the 2019/20 Annual Plan was included under the Arts and community activity. This is a shared service and has now been allocated across all activities.

Capital expenditure was lower than expected by \$1.3m, mainly due to a deferral of the Rototuna community facilities budget to 2020/21 to align with the updated design and construction programme.

The renewals and compliance programme is run as a three year programme enabling the movement of projects within the wider programme as required, to manage risk and operational needs. Some Libraries building renewals works have been rescheduled to occur in 2020/21 and the budget has been deferred.

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

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

You can expect: To be satisfied with our libraries.

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The percentage of customers satisfied with libraries.	Maintain or increase from the previous year	89% achieved	Established baseline - 85%	New measure

WHAT'S BEHIND THE RESULTS

The purpose of the survey is to understand and hear the customer's view of our services close to the time of the interaction. Over 2840 customers gave us feedback on our services. The feedback continues to reflect satisfaction with the ease of check-out process/self-service, cleanliness of libraries, friendliness of staff and their efficiency in dealing with customer queries.

Regardless of the limited operating hours due to COVID-19, satisfaction has increased compared to the previous reporting period. The onsite surveys were suspended on 22 March 2020 when the libraries closed. Email surveys continued until the week of 30 March 2020, with email and onsite surveys resuming on 5 June 2020.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The percentage of residents who feel a sense of community with others in their neighbourhood.	Maintain or increase from the previous rating	Unable to collect data due to COVID-19	48%	No data

WHAT'S BEHIND THE RESULTS

Every two years we survey our residents to find out what they think of our city. The most recent survey was completed in 2018. Due to COVID-19, the 2019/20 survey scheduled for May 2020 did not take place.

We know views change within the two-year survey cycle, so to better and more frequently understand, the Council has commissioned Nielsen (which undertook the last Quality of Life Survey) to run a series of "pulse" surveys. The surveys take place every six months and the results are used to inform work programmes. The most recent survey was conducted once we moved to Alert Level 1 in June 2020.

Results from the June pulse survey show nearly half (47%) of Hamilton residents agree they feel a sense of community with others in their neighbourhood, significantly higher than the previous pulse surveys but still below our 2018 Quality of Life Survey.

COVID-19 appears to have had a positive impact on residents' sense of community, with many saying it has brought them closer to their neighbours. The Community and Social Development team is working with our communities of place, identity and interest to embed this sense of community.

ARTS AND COMMUNITY FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	10-Year Plan 2018/19	Actual 2018/19	10-Year Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	8,300	8,358	11,375	12,340
Targeted rates	7,240	7,282	3,316	3,607
Subsidies and grants for operating purposes	2	4	2	5
Fees and charges	829	655	837	478
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	10	35	38	125
Total operating funding	16,381	16,334	15,568	16,555
Application of operating funding				
Payments to staff and suppliers	13,055	11,914	18,158	11,522
Finance costs	8	(10)	410	(2)
Internal charges and overheads applied	-	30	-	-
Other operating funding applications	-	-	-	-
Total applications of operating funding	13,063	11,934	18,568	11,520
Surplus/(deficit) of operating funding	3,318	4,400	(3,000)	5,035
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	(1,694)	(3)	8,874	25
Gross proceeds from sale of assets	3	40	-	69
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	(1,691)	37	8,874	94
Applications of capital funding				
Capital expenditure				
- to meet additional demand	-	-	1,405	577
- to improve the level of service	94	81	1,354	1,349
- to replace existing assets	2,610	2,346	2,613	1,999
Increase/(decrease) in reserves	(823)	2,015	502	1,204
Increase/(decrease) in investments	(254)	(5)	-	-
Total applications of capital funding	1,627	4,437	5,874	5,129
Surplus/(deficit) of capital funding	(3,318)	(4,400)	3,000	(5,035)
Funding balance	-	-	-	-

PARKS AND RECREATION

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

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

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

THIS ACTIVITY HELPS US DELIVER A GREAT RIVER CITY

WHAT WE DO

OUR ACTIVITIES:

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

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

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

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

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

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

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





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

EFFECTS ON THE COMMUNITY

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

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

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

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

DELIVERING ON OUR 10-YEAR PLAN

Year two of the sports field renewals programme began with Mahoe Park, Galloway Park and Gower Park receiving drainage renewals and improvements. Mahoe Park activated a previously unused sports park and included two baseball diamonds and football fields, increasing the capacity of our playing surface network across the city. The resurfacing works at Minogue Park Netball Court on all 21 courts was completed ahead of the delayed start to the 2020 netball season. This was a collaborative project between Trust Waikato, Hamilton Netball Centre and Hamilton City Council. The new Kori Kori sports ground was opened. Kori Kori Park is located opposite The Peak indoor sports facility and includes five full-sized football fields, including one full sand carpet, two cricket ovals and walking paths. It is part of the central hub of what will be the Rototuna Village.

Upgrades to existing parks and facilities continued including the upgrade at Innes Common playground featuring two New Zealand first play spaces - a parkour training area and Kompan exercise equipment. The neighbourhood playgrounds renewal project continued with Jansen Park playground being completed with positive feedback from the community. The Melville skatepark and playground upgrade was completed and opened to the community in mid-May 2020. The upgraded space is being well used. Designs have been finalised for the Nawton skatepark and playground upgrade, both at Elliot Park. Community engagement was completed, and Htown Skate Project was involved in the design.

Physical works at Hamilton Lake Domain playground were delayed due to COVID-19. Construction began during the year on the Te Inuwai playground - the first playground in the new Peacocke growth cell, with a theme developed in partnership with local iwi. The playground was delayed by COVID-19 but was near completion.

Playgrounds and public toilets were closed to the public at Alert Level 3 and 4, but parks and open spaces remained accessible and well used throughout the period. The playgrounds had to be taped off several times due to the public initially not complying with restrictions. Playgrounds were thoroughly cleaned before being reopened.

Most winter sports delayed the start of their seasons and extended the end by four to eight weeks. To help the community groups and sporting codes and clubs, a rent relief scheme was put in place and booking fees waived. Community facilities (Te Rapa and Enderley Community Centre) were closed at Alert Level 3 and 4 and reopened at Alert Level 2. A rent relief scheme was offered to support groups leasing Council facilities.

Regular park maintenance routines were suspended at Alert Level 4 while other essential work such as dealing with dangerous trees, emptying rubbish bins and feeding aviary birds continued throughout. The weed maintenance programme is well behind schedule. This will be caught up at no extra cost but with a reduction in level of service. The tree maintenance programme is six weeks behind schedule with a shortage of skilled staff, resulting in dangerous and reactive works being prioritised.

The Municipal Nursery closed at Alert Level 4 with a focus on protecting the plant stock, estimated at \$700,000. Plants were moved to the automated irrigation areas. From a horticultural production standpoint, the timing was lucky as seed collection was largely complete for the 2021/22 season. Annual bed planting was affected with only two-thirds of planned planting planted.

COVID-19 had a significant impact on Hamilton Cemeteries. All facilities were closed to the public at Alert Level 4 including the toilets and chapels, and the gates were shut. During Alert Level 4, burial and cremation services were provided with only staff and the funeral director in attendance. At Alert Level 3, a maximum of 10 family members were permitted at services with physical distancing, contact tracing and hygiene regimes implemented.

At Alert Level 2, funeral directors were required to provide contact lists of all attendees and gain Ministry of Health approval for burials and cremations. Physical distancing and contact tracing continued. The restrictions on service attendance and the additional precautions were hard on grieving families and for staff liaising with the families. Normal services resumed on 23 May 2020.

Development of the Nature in the City strategy during 2020 will support recognition of the city's natural areas as recreational spaces.

The New Zealand Secondary School Swimming Championships returned to Waterworld in 2019. The event was the largest one yet with 734 swimmers attending from over 160 schools. Spectator numbers were high with five of the six sessions selling out. The event was live streamed for the first time.

The partner pools programme continued, giving the public access to pools over summer at The University of Waikato, Hamilton Boys' High School, Fairfield College, Te Rapa Primary and Hillcrest Normal School.

The splashpad renewal at Waterworld was completed for the end of summer and proved popular as an outdoor waterplay space for children. Shipping delays due to COVID-19 meant the shade roof for the splashpad will be completed in early 2020/21.

Hamilton Pools closed on 22 March due to COVID-19 and reopened at Alert Level 2 on 16 May 2020 with restrictions to visitor numbers. At Waterworld, the 50m pool, dive pool and hydrosides remained closed for maintenance works.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year two (2019/20) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2019/20 Annual Plan budget.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2019/20 TOTAL APPROVED BUDGET \$000	2019/20 ACTUAL \$000	VARIANCE \$000
Aquatic facilities building renewals	R	84	159	75
Waterworld operational asset renewals	R	567	627	60
Gallagher Aquatic Centre operational asset renewal	R	45	6	(39)
Building renewals cemeteries	R	820	554	(266)
Renewal of crematorium assets	R	126	162	36
Hamilton Park east and west cemeteries renewals	R	329	40	(289)
Hamilton Park Cemetery accessible toilet block	LOS	206	298	92
Hamilton Park Cemetery, burial and ash lawn extension	G	124	27	(97)
Toilet and changing room renewals	R	127	51	(76)
Building renewals parks and open spaces	R	75	43	(32)
Parks and open spaces assets and playgrounds renewals	R	1,396	1,457	61
Destination parks renewals	R	3,610	431	(3,179)
Playground development programme	LOS	893	291	(602)
River Plan	LOS	867	89	(778)
Alternative weed control	LOS	412	-	(412)
Peacocke parks development	G	224	472	248
Rototuna parks development	G	2,491	-	(2,491)
Sports area renewals	R	979	2,211	1,232
Parks toilets development/upgrade	LOS	2,178	1,780	(398)
Sports park drainage	LOS	1,562	1,959	397
Rototuna park development	G	2,581	2,409	(172)
Sports park development	G	604	19	(585)
Land purchase future reserves	G	-	4	4
Days Park erosion remediation	LOS	-	7	7
Pooches & Parks	LOS	-	1	1
Waiwhakareke Natural Heritage Park development	LOS	-	106	106
Community facilities building renewals	R	-	8	8
Share of facilities, information services, customer services and strategic property capital expenditure	G/ LOS/R	1,319	945	(374)
Total		21,619	14,156	(7,463)

Capital expenditure was lower than budgeted by \$7.46 million due to project savings and deferrals. The main reasons for the underspend are:

- Expenditure on destination parks (\$3.1 million) was delayed due to the impacts of COVID-19.
- The Rototuna parks development project was \$2.4 million lower than budgeted due to deferrals into 2020/21. Expenditure was deferred to allow for land acquisition negotiations and to align to developer and contractor timing.

- Sports Area Renewals includes the capital expenditure component of the Minogue Park court resurfacing which was offset by capital review of 1.3 million received from Trust Waikato.
- Sports Park Drainage includes the impact of starting Ashurst works ahead of schedule. Change request was processed to bring the project forward from 2020/21 due to contractor availability (completion was affected by COVID-19).
- Construction of the Central City Jetty has been delayed due to COVID-19 and is now scheduled to be completed in 2020/21. Unspent budget has been deferred.
- Underspend in Sports Park Development with the budget deferred to 2020/21 to gain efficiencies and to ensure alignment by combining the development of concept designs for several sports parks within the wider programme.
- Re-phasing of the playground development programme in order to align external revenue with playground projects that are likely to attract external funding. \$602,000 underspend in 2019/20 have been re-allocated across years 7-10 of the current 10-Year Plan.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
Percentage of households that have access to a neighbourhood park or open space [†] within 500 metres walking distance.	At least 76%	78.3% - achieved	79.5%	78%*

WHAT'S BEHIND THE RESULTS

The percentage of households with access to a neighbourhood park or open space within 500m walking distance continues to exceed the target. There is a slight reduction from 2018/19 (79.5%), due largely to a new housing development occurring between Rotokauri and Peacocke, which increased the total number of residential addresses.

Further parks are planned within these areas, which will result in more households within the 500m range.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The percentage of customers satisfied with pools and community facilities.	Establish baseline	80% - achieved	Established baseline - 70%	New measure

WHAT'S BEHIND THE RESULTS

The purpose of the survey is to understand and hear customer's view of our services close to the time of the interaction. Over 1230 customers gave us feedback on our services. The feedback continues to reflect satisfaction with customer service and accessibility to areas within the facilities. Feedback has been positive around value-add activities including birthday party bookings, barbecue use, and inflatables over summer. Despite the restrictions on availability, satisfaction scores were still high in May and June 2020, although the number of respondents was lower than in previous months. Customers also commented on cleanliness and how well organised the facilities were when they reopened.

Hamilton Pools and gym have a strong community focus. The team regularly receives positive feedback, especially from the disabled community and older customers about the personalised approach in the gym, the professional and personalised Learn to Swim programme and the friendliness of front-of-house and poolside staff.

Several lifeguards are graduates of the Pools YELP (Youth Engagement Leadership Programme), which is run biannually and focuses on confidence building, social skills, preparing for life skills and employment. These young people come into employment as lifeguards with some well-developed skills from working with the public.

The onsite surveys were suspended on 22 March 2020 when the pools closed. Email surveys continued until the week of 30 March 2020, with email and onsite surveys resuming on 25 May 2020.

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

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

PARKS AND RECREATION FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	10-Year Plan 2018/19	Actual 2018/19	10-Year Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	14,360	14,189	20,371	21,789
Targeted rates	11,960	12,163	5,726	6,189
Subsidies and grants for operating purposes	7	26	7	12
Fees and charges	6,965	7,212	7,784	6,457
Internal charges and overheads recovered	-	2	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	298	463	187	613
Total operating funding	33,590	34,055	34,075	35,060
Application of operating funding				
Payments to staff and suppliers	24,703	25,230	23,988	26,886
Finance costs	2,352	2,218	2,525	1,994
Internal charges and overheads applied	-	16	-	-
Other operating funding applications	-	-	-	-
Total applications of operating funding	27,055	27,464	26,513	28,880
Surplus/(deficit) of operating funding	6,535	6,591	7,562	6,180
Sources of capital funding				
Subsidies and grants for capital expenditure	300	291	271	1,052
Development and financial contributions	938	1,843	1,330	1,180
Increase/(decrease) in debt	16,532	(1,645)	6,667	14,589
Gross proceeds from sale of assets	1,944	40	-	156
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	19,714	529	8,268	16,977
Applications of capital funding				
Capital expenditure				
- to meet additional demand	7,281	5,413	4,518	2,937
- to improve the level of service	10,556	9,595	4,525	4,548
- to replace existing assets	7,287	9,500	5,153	6,671
Increase/(decrease) in reserves	(646)	(14,188)	1,634	1,630
Increase/(decrease) in investments	1,771	(3,200)	-	7,371
Total applications of capital funding	26,249	7,120	15,830	23,157
Surplus/(deficit) of capital funding	(6,535)	(6,591)	(7,562)	(6,180)
Funding balance	-	-	-	-

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

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

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

THIS ACTIVITY HELPS US DELIVER A GREAT RIVER CITY

WHAT WE DO

OUR ACTIVITIES:

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

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

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

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

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

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

EFFECTS ON THE COMMUNITY

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

KEY IMPACT ON
COMMUNITY
WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

Providing a city where people feel safe and protected from risks to their safety and health and wellbeing has continued to be a significant focus.

Responding to customer service requests is an important part of the activities we provide. During the year, we responded to 214 urgent requests for dog control, 2616 requests for graffiti removal and 5181 complaints about excessive noise.

In response to COVID-19, our Alcohol Licensing team used technology to conduct and complete applicant interviews via video ensuring continuity of service. Food Safety staff implemented a new way of carrying out verification of food control plans remotely (i.e. without on-site inspections) during Alert Level 3 and 4. Environmental Health staff were also involved in the 'All of Government COVID-19 Pandemic Response', involving on-site visits to food businesses during Alert Level 3 and 2, as directed by the Government-based complaints assessment team.

Our City Safe team has continued to work collaboratively with a wide range of organisations to provide wrap-around support services for members of our at-risk community, while also maintaining a highly visible presence in the central city to deter antisocial behaviour. All City Safe services stopped on 23 March 2020 with our Suburban Response Team two-person patrols resuming on 28 April 2020 under Alert Level 3. City Safe foot patrols began again on 15 May 2020 under Alert Level 2.

In December 2019, Civil Defence Emergency Management (CDEM) had their first activation in support of the victims of the White Island eruption. This went for four days with the 36 staff involved receiving national praise.

The CDEM Emergency Operating Centre (EOC) was also activated in response to COVID-19 and operated for 69 days from 26 March to 2 June 2020. The operation was a joint effort with the Waikato District Council and 58 Hamilton City Council staff working in the EOC. \$1.6 million was spent in support of vulnerable members of the Hamilton community with food, accommodation and psychosocial assistance, as well as supporting foodbanks to meet community needs. The CDEM team performed at a high level while under significant pressure.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year two (2019/20) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2019/20 Annual Plan budget.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2019/20 TOTAL APPROVED BUDGET \$000	2019/20 ACTUAL \$000	VARIANCE \$000
CCTV renewals and development	R	52	61	9
Renewals programme	R	-	91	91
Share of facilities, information services, customer services and strategic property capital expenditure	G/ LOS/R	174	136	(38)
Total		226	288	62

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The percentage of central city users surveyed who feel very safe or reasonably safe in the central city during daytime.	At least 80%	89% - achieved	86%	77%

WHAT'S BEHIND THE RESULTS

This measure indicates the community's perception of safety during the day. The Perception of Safety Survey was scheduled to be undertaken in May 2020 but due to COVID-19 it did not take place. The 2019/20 survey was conducted during July 2020.

The community's perception of safety has increased by 3%. The visibility of City Safe, improved lighting, CCTV cameras and the addition of public art and increased activity were all mentioned as positives for the central city by respondents.

SAFETY FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	10-Year Plan 2018/19	Actual 2018/19	10-Year Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	1,977	1,952	3,148	3,503
Targeted rates	1,724	1,700	917	1,023
Subsidies and grants for operating purposes	-	1	-	51
Fees and charges	2,188	2,156	2,235	2,131
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	33	27	33	75
Total operating funding	5,922	5,836	6,333	6,783
Application of operating funding				
Payments to staff and suppliers	5,911	5,792	6,036	7,386
Finance costs	1	(4)	1	(2)
Internal charges and overheads applied	-	2	-	-
Other operating funding applications	-	-	-	-
Total applications of operating funding	5,912	5,790	6,037	7,384
Surplus/(deficit) of operating funding	10	46	296	(601)
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	(525)	-	4,661
Gross proceeds from sale of assets	-	20	-	21
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	-	(505)	-	4,682
Applications of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	1
- to improve the level of service	4	4	4	4
- to replace existing assets	207	146	154	283
Increase/(decrease) in reserves	(201)	(609)	138	3,793
Increase/(decrease) in investments	-	-	-	-
Total applications of capital funding	10	(459)	296	4,081
Surplus/(deficit) of capital funding	(10)	(46)	(296)	601
Funding balance	-	-	-	-

Item 6

Attachment 1

PLANNING AND DEVELOPMENT

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

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

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

THIS ACTIVITY HELPS US DELIVER A CITY THAT EMBRACES GROWTH

WHAT WE DO

OUR ACTIVITIES:

- City planning
- Planning guidance
- Building control

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

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

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

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

EFFECTS ON THE COMMUNITY

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

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

Hamilton is one of New Zealand's fastest growing cities - we are now a city of 171600 people and by 2028, we expect to be home to more than 194390 people.

Supporting, enabling and managing that growth while building sustainable communities is at the heart of our city-wide growth programmes. With the support of the Government's Housing Infrastructure Fund we have been continuing our Peacocke programme, Hamilton's newest neighbourhood, which will eventually be home for up to 20000 new residents. Developer interest has been strong and consenting activity is at around 60% of the projected 10-year housing target for the programme in the first three years.

The first neighbourhood park has been built in Stage 1 of Peacocke and a current District Plan change process for the area is ensuring housing outcomes and biodiversity imperatives are balanced. Our infrastructure programme is on track, including progression of a new SH3/Ohaupo Rd roundabout, wastewater, and a new bridge across the Waikato River.

Across the city, growth planning has been looking further ahead, with work underway on a detailed business case for growth options in Rotokauri, supporting industrial and residential development in Ruakura, and a place-based approach to growing our central city. We're also working closely with government agencies and Crown Infrastructure Partners to investigate alternative funding options signalled through the Government's Urban Growth Agenda.

Increased development activity has driven increased demand for our resource and building consent services. A total of 1467 new homes were approved, and prior to COVID-19 we were on track to exceed last year's record result of 1552 new homes. We have also seen an increase in the number of resource consent applications processed, continuing to build on previous years' results.

During 2019, Hamilton issued 1622 consents which was the highest number issued in the last 20 years (since electronic records began). The Amberfield subdivision consent in Peacocke comprising 862 sections was consented. This consent, the largest in Hamilton's history, was approved in November 2019.

The Planning Guidance team has moved successfully to paperless consenting with applications coming in through electronic means such as email and Dropbox. The work that has gone into paperless processes and improvements stood us in good stead during COVID-19. Our City Planning, Planning Guidance and Building units were able to continue working at home and valuable lessons in efficiencies were learned, which have become business as usual.

COVID-19 provided an opportunity to shift our approach - customers were able to submit all remaining applications electronically, which has enabled further opportunities for simplification of our processes. The capability to work remotely has allowed our staff to successfully support our customers and the community during COVID-19. The Planning unit extended the use of Zoom meetings for all meetings. This has meant we could have pre-application meetings with people who are not in Hamilton or who are also working from home. We continued this way of working since returning to the office and received positive responses from customers. We decreased the use of site visits and instead relied on customer information and satellite mapping technically. This resulted in increased efficiency to the consenting process and for staff.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year two (2019/20) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2019/20 Annual Plan budget.

CAPITAL PROJECT	TYPE	2019/20 TOTAL APPROVED BUDGET \$000	2019/20 ACTUAL \$000	VARIANCE \$000
LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH				
Share of facilities, information services, customer services and strategic property capital expenditure	G/LOS/R	406	324	(82)
Total		406	324	(82)

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
There will be at least three years capacity of residential zoned land supplied with development infrastructure in the city.	Achieved	3.7 years - achieved	Achieved - 3.2 years	New measure
There will be at least three years capacity of business zoned land supplied with development infrastructure in the city.	Achieved	2.6 years - not achieved	Not achieved - 2.4 years	New measure

WHAT'S BEHIND THE RESULTS

Council is working to ensure there is plenty of land available, serviced by infrastructure, for residential development, so that land availability is not unduly constrained. It is estimated there is currently 3.7 years of capacity for residential land zoned and supplied with development infrastructure in place.

This result is more conservative now that staff anticipate a slowing of residential development over the next few years due to the COVID-19 triggered recession. This measure uses the 10-Year Plan household growth assumptions + 20% (circa 1500 dwellings per year) as a denominator to the available supply. 1500 is likely significantly higher than what we will see over the forthcoming year/s. Over the coming 2020/21 year staff also anticipate two years of additional residential capacity to become available through both infill feasibility and the provision of infrastructure to greenfield sites.

It is estimated there is currently 2.6 years of capacity for industrial land zoned and supplied with development infrastructure in place. By measuring the capacity of business zoned land supplied with development infrastructure we have identified the capacity is below our desired level. There is a plentiful supply of capacity for retail and commercial business. The gap is in the supply of industrial land. Staff are working on a change to the District Plan (and determining the infrastructure servicing requirement) to enable further land for industrial development. The supply of commercial and industrial land will also be part of the greater Hamilton Metropolitan Spatial Plan work being completed in late 2020 as part of the Hamilton - Auckland Corridor Plan.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
Average processing days for building consents. ²	18 working days	16.31 working days - achieved	17.04 working days	15.88 working days
Average processing days for non-notified land use and subdivision resource consents. ²	18 working days	17.55 working days - achieved	17.14 working days*	16.10 working days

WHAT'S BEHIND THE RESULTS

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

During 2019/20, a total of 1884 building consents were granted, which is a slight decrease against 2018/19 (2095 building consents issued). A greater focus on continuous improvement and the implementation of over 200 improvement opportunities has simplified or enhanced our systems and processes contributing to our improved average processing time.

A total of 825 non-notified land use and subdivision resource consents were granted - an increase against last year despite the impact of COVID-19. We have maintained our target timeframes despite the increase in consenting activity.

** During the 2018/19 Annual Report audit, Audit NZ were unable to confirm the average processing days for a resource consent due to some errors found in the audit sample.*

² "Average processing days" is the average number of working days used in processing consents, which excludes all stop clock days. A working day means any day except for a weekend day, public holiday and those days between 20 December and 10 January. The processing clock may be stopped at any point should we require further information from the applicant.

PLANNING AND DEVELOPMENT FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	10-Year Plan 2018/19	Actual 2018/19	10-Year Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	2,811	2,727	5,578	4,198
Targeted rates	2,453	2,678	1,626	1,534
Subsidies and grants for operating purposes	-	3	-	290
Fees and charges	9,374	11,971	9,770	11,292
Internal charges and overheads recovered	-	17	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	93	145	49	150
Total operating funding	14,731	17,541	17,023	17,464
Application of operating funding				
Payments to staff and suppliers	14,189	14,298	15,222	16,685
Finance costs	751	709	680	636
Internal charges and overheads applied	-	8	-	-
Other operating funding applications	-	-	-	-
Total applications of operating funding	14,940	15,015	15,902	17,321
Surplus/(deficit) of operating funding	(209)	2,526	1,121	143
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	(487)	-	(663)	-
Gross proceeds from sale of assets	693	28	-	48
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	206	28	(663)	48
Applications of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	2
- to improve the level of service	9	9	9	9
- to replace existing assets	367	227	237	313
Increase/(decrease) in reserves	(296)	3,340	212	(2,489)
Increase/(decrease) in investments	(83)	(1,022)	-	2,356
Total applications of capital funding	(3)	2,554	458	191
Surplus/(deficit) of capital funding	209	(2,526)	(1,121)	(143)
Funding balance	-	-	-	-

WATER SUPPLY

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

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

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

THIS ACTIVITY HELPS US DELIVER A CITY THAT EMBRACES GROWTH

WHAT WE DO

OUR ACTIVITIES:

- Water treatment and storage
- Water distribution

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

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

Our water supply network services more than 51600 households and around 5560 commercial, industrial and rural premises. Water from the city also supplies several thousand properties in the Waikato area and more than 100 properties in the Waipa area.

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

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

EFFECTS ON THE COMMUNITY

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

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

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

KEY IMPACT ON
COMMUNITY
WELLBEING



DELIVERING ON OUR 10-YEAR PLAN

An overall objective for our water supply is to ensure our water is used sustainably. We do this in many ways including imposing water restrictions when demand is high, developing education programmes, encouraging residents to conserve our precious water resource, and investing in infrastructure to enhance monitoring and manage water usage better. We have continued to focus on the sustainability and resilience of our water supply as well as improving our asset data throughout 2019/20.

As part of the Water Conservation and Demand Strategy, the Whitiara Water Supply Zone went 'live' meaning residents in this zone now have their water supply fed solely from a dedicated water main. Improvements continue to be made in the Maeroa demand management area with the Fairfield demand management area still under development while new assets, such as valves and network connections, are being built. These improvement works are part of our continued efforts to provide a better service to our community, improve network resilience, optimise energy use and reduce water loss.

We have continued to incorporate more monitoring around the city to measure flow and pressure. This will help us better understand where our water is going and help us target consumption issues such as water leakage.

As part of the Smart Water sub-regional programme, we continued to work with Waikato District Council and Waipa District Council to encourage long-term change in how we use water. This partnership has had a positive influence on the success of our education programmes, both in schools and across the city.

A long dry summer led to increased water usage, with water use in January and February 2020 being 18% higher than the city's historic 10-year average water use for that time of year. During this time, there was a 30% observed increase in outside water use compared to the same period in 2019. As part of the Smart Water summer campaign, water alert level restrictions were put in place from mid-December 2019 through to May 2020 and for the first time in seven years, water restrictions escalated to Water Alert Level 3, meaning a complete sprinkler ban. The water alert levels are a water management tool we use to guide the community on how to use water in a sustainable manner and to ensure consistent supply throughout summer.

We have continued to invest in infrastructure to enhance monitoring and manage water usage better. In January 2020, we introduced the rollout of a new software to record inspections of the water network. We are the first council in New Zealand to use the Infor Field Inspector App to complete condition checks on 15 different types of water asset inspections.

In September 2019, the Ruakiwi Water Reservoir underwent scheduled maintenance work. A full structural assessment was completed at this time to help inform our future renewals and maintenance programmes. Upgrades were also completed on the Waiora Water Treatment Plant.

In May 2020, emergency works were undertaken to mitigate the impact of erosion that had occurred around a support pier at the western bulk main pipe bridge, near the Waikato River and Mangakotukutuku stream. These works were critical as the western bulk water main pipe bridge supplies water to the western side of Hamilton city.

The Department of Internal Affairs continued work in relation to the Central Government led Three Waters Review. As a result, a new Bill has been developed and is before parliament that proposes the establishment of Taumata Arowai, the new Water Services Regulator. Once in place, this entity will oversee and enforce a new drinking water regulatory framework, with an additional oversight role for wastewater and stormwater networks.

During the COVID-19 lockdown, access to the Duke St depot and the water treatment plant was restricted to essential staff only from the start of Alert Level 4. Staff operated in completely separated rostered teams to minimise risk of infection if a member of one team became ill. During Alert Level 4 and 3 all non-essential works, capital projects and maintenance activities were significantly scaled back with only high priority and emergency work being undertaken. As alert levels reduced, non-essential works were gradually restarted and access to Duke St and the water treatment plant relaxed. Throughout all alert levels, supply chains for materials and chemicals remained in place with no disruptions for the treatment plant, the reticulation network and the Shared Services Laboratory. To minimise the risk to the public, the Taitua Arboretum and Claudelands fluoride-free drinking water supplies were closed. They were re-opened to the public under Alert Level 2.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year two (2019/20) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2019/20 Annual Plan budget.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2019/20 TOTAL APPROVED BUDGET \$000	2019/20 ACTUAL \$000	VARIANCE \$000
Replacement of watermains	R	2,332	3,512	1,180
Replacement of water meters, valves and hydrants	R	1,182	344	(838)
Tools of trade renewals	R	52	30	(22)
Water demand management - network water loss	LOS	-	6	6
Upgrade or build new watermains in Rototuna	G	1,817	1,545	(272)
Water pipe upgrade - growth	G	312	181	(131)
Upgrade/build new watermains in Peacocke stage 1	G	78	-	(78)
Eastern bulk main slip	G	1,008	31	(977)
Upgrade/build new watermains in Peacocke stage 2	G	141	63	(78)
Water network upgrades to allow new development	G	83	6	(77)
Upgrade/build distribution watermains in Peacocke	G	118	257	139
Water demand management - Newcastle reservoir zone	G	4,854	399	(4,455)
Replacement of treatment plant and reservoir assets	R	2,167	1,294	(873)
Water model	R	98	1	(97)
Water treatment plant compliance - minor upgrades	LOS	1,570	166	(1,404)
Water demand management - Hillcrest reservoir zone	G	1,127	15	(1,112)
Upgrade water treatment plant	G	3,581	2,955	(626)
Water customer connections	G	52	533	481
Upgrade or build new watermains in Ruakura	G	206	-	(206)
Water master plan	G	96	127	31
Ruakura reservoir & associated bulk mains	G	12,680	9,947	(2,733)
Water demand management - Hamilton South reservoir zone	G	666	592	(74)
Water demand management - Fairfield Reservoir Zone	G	-	264	264
Share of facilities, information services, customer services and strategic property capital expenditure	G/LOS/R	1,681	1,210	(471)
Total		35,901	23,478	(12,423)

Capital expenditure was lower than budgeted by \$12.4 million. The main reasons for the variances are:

- Overspend in replacement of watermains due to reprioritisation of the Renewals and Compliance Programme.
- \$838,000 for replacement of water meters, valves and hydrants was deferred into future years due to reprioritisation of work programmes for 2019/20.
- Nearly \$1 million relating to the Eastern bulk main slip was deferred to align with nearby barge-based jetty works, which are planned to be completed in 2020/21. The deferral of these funds will allow for more efficient delivery across the two projects.
- Deferral due to rescoping of the water demand management - Newcastle reservoir zone to enable savings through effective works procurement and delivery.
- \$873,000 of contractually committed works for water treatment plant upgrades (including minor compliance upgrades) was deferred into 2020/21 to align with contractor programmes, \$486,000 of savings in the delivery of WTP and reservoir asset renewals.
- \$1.4 million of contractually committed works for replacement of treatment plant and reservoir asset was deferred into 2020/21 to align with contractor programmes.

- Deferral due to rescope of the water demand management - Hillcrest reservoir zone to enable savings through effective works procurement and delivery.
- \$2 million of contractually committed works for water treatment plant upgrades (including minor compliance upgrades) was deferred into 2020/21 to align with contractor programmes.
- \$2.7 million of contractually committed works for the Ruakura reservoir and associated bulk mains was deferred into 2020/21 to align with contractor programmes. \$1 million in savings were realised from effective collaboration with the contractor.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
Water quality complies with the drinking water standards for (a) bacteria and (b) protozoa. ³⁴	a) Achieve compliance	a) Achieved compliance	a) Achieved compliance	a) Achieved compliance
	b) Achieve compliance	b) Achieved compliance	b) Achieved compliance	b) Achieved compliance

WHAT'S BEHIND THE RESULTS

This measure indicates whether the water we supply is safe to drink and hygienic to use. The New Zealand Drinking Water Standards, monitored by the Ministry of Health, provide a recognised national standard for public safety.

Based on internal assessment, Hamilton City Council has achieved annual compliance with the drinking water standards for 2019/20. Annual compliance will be formally assessed by the Drinking-Water Assessor (DWA) in September/October 2020. At the beginning of the year, the Council notified the DWA of an unplanned shutdown at the Waioara Water Treatment Plant. Three recommendations were put forward by DWA due to this shut down, which the Waioara Water Treatment Plant operations team has now implemented into their processes.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The percentage of real water loss from the water network infrastructure in the city. ³⁵	No more than 16%	13.2% - achieved	12.3% (March 2018 to 2019) ⁶	14.5% (March 2017 to March 2018)

WHAT'S BEHIND THE RESULTS

We aim to provide an efficient and effective water supply. We achieve this by undertaking activities such as water leakage detection and maintaining our network of water pipes. This measure estimates how much water is lost from the system between the water treatment plant and the household or customer. High levels of water loss can indicate that the network is in poor condition or operating inefficiently.

The calculated level of water loss for 2019/20 is below the target of 16%, but higher than the previous annual result of 12.3%. This reflects an increase in estimated water loss from unmetered consumption following a review and independent verification of our assumptions.

Hamilton City Council uses the Water New Zealand Water Loss Guidelines to calculate how much water is lost from the water network. The water loss calculation carries a 95% confidence limit of +/- 25% due to assumptions required to estimate per capita residential consumption.

³ Measure required by the Department of Internal Affairs

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

⁵ We use the Water New Zealand Loss Guidelines to calculate how much water is lost from the water network.

⁶ The result reported in the 2018/19 Annual Report has been restated from 9.6% to 12.3% to correct an error identified in the calculation of the percentage of real water loss from the network.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The average use of drinking water per Hamilton resident, per day. ³	No more than 400 litres per resident, per day	348 litres - achieved	347 litres	337.5 litres
WHAT'S BEHIND THE RESULTS				

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

Despite experiencing a long dry summer and having to meet the needs of a growing city, our successful Smart Water campaign and education programmes meant we were able to achieve a result for 2019/20 that was consistent with the previous financial year. Use of water alert levels from mid-December 2019 through to May 2020 enabled us to guide the community on how to use water in a sustainable manner and ensure supply was consistently available.

We will continue to complete water demand management works throughout the next financial year, including the continued creation of water supply areas throughout our catchment. These works allow our operational teams to better monitor water use across the city and will assist in prioritising and targeting our education, infrastructure renewals and water loss programmes.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The number of complaints relating to drinking water about clarity, taste, odour, pressure, continuity of supply and complaints about our response to any of these issues. ³	No more than 5 complaints per 1000 connections	1.5 complaints per 1000 connections - achieved	3.1 complaints per 1000 connections	3.0 complaints per 1000 connections
WHAT'S BEHIND THE RESULTS				

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

During 2019/20 we received a total of 97 complaints, which is a reduction on the 185 complaints received last year. Of the 97 complaints this year, 64 were related to loss of service, 24 were related to low pressure, seven related to water colouration and two related to water taste. The decrease in complaints can be attributed to improvements in procedures for tracking water valve changes and management of network shutdowns, operational changes in the supply of water to the demand management area as well as pump and reservoir operations that have been implemented.

We will continue to focus on ensuring the continuity of water supply for all Hamiltonians by reviewing our shut down processes and procedures for demand management areas, with the aim to reduce complaints received in the next financial year.

³ Measure required by the Department of Internal Affairs

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The median attendance time for urgent call-outs, from the time that we received notification to the time that our service personnel reach the site. ³	No more than 60 minutes	36 minutes - achieved	36 minutes	40 minutes
The median resolution time of urgent call-outs, from the time that we received notification to the time that our service personnel confirm the fault or interruption has been resolved. ³	No more than 5 hours	2.7 hours - achieved	2.2 hours	2.1 hours
The median attendance time, in working days, for non-urgent call-outs, from the time that we received notification to the time that our service personnel reach the site. ^{3,7}	No more than 5 working days	3 working days - achieved	4 working days	7.8 days (this calculation included non-working days)
The median resolution time, in working days, of non-urgent call-outs, from the time we received notification to the time that our service personnel confirm the fault or interruption has been resolved. ^{3,7}	No more than 10 working days	4 working days - achieved	5 working days	8.3 days (this calculation included non-working days)

WHAT'S BEHIND THE RESULTS

Households and businesses rely heavily on water so it's important we provide a timely response when something goes wrong. These measures indicate how quickly we respond to issues with water supply and resolve the problem. A call-out to a household or business with no water supply is classified as urgent. Call-outs for other water supply matters, where water is still being delivered, are classified as non-urgent.

In comparison to 2018/19, urgent call-out attendance time remained unchanged, while resolution time has increased slightly. There has been a decrease in attendance and resolution times for non-urgent call-outs.

Operational restrictions that were in place throughout Alert Level 3 and 4 had minimal impact on the ability of our response to non-urgent requests as there was a reduction in services requests from the public during this period of time.

We continue to work with our internal service providers and response teams to maintain and improve our median resolution times for non-urgent call-outs.

³ Measure required by the Department of Internal Affairs.

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

WATER SUPPLY FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	10-Year Plan 2018/19	Actual 2018/19	10-Year Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	8,378	9,656	14,784	14,856
Targeted rates	15,081	17,491	12,245	13,244
Subsidies and grants for operating purposes	-	11	-	15
Fees and charges	252	566	235	266
Internal charges and overheads recovered	-	1	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	500	768	309	712
Total operating funding	24,211	28,493	27,573	29,093
Application of operating funding				
Payments to staff and suppliers	13,143	12,060	12,894	13,513
Finance costs	4,078	3,862	4,413	3,458
Internal charges and overheads applied	-	11	-	-
Other operating funding applications	-	-	-	-
Total applications of operating funding	17,221	15,933	17,307	16,971
Surplus/(deficit) of operating funding	6,990	12,560	10,266	12,122
Sources of capital funding				
Subsidies and grants for capital expenditure	50	1,147	52	798
Development and financial contributions	3,498	5,757	4,985	7,352
Increase/(decrease) in debt	14,082	(2,854)	13,032	25,320
Gross proceeds from sale of assets	3,722	115	-	199
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	21,352	4,165	18,069	33,669
Applications of capital funding				
Capital expenditure				
- to meet additional demand	17,745	10,851	19,841	16,923
- to improve the level of service	2,146	1,036	1,376	331
- to replace existing assets	7,609	5,865	7,049	6,224
Increase/(decrease) in reserves	(1,257)	4,526	69	9,527
Increase/(decrease) in investments	2,099	(5,553)	-	12,786
Total applications of capital funding	28,342	16,725	28,335	45,791
Surplus/(deficit) of capital funding	(6,990)	(12,560)	(10,266)	(12,122)
Funding balance	-	-	-	-

WASTEWATER

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

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

THIS ACTIVITY HELPS US DELIVER A CITY THAT EMBRACES GROWTH

WHAT WE DO

OUR ACTIVITIES:

- Wastewater collection
- Wastewater treatment and disposal

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

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

The wastewater network services more than 51500 households and around 4900 commercial and industrial premises. The network includes the wastewater treatment plant, pump stations and pipes.

EFFECTS ON THE COMMUNITY

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

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

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

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

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

In September 2019, we started construction of the new Western Interceptor (a large wastewater pipe). This involved installing around 2.4km of new pipe underground along the Avalon Dr Bypass, increasing the conveyance capacity of the city's current western wastewater network.

We have continued to invest in the maintenance and renewal of existing assets. In December 2019, the Hillsborough Wastewater Pump Station upgrade began. This pump station is being relocated to improve accessibility and upgraded to increase storage and flow capacity.

Upgrades on the Pukete Wastewater Treatment Plant have progressed with an expected completion date of late 2020.

We continued with our wastewater education programme, which aimed to increase community understanding about what can and can't be flushed or put down the drain. This year, the Pukete Wastewater Treatment Plant hosted 1328 educational site visits for schools and other external parties. In September 2019 and again in April 2020, the Council's 'Our Hamilton' website promoted stories around the impact of flushing wet wipes on our pipe network and wastewater treatment plant.

During the COVID-19 lockdown, access to the Duke St depot and the wastewater treatment plant was restricted to essential staff only from the start of Alert Level 4. Staff operated in completely separated rostered teams to minimise risk of infection if a member of one team became ill. During Alert Level 4 and 3 all non-essential works, capital projects and maintenance activities were significantly scaled back with only high priority and emergency work being undertaken. As alert levels reduced, non-essential works were gradually restarted and access to Duke St and the treatment plant relaxed. Throughout all alert levels, supply chains for materials and chemicals remained in place with no disruptions for the treatment plant, the reticulation and the Shared Services Laboratory. COVID-19 also resulted in fluctuations in domestic and commercial wastewater loading, which placed pressure on the performance of the biological processes at the Pukete Wastewater Treatment Plant throughout May and June 2020.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year two (2019/20) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2019/20 Annual Plan budget.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2019/20 TOTAL APPROVED BUDGET \$000	2019/20 ACTUAL \$000	VARIANCE \$000
Replacement of wastewater pump stations	R	956	820	(136)
Replacement of wastewater assets	R	2,952	2,729	(223)
Increase capacity of wastewater pump stations	LOS	1,378	700	(678)
Wastewater pipe upgrade - growth	G	312	226	(86)
Increase capacity of wastewater network - Rototuna	G	738	2	(736)
Wastewater network upgrades to allow development	G	83	51	(32)
Increase capacity of network in Rotokauri stage 1	G	546	116	(430)
Increase capacity of network in Peacocke stage 1	G	1,660	514	(1,146)
Increase capacity network Peacocke stage 2	G	2,891	767	(2,124)
Wastewater model	R	428	-	(428)
Replacement of wastewater treatment plant assets	R	3,169	3,535	366
Wastewater seismic strengthening	LOS	156	-	(156)
Wastewater treatment plant compliance	LOS	2,144	774	(1,370)
Wastewater master plan	G	208	220	12
Upgrade wastewater treatment plant (Pukete 3)	G	15,313	13,005	(2,308)
Wastewater customer connections to the network	G	52	1,024	972
Increase capacity WW far east network	G	610	238	(372)
Increase capacity WW south network	G	13,718	4,499	(9,219)
Increase capacity WW west network	G	22,606	7,259	(15,347)
Increase capacity WW east network	G	2,158	155	(2,003)
Increase capacity WW central network	G	3,372	2,428	(944)
Water treatment plant compliance minor upgrades	LOS	-	84	84
Share of facilities, information services, customer services and strategic property capital expenditure	G/LOS/R	2,203	1,584	(619)
Total		77,653	40,730	(36,923)

Capital expenditure was lower than budgeted by \$36.9 million. The main reasons for the variances are:

- \$678,000 of contractually committed works to increase network capacity to wastewater pump stations was deferred into future years to align with contractor programmes.
- \$4.4 million of contractually committed works to increase network capacity in Rototuna, wastewater treatment plant compliance and upgrades was deferred into future years to align with contractor programmes.
- \$3.2 million for network capacity works in Peacocke (stage 1 and 2) was deferred to allow for detailed programming of contractually committed professional service engagement, and to align with expected land acquisition in accordance with the Public Works Act.
- \$1.37 million of works for the wastewater treatment plant compliance and upgrades was deferred into future years to align with contractor programmes and delivery of other growth and plant optimisation projects.
- \$4.4 million of contractually committed works to increase network capacity in Rototuna, wastewater treatment plant compliance and upgrades was deferred into future years to align with contractor programmes.

- The Upgrade wastewater treatment plant (Pukete 3) budget line is offset by revenue that is shown on City Waters capital revenue.
- \$9.2 million for network capacity works in the south of the city was deferred to align with Peacocke strategic wastewater works
- \$15.4 million for network capacity works in the city's west was deferred into future years to align with contractor programme.
- \$2 million for network capacity works in the city's east was deferred into future years to align with contractor programme.
- \$944,000 for network capacity works in the city's central was deferred into future years to align with contractor programme.
- The underspend in the share of facilities, information services, customer services and strategic property capital expenditure is driven largely by delays in the IS programme of work. In December 2019 \$1 million was deferred relating to 11 projects, and in March 2020 a further deferral of \$2.4 million was made from FY20 to FY21.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The number of overflows in dry weather. ³	No more than 5 overflows per 1000 connections	1.0 overflows per 1000 connections - achieved	2.6 overflows per 1000 connections	3.0 overflows per 1000 connections

WHAT'S BEHIND THE RESULTS

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

The number of dry weather overflows recorded for the year is 57. Of these events, six occurred at wastewater pump stations and 51 were from the reticulation network. The 57 events recorded this year is equivalent to 1.0 overflows per 1000 connections. This is a significant improvement on the annual result from 2018/19, which was recorded as 2.6 overflows per 1000 connections.

The improvement from the previous year indicates that our new methods of monitoring the spatial distribution of service requests are allowing us to target areas where increased maintenance, asset renewal or capital investment may be needed to prevent overflows from occurring. The reduction in the disposal of fats, wet wipes, oils and greases into the wastewater network was a focus of this year's targeted wastewater education programme. These actions have assisted in decreasing the number of wastewater overflow and blockage events, and these actions will continue. Operational management plans and procedures are being reviewed and updated to ensure best practice response and monitoring is being provided.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The number of complaints about wastewater odour, system faults or blockages and complaints about our response to issues with the wastewater system. ³	No more than 25 complaints per 1000 connections	9.62 complaints per 1000 connections - achieved	16.67 complaints per 1000 connections	11.95 complaints per 1000 connections

WHAT'S BEHIND THE RESULTS

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

We received a total 589 complaints in 2019/20, of which 467 related to overflows and blockages within the reticulated network. The number of complaints received during the year is equivalent to 9.6 per 1000 connections. This is an improvement on the annual result from the previous year of 16.7 complaints per 1000 connections.

The reduction of overflow and blockage events was a specific area of focus for this year's wastewater education programme, which aimed to increase community understanding about what can and can't be flushed or put down the drain. The programme will continue next year.

³ Measure required by the Department of Internal Affairs.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The number of abatement notices, infringement notices, enforcement orders and convictions issued for spillage from the wastewater system. ³	No more than 1 abatement notice 0 infringement, enforcement or conviction actions	0 abatement notices - achieved 1 conviction - not achieved	0 abatement notices 0 infringement, enforcement or conviction actions	1 abatement notice 0 infringement, enforcement or conviction actions

WHAT'S BEHIND THE RESULTS

We have a resource consent issued by Waikato Regional Council that sets quality standards for water discharged from the Pukete Wastewater Treatment Plant into the Waikato River. This measure indicates if we are operating within our resource consent conditions and how well we are managing the environmental impacts of the city's wastewater system. No abatement actions or notices have been received by Council in relation to spillages from the wastewater system during 2019/20.

No infringement notices or enforcement orders were issued for spillage from the wastewater system during 2019/20. However, this performance measure was not achieved due to the sentencing decision for the discharge of wastewater from the Bridge St pumping station into the Waikato River in February 2018.

Waikato Regional Council filed a charging document against Hamilton City Council under Section 15(1)(a) of the Resource Management Act. Hamilton City Council was sentenced in the Hamilton District Court in October 2019 in relation to the wastewater discharge that occurred. As part of the sentencing the Judge noted that we entered a guilty plea at the first reasonable opportunity, had shown considerable remorse, and had identified several corrective actions to prevent similar discharge events recurring. We also participated in two positive and productive restorative justice meetings with representatives from Waikato-Tainui and Te Haa o Te Whenua o Kiriikiriroa.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The median attendance time for call-outs, from the time that we received notification to the time that our service personnel reach the site. ³	No more than 60 minutes	28 minutes - achieved	39 minutes	43 minutes
The median resolution time of call-outs, from the time that we received notification to the time that our service personnel confirm the fault or interruption has been resolved. ³	No more than 5 hours	2.6 hours - achieved	2.8 hours	2.4 hours

WHAT'S BEHIND THE RESULTS

This measure indicates how quickly we attend to issues when there is a problem with the wastewater system, and how quickly we resolve the problem. The median attendance time for wastewater call-outs in 2019/20 was 28 minutes, with a median resolution time of 2.6 hours. In comparison to 2018/19, this is a decrease in both response and resolutions time for wastewater network issues.

New methods of monitoring the spatial distribution of service requests are allowing us to target areas where increased maintenance, asset renewal or capital investment may be needed. The reduction in the disposal of fats, wet wipes, oils and greases into the wastewater network is also a focus of this year's wastewater education programme. These actions are expected to assist in decreasing the number of wastewater overflow and blockage events and ensure we continue to respond and resolve wastewater issues in a timely manner.

³ Measure required by the Department of Internal Affairs.

WASTEWATER FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	10-Year Plan 2018/19	Actual 2018/19	10-Year Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	13,920	14,114	23,650	21,703
Targeted rates	13,157	13,371	7,937	7,537
Subsidies and grants for operating purposes	-	14	-	17
Fees and charges	5,077	5,247	5,240	5,000
Internal charges and overheads recovered	-	1	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	567	872	418	795
Total operating funding	32,721	33,619	37,245	35,052
Application of operating funding				
Payments to staff and suppliers	18,956	18,452	18,967	20,581
Finance costs	4,594	4,342	5,953	3,891
Internal charges and overheads applied	-	14	-	-
Other operating funding applications	-	-	-	-
Total applications of operating funding	23,550	22,808	24,920	24,472
Surplus/(deficit) of operating funding	9,171	10,811	12,325	10,580
Sources of capital funding				
Subsidies and grants for capital expenditure	50	1,215	52	1,265
Development and financial contributions	5,838	8,808	8,314	12,698
Increase/(decrease) in debt	27,698	(3,214)	49,091	28,513
Gross proceeds from sale of assets	4,260	151	-	261
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	37,846	6,960	57,457	42,737
Applications of capital funding				
Capital expenditure				
- to meet additional demand	32,029	15,771	57,234	30,513
- to improve the level of service	2,128	1,919	2,934	1,610
- to replace existing assets	8,787	8,363	7,790	8,607
Increase/(decrease) in reserves	(440)	(2,029)	1,824	(1,826)
Increase/(decrease) in investments	4,513	(6,253)	-	14,413
Total applications of capital funding	47,017	17,771	69,782	53,317
Surplus/(deficit) of capital funding	(9,171)	(10,811)	(12,325)	(10,580)
Funding balance	-	-	-	-

STORMWATER

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

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

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

THIS ACTIVITY HELPS US DELIVER A CITY THAT EMBRACES GROWTH

WHAT WE DO

OUR ACTIVITIES:

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

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

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

EFFECTS ON THE COMMUNITY

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

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

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

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

Having a reliable stormwater network is essential for a healthy community. Throughout 2019/20, we have continued to focus on improving and investing in the resilience, sustainability and compliance of our stormwater network. An example of how we are doing this is our investment in new high-quality assets for the Kimbrae and North City development. We also completed the Mangaheke drainage system, which drained the Porter Wetlands to improve the outflow of stormwater from the Porter Wetland itself.

During the COVID-19 lockdown, essential staff operated in completely separated rostered teams to minimise risk of infection if a member of one team became ill. During Alert Level 4 and 3, all non-essential works, capital projects and maintenance activities were significantly scaled back with only high priority and emergency work being undertaken. As alert levels reduced, non-essential works were gradually restarted. Throughout all alert levels, supply chains for materials and chemicals remained in place.

Despite the operational restrictions of COVID-19, staff were able to maintain our Gully Inspections Maintenance Programme for 2019/20. We worked alongside members of our community to protect and ensure the safe delivery of the restoration of our gully systems. As some of the stormwater infrastructure passes through these unique gully systems, we are committed to partnering with both our internal and external stakeholders to ensure these spaces are protected while ensuring accessibility and maintenance of our stormwater network.

We will be continuing to invest in new devices and design process improvements moving into the next financial year.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year two (2019/20) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2019/20 Annual Plan budget.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2019/20 TOTAL APPROVED BUDGET \$000	2019/20 ACTUAL \$000	VARIANCE \$000
Replacement of stormwater assets	R	585	493	(92)
Comprehensive stormwater consent implementation	LOS	52	5	(47)
Erosion control works	LOS	3,725	1,301	(2,424)
Rototuna stormwater infrastructure	G	3,313	2,355	(958)
Rotokauri stormwater infrastructure stage 1	G	961	1,160	199
Peacocke stormwater infrastructure stage 1	G	1,233	1,387	154
Peacocke stormwater infrastructure stage 2	G	7,939	1,549	(6,390)
Stormwater pipe upgrade – growth	G	156	1	(155)
Existing network improvements in new areas	G	109	28	(81)
Stormwater customer connections to the network	G	52	304	252
Integrated catchment management plan	G	1,000	1,352	352
Share of facilities, information services, customer services and strategic property capital expenditure	G/LOS/R	580	417	(163)
Total		19,705	10,352	(9,353)

Capital expenditure was lower than budgeted by \$9.4 million. The main reasons for the variances are:

- \$2.4 million for erosion control works was deferred into future years due to ongoing discussions with land owners and reprioritisation due to priority of emergency works.
- \$958,000 for Rototuna stormwater infrastructure was deferred into future years due to ongoing third-party negotiations for land procurement.
- \$6.4 million for Peacocke stormwater infrastructure (stage 2) was deferred into future years due to ongoing third-party negotiations for land procurement and development consenting.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The number of flooding events ⁸ that occur within the city. ³	No more than 1 flooding event	No flooding events - achieved	0	1
For each flooding event, the number of habitable floors ⁸ affected. ³	No more than 1 per 1000 properties	0 per 1000 properties No flooding events - achieved	0 per 1000 properties	0.02 per 1000 properties

WHAT'S BEHIND THE RESULTS

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

While there may have been significant rainfall events during 2019/20, all flooding events reported were due to flooding of roads and general areas within private property. None of these resulted in flooding of a habitable building or floor, which is the same result achieved last year.

Continued implementation of preventative maintenance programmes, Integrated Catchment Management Plans and compliance with the Regional Infrastructure Technical Specifications for construction of new stormwater infrastructure has ensured that the stormwater system is constructed, operated and maintained to minimise flooding events.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The number of abatement notices, infringement notices, enforcement orders and convictions related to the management of the stormwater system. ³	No more than 1 abatement notice	0 abatement notice - achieved	1 abatement notice	0 abatement notices
	0 infringement, enforcement or conviction actions	0 infringement, enforcement or conviction actions - achieved	0 infringement, enforcement or conviction actions	0 infringement, enforcement or conviction actions

WHAT'S BEHIND THE RESULTS

We hold a resource consent that requires us to avoid or minimise pollution in the city's waterways. We monitor the quality of stormwater discharge by taking samples from catchment areas across the city. These measures indicate if we are operating within the conditions of our resource consent. No abatement notices or infringement, enforcement or conviction actions have been taken against Council in relation to the management of the stormwater system during 2019/20.

⁸ A flooding event means an overflow of stormwater from our stormwater system that enters a habitable floor (meaning a building, including a basement, but does not include ancillary structures such as stand-alone garden sheds or garages).

³ Measure required by the Department of Internal Affairs.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The median response time, from the time that we received notification to the time that our service personnel reach the site of the flooding ⁹ event. ³	No more than 60 minutes	No flooding events - achieved	No flooding events	268 minutes

WHAT'S BEHIND THE RESULTS

This measure indicates the number of times the design or performance of the stormwater system has affected habitable buildings.

While there may have been significant rainfall events during 2019/20, all flooding events reported were due to flooding of roads and general areas within private property. None of these resulted in flooding of a habitable building or floor, which is the same result achieved last year.

Continued implementation of preventative maintenance programmes, Integrated Catchment Management Plans and compliance with the Regional Infrastructure Technical Specifications for construction of new stormwater infrastructure has ensured that the stormwater system is constructed, operated and maintained to minimise flooding events.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The number of complaints received about the performance of the stormwater system. ³	No more than 10 complaints per 1000 properties connected	9.38 complaints per 1000 properties connected - achieved	3.02 complaints per 1000 properties connected	1.2 complaints per 1000 properties connected

WHAT'S BEHIND THE RESULTS

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

We received a total 534 complaints, which is equivalent to 9.38 complaints per 1000 properties connected. This result for 2019/20 is an increase on the previous year's result of 3.02 complaints per 1000 properties connected. The number of complaints reported has increased from 2018/19 due to improvements made to the collection and storage of our data in relation to stormwater complaints. We will continue to improve our data processes and implement our preventative maintenance programmes to ensure resilience and sustainability of our stormwater network.

³ Measure required by the Department of Internal Affairs.

⁹ A flooding event means an overflow of stormwater from our stormwater system that enters a habitable floor (meaning a building, including a basement, but does not include ancillary structures such as stand-alone garden sheds or garages)

STORMWATER FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	10-Year Plan 2018/19	Actual 2018/19	10-Year Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	2,817	3,301	5,126	5,078
Targeted rates	2,462	2,882	1,496	1,487
Subsidies and grants for operating purposes	-	4	-	7
Fees and charges	363	677	369	423
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	155	238	134	213
Total operating funding	5,797	7,102	7,125	7,208
Application of operating funding				
Payments to staff and suppliers	4,468	4,449	4,691	5,519
Finance costs	1,256	1,187	1,932	1,064
Internal charges and overheads applied	-	5	-	-
Other operating funding applications	-	-	-	-
Total applications of operating funding	5,724	5,641	6,623	6,583
Surplus/(deficit) of operating funding	73	1,461	502	625
Sources of capital funding				
Subsidies and grants for capital expenditure	64	485	1,279	444
Development and financial contributions	2,010	1,242	2,999	1,408
Increase/(decrease) in debt	10,046	(878)	16,413	7,793
Gross proceeds from sale of assets	1,072	71	-	69
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	13,192	920	20,691	9,714
Applications of capital funding				
Capital expenditure				
- to meet additional demand	9,989	7,333	16,368	8,138
- to improve the level of service	1,349	435	3,790	1,319
- to replace existing assets	1,040	1,065	923	895
Increase/(decrease) in reserves	(356)	(4,743)	112	(3,961)
Increase/(decrease) in investments	1,243	(1,709)	-	3,948
Total applications of capital funding	13,265	2,381	21,193	10,339
Surplus/(deficit) of capital funding	(73)	(1,461)	(502)	(625)
Funding balance	-	-	-	-

TRANSPORT

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

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

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

THIS ACTIVITY HELPS US DELIVER A CITY THAT EMBRACES GROWTH

WHAT WE DO

OUR ACTIVITIES:

- Transport network
- Parking management

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

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

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

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

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

EFFECTS ON THE COMMUNITY

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

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

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

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

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

During 2019/20 we invested heavily in our transport network, focusing on safety, travel choice and education as well as maintaining and enhancing our transportation assets. The year began by partnering with Waikato Regional Council on a new initiative offering free travel on Hamilton's bus network for youth aged 18 and under on weekends and public holidays. This was later expanded to the school holiday period from September 2019 and reflected our aim to reduce traffic congestion and our carbon footprint while offering a range of transport options for our community.

In addition to LOOP car share, more transport choice arrived in August 2019 with the introduction of e-scooters. LIME, the first operator to have a presence in the city, introduced around 400 e-scooters for Hamiltonians to use throughout the city. The initiative was about providing alternative choices for people making short trips around Hamilton and building stronger connections between key destinations.

October 2019 signalled the completion of work to change the road layout along Claudelands Bridge and improve accessibility to the central city for cyclists. The new-look bridge features green road markings called 'sharrows', encouraging people on bikes to claim the lane and ride in the flow of traffic. The changes have also seen concrete cycle lane separators used in the city for the first time and a reduction of the speed limit to 30km/hr. Council hosted the NZ Traffic Institute Conference at Claudelands Events Centre in November 2019. The annual event brings together professionals involved in all aspects of the transportation sector. The highlight of the conference was the Council receiving the Road Safety Leadership Award for the upgrade to the Thomas and Gordonton Rds intersection. This was a first of its kind project in New Zealand, which saw safety improvements made at a high-risk and fatal site to eliminate crashes through engineering and problem solving.

In February 2020, an upgrade to the Anglesea St and Bryce St intersection, one of our busiest intersections in central Hamilton, was completed one month ahead of schedule. As part of the Vision Zero target, major safety improvement works were completed, including installing raised platforms to lower speeds and changing the traffic signal phasing to prioritise the accessibility and safety of pedestrians.

February was rounded off with a cycling celebration as we had over 400 attendees at the 2020 edition of 'Love Your Bike Day' at Claudelands Park. A record 18 schools signed up for Grade 1 training through our Kids on Bikes programme, which was delivered to 1455 children.

The construction of the Rotokauri Transport Hub - which forms part of the infrastructure build to enable the Hamilton to Auckland passenger rail link - commenced. Works are well advanced but have experienced delays due to COVID-19. It is expected that the transport hub, including a pedestrian bridge between Tasman Rd and the rail platform, will be completed in time for a November 2020 start date for the Hamilton to Auckland passenger rail service. The section of pedestrian bridge between the platform and The Base will be opened at a later date.

COVID-19 Alert Level 4 meant an immediate stop to all non-essential services and maintenance on the transport corridor. Essential services included maintenance necessary to address immediate and short-term safety risks on the transport network. Any works, including capital works, that were not required for the safe and efficient operation of the transport network were stood down until at least the end of Alert Level 4.

Public facilities including the Hamilton Transport Centre and Garden Place carpark were closed during Alert Level 4. The outside public toilet facilities at the transport centre remained open, with an increased cleaning regime to support essential workers utilising the public transport system. LIME e-scooters and LOOP carshare were unable to operate under Alert Level 4. LOOP commenced operation under strict guidelines in Alert Level 3 with LIME e-scooters returning to our streets at Alert Level 2.

A temporary road was built in the first week of Alert Level 4 at Waikato Hospital to create an environment suitable for triage patients. A temporary management plan re-routing the bus service and public along Hague St was implemented to enable the section of Pembroke St on Hospital Hill to be closed for emergency and COVID-19 traffic only.

COVID-19 impacted planned education programmes such as Kids on Bikes, Drive Wise and Right Track, which were cancelled. We worked collectively with other government departments to support a safe transport network, including supplying daily data on traffic flow behaviour to Police and Regional Civil Defence.

Traffic flows around Hamilton dropped to around 20% of normal traffic flow during COVID-19 Alert Level 3 and 4. The Traffic Operations Centre responded by changing the traffic signals to suit these unusual traffic flows. During Alert Level 3 and 4, pedestrian and cycling increased three-fold. In Alert Level 1, we continue to see a higher than normal number of cycling and pedestrians. The daily vehicle trips into the CBD have returned to pre-Alert Level 4, however, vehicle trips into the city during the morning remains lower than normal.

The impact of Alert Level 4 resulted in the deferral of some scheduled renewals and maintenance. Daily maintenance and management of berms and gardens on the transport corridor fell behind schedule.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year two (2019/20) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2019/20 Annual Plan budget.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2019/20 TOTAL APPROVED BUDGET \$000	2019/20 ACTUAL \$000	VARIANCE \$000
Resurfacing off street carparks	R	66	-	(66)
Replacement of parking enforcement equipment	R	157	93	(64)
Parking building renewal	R	164	115	(49)
Replacement of footpath	R	4,809	3,998	(811)
Replacement of drainage (kerb and channel)	R	1,617	2,003	386
Replacement of road base	R	1,260	6,470	5,210
Road resurfacing	R	5,268	4,407	(861)
Replacement of bridges and culverts	R	2,056	44	(2,012)
Replacement of lighting	R	2,430	683	(1,747)
Replacement of traffic equipment	R	402	727	325
Building and property renewals	R	5	-	(5)
Minor improvements to transport network	LOS	2,082	2,248	166
Bus stop infrastructure	LOS	677	723	46
Intersection safety upgrade programme	LOS	1,850	1,227	(623)
Bridge safety improvements	LOS	479	19	(460)
Bridge resilience programme	LOS	641	-	(641)
Transport Centre rejuvenation	LOS	6,270	62	(6,208)
Network upgrades to allow new development	G	182	61	(121)
Roading upgrades and development in Peacocke stage 1	G	6,982	6,738	(244)
Roading upgrades and development in Peacocke stage 2	G	38,410	16,504	(21,906)
Roading upgrades and development in Rotokauri stage 1	G	11,716	11,173	(543)
Roading upgrades and development in Rototuna	G	14,348	4,117	(10,231)
Roading upgrades and development in Ruakura	G	726	328	(398)
Integrated transport initiatives	G	3,272	1,320	(1,952)
Biking plan implementation	G	14,120	1,783	(12,337)
Mass transit	G	3,742	80	(3,662)
Intersection capacity upgrade programme	G	552	68	(484)
Hamilton transport model	G	546	2	(544)
Ring Road	G	15,478	14,802	(676)
Rotokauri rail platform	G	1,920	1,563	(357)
Share of facilities, information services, customer services and strategic property capital expenditure	G/LOS/R	2,609	1,881	(728)
Total		144,836	83,239	(61,597)

Capital expenditure was lower than budgeted by \$61.6 million. The main reasons for the variances are:

- Deferral due to reprioritisation of the Infrastructure Alliance Renewals and Compliance Programme.
- Planned overspend due to Arthur Porter Dve road pavement issues works.

- \$2.6 million for replacement of bridges and culverts and bridge resilience was deferred into 2020/21 following delays in starting works over summer due to water restrictions.
- \$6.2 million for the Transport Centre rejuvenation was deferred due to delays in completing the NZ Transport Agency business case, in part due to COVID-19. Business case expected to be completed by December 2020.
- \$21.9 million for roading upgrades and development in Peacocke (stage 2) was deferred into future years to facilitate third-party negotiations for land procurement, and align with detailed programming of contractually committed professional service engagements.
- \$543,000 for arterial roading upgrades and development in Rotokauri was deferred to align with development timing.
- \$10.2 million for arterial roading upgrades and development in Rototuna was deferred to align with development timing and contractual commitments as part of the Borman Rd western extension.
- \$1.9 million for the Integrated transport initiatives was deferred due to the timing of completing the repairs for the Te Awa Slip.
- \$12.3 million for the Biking plan implementation was deferred due to progress made on the Te Awa Path and School Link/ Uni Link projects.
- \$3.6 million for the mass transit programme was deferred into future years to align development with the Hamilton- Auckland Metro Spatial Plan and Mass Transit programmes.
- \$544,000 for the Hamilton Transport model was deferred as staff have prioritised workloads.
- \$676,000 for the Ring Road was deferred into future years to align with contractors' programmes.

The underspend in the share of facilities, information services, customer services and strategic property capital expenditure is driven largely by delays in the IS programme of work. In December 2019 \$1 million was deferred relating to 11 projects, and in March 2020 a further deferral of \$2.4 million was made from FY20 to FY21.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The percentage of extra time taken for vehicles to travel key routes in the city during peak travel times compared to non-peak.	No more than 50%	38% - achieved	42%	34%

WHAT'S BEHIND THE RESULTS

This measure indicates how effectively we manage peak hour traffic during peak hour traffic flows. The year-end result of 38% is based on the average of assessments undertaken in November 2019 and June 2020. This is an improvement of 4% from the previous year and is due to an increased focus on proactive management of the transport network and optimisation of traffic signals.

The travel time result for June 2020 was 36%, which is slightly lower than the previous result in November 2019 of 40%. Surveying is usually completed twice a year (in November and May), however, the May assessment was delayed due to COVID-19 and completed in the second week of Alert Level 1. The result is considered accurate as monitoring data indicated that traffic volumes were back to within normal levels.

In completing the assessment, data is collected from road-side Bluetooth devices to measure vehicle travel times along selected routes. This method has been used historically by the Council to collect travel time data.

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

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

The peak periods surveyed vary slightly between routes but generally capture journeys that occur between 8am and 9am, with off-peak travel times between 10:30am and 11am.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The number of cyclists biking into the central city.	At least 1380	Unable to collect data due to COVID-19	1,238	1,207

WHAT'S BEHIND THE RESULTS

We are working towards providing cycling routes across the city, making Hamilton a more bike-friendly city. This measure provides an indication of progress towards this goal. Data is normally collected in March every year. The survey involves a manual count at 23 selected points on the perimeter of the central city. The manual counting is carried out at set times in the morning (7am to 9am) and afternoon (4:30pm to 6pm), and only cyclists are included.

The 2019/20 survey was cancelled as it was scheduled for the first week under Alert Level 4 for COVID-19. The survey was not completed during Alert Level 1. Results obtained would not have been comparable to previous years due to the seasonal impact of colder, wetter and darker weather. In addition, the necessary flexibility driven by COVID-19 to enable employees to work from home would have had an impact due to the reduced presence of people in the CBD.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The change from the previous financial year in the number of fatalities and serious injury crashes on Hamilton's local road network. ³	Decrease from previous year	12 fewer death or serious injury crashes than in 2018/19 - achieved 38 crashes resulting in 39 people seriously harmed (2 fatalities and 37 serious injuries)	3 fewer death or serious injury crashes than in 2017/18 ¹⁰ 50 crashes resulting in 54 people seriously harmed (4 fatalities and 50 serious injuries)	11 more death or serious injury crashes than in 2016/17 53 crashes resulting in 57 people seriously harmed (5 fatalities and 52 serious injuries)

WHAT'S BEHIND THE RESULTS

We are working towards a safe transport network with a vision of zero deaths and serious injuries on Hamilton roads by 2028. We aim to achieve this by delivering projects that improve the safety of pedestrian and biking facilities as well as upgrading intersections and roundabouts. This work is supported by lowering speed limits and road safety education programmes.

This DIA measure indicates the impact of safety improvements on reducing death and serious harm crashes on Hamilton roads. The interim total of fatal and serious injury crashes on Hamilton's local road network in 2019/20 is 38. This is 12 fewer fatal or serious injury crashes when compared to the previous financial year.

Data is collected from the Crash Analysis System (CAS) managed by Waka Kotahi NZ Transport Agency from data entered by NZ Police. This data is live and being continuously updated when investigations and audits are completed. Waka Kotahi updated the CAS reporting system last year, requiring a minor update to our search engine.

Fatalities and serious injury to people resulting from crashes

A total of 39 people died or were seriously injured from the 38 crashes in 2019/20, 15 less when compared with the previous financial year. In recent years the numbers of fatalities and serious injuries on Hamilton's local road network have been recorded as follows:

	2019/20	2018/19	2017/18	2016/17	2015/16
Fatalities	2	4	5	1	7
Serious injuries	37	50	52	47	27
Total	39 (interim)	54	57	48	34

* Result confirmed at 39. This data is collected annually by an external party and may be subject to change.

The lower number of serious injuries compared to previous years can be partially attributed to COVID-19, with traffic volumes under Alert Level 4 down to around 20% of a typical day pre-lockdown. Prior to COVID-19, there had been 34 serious injuries and fatalities in 2019/20 (compared with 39 for the same time in 2018/19). From April 2020, there were five serious injuries and fatalities - there were 15 for the same time last year.

Cyclists and pedestrians (including wheeled pedestrians) accounted for a disproportionate share of incidents in 2019/20 when compared to mode share of total trips in Hamilton (36% of fatal and serious injuries involved these road user groups despite comprising an estimated 12% of total trips). We continued targeting our budget towards safety improvements in high risk locations, zones with significant traffic volumes and areas where there is a community need. This includes safer crossing facilities, such as River Rd outside Alandale Retirement Village and Pukete Rd outside Pukete Primary School, and upgraded intersections including Anglesea St/Bryce St. Ongoing minor and major improvement projects, such as River Rd (Flagstaff Shops) and the Huntington/St James Greenway cycle path programmed for the next financial year, will provide safe alternatives to car-based travel and encourage an uptake in public and active transport modes. Over time, these enhancements will have a cumulative effect when it comes to achieving Hamilton's Vision Zero target by 2028.

³ Measure required by the Department of Internal Affairs.

¹⁰ Confirmed result.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The average smooth travel exposure rating across the sealed road network. ³	At least 86% smooth travel exposure	85.3% - not achieved	86.4%	87%
The percentage of Hamilton's sealed local road network that is resurfaced each year. ³	At least 4%	3.6% - not achieved	3.4%	3.7%

WHAT'S BEHIND THE RESULTS

The smooth travel exposure (STE) measure assesses the quality of the ride, with a higher percentage indicating more roads providing a smooth ride. The work to keep our sealed roads in good condition is delivered through the annual reconstruction programme and regular maintenance activities. For our rural roads, we achieved an STE rating of 96% for 2019/20 – well above the target of 86%. For the purposes of these measures, urban roads are separated into four categories based on the number of vehicles travelling on them per day. The highest category of 10000 vehicles per day, representing 58% of vehicle kilometres travelled on urban roads, achieved an STE rating in 2019/20 of 88%. However, slightly worse results on less frequently travelled urban roads meant the overall result for the year end was marginally below target at 85%.

The disparity in STE ratings for different urban road categories stems from rehabilitation funding being diverted to Arthur Porter Dr along with lesser travelled, cobbled roads having a higher average roughness due to small data anomalies caused by the thresholds for determining smoothness.

3.6% of Hamilton's sealed local road network was resurfaced this year. The result for 2019/20 is ahead of 2018/19 results of 3.4%, but below the target of at least 4%. Consistent with taking a best for network approach, cost increases meant the deferral of smaller resurfacing projects to prioritise key projects such as the renewal of Arthur Porter Dr and the completion of safety upgrades at the Anglesea St/ Bryce St intersection. Our scheduled programme was not able to be completed as COVID-19 prevented the completion of works during the optimal surfacing season from October to April ahead of the colder months in mid-2020.

We will be working to address data quality to reduce the impact of these going forward and reviewing our road maintenance and renewals programme to ensure we meet the overall target for the next financial year.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The percentage of footpaths that fall within the service standard for the condition of footpaths as set out in the Transport Activity Management Plan. ³	At least 97%	78% - not achieved	77%	96%

WHAT'S BEHIND THE RESULTS

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

An external audit of our footpath network was completed in 2018/19. This audit highlighted a number of previously unidentified faults classified as acceptable.

Based on an internal condition survey for 2019/20, 78% of footpaths fall within the required service standard. When faults that are being actively monitored are excluded the result increases to 98%.

The footpath network audit continues to inform our annual footpath maintenance activities and renewal programmes. The result for 2019/20 shows that only 2% of our footpath network currently requires an active intervention. The remaining faults will be monitored and action will be taken if the condition of the footpath deteriorates to an extent that earlier intervention is warranted. COVID-19 meant that 10% of programmed footpath renewals were unable to be completed.

³ Measure required by the Department of Internal Affairs.

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The percentage of customer service requests relating to roads and footpaths responded to within five working days. ^{3 11}	At least 96%	95.8% - not achieved	97.6%	98%

WHAT'S BEHIND THE RESULTS

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

In 2019/20 we received 6929 service requests, up 12.5% from the previous year. Of these, we responded to 95.8% within five working days - slightly below the target of 96%. The rise in demand has been driven by a 422% increase in internal service requests from 212 to 1107. This enables us to identify and address issues such as street signs before the public are aware of them. For service requests from the general public there was a 2% decrease in 2019/20 compared with the previous year. This achievement is consistent with previously stated expectations that the volume of service requests would decrease and reflective of the work to proactively identify issues internally. The most common service request types from the general public were sweeping (534), street lights (500), signs and street furniture (461), footpaths (464) and illegal dumping (405).

Along with the overall increase in service requests, staffing changes and steps to make customer responses more meaningful resulted in underperformance for a period of time during 2019/20. System enhancements and fully embedding previously made changes produced an improved response rate, despite the impact of COVID-19. This improvement is expected to be maintained into the next financial year.

³ Measure required by the Department of Internal Affairs.

¹¹ Working days are Monday to Friday, excluding public holidays. If notification is received on the weekend or public holiday the timeframe starts from the next working day.

TRANSPORT FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	10-Year Plan 2018/19	Actual 2018/19	10-Year Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	18,023	16,947	23,387	26,112
Targeted rates	16,003	15,018	7,015	7,816
Subsidies and grants for operating purposes	6,460	6,062	6,201	9,812
Fees and charges	3,973	5,131	4,014	3,698
Internal charges and overheads recovered	-	34	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	3,005	3,728	2,828	3,555
Total operating funding	47,464	46,920	43,445	50,993
Application of operating funding				
Payments to staff and suppliers	27,303	27,737	26,698	32,181
Finance costs	5,322	5,027	6,436	4,506
Internal charges and overheads applied	-	19	-	-
Other operating funding applications	-	-	-	-
Total applications of operating funding	32,625	32,783	33,134	36,687
Surplus/(deficit) of operating funding	14,839	14,137	10,311	14,306
Sources of capital funding				
Subsidies and grants for capital expenditure	43,976	32,094	61,413	38,721
Development and financial contributions	5,234	6,982	7,476	9,559
Increase/(decrease) in debt	30,927	(3,723)	52,298	33,026
Gross proceeds from sale of assets	4,985	882	-	309
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	85,122	36,235	121,187	81,615
Applications of capital funding				
Capital expenditure				
- to meet additional demand	73,460	41,296	109,266	64,090
- to improve the level of service	4,595	3,312	10,531	4,340
- to replace existing assets	18,285	17,084	19,443	14,809
Increase/(decrease) in reserves	(1,693)	(4,077)	(7,742)	(4,002)
Increase/(decrease) in investments	5,314	(7,243)	-	16,684
Total applications of capital funding	99,961	50,372	131,498	95,921
Surplus/(deficit) of capital funding	(14,839)	(14,137)	(10,311)	(14,306)
Funding balance	-	-	-	-

RUBBISH AND RECYCLING

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

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

THIS ACTIVITY HELPS US DELIVER A CITY THAT EMBRACES GROWTH

WHAT WE DO

OUR ACTIVITIES:

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

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

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

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

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

EFFECTS ON THE COMMUNITY

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

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

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

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

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

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

KEY IMPACT ON COMMUNITY WELLBEING



SOCIAL



ECONOMIC



ENVIRONMENTAL



CULTURAL

DELIVERING ON OUR 10-YEAR PLAN

In November 2019, Council approved the adoption of the Waste Management and Minimisation Bylaw 2019, which replaced the Solid Waste Bylaw 2012. The purpose of the Waste Management and Minimisation Bylaw is to set controls and regulate waste material in the city. The changes to the revised bylaw included the provision of new and amended controls needed to support the new service levels for the management, collection and disposal of kerbside rubbish and recycling being implemented in August 2020. It is also to ensure the Bylaw is aligned with the 2018-2024 Waste Management and Minimisation Plan adopted by Council in September 2018.

The actions within the 2018-24 Waste Management and Minimisation Plan look to ensure that we have the infrastructure and services in place to manage waste and that we are supporting our community to avoid, reduce and recycle. There are 33 actions in the Waste Management and Minimisation Plan with 30 of these underway and three completed.

Hamilton City Council made a submission to the Ministry for the Environment's consultation document on Reducing Waste - A More Effective Landfill Levy in early February 2020. The proposals outlined in the consultation document consider options to increase the current landfill levy, expand the scope of landfills the levy applies to, as well as how to collect better waste data. A final policy decision is scheduled for mid-2020 by Cabinet.

Waste Minimisation grants and their recipients were confirmed during the first half of 2020. The aim of the fund is to encourage projects championing long-term waste minimisation and behaviour change, in line with the vision of the Council's Waste Management and Minimisation Plan. Applicants were able to apply for funding grants of up to \$5000 towards their project or feasibility study, or up to \$15000 for larger projects that have a significant waste reduction impact.

During COVID-19 Alert Level 4, rubbish continued to be collected in the city. However, to protect the safety of collection and processing staff, recycling crates, cardboard and paper crates were not collected during this period. Kerbside collection and recycling of specific materials were restarted as soon as it was safe for the collection and processing of it, and as alert level restrictions reduced. At Alert Level 4, the Refuse Transfer Station in Lincoln St was only open to commercial account holders, while the Hamilton Organic Centre was closed. At Alert Level 3, the Refuse Transfer Station and Hamilton Organic Centre were reopened to the public for rubbish and green waste disposal (respectively) with measures put in place to manage social distancing at each site.

Unfortunately, the initiation of alert levels resulted in the decision to delay the start of the new kerbside rubbish and recycling service until 31 August 2020, with delivery of the 160000 new bins starting from the beginning of June 2020.

CAPITAL PROJECTS

The following table summarises the capital projects planned for year two (2019/20) of the 10-Year Plan and the progress made during the period. Total approved budget equals the 2019/20 Annual Plan budget.

CAPITAL PROJECT LOS = LEVELS OF SERVICE R = RENEWALS G = GROWTH	TYPE	2019/20 TOTAL APPROVED BUDGET \$000	2019/20 ACTUAL \$000	VARIANCE \$000
Replacement of closed landfill assets	R	973	12	(961)
Replacement of RTS & HOC assets	R	272	54	(218)
Closed landfill management	LOS	78	5	(73)
Share of facilities, information services, customer services and strategic property capital expenditure	G/LOS/R	290	207	(83)
Total		1,613	278	(1,335)

Capital expenditure was lower than budgeted by \$1.3 million mainly due to the deferral awaiting confirmation on compliance requirements from Waikato Regional Council.

SERVICE PERFORMANCE MEASURES

KEY: Target achieved | Target not achieved | Unable to collect data

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

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The percentage of waste recovered for recycling through the kerbside collection.	At least 30%	28.1% - not achieved due to COVID-19	32.3%	25%
The amount of waste received at Council-operated waste facilities that is diverted from landfill.	At least 16000 tonnes per annum	13383 tonnes - not achieved	16639 ¹¹ tonnes	New measure

WHAT'S BEHIND THE RESULTS

Prior to the impact of COVID-19, we were on track to meet this target, with a year-to-date result of 32.2% at the end of March 2020. Due to COVID-19, only reduced levels of recycling were possible as restrictions were put in place to keep staff and the public safe. From 24 March to 12 April 2020 only kerbside rubbish was collected by our contractor, with kerbside recycling of glass resuming on 13 April 2020. This was followed by kerbside recycling of plastic, tin and aluminium on 2 June 2020. Kerbside recycling of paper and cardboard did not begin again until 29 June 2020.

Additional recycling options available through the new kerbside rubbish and recycling service will see the percentage of waste recovered for recycling increase in the next financial year.

The amount of waste diverted from landfill has been further negatively impacted by COVID-19. The Hamilton Organic Centre and the Refuse Transfer Station were closed to the public from 26 March 2020. Both of these facilities reopened again on 28 April 2020, but the diversion of waste from landfill at the Refuse Transfer Station did not start until the beginning of June. At the end of March 2020, we had diverted 10872 tonnes of waste from landfill – equivalent to 68% of our annual target. We are unable to confirm whether the target of at least 16000 tonnes of waste diverted from landfill has not been met due to COVID-19, or if there were any other contributing factors throughout the year.

You can expect: We will collect your rubbish and recycling and a timely response will be given if there is a problem.

MEASURE	2019/20 TARGETS	2019/20 RESULTS	2018/19 RESULTS	2017/18 RESULTS
The number of weeks where there are more than 20 complaints about uncollected kerbside rubbish and recycling.	0 weeks	Unable to verify data - not achieved	0 weeks	12 weeks
The percentage of customer complaints about uncollected kerbside rubbish and recycling resolved within 24 hours.	At least 95%	Unable to verify data - not achieved	95.6%	99%

WHAT'S BEHIND THE RESULTS

We aim to provide a reliable kerbside rubbish and recycling collection to stop rubbish and recycling becoming a health risk and to keep the streets tidy. This measure is intended to reflect our performance against that goal.

Since September 2019, we have been unable to report a result for this measure due to the contractor experiencing data corruption issues in October and November. Data was subsequently made available to Council staff to review, however COVID-19 meant that validation was unable to be completed. A full review of all data for the financial year was attempted in June 2020. At the end of the review it was concluded that there was insufficient data integrity to be able to confidently report the number of complaints received and the amount of time taken to resolve them.

With a new service contractor for kerbside rubbish and recycling starting on 31 August 2020, we will be working with the new contractor around the collection and presentation of data to ensure we are able to report results from the beginning of the financial year.

¹¹ In the 2018/19 Annual Report we reported the amount of waste diverted from landfill as 18,139 tonnes. After identifying a calculation error for this result, the figure has been revised to 16,639 tonnes.

RUBBISH AND RECYCLING FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	10-Year Plan 2018/19	Actual 2018/19	10-Year Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	3,809	3,446	6,105	5,295
Targeted rates	3,367	3,025	1,827	1,568
Subsidies and grants for operating purposes	566	640	575	649
Fees and charges	462	411	459	(124)
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	16	24	10	444
Total operating funding	8,220	7,546	8,976	7,832
Application of operating funding				
Payments to staff and suppliers	6,114	6,171	6,259	12,431
Finance costs	1,269	856	1,211	214
Internal charges and overheads applied	-	2	-	-
Other operating funding applications	-	-	-	-
Total applications of operating funding	7,383	7,029	7,470	12,645
Surplus/(deficit) of operating funding	837	517	1,506	(4,813)
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	29	(69)	(9)	616
Gross proceeds from sale of assets	90	178	-	34
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	119	109	(9)	650
Applications of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	1
- to improve the level of service	96	74	85	12
- to replace existing assets	1,123	627	1,079	265
Increase/(decrease) in reserves	(265)	60	333	(4,752)
Increase/(decrease) in investments	2	(135)	-	311
Total applications of capital funding	956	626	1,497	(4,163)
Surplus/(deficit) of capital funding	(837)	(517)	(1,506)	4,813
Funding balance	-	-	-	-





Item 6

Attachment 1

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2020	Notes	Council			Group	
		Actual 2020	Budget 2020	Actual 2019	Actual 2020	Actual 2019
		\$000	\$000	\$000	\$000	\$000
REVENUE						
Rates	3	191,728	191,657	181,153	191,728	181,153
Fees and charges	5	38,215	38,077	40,677	46,067	49,957
Subsidies and grants	4	10,963	6,907	6,851	10,963	6,851
Interest revenue	6	1,431	1,650	3,706	1,431	3,707
Other revenue	7	7,411	20,128	7,569	7,488	9,177
Development contributions	9	32,198	25,387	24,632	32,198	24,632
Capital revenue	10	42,446	69,690	35,516	42,446	35,516
Vested assets	11	49,147	31,230	33,666	49,147	33,666
Total revenue		373,539	384,726	333,770	381,468	344,661
EXPENSES						
Personnel costs	12	83,359	80,369	75,923	85,877	77,940
Depreciation and amortisation expense	14	73,381	76,564	69,033	74,361	70,220
Finance costs	13	17,726	24,862	20,246	18,005	20,469
Operating and maintenance costs	15	50,895	48,590	46,901	55,075	52,925
Professional costs	15	13,322	12,236	9,588	13,385	9,825
Administration costs	15	24,698	21,446	17,304	24,871	23,499
Property costs	15	9,922	10,816	9,757	9,922	9,757
Total expenses		273,303	274,883	248,752	281,496	264,635
Operating surplus/(deficit)		100,236	109,843	85,018	99,972	80,026
Gains	8	13,409	579	4,637	13,409	5,591
Losses	8	(32,689)	-	(24,094)	(32,699)	(25,160)
Share of associates' surplus/(deficit)		-	-	-	4,947	1,033
Surplus/(deficit) before tax		80,956	110,422	65,561	85,629	61,490
Income tax expense	16	-	-	-	(79)	(13)
Surplus/(deficit) after tax		80,956	110,422	65,561	85,708	61,503
Other comprehensive revenue and expense						
<i>Items that could be reclassified to surplus/(deficit)</i>						
Financial assets at fair value through other comprehensive revenue and expense	32	650	-	945	650	945
<i>Items that will not be reclassified to surplus/(deficit)</i>						
Gain on property, plant and equipment revaluations	32	4,747	85,110	280,468	4,747	287,763
Income tax on other comprehensive revenue and expense	32	-	-	-	-	(605)
Impairment of revalued property plant and equipment	32	(201)	-	(2,893)	(201)	(2,893)
Other revaluation reserve movements	32	-	-	(6,864)	-	(6,864)
Total other comprehensive revenue and expense		5,196	85,110	271,656	5,196	278,346
Total comprehensive revenue and expense		86,152	195,532	337,217	90,904	339,849
Surplus/(deficit) attributable to:						
Hamilton City Council		80,956	110,422	65,561	85,734	61,123
Non-controlling interest		-	-	-	(26)	380
Total comprehensive revenue and expense attributable to:						
Hamilton City Council		86,152	195,532	337,217	90,930	339,003
Non-controlling interest		-	-	-	(26)	846

The accompanying notes form part of these financial statements.

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

The Annual Plan 2019/20 Budget and 2018/19 Actuals have been reclassified see note 36.

BALANCING THE BOOKS MEASURE

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Council		
		Actual 2020	Budget 2020	Actual 2019
		\$000	\$000	\$000
Surplus/(deficit) before tax		80,956	110,422	65,561
Adjustments for balancing the books measure				
Remove capital revenue				
Vested assets	11	(49,147)	(31,230)	(33,666)
Part of development and financial contributions ¹		(23,505)	(16,502)	(17,200)
Capital subsidy (excluding subsidy on transport renewals) ²		(26,199)	(52,022)	(19,149)
Other capital contributions		(9,113)	(11,146)	(8,361)
Other items not considered everyday operating revenue ³		(754)	(13,412)	(169)
Remove gains/losses				
All gains/(losses)		19,280	(579)	19,457
Remove other expenses				
Other items not considered everyday operating expenses ⁴		126	7,160	18
Balancing the books surplus/(deficit)		(8,356)	(7,309)	6,491

¹ Development contributions contain an element of funding for interest costs that are part of everyday expenses. An adjustment is made to match the revenue with the expense.

² Subsidy on transport renewals is adjusted to recognise that this is funding a portion of the depreciation on these renewals.

³ Adjustment for fair value calculation on the Housing Infrastructure Fund loans.

⁴ Adjustment for grants to other parties to invest in significant assets for the benefit of the city and fair value discount unwinding on the Housing Infrastructure Fund loans.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Council			Group	
		Actual 2020	Budget 2020	Actual 2019	Actual 2020	Actual 2019
		\$000	\$000	\$000	\$000	\$000
Equity balance at 1 July		3,926,307	3,910,388	3,589,090	3,979,326	3,639,477
Total comprehensive revenue and expense for the year		86,152	195,532	337,217	90,904	339,849
Equity balance at 30 June	32	4,012,459	4,105,920	3,926,307	4,070,230	3,979,326
Accumulated comprehensive revenue and expense						
Balance at beginning of year		1,825,150	1,801,331	1,756,116	1,840,928	1,776,282
Operating surplus/(deficit)		80,956	110,422	65,561	85,734	61,123
Transfers (to)/from restricted and council created reserves		(40)	617	331	(40)	331
Transfer from property revaluation reserves on disposal		(3,346)	-	3,142	(3,346)	3,192
Balance at end of year	32	1,902,720	1,912,370	1,825,150	1,923,276	1,840,928
Revaluation reserves						
Balance at beginning of year		2,061,447	2,069,215	1,792,933	2,094,489	1,819,801
Total other comprehensive revenue and expense		5,196	85,110	271,656	5,196	277,880
Transfer to accumulated comprehensive revenue and expense on disposal		3,346	-	(3,142)	3,346	(3,192)
Balance at end of year	32	2,069,989	2,154,325	2,061,447	2,103,031	2,094,489
Restricted and council created reserves						
Balance at beginning of year		39,710	39,842	40,041	39,710	40,041
Transfers (to)/from reserves		40	(617)	(331)	40	(331)
Balance at end of year	32	39,750	39,225	39,710	39,750	39,710
Non-controlling interest		-	-	-	4,173	4,199
Equity balance at 30 June	32	4,012,459	4,105,920	3,926,307	4,070,230	3,979,326

The accompanying notes form part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020	Notes	Council		Group	
		Actual 2020	Budget 2020	Actual 2019	Actual 2019
		\$'000	\$'000	\$'000	\$'000
Assets					
Current assets					
Cash and cash equivalents	17	104,207	46,440	51,489	104,382
Receivables	18	28,897	18,360	27,966	29,719
Prepayments		2,261	1,712	2,214	2,369
Inventory	19	164	160	168	495
Non-current assets held for sale	20	2,396	-	-	2,396
Other financial assets	22	11,414	-	2,541	11,414
Total current assets		149,339	66,672	84,378	150,775
Non-current assets					
Derivative financial instruments	21	1,084	-	956	1,084
Other financial assets					
- Investment in CCOs and other similar entities	22	11,230	9,516	10,445	7,230
- Other Investments	22	10,557	8,867	5,959	10,557
Total other financial assets	22	21,787	18,383	16,404	17,787
Investment in associates	23	7,430	7,430	7,430	57,207
Property, plant and equipment	24	4,438,664	4,632,252	4,280,869	4,458,228
Intangible assets	25	24,702	21,082	19,337	24,703
Investment property	26	29,768	23,754	31,989	29,768
Total non-current assets		4,523,435	4,702,901	4,356,985	4,588,777
Total assets		4,672,774	4,769,573	4,441,363	4,739,552
Liabilities					
Current liabilities					
Payables and deferred revenue	27	39,628	32,125	40,345	40,024
Derivative financial instruments	21	538	4,119	520	538
Employee entitlements	28	9,624	6,520	7,740	9,857
Provisions	29	2,816	771	2,264	2,816
Borrowings	30	73,751	42,800	43,258	73,991
Total current liabilities		126,357	86,335	94,127	127,226
Non-current liabilities					
Payables and deferred revenue	27	-	-	-	131
Derivative financial instruments	21	59,637	14,906	47,268	59,637
Employee entitlements	28	970	1,100	935	970
Provisions	29	18,644	23,209	14,162	18,816
Deferred tax liability	16	-	-	-	2,850
Borrowings	30	454,707	538,103	358,564	459,692
Total non-current liabilities		533,958	577,318	420,929	542,096
Total liabilities		660,315	663,653	515,056	669,322
Net assets		4,012,459	4,105,920	3,926,307	4,070,230
Equity					
Accumulated comprehensive revenue and expense	32	1,902,720	1,912,370	1,825,150	1,923,276
Other reserves	32	2,069,989	2,154,325	2,061,447	2,103,031
Restricted reserves	32	38,881	38,789	38,395	38,881
Council created reserves	32	869	436	1,315	869
Non-controlling interest	32	-	-	-	4,173
Total equity		4,012,459	4,105,920	3,926,307	4,070,230

The accompanying notes form part of these financial statements.

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020	Notes	Council			Group	
		Actual 2020	Budget 2020	Actual 2019	Actual 2020	Actual 2019
		\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities						
Cash was provided from:						
Rates revenue		190,949	191,657	181,389	190,949	181,389
Fees and charges		36,208	38,077	38,078	44,282	47,449
Government operating subsidies and grants		11,495	6,907	5,729	11,495	5,729
Government capital subsidies and grants		45,694	58,544	21,940	45,694	21,940
Other capital contributions		30,860	36,533	33,701	30,860	33,701
Interest received		1,324	1,650	3,031	1,324	3,032
Dividends received		406	104	221	406	221
Sundry revenue		6,251	6,611	7,179	6,328	8,133
		323,187	340,085	291,268	331,338	301,594
Cash was applied to:						
Payments to employees		81,441	86,426	79,274	83,993	81,306
Payments to suppliers		103,531	87,031	82,597	107,350	95,103
Interest paid		18,285	22,586	19,271	18,565	19,516
Tax payments		-	-	-	41	15
Net GST paid		(2,606)	-	522	(2,622)	685
		200,651	196,043	181,664	207,327	196,625
Net cash flow from operating activities	34	122,536	144,042	109,604	124,011	104,969
Cash flows from investing activities						
Cash was provided from:						
Proceeds from reduction in other financial assets		2,129	-	52,280	2,129	58,238
Proceeds from sale of shares		-	2,125	-	-	-
Proceeds from sale of investment property		387	-	330	387	330
Proceeds from sale of property, plant and equipment		987	-	2,546	987	2,577
		3,503	2,125	55,156	3,503	61,145
Cash was applied to:						
Acquisition of investments		14,014	-	-	14,014	1,016
NZLGFA borrower notes		1,600	1,660	-	1,600	-
Payments to investment in associates		-	-	-	997	-
Purchase of investment property		103	-	4,072	103	4,072
Purchase of intangible assets		8,634	-	2,689	8,634	2,689
Purchase of property, plant and equipment		177,033	323,605	140,488	177,529	140,677
		201,384	325,265	147,249	202,877	148,454
Net cash flow from investing activities		(197,881)	(323,140)	(92,093)	(199,374)	(87,309)
Cash flows from financing activities						
Cash was provided from:						
Loans raised		158,310	218,838	68,724	171,130	70,764
Finance leases raised		352	-	527	352	527
		158,662	218,838	69,251	171,482	71,291
Cash was applied to:						
Loan repayments		30,000	42,500	83,000	42,709	85,600
Finance lease repayments		599	300	687	599	687
		30,599	42,800	83,687	43,308	86,287
Net cash flow from financing activities		128,063	176,038	(14,436)	128,174	(14,996)
Net increase/(decrease) in cash held		52,718	(3,060)	3,075	52,811	2,664
Opening cash and cash equivalents balance		51,489	49,500	48,414	51,571	48,907
Closing cash and cash equivalents balance	17	104,207	46,440	51,489	104,382	51,571

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1: STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

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

Innovation Waikato Limited, a 100% owned subsidiary, was liquidated in June 2018 and Vibrant Hamilton Trust, a 100% controlled subsidiary, was dissolved in August 2019.

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

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

The financial statements of the Council and Group are for the year ended 30 June 2020. The financial statements were authorised for issue by Council on 22 October 2020.

BASIS OF PREPARATION

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

STATEMENT OF COMPLIANCE

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

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

PRESENTATION CURRENCY AND ROUNDING

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000), other than the remuneration and the severance payment disclosures in note 12, and the related party transaction disclosures in note 33. The remuneration, severance payment, and related party transaction disclosures are rounded to the nearest dollar.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies.

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

• FINANCIAL INSTRUMENTS

PBE IPSAS 41 Financial Instruments replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement and PBE IFRS 9 Financial Instruments and is effective for financial years beginning on or after 1 January 2022, with earlier adoption permitted. The main changes compared to PBE IPSAS 29 that are relevant to the Council and Group are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which might result in the earlier recognition of impairment losses.

Although the Council and Group has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9 and PBE IPSAS 41.

• SERVICE PERFORMANCE REPORTING

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

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

• STATEMENT OF CASH FLOWS

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

BASIS OF CONSOLIDATION

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

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions (including those for which foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and

losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

GOODS AND SERVICES TAX (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

BUDGET FIGURES

The budget figures are those approved by the Council in its 2019/20 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

- Estimating the fair value of interest rate swap yield curves - note 21
- Estimating the fair value of land, buildings and infrastructure assets - note 24
- Estimating the fair value of investment property - note 26
- Estimating retiring gratuities obligations - note 28
- Estimating the landfill aftercare provision - note 29
- Estimating the provision for uncollectability of receivables - note 18
- Estimating the impacts of COVID-19 - Impacts of COVID-19 section - page 20.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying accounting policies

- Donated or vested land and buildings with use or return conditions - note 11
- Classification of property - note 24
- Assessing control and significant influence over the investment in associate - note 23.

NOTE 2: SUMMARY REVENUE AND EXPENDITURE FOR GROUP OF ACTIVITIES

ACCOUNTING POLICY

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

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

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

There have been no changes to the cost allocation methodology during the year.

BREAKDOWN OF SUMMARY REVENUE AND EXPENDITURE FOR GROUP OF ACTIVITIES	Council	
	Actual 2020	Actual 2019
	\$000	\$000
Revenue		
Arts and Community	647	910
Planning and Development	11,770	12,296
Venues, Tourism and Major Events	7,062	7,958
Visitor Attractions	3,125	3,813
Safety	2,268	2,179
Democracy Services	210	60
Parks and Recreation	9,402	9,798
Rubbish and Recycling	987	1,068
Stormwater	8,587	8,226
Transport	101,920	76,722
Wastewater	24,776	19,008
Water Supply	11,508	10,748
Total activity revenue	182,262	152,786
Less internal revenue	(451)	(169)
Rates	191,728	181,153
Total revenue	373,539	333,770
Expenditure		
Arts and Community	14,587	15,078
Planning and Development	17,513	15,194
Venues, Tourism and Major Events	24,827	24,180
Visitor Attractions	17,554	16,577
Safety	7,538	5,942
Democracy Services	3,278	2,569
Parks and Recreation	35,349	33,562
Rubbish and Recycling	13,344	7,739
Stormwater	16,735	15,534
Transport	58,111	51,659
Wastewater	38,572	35,800
Water Supply	26,343	25,090
Total activity expenditure	273,751	248,924
Less internal expenditure	(448)	(172)
Total expenditure	273,303	248,752

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

REVENUE CLASSIFIED AS EXCHANGE OR NON-EXCHANGE TRANSACTIONS	Council	
	Actual 2020	Actual 2019
	\$000	\$000
Revenue from exchange transactions		
Fees and charges	38,215	40,677
Rental income	3,583	4,236
Subsidies and grants	1,106	1,011
Targeted rates for water supply	8,460	8,526
Interest revenue	1,431	3,706
Total revenue from exchange transactions	52,795	58,156
Revenue from non-exchange transactions		
Development contributions	32,198	24,632
Subsidies and grants	9,857	5,840
Capital revenue	42,446	35,516
Infringements and fines	1,378	1,493
Other revenue	2,450	1,840
Rates, excluding targeted rates for water supply	183,268	172,627
Vested assets	49,147	33,666
Total revenue from non-exchange transactions	320,744	275,614
Total revenue	373,539	333,770

NOTE 3: RATES

ACCOUNTING POLICY

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

RATES PENALTIES

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

RATES REMISSIONS

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

METERED WATER RATES

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

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
General rates				
General rates	147,714	95,788	147,714	95,788
Rates charges to Council properties	(466)	(425)	(466)	(425)
Targeted rates				
Metered water supply	8,842	9,003	8,842	9,003
Metered water charges to Council properties	(382)	(477)	(382)	(477)
Business improvement district rate	304	298	304	298
Service category rates (water, refuse and sewerage)	1,280	1,204	1,280	1,204
Hamilton Gardens	729	652	729	652
Central city	146	146	146	146
Transitional rate	41,023	79,466	41,023	79,466
Access Hamilton	-	-	-	-
Penalties and remissions				
Rates penalties	973	920	973	920
Rates remissions	-	(1)	-	(1)
- Hardship	(276)	(217)	(276)	(217)
- HCC utilities	(6,948)	(4,160)	(6,948)	(4,160)
- HCC other	(968)	(841)	(968)	(841)
- Community shop 50%	(56)	(60)	(56)	(60)
- Sewerage/water/refuse	(187)	(143)	(187)	(143)
Total rates	191,728	181,153	191,728	181,153

The Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating Act) 2002 together with any revenue received by the Council from other local authorities for services provided by that Council for which those other local authorities rate. The annual rates income of the Council for the year ended 30 June 2020 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

	Council	
	2020	2019
Rates	\$000	\$000
Lump sum contributions	191,728	181,153
Total annual rates income	191,728	181,153

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
Rates	\$000	\$000
	191,728	191,657

Rates revenue was \$0.1 million favourable to budget. This was driven by:

- An increase in water by meter charges by \$0.5 million due to higher usage than anticipated
- This was offset by a decrease in rates due to lower ratepayer growth than anticipated.

NOTE 4: SUBSIDIES AND GRANTS

ACCOUNTING POLICY

NZ TRANSPORT AGENCY SUBSIDIES

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

OTHER GRANTS (INCLUDING GOVERNMENT GRANTS AND SUBSIDIES)

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
New Zealand Transport Authority roading subsidy - operating	9,857	5,840	9,857	5,840
Waste minimisation levy	647	639	647	639
Other grants*	459	372	459	372
Total grants, subsidies and reimbursements	10,963	6,851	10,963	6,851

* Other government grants and subsidies have been combined into Other grants

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
Subsidies and grants	\$000	\$000
	10,963	6,907

The variance to budget is due to a large operational project (Victoria Bridge Painting) being completed in the early part of this financial year and the Rotokauri Park & Ride project with a 100% NZTA subsidy received on expenditure. Council fulfilled its obligation to put infrastructure in place to enable KiwiRail to operate the rail link once completed.

NOTE 5: FEES AND CHARGES

ACCOUNTING POLICY

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

SALE OF GOODS

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

BUILDING AND RESOURCE CONSENTS

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

ENTRANCE FEES

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Animal control charges	1,039	1,079	1,039	1,079
Building and resource consent charges	10,859	11,487	10,859	11,483
Cemetery and crematorium charges	1,482	1,730	1,482	1,730
Event facilities charges	4,474	4,985	4,474	4,985
Hamilton Gardens charges	121	248	121	248
Parking fees	1,524	2,081	1,524	2,081
Swimming pools charges	2,236	2,336	2,236	2,336
Trade waste charges	2,783	3,238	2,620	3,111
Zoo charges	1,486	1,864	1,486	1,864
Other fees and charges*	3,460	5,697	3,460	5,697
Commission received	1,364	1,532	1,364	1,532
Sale of goods	2,754	2,665	4,439	6,208
Operating contributions**	4,633	1,735	4,633	1,735
Rendering of services	-	-	6,330	5,868
Total fees and charges	38,215	40,677	46,067	49,957

* Other income has been combined into Other fees and charges

** Environment Waikato Contribution and Shared services contributions has been combined into Operating contributions

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Fees and charges	38,215	38,077

Fees and charges were favourable to budget by \$0.2 million. The increase was spread across a number of activities. The large contributors being:

- A favourable variance in Operating contributions due to increased activity and demand for planning and development services
- A favourable variance in Other fees and charges due to higher than anticipated revenue from water take points due to increasing volumes of tankered water; and
- The favourable variances were offset by unfavourable variances at the Council's community facilities as a result of the COVID-19 lockdown.

NOTE 6: INTEREST REVENUE

ACCOUNTING POLICY

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Interest revenue				
Term deposits	1,290	2,550	1,290	2,551
Community loans (note 22)	59	80	59	80
Local authority and government bonds	47	146	47	146
Discount unwind on community loan (note 22)	35	930	35	930
Total interest revenue	1,431	3,706	1,431	3,707

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Interest revenue	1,431	1,650

Interest revenue was unfavourable by \$0.2 million to budget. This was due to lower interest rates.

NOTE 7: OTHER REVENUE

ACCOUNTING POLICY

INFRINGEMENTS FEE AND FINES

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

DIVIDENDS

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

INVESTMENT PROPERTY RENTAL REVENUE

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

BEQUESTS AND OTHER DONATIONS

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

FAIR VALUE GAINS

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Other revenue				
Infringements and fines*	1,378	1,493	1,378	1,493
Rental income**	3,583	4,236	3,583	4,236
Dividend revenue	406	221	406	221
Petrol tax income	1,167	1,232	1,167	1,232
Sponsorship income	1	57	1	57
Insurance claims	37	33	37	33
Donations received	79	108	79	108
Housing Infrastructure Fund - fair value benefit	754	169	754	169
Miscellaneous revenue	6	20	83	1,630
Total other revenue	7,411	7,569	7,488	9,179

* Infringements and fines - traffic, parking and other have all been combined into Infringements and fines.

** Rental revenue from investment properties, rents - residential and other rental income have all been combined into Rental income.

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Other revenue	7,411	20,128

Other revenue was unfavourable to budget by \$12.7 million. This was mainly due to a decrease in the fair value benefit on the Housing Infrastructure Fund not being received. This was a result of less development at Peacockes occurring than what we had budgeted for.

Rental income was also unfavourable to budget due to the Rental Relief scheme approved as part of the Council's COVID-19 response package.

OPERATING LEASES AS LESSOR

Investment property is leased under operating leases.

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Not later than one year	2,928	3,503	2,928	3,503
Later than one year and not later than five years	4,885	6,400	4,885	6,400
Later than five years	7,984	3,206	7,984	3,206
Total non-cancellable operating leases	15,797	13,109	15,797	13,109

No contingent rents have been recognised during the period.

NOTE 8: GAINS/(LOSSES)

ACCOUNTING POLICY

DERECOGNITION

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the surplus or deficit in the year the item is derecognised.

INVESTMENT PROPERTY

Investment property is property held to earn rentals and/or for capital appreciation. All investment properties are stated at fair value, as determined annually by independent valuers at the balance sheet date.

Gains or losses arising from changes in the fair value of investment properties are recognised in the surplus or deficit for the period in which the gain or loss arises.

INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities are financial instruments classified as held for trading and are measured at fair value. Any changes in value, creating gains or losses are recognised in the surplus or deficit for the period.

DERIVATIVE FINANCIAL INSTRUMENTS

The Council's activities expose it primarily to the financial risks of changes in interest rates. The Council uses interest rate swap contracts to hedge these exposures.

The Council does not use derivative financial instruments for speculative purposes.

	Council		Group	
	2020	2019	2020	2019
Gains	\$000	\$000	\$000	\$000
Property, plant and equipment gain on disposal (note 24)	219	989	219	989
Investment property revaluation gain (note 26)	541	604	541	604
Investment property revaluation gain on disposal	51	-	51	-
Realised gain on other financial assets	-	-	-	954
Unrealised gain on other financial assets (note 22)	-	-	-	-
Unrealised gain on revaluation of interest rate swaps (note 21)	12,598	3,044	12,598	3,044
Total gains	13,409	4,637	13,409	5,591
Losses				
Investment property loss on disposal	-	(45)	-	(45)
Property, plant and equipment loss on disposal (note 24)	(6,147)	(6,795)	(6,147)	(6,811)
Impairment of assets	(1,686)	-	(1,686)	-
Net foreign currency exchange loss	-	-	(1)	(31)
Unrealised loss on other financial assets (note 22)	-	-	(9)	(1,019)
Unrealised loss on revaluation of interest rate swaps (note 21)	(24,856)	(17,254)	(24,856)	(17,254)
Total losses	(32,689)	(24,094)	(32,699)	(25,160)
Total net gains/(losses)	(19,280)	(19,457)	(19,290)	(19,569)

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
Gains/(Losses)	\$000	\$000
	(19,280)	579

There was no losses budgeted due to the unpredictable nature of these items. The main contributors are:

- The net decrease in the revaluation of interest rate swaps by \$12.3 million due to a decline in market interest rates;
- The net loss on disposal of \$5.8 million due to asset data cleansing of transportation assets, asset replacements and disposal of LED lights at Arthur Porter Dr
- The impairment of assets as part of the Peacocks development.

NOTE 9: DEVELOPMENT CONTRIBUTIONS

ACCOUNTING POLICY

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Reserves	1,180	1,843	1,180	1,843
Stormwater	1,408	1,242	1,408	1,242
Transport	9,559	6,982	9,559	6,982
Wastewater	12,698	8,808	12,698	8,808
Water	7,353	5,757	7,353	5,757
Total development contributions	32,198	24,632	32,198	24,632

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Development contributions	32,198	25,387

Development contributions were \$6.8 million favourable to budget due to the higher than budgeted development growth in the city in the 2019/20 financial year. A new Development Contribution agreement of \$4.2 million was also entered into which increased both Water and Wastewater that were not budgeted for.

NOTE 10: CAPITAL REVENUE

ACCOUNTING POLICY

NZ TRANSPORT AGENCY ROADING SUBSIDIES - CAPITAL

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

CAPITAL CONTRIBUTIONS - GENERAL

Capital contributions are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Capital contributions - general	9,113	8,361	9,113	8,361
New Zealand Transport Authority roading subsidy - capital	33,333	27,155	33,333	27,155
Total capital revenue	42,446	35,516	42,446	35,516

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Capital contributions - general	9,113	11,146
New Zealand Transport Authority (NZTA) roading subsidy - capital	33,333	58,544
Total capital revenue	42,446	69,690

Capital Contribution were \$2 million unfavourable to budget. This was driven by less industrial and commercial developments than anticipated in the city requiring connections to the water, wastewater and stormwater networks.

NZTA capital subsidies were \$25.2 million unfavourable to budget. This is due to various capital projects such as the Peacocks subdivision and Ring Road projects, progressing slower than anticipated.

NOTE 11: VESTED ASSETS

ACCOUNTING POLICY

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as non-exchange revenue when we have control of the asset.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

ACCOUNTING FOR DONATED OR VESTED ASSETS WITH USE OR RETURN CONDITIONS

The Council has received assets from non-exchange transactions that contain use or return conditions. If revenue is not recognised immediately for such assets when received, there is the possibility that a liability would be recognised in perpetuity and no revenue would ever be recognised for the asset received.

The Council considers that an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognise revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Land	23,234	11,950	23,234	11,950
Stormwater	5,953	5,594	5,953	5,594
Transport	12,994	10,916	12,994	10,916
Wastewater	4,784	2,903	4,784	2,903
Water supply	2,182	2,068	2,182	2,068
Parks and gardens - land and improvements	-	230	-	230
Plant and equipment	-	5	-	5
Total vested assets	49,147	33,666	49,147	33,666

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Vested assets	49,147	31,230

Vested assets was favourable to budget by \$17.9 million. This was due to more transport and land assets being vested by \$15.3 million, wastewater by \$1.6 million, stormwater by \$0.7 million and water supply by \$0.3 million, due to more subdivision activity in the city.

NOTE 12: PERSONNEL COSTS

ACCOUNTING POLICY

SUPERANNUATION SCHEMES

Defined contribution schemes

Employer contributions to KiwiSaver is accounted for as a defined contribution superannuation scheme and is expensed in the surplus or deficit as incurred.

Employee entitlements for salaries and wages, annual leave and other similar benefit are recognised as an expense and liability when they accrue to employees.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Salaries and wages	76,195	70,449	78,665	72,430
Defined contribution plan employer contributions (include KiwiSaver)	1,441	1,332	1,489	1,368
Increase/(decrease) in employee benefit liabilities	1,920	677	1,920	677
Total salaries and wages	79,556	72,458	82,074	74,475
Other employee benefits	3,803	3,465	3,803	3,465
Total personnel costs	83,359	75,923	85,877	77,940

Prior year comparatives have been reclassified see note 36.

Refer to note 28 for the employee entitlement liability as at 30 June 2020 and 30 June 2019 and note 33 for further information on the remuneration of key management personnel and elected representatives.

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$'000	\$'000
Personnel costs	83,359	80,369

Staff remuneration was unfavourable against budget by \$3 million. This is due to higher costs associated with recruitment, additional staff being employed and an increase in the annual leave liability during COVID-19.

CHIEF EXECUTIVE REMUNERATION

The total remuneration paid or payable for the year to the Chief Executive was \$469,040 (2019: \$453,200).

For the period between 28 March 2020 and 9 October 2020 the Chief Executive contributed 20% of his post-tax salary into Council's COVID-19 Staff Hardship.

COUNCIL EMPLOYEE REMUNERATION BY BAND

The total annual remuneration by band for employees as at 30 June:

	2020
< \$60,000	600
\$60,000 - \$79,999	268
\$80,000 - \$99,999	180
\$100,000 - \$119,999	89
\$120,000 - \$139,999	55
\$140,000 - \$159,999	21
\$160,000 - \$179,999	9
\$180,000 - \$199,999	7
\$200,000 - \$279,999	9
> \$280,000	2
Total employees	1,240

The total annual remuneration by band for employees as at 30 June:

	2019
< \$60,000	607
\$60,000 - \$79,999	242
\$80,000 - \$99,999	160
\$100,000 - \$119,999	82
\$120,000 - \$139,999	41
\$140,000 - \$159,999	15
\$160,000 - \$179,999	10
\$180,000 - \$219,999	6
\$220,000 - \$279,999	9
\$280,000 - \$299,999	-
> \$300,000	1
Total employees	1,173

Total remuneration includes non-financial benefits provided to employees.

At 30 June 2020 there were five or fewer employees in the bands \$200,000 - \$219,999, \$220,000 - \$239,999, \$240,000 - \$259,999, \$260,000 - \$279,999 and \$280,000 - \$299,999. Therefore, these have been combined with the next highest band.

At 30 June 2019 there were five or fewer employees in the bands \$180,000 - \$199,999, \$200,000 - \$219,999, \$220,000 - \$239,999 and \$240,000 - \$259,999. Therefore, these have been combined with the next highest band.

At balance date, the Council employed 934 full-time employees (2019 873) with the balance of staff representing 154.83 full-time equivalent employees (2019 150.9). A full-time employee is determined on the basis of a 40 hour working week.

SEVERANCE PAYMENTS

For the year ended 30 June 2020, the Council made severance payments to eight employees totalling \$157,419 (2019 seven employees \$149,868). The value of each of the severance payments was \$1,000, \$9,360, \$10,000, \$16,635, \$20,000, \$20,000, \$20,000 and \$60,425. The amounts disclosed above represent any payment made in addition to the terms of the employment contract for each staff member.

NOTE 13: FINANCE COSTS

ACCOUNTING POLICY

All borrowing costs are recognised as an expense in the financial year in which they are incurred.

FAIR VALUE DISCOUNT UNWINDING

Fair value discount unwinding is recognised as a finance cost for borrowing a low or zero interest cost. The fair value benefit is recognised as other revenue.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Interest expense				
Interest on borrowings	8,195	11,237	8,474	11,460
Interest on finance leases	46	57	46	57
Discount unwind on provisions (note 29)	132	768	132	768
Fair value discount unwinding *	126	18	126	18
Interest derivatives (presented net)				
Interest rate swaps	9,227	8,166	9,227	8,166
Total finance costs	17,726	20,246	18,005	20,469

* The fair value discount unwinding is related to the Housing Infrastructure Fund loans.

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Finance costs	17,726	24,862

Finance costs were \$7.1 million favourable to budget. This was driven by:

- lower than budgeted external debt position
- lower than budgeted market interest rates
- lower than budgeted interest on the Landfill provision.

NOTE 14: DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

ACCOUNTING POLICY

Depreciation is provided on a straight-line basis at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

Amortisation is provided on intangible assets and begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Directly attributable depreciation and amortisation expense by group of activity				
Arts and Community	2,767	2,906	2,767	2,906
Venues, Tourism and Major Events	5,326	5,060	5,326	5,060
Parks and Recreation	5,822	5,426	5,822	5,426
Planning and Development	-	3	-	3
Visitor Attractions	2,181	1,995	2,181	1,995
Rubbish and Recycling	563	573	563	573
Safety	67	70	67	70
Wastewater	13,043	11,962	13,043	11,962
Stormwater	9,862	9,623	9,862	9,623
Transport	19,836	17,655	19,836	17,655
Water Supply	8,557	8,360	8,557	8,360
Total directly attributable depreciation and amortisation by group of activity	68,024	63,633	68,024	63,633
Depreciation and amortisation not directly related to group of activities	5,357	5,400	6,337	6,587
Total depreciation and amortisation expense	73,381	69,033	74,361	70,220

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Depreciation and amortisation	73,381	76,564

Depreciation was \$3.2 million favourable to budget. This was driven by:

- A favourable variance of \$1.5 million in Parks and Gardens due to the revaluation being lower than budgeted and to the deferral of capital projects;
- A favourable variance of \$0.4 million in Visitor Attractions due to less capital spend than anticipated
- A favourable variance of \$0.4 million in Stormwater due to deferrals
- An unfavourable variance of \$1.7 million in Transportation due to an increase in capitalisation of previously deferred projects
- A favourable variance of \$1.1 million in Water Supply due to deferrals
- A favourable variance of \$1.1 million in overheads due to deferrals of capital projects.

NOTE 15: OTHER EXPENSES

ACCOUNTING POLICY

GRANT EXPENDITURE

Non-discretionary grants are grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's decision.

OPERATING LEASES

An operating lease is a lease that does 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. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Professional costs:				
Fees to auditors:				
- fees to Audit New Zealand for audit of 2019/20 financial statements	233	230	282	285
- fees to Audit New Zealand for audit of 2018/19 financial statements	-	-	14	-
- fees to Audit New Zealand for other assurance services*	35	47	35	47
- fees to Audit New Zealand for audit of Debenture Trust Deed	8	4	8	4
- fees to Assurance CA firm for the internal audit function	141	93	141	93
- fees to Assurance firms for the accreditation, compliance and safety function	55	62	55	62
Consultants and other professional costs**	10,910	7,925	10,910	8,104
Legal Services	1,940	1,227	1,940	1,230
	13,322	9,588	13,385	9,825
Operating and maintenance costs:				
Contractors	29,070	21,688	29,070	21,688
Inventory consumption	522	578	522	578
Operating lease expense	133	177	156	200
Other operating costs	7,970	11,025	12,127	17,026
Maintenance and services	13,200	13,433	13,200	13,433
	50,895	46,901	55,075	52,925
Administration costs:				
General grants	3,474	2,687	3,474	8,882
Impairment of receivables (note 18)	135	40	135	40
Other administration costs	21,089	14,577	21,262	14,577
	24,698	17,304	24,871	23,499
Property Costs				
Insurance premiums	2,245	2,181	2,245	2,181
Other property costs	7,677	7,576	7,677	7,576
	9,922	9,757	9,922	9,757
Total other expenses	98,837	83,550	103,253	96,006

Prior year comparatives have been reclassified see note 36.

*The other assurance services paid to Audit New Zealand for the year ended 30 June 2019 was for procurement of professional services for the Peacocke Housing Infrastructure project. The other assurance services paid to Audit New Zealand for the year ended 30 June 2020 was for the review of the new financial system implementation.

** Other professional costs have been combined with Consultants.

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Operating and maintenance costs	50,895	48,590
Professional costs	13,322	12,236
Administration costs	24,698	21,446
Property costs	9,922	10,816
Other expenses	98,837	93,088

Other expenses were \$5.7 million above budget. This was due to:

- Operating and maintenance costs increased mainly in Transportation. This was due to the Planned Major Bridge Maintenance work on Victoria Bridge (ANZAC Pde) that was budgeted in the 2018/19 financial year however, due to ensuring compliance requirements were completed and further additional maintenance requirements that were discovered, the project was delayed and not completed until the early part of this financial year. There was also work completed on the Rotokauri Park and Ride project.
- Professional costs increased due to increases in provisions for legal proceedings.
- Administration costs increased due to increases in the Weathertight Homes and Landfill Aftercare provisions.
- Property costs decreased due to decreases in gas costs and insurance costs.

OPERATING LEASES AS LESSEE

Council leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 or 48 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Not later than one year	134	276	157	299
Later than one year and not later than five years	103	326	196	419
Later than five years	-	33	278	334
Total non-cancellable operating leases	237	635	631	1,052

The total minimum future sublease payments expected to be received under subleases at balance date is \$nil (2019: \$nil).

Leases can be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council has the option to purchase the asset at the end of the lease term except where Council is leasing land or buildings.

There are no restrictions placed on Council by any of the leasing arrangements.

NOTE 16: TAX

ACCOUNTING POLICY

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates (and tax laws) that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, using tax rates that have been enacted or substantially enacted by balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Current tax and deferred tax is recognised against the surplus or deficit for the period, except when it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

COMPONENTS OF TAX EXPENSE

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current tax expense	-	-	13	(23)
Deferred tax expense	-	-	(92)	10
Tax expense	-	-	(79)	(13)

RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Surplus/(deficit) before tax	80,956	65,561	85,629	61,490
Tax at 28%	22,668	18,357	23,976	17,217
Effect of tax exempt income	(22,668)	(18,357)	(23,976)	(17,217)
Taxation loss not recognised	-	-	-	-
Equity accounted earnings of associates	-	-	-	-
Deferred tax adjustment	-	-	(79)	(13)
Tax expense	-	-	(79)	(13)

MOVEMENT IN DEFERRED TAX ASSETS/(LIABILITIES) DURING THE YEAR

	Group				
	PPE	Investment properties	Other provisions	Tax losses	Total
Balance as at 1 July 2018	\$000	\$000	\$000	\$000	\$000
Acquired balance	(2,340)	-	(3)	16	(2,327)
Charged to surplus or deficit	-	-	-	-	-
Charged to other comprehensive income	15	-	(19)	(6)	(10)
Balance at 30 June 2019	(605)	-	-	-	(605)
Balance at 30 June 2019	(2,930)	-	(22)	10	(2,942)
Acquired balance	-	-	-	-	-
Charged to surplus or deficit	(74)	-	(9)	175	92
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2020	(3,004)	-	(31)	185	(2,850)

The parent has not recognised any deferred tax assets or liabilities during the period.

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following items:

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Tax losses – Council	141	138	141	138
Tax losses – Waikato Innovation Group Limited	-	-	185	10
	141	138	326	148

Under current income tax legislation the tax losses do not expire.

Deferred tax assets have not been recognised in respect of these items, as it is not probable that future taxable profits will be available against which the benefit of the losses can be utilised.

NOTE 17: CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short term highly liquid investments. The carrying value of cash at bank and short-term deposits with original maturities of less than three months approximates their fair value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Cash at bank and on hand	39,207	36,489	39,382	36,571
Term deposits with maturities of less than three months at acquisition	65,000	15,000	65,000	15,000
Total cash and cash equivalents	104,207	51,489	104,382	51,571

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Current assets		
Cash and cash equivalents	104,207	46,440

The favourable variance to budget of \$57.8 million is due to less cash being used to fund capital expenditure than initially expected. An additional \$50 million has been taken out in term deposits as a result.

ASSETS RECOGNISED IN A NON-EXCHANGE TRANSACTION THAT ARE SUBJECT TO RESTRICTIONS

The Council holds unspent funds, included in cash at bank and investments, of \$39.8 million (2019 \$39.7 million) that are subject to restrictions. These unspent funds relate to reserves (see note 32) received with restrictions where the spending of the funds is separately monitored. The restrictions generally specify how the funds are required to be spent.

Council has a bank overdraft facility of \$500,000 on the daily trading account that is secured by way of debenture trust deed over general rates. At 30 June 2020 the interest rate on the overdraft facility was 6% per annum (2019 6% per annum). The credit interest rate on this account was 0.05% per annum (2019 0.75% per annum).

Council has a bank overdraft facility of \$10,000 on the direct fees account that is also secured by way of debenture trust deed over general rates. At 30 June 2020 the interest rate was 6.0% per annum (2019 6.0% per annum).

NOTE 18: RECEIVABLES

ACCOUNTING POLICY

Short-term receivables are recorded at the amount due less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Rates receivables	4,113	3,389	4,113	3,389
New Zealand Transport Agency	8,986	12,349	8,986	12,349
Water by meter	2,470	1,765	2,470	1,765
GST refund due	3,017	4,029	3,017	4,029
Income tax receivable	-	-	10	91
Sundry debtors	12,567	8,896	13,379	9,721
Gross debtors and other receivables	31,153	30,428	31,975	31,344
Less: provision for uncollectability	(2,256)	(2,462)	(2,256)	(2,462)
Total receivables	28,897	27,966	29,719	28,882

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Total receivables comprise:	\$000	\$000	\$000	\$000
Receivables from non-exchange transactions include outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates.	17,974	20,050	17,984	20,141
Receivables from exchange transactions include outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates.	10,923	7,916	11,735	8,741
	28,897	27,966	29,719	28,882

FAIR VALUE

Receivables are generally short-term and non-interest bearing. Therefore, the carrying value of debtors and other receivables approximates their fair value.

ASSESSMENT FOR UNCOLLECTABILITY

Council does provide for impairment on overdue rates on Maaori freehold land. It has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Council to commence legal proceedings to cover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances.

THE AGEING PROFILE OF RECEIVABLES AT YEAR END IS DETAILED BELOW:

	2020			2019		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Council						
Not past due	22,277	-	22,277	22,528	(14)	22,514
Past due 1-60 days	2,635	-	2,635	3,216	(22)	3,194
Past due 61-120 days	574	-	574	626	(33)	593
Past due > 120 days	5,667	(2,256)	3,411	4,058	(2,393)	1,665
Total	31,153	(2,256)	28,897	30,428	(2,462)	27,966
Group						
Not past due	23,099	-	23,099	23,444	(14)	23,430
Past due 1-60 days	2,635	-	2,635	3,216	(22)	3,194
Past due 61-120 days	574	-	574	626	(33)	593
Past due > 120 days	5,667	(2,256)	3,411	4,058	(2,393)	1,665
Total	31,975	(2,256)	29,719	31,344	(2,462)	28,882

All receivables greater than 30 days in age are considered to be past due.

The provision for uncollectability has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

We have assessed our provision of uncollectability for the impacts of COVID-19. Sundry debtors was further impaired by \$54k. We are satisfied no further impairment is required for rates receivable or parking infringements. There has been a reduction in the parking infringement provision this year due to less parking debtors sitting with the courts.

	Council		Group	
	2020	2019	2020	2019
Individual provision for uncollectability	\$000	\$000	\$000	\$000
Collective provision for uncollectability	99	45	99	45
Total provision for uncollectability	2,256	2,462	2,256	2,462

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

	Council		Group	
	2020	2019	2020	2019
Past due 1-60 days	\$000	\$000	\$000	\$000
Past due 61-120 days	-	-	-	-
Past due > 120 days	99	45	99	45
Total individual provision for impairment	99	45	99	45

Movements in the provision for impairment of receivables are as follows:

	Council		Group	
	2020	2019	2020	2019
Balance at 1 July	\$000	\$000	\$000	\$000
Additional provisions made during the year	2,462	2,742	2,462	2,742
Provisions reversed during the year	56	75	56	75
Receivables written off during the year	(246)	(173)	(246)	(173)
Receivables written off during the year	(16)	(182)	(16)	(182)
Balance at 30 June	2,256	2,462	2,256	2,462

The Council and group holds no collateral as security or other credit enhancements over receivables (other than rates) that are either past due or impaired.

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
Receivables	\$000	\$000
	28,897	18,360

There was a favourable variance to budget by \$10.5 million. This was mainly driven by:

- Rates receivable was higher as rates income in advance was budgeted in rates debtors
- the GST refund for June 2020 was not paid until July 2020
- Sundry debtors was higher than expected at year end due to higher receivables in Planning and guidance, Parks and open spaces, City transportation, City waters and Trade waste.

NOTE 19: INVENTORY**ACCOUNTING POLICY**

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus/deficit in the period of the write-down.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Held for distribution inventory:				
Nursery	99	83	99	83
Retail	65	85	65	85
Goods in transit	-	-	-	395
Raw materials	-	-	331	1,086
Finished goods	-	-	-	2
Total inventory	164	168	495	1,651

The write-down of inventory during the year was \$nil (2019 \$nil). There have been no reversals of write-downs (2019 \$nil).

No inventory is pledged as security for liabilities (2019 \$nil). However, some inventory is subject to retention of title clauses.

NOTE 20: NON-CURRENT ASSETS HELD FOR SALE**ACCOUNTING POLICY**

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Non-current assets held for sale are:				
Land and buildings	2,396	-	2,396	-
Total Non-current assets held for sale	2,396	-	2,396	-

The Council-owned property on 145, 147, 149, 155 and 179 Ward St has been presented as held for sale following the approval by the Council in September 2019 to sell the properties. The completion date of the sale is expected to be by November 2020.

NOTE 21: DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Derivative financial instruments are used to manage exposure to interest rate risks arising from Council's financing activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The Council has elected not to hedge account for these derivative financial instruments.

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Non-current asset portion				
Interest rate swaps	1,084	956	1,084	956
Total non-current asset portion	1,084	956	1,084	956
Total derivative financial instrument assets	1,084	956	1,084	956
Current liability portion				
Interest rate swaps	538	520	538	520
Total current liability portion	538	520	538	520
Non-current liability portion				
Interest rate swaps	59,637	47,268	59,637	47,268
Total non-current liability portion	59,637	47,268	59,637	47,268
Total derivative financial instrument liabilities	60,175	47,788	60,175	47,788

INFORMATION ABOUT INTEREST RATE SWAPS

The notional principal amounts of the outstanding interest rate swap contracts for the Council and Group was \$318 million (2019 \$310.5 million). This includes \$132.5 million (2019 \$10 million) of forward start swaps, leaving \$185.5 million (2019 \$300.5 million) in actual committed swaps at 30 June 2020. At 30 June 2020 the fixed interest rates of fair value interest rate swaps ranged from 1.4% to 5.48% (2019 3.27% to 5.79%).

The Council and Group currently have no fair value hedges.

INFORMATION ABOUT FORWARD FOREIGN EXCHANGE CONTRACTS

The Council and Group currently have no foreign currency forward exchange contracts (2019 nil).

FAIR VALUE

Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected future cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

Sensitivity analysis in relation to the swaps has been completed, and is included at note 35.

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Derivative financial instrument assets	1,084	-
Derivative financial instrument liabilities (current and non-current)	60,175	19,025

There was a favourable variance to budget of \$1.1 million for derivative financial instrument assets and a unfavourable variance of derivative financial instrument liabilities of \$41.2 million. This is due to a decline in market interest rates. The official cash rate (OCR) decreased from 1.5% at 30 June 2019 to 1.25% at 30 June 2020.

NOTE 22: OTHER FINANCIAL ASSETS

ACCOUNTING POLICY

Financial assets (other than shares in subsidiaries) are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

TERM DEPOSITS AND COMMUNITY LOANS (LOANS AND RECEIVABLES)

For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as an interest expense.

After initial recognition, term deposits and loans to community organisations are measured at amortised cost using the effective interest method. Where applicable, interest accrued is added to the investment balance.

At year-end, the assets are assessed for indicators of impairment. Impairment is established when there is evidence we will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments are indicators that the asset is impaired. If assets are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

SHARES IN SUBSIDIARIES

The investment in subsidiaries is carried at cost.

UNLISTED SHARES

Shares (other than shares in subsidiaries) and listed bonds (other than those designated as held to maturity) are designated at fair value through other comprehensive revenue and expense.

After initial recognition, the shares are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

For shares, a significant or prolonged decline in the fair value of the shares below its cost is considered to be objective evidence of impairment.

IMPAIRMENT

Impairment in term deposits, local authority stock, government stock bonds, general and community loans are recognised directly against the instruments' carrying amount.

If impairment evidence exists, the cumulative loss recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

Impairment losses on shares recognised in the surplus or deficit are not reversed through the surplus or deficit.

We have completed impairment assessments for all our other financial assets to assess for the impacts of COVID-19 and have determined that no impairment is required.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current portion				
Loans and receivables				
Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months	10,800	400	10,800	400
- Interest accrual	189	42	189	42
Community loans	425	2,094	425	2,094
- Interest accrual	-	5	-	5
Total current portion	11,414	2,541	11,414	2,541
Non-current portion				
Investment in CCOs and similar entities				
Shares in subsidiaries	4,000	4,000	-	-
Waikato Local Authority Shared Services Ltd (WLASS)	291	291	291	291
NZ Local Government Funding Agency Ltd (NZLGFA)	6,939	6,154	6,939	6,154
	11,230	10,445	7,230	6,445
Other Investments				
Term deposits with maturities greater than 1 year	6,880	5,280	6,880	5,280
- Interest accrual	299	356	299	356
Community Loans	3,189	-	3,189	-
Civic Financial Services Ltd (Civic)	189	323	189	323
	10,557	5,959	10,557	5,959
Total non-current portion	21,787	16,404	17,787	12,404
Total other financial assets	33,201	18,945	29,201	14,945

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Other financial assets (current and non-current)	33,201	18,383

Other financial assets was favourable to budget by \$14.8 million. This was due to:

- additional cash on hand of \$10 million invested and maturity matched with cashflow requirements
- the community loans was also higher by \$4.2 million due to a loan to Melody Dairies Limited Partnership for their second spray dryer.

FAIR VALUE

TERM DEPOSITS

The carrying amount of term deposits approximates their fair value.

COMMUNITY LOANS

The fair value of community loans is \$3.6 million (2019: \$2.1 million) which is made up of the loan to Melody Dairies Limited Partnership (2019: Warehouse Storage Ltd).

The carrying value approximates fair value as the loan provided is at a market related interest rate.

SHARES IN SUBSIDIARIES

Council has 100% shareholding in Waikato Innovation Growth Ltd (WIGL). WIGL Group financial results have been consolidated.

OTHER INVESTMENTS

Civic Financial Services Ltd reported a surplus for the year ended 31 December 2019 of \$2 million (31 December 2018 surplus \$0.9 million). Council has made an adjustment through surplus/(deficit) to reflect its share of the decrease in net equity of the company resulting from the surplus for the year.

UNLISTED SHARES

WIGL has a 70% shareholding in New Zealand Food Innovation (Waikato) Ltd (NZFIW).

Investments in unlisted shares are initially recognised at cost and subsequently measured at fair value with any movements in fair value recognised directly in other comprehensive income.

The carrying amount of other financial assets approximates their fair value.

IMPAIRMENT/GAIN

A gain of \$784,000 (2019: \$818,000 gain) was made to Council's investment in NZ Local Government Funding Agency Ltd (NZLGFA) to reflect Council's share of the increase in NZLGFA's equity resulting from an operating surplus for the year ended 30 June 2020. Waikato Local Authority Shared Services Ltd (WLASS) financial statements were not available in time to reflect Council's share of the increase in WLASS's equity for the year ended 30 June 2020 (2019: \$111,000 gain). A loss of \$134,000 (2019: \$16,000 gain) was made to Council's investment in Civic Financial Services Ltd to reflect Council's share of the increase in Civic's equity resulting from an operating surplus and reduction in equity due to the dividend being paid for the year ended 31 December 2019.

COMMUNITY LOANS

MOVEMENTS IN THE CARRYING VALUE OF COMMUNITY LOANS ARE AS FOLLOWS:

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
At 1 July	2,098	22,295	2,098	22,295
Amount of new loans during the year	4,249	-	4,249	-
Fair value adjustment on initial recognition	-	-	-	-
Loans repaid during the year (principal and interest)	(2,828)	(21,207)	(2,828)	(21,207)
Impairment loss recognised during the year	-	-	-	-
Unwind of discount and interest charged	95	1,010	95	1,010
At 30 June	3,614	2,098	3,614	2,098

The Council's community loan scheme is designed to help not-for-profit organisations in the Hamilton community to develop or improve new or existing facilities and other major projects. Only organisations with the ability to repay are granted loans.

The fair value of loans at initial recognition has been determined using cash flows discounted at a rate based on the loan recipient's assessed financial risk factors.

SHARES IN SUBSIDIARIES

BREAKDOWN OF SHARES IN SUBSIDIARIES AND FURTHER INFORMATION IS AS FOLLOWS:

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Waikato Innovation Growth Ltd (WIGL)	4,000	4,000	-	-
Total investments in subsidiaries	4,000	4,000	-	-

PRINCIPAL ACTIVITY

The purpose of Waikato Innovation Growth Ltd is to provide business and innovation advisory services for small and medium-sized enterprises (SMEs) and High Value Manufacturing and Services (HVMS) businesses in the Waikato Region and to promote innovation in the food industry.

NOTE 23: INVESTMENT IN ASSOCIATES

ACCOUNTING POLICY

An associate is an entity over which we have significant influence and that is neither a subsidiary nor an interest in a joint venture.

The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.

If the share of deficits of an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the group transacts with an associate, surpluses or deficits are eliminated to the extent of the group's interest in the associate.

The investment in the associate is carried at cost in the Council's parent entity financial statements.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Council's main objective in the ownership of Waikato Regional Airport Limited is to support and provide economic growth to our community which can benefit from opportunities that Airport provides. The Council has concluded that it has significant influence but does not control the Airport for financial reporting purposes. Council does not have power over the entity and is not able to use its power to affect the nature or amount of the variable benefits to which the Council is exposed as a result of its involvement with the entity.

BREAKDOWN OF INVESTMENT IN ASSOCIATE AND FURTHER INFORMATION

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Waikato Regional Airport Limited	7,430	7,430	53,597	48,644
Melody Dairies Limited Partnership	-	-	3,610	2,619
Total	7,430	7,430	57,207	51,263

SUMMARISED FINANCIAL INFORMATION OF ASSOCIATE PRESENTED ON A GROSS BASIS

	Group	
	2020	2019
	\$000	\$000
Waikato Regional Airport Limited		
Assets	132,580	124,220
Liabilities	25,386	26,935
Revenue	24,396	14,812
Surplus/(deficit) after tax	10,209	2,329
Group's interest	50%	50%
Melody Dairies Limited Partnership		
Assets	57,389	25,481
Liabilities	23,092	3,982
Revenue	-	-
Surplus/(deficit)	(106)	(72)
Group's interest	10%	10%

Details of any contingent liabilities arising from the group's involvement in an associate are disclosed separately in note 31.

Melody Dairies Limited Partnership (MDLP) is 10% owned by NZFIW D2 LP Limited. Significant judgement and assumptions have been used to determine that New Zealand Food Innovation (Waikato) Limited Group (NZFIW Group) has significant influence over MDLP. NZFIW Group has a representation on the board of directors of MDLP. Due to the existing Management Agreement between NZFIW Group and MDLP, NZFIW Group is considered providing essential technical information to MDLP. As a result, it has been determined that NZFIW Group has significant influence over MDLP and therefore should account for it as an associate under NZ IAS 28 Investments in Associates and Joint Ventures. Melody Dairies Limited Partnership's principle place of business is 12 Melody Ln, Hamilton.

We have considered the impacts of COVID-19 on our investment in associates and have determined that no impairment was required.

NOTE 24: PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, plant and equipment include:

• Operational assets

These are land, buildings (including cultural assets and leisure facilities), improvements, non-restricted parks and gardens, plant and equipment, leased assets, vehicles, zoo animals and library books.

Land, buildings, parks and gardens improvements are measured at fair value. All other assets are measured at cost less accumulated depreciation and impairment losses.

Zoo animals are held primarily for social and recreational purposes. The capital cost is the actual expense incurred in acquiring the zoo animal.

• Restricted assets

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

Land is measured at fair value.

• Heritage assets

These are museum collections and library collections (New Zealand Room) and are measured at fair value.

• Infrastructure assets

These are the fixed utility systems owned by the Council. Each asset type includes all items that are required for the network to function.

Land (except land under roads) is measured at fair value. Infrastructure assets (except land) are measured at fair value less accumulated depreciation.

Revaluation

Land, buildings and improvements, heritage assets, and infrastructure assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every five years.

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

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

The cost of an item of property plant and equipment, and costs incurred subsequent to initial acquisition, is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or a nominal cost, it is recognised at fair value at the date of acquisition.

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

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and heritage assets, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

ASSET CLASS	YEARS	DEPRECIATION RATE
BUILDINGS	2 - 200	0.5% - 50%
VEHICLES	3 - 15	6.7% - 33.3%
PLANT AND EQUIPMENT	5 - 50	2% - 20%
LIBRARY BOOKS	3 - 14	7.1% - 33.3%
ZOO ANIMALS	10	10%
IMPROVEMENTS - PARKS AND GARDENS	2 - 150	0.7% - 50%
ROADS AND TRAFFIC NETWORK		
Top surface (seal)	5 - 20	5% - 20%
Pavement (basecourse)	50 - 140	0.7% - 2%
Concrete Roads	60	1.7%
Drainage	60 - 70	1.4% - 1.7%
Car parks	6 - 110	0.9% - 17%
Footpaths and cycleways	5 - 75	1.3% - 20%
Kerbs and traffic islands	20 - 60	1.7% - 5%
Signs	15	6.7%
Street lights	5 - 50	2% - 20%
Bridges and culverts	40 - 150	0.7% - 2.5%
Underpasses	80	1.3%
Traffic signals	15	6.7%
Guarding and railing	20 - 25	4% - 5%
Bus shelters and fences	20	5%
Retaining walls	50 - 100	1% - 2%
WASTEWATER RETICULATION		
Pipes	30 - 100	1% - 3.3%
Manholes	100	1%
Treatment plant	5 - 100	1% - 20%
Valves	40 - 75	1.3% - 2.5%
Pump stations	15 - 100	1% - 6.7%
STORMWATER SYSTEM		
Pipes	30 - 100	1% - 3.3%
Manholes, inlets and outlets	100	1%
Soakage trench	50	2%
Fish Pass	50	2%
Channels	70-90	1.1% - 1.4%
Erosion control	50-100	1% - 2%
WATER RETICULATION		
Bulk main chambers	100	1%
Backflow devices	40	2.5%
Pipes	40 - 100	1% - 2.5%
Valves	40 - 75	1.3% - 2.5%
Treatment plant	5 - 100	1% - 20%
Meters	15	6.7%
Hydrants	50 - 75	1.3% - 2%
Cathodic Protection Device	15-100	1% - 6.7%
Reservoirs	15 - 100	1% - 6.7%
REFUSE - RUBBISH AND RECYCLING	5 - 100	1% - 20%

The residual value and useful life of an asset is reviewed and adjusted if applicable.

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

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

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use cash-generating assets

Cash generating assets are those assets held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Management has exercised critical judgement in applying accounting policies to the classification of property.

The Council owns some rental properties, which are not held for generating a profit from renting. The receipt of market-based rental from these properties is incidental. These properties are held for service delivery objectives and are therefore accounted for as property, plant and equipment rather than as investment property.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

ESTIMATING THE FAIR VALUE OF LAND, BUILDINGS AND INFRASTRUCTURE

The most recent valuation of land and buildings was performed by independent registered valuers QV Asset & Advisory, Personnel Involved Andrew Jaques, Iain Sutherland, Maria McHugh, Andrew Parkyn in conjunction with Hamilton City Council staff. The valuation is effective as at 30 June 2019.

Land (operational, restricted, infrastructure and parks and gardens)

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values.

Where there is a designation against the land or the use of the land is restricted because of reserve or endowment status, the valuation approach reflects the restriction in use.

Restrictions on the Council's ability to sell land would normally not impair the value of the land because the Council has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

Buildings

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using several significant assumptions. Significant assumptions used in the 30 June 2019 valuation include:

- The assessment of unit rates is based on the asset component being replaced with the least cost alternative modern equivalent asset providing the same service potential
- Base lives vary by component and are based on the NAMS Building Component guidelines, NAMS valuation manual or on staff experience.
- Depreciation was applied to depreciable assets on a straight-line basis over the assessed total economic life of the asset.

Non-specialised buildings (for example, office buildings) are valued at fair value using market-based evidence.

Heritage assets

Library Heritage collection (Central Library Reference Collection) is valued at fair value. Major collection items have been valued separately or by formulae based on quantity measurements and determined by details provided by a random cross section sampling methodology.

The most recent valuation for the Library Reference Collection was performed by Pam Plumbly, Rare Book Consultant, Art + Object, The 21st Century Auction House, and James Parkinson, Director of Valuations and Collections Management, Art + Object. The last revaluation was effective as at 1 July 2014.

Museum Heritage Collection is valued at fair value using various methods as follows:

- a) Reference to observable prices in an active market. Where that market exists for the same or similar asset the market prices are deemed to be fair value. The values ascribed are primarily based on observable prices in both the primary retail market and the secondary auction market.
- b) If there is no active market, fair value is determined by other market based evidence adjudged by the valuers as active and knowledgeable participants in the market.

When ascribing values, consideration was given to the following:

- Historical and cultural significance recognising that there is a strong trend in sales that reflect this significance
- Comparison with the values ascribed to the value of similar items held in other institutions.
- Recent auction catalogue sales nationally and/or internationally. These values are known by the valuer's attendance at sales as well as by access to numerous auction houses and on-line data base records, such as the Australian Art Sales Digest which tracks sales results across all the major auction houses in Australasia.

The most recent valuation for the Museum Heritage Collection was performed by Ben Plumbly, Director of Art, Art + Object, The 21st Century Auction House, and James Parkinson, Director of Valuations and Collections Management of Art + Object. The last revaluation was effective as at 1 July 2014.

The valuation was delayed during 2019/20 financial year due to the restrictions in accessing the assets, because of the COVID-19 lockdown. It will now be performed in 2020/21 financial year.

Parks and gardens improvements

Parks and gardens improvements are valued at fair value using depreciated replacement cost.

The most recent valuation was performed by Sarah Ward (Strategic Asset Specialist) and Justin Lu (Business and Asset Analyst) and independently reviewed by Brian Smith BCom, CA of Brian Smith Advisory Services Ltd. The valuation was effective as at 1 July 2019.

This Valuation covers parks type assets for the Parks and Open Spaces, Hamilton Gardens, Cemeteries and Crematorium and Hamilton Zoo activities. It excludes parks types Assets for Venue, Tourism & Major Events (VTME).

A desktop revaluation has been carried out for the VTME park type assets.

Replacement unit rates have been reviewed and adjusted according to:

- Project leader knowledge and pricing from recent renewal contracts
- The Statistics NZ Capital Goods Price Index.

The existing Useful Lives were reviewed to ensure they were appropriate. 2019 revised useful lives did not vary largely from those recommended in the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines developed in 2006.

Infrastructure assets

Infrastructure assets are valued at fair value using the depreciated replacement cost method.

The most recent valuation for water reticulation, wastewater reticulation and pump stations, stormwater and solid waste sites was performed by Orapai Woon, Neville Blackett and Darren Teulon of Hamilton City Council and independently reviewed by CH2M Beca Limited. The valuation was effective as at 1 July 2018.

The most recent valuation for water and wastewater treatment plants, and water reservoirs was performed CH2M Beca Limited. The valuation was effective as at 1 July 2018.

The most recent valuation for transport assets (excluding land) was performed by Kevin Dunn, Associate – Asset Management, of Beca Valuations Ltd (New Zealand). The valuation was effective as at 1 July 2016.

There are several estimates and assumptions exercised when valuing infrastructure assets using the depreciated replacement cost method. These include:

- Estimating the replacement cost of the asset. The replacement cost is based on recent construction contracts in the region for modern equivalent assets, from which unit rates are determined.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example, weather patterns, soil types and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructure asset lives have been determined with reference to the NAMS guidelines published by the National Asset Management Steering Group and have been adjusted for local conditions based on staff experience. Asset inspections, deterioration and condition-modelling are also carried out regularly as part of asset management planning activities, which provides further assurance over useful life estimates.
- For the small number of assets that had no recorded construction date a default construction date of half the life or a date relative to the other dates for like assets, has been assigned.
- When valuing the top surface (the surface treatment currently on the top of the road pavement) the following key assumptions have been made:
 - o Treatment lengths carrying >10,000 vehicle per day were assumed to be resurfaced with AC at the end of their theoretical life
 - o 1st coats have been valued with a zero rate as the cost is included in the pavement renewal treatment included in the basecourse valuation.
- When valuing the carparks, replacement costs for flexible pavement layers are assumed to match the similar layers for treatment lengths with life cycles aligning to pavement use 3 category roads due to traffic inflow and outflow, commodity parking restriction and turnaround times. It is also assumed concrete car parks are 200mm deep with steel mesh reinforcement.

Impacts of COVID-19 on the fair value of assets

The fair value of all assets at 30 June 2020 have been re-assessed in light of COVID-19. We are satisfied that carrying value of assets represent the fair value.

Uninsured assets

Since 1 July 2013 Council has insurance cover for material damage for the underground pipe networks, bridges and reservoirs. This is cover in the event of a major incident or disaster. The road network assets remain uninsured.

NOTE 24: PROPERTY, PLANT AND EQUIPMENT

COUNCIL 2020

	Cost/ valuation	Accumulated depreciation & impairment	Carrying amount	Cost transfers / reclassifications	Accumulated depreciation transfers / reclassifications	Gain/(loss) on revaluations	Current year additions (constructed)	Current year additions (vested)	Change in Work in Progress
	1-Jul-19	1-Jul-19	1-Jul-19						
Operational assets									
Land	84,550	-	84,550	-	-	-	-	2,577	-
Buildings	266,482	(46)	266,436	-	-	(104)	14,848	-	(1,097)
Land - parks and gardens	650,544	-	650,544	-	-	-	2,379	346	(2,350)
Improvements - parks and gardens	96,399	(9,354)	87,045	(106)	10	4,851	17,119	-	(2,470)
Plant and equipment	45,382	(28,440)	16,942	-	-	-	4,010	-	1,949
Leased assets	2,902	(1,577)	1,325	-	-	-	350	-	52
Vehicles	11,112	(3,955)	7,157	-	-	-	2,776	-	(171)
Library books	16,103	(9,034)	7,069	-	-	-	851	-	5
Zoo animals	777	(614)	163	-	-	-	11	-	(12)
Leasehold Improvements	158	(138)	20	-	-	-	-	-	-
Total operational assets	1,174,409	(53,158)	1,121,251	(106)	10	4,747	42,344	2,923	(4,094)
Restricted assets									
Land	35,197	-	35,197	-	-	-	93	(610)	(10)
Heritage assets									
Museum and library	35,522	-	35,522	-	-	-	76	-	90
Infrastructure assets									
Land	36,184	-	36,184	-	-	-	5,608	1,116	(453)
Refuse	51,254	(438)	50,816	-	-	-	(28)	-	303
Roads and traffic network	883,010	(51,502)	831,508	-	-	-	32,972	17,351	37,280
Land under roads	718,644	-	718,644	-	-	-	6,888	20,011	(4,292)
Stormwater system	612,235	(9,366)	602,869	-	-	-	1,799	1,863	3,814
Wastewater system	406,925	(7,573)	399,352	106	(10)	-	8,485	4,813	13,778
Wastewater treatment plant	98,916	(3,994)	94,922	-	-	-	-	-	16,225
Water system	274,450	(5,354)	269,096	-	-	-	18,826	1,680	(625)
Water treatment station	88,236	(2,728)	85,508	-	-	-	1,321	-	1,824
Total infrastructure assets	3,169,854	(80,955)	3,088,899	106	(10)	-	75,871	46,834	67,854
Total property, plant and equipment	4,414,982	(134,113)	4,280,869	-	-	4,747	118,384	49,147	63,840

COUNCIL 2020								GROUP 2020			
Current year disposals at cost	Current year impairment charges or write offs ¹	Current year depreciation	Accumulated depreciation reversed on disposal	Other adjustments	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	Cost / revaluation ²	Accumulated depreciation & impairment charges ³	Carrying amount	
					30-Jun-20	30-Jun-20	30-Jun-20	30-Jun-20	30-Jun-20	30-Jun-20	
-	-	-	-	125	87,252	-	87,252	87,252	-	87,252	
(360)	(1,754)	(9,742)	6	(7)	278,008	(9,782)	268,226	281,814	(9,926)	271,888	
-	-	-	-	-	650,919	-	650,919	650,919	-	650,919	
(961)	-	(4,595)	831	-	105,486	(3,762)	101,724	105,486	(3,762)	101,724	
(502)	-	(2,667)	418	-	50,839	(30,689)	20,150	67,577	(31,525)	36,052	
-	-	(621)	-	-	3,304	(2,198)	1,106	3,304	(2,198)	1,106	
(1,313)	-	(1,093)	950	(57)	12,347	(4,098)	8,249	12,347	(4,098)	8,249	
-	-	(1,423)	-	-	16,959	(10,457)	6,502	16,959	(10,457)	6,502	
-	-	(25)	-	-	776	(639)	137	776	(639)	137	
(158)	-	(7)	145	-	-	-	-	-	-	-	
(3,293)	(1,754)	(20,173)	2,350	61	1,205,891	(61,625)	1,144,266	1,226,435	(62,605)	1,163,830	
-	-	-	-	-	34,670	-	34,670	34,670	-	34,670	
-	-	-	-	-	35,688	-	35,688	35,688	-	35,688	
-	-	-	-	-	42,455	-	42,455	42,455	-	42,455	
-	-	(444)	-	-	51,529	(882)	50,647	51,529	(882)	50,647	
(5,775)	-	(19,001)	1,235	415	965,253	(69,268)	895,985	965,253	(69,268)	895,985	
-	-	-	-	-	741,251	-	741,251	741,251	-	741,251	
(270)	-	(9,608)	3	-	619,441	(18,971)	600,470	619,441	(18,971)	600,470	
(534)	-	(8,547)	35	-	433,573	(16,095)	417,478	433,573	(16,095)	417,478	
-	-	(4,111)	-	-	115,141	(8,104)	107,037	115,141	(8,104)	107,037	
(741)	-	(5,642)	30	-	293,590	(10,966)	282,624	293,590	(10,966)	282,624	
-	-	(2,586)	26	-	91,381	(5,288)	86,093	91,381	(5,288)	86,093	
(7,319)	-	(49,939)	1,329	415	3,353,614	(129,574)	3,224,040	3,353,614	(129,574)	3,224,040	
(10,613)	(1,754)	(70,112)	3,679	476	4,629,863	(191,199)	4,438,664	4,650,407	(192,179)	4,458,228	

(1) Impairment of \$1.8 million (2019 \$3 million) has been recognised for impairing building at peacocks that are due to demolished.

(2) The Group cost figures includes \$19.6 million for Waikato Innovation Growth Ltd (Group) - \$3.7 million of buildings and \$15.9 million of plant and equipment

(3) The Group accumulated depreciation figures include \$0.1 million of buildings and \$0.8 million of plant and equipment.

Explanation of significant variances against budget

	Council	
	Actual 2019	Budget 2019
	\$000	\$000
Plant, property and equipment	4,438,664	4,632,252

Plant, property and equipment was unfavourable to budget by \$193.6 million mainly due to less capital spend and deferral of projects during the year. The revaluation gain was also \$80.3 million lower than budget due to the Transportation and Heritage assets revaluations being deferred until the 2021 financial year.

NOTE 24: PROPERTY, PLANT AND EQUIPMENT

COUNCIL 2019

	Cost/ valuation	Accumulated depreciation & impairment	Carrying amount	Cost transfers / reclassifications	Accumulated depreciation transfers / reclassifications	Gain/(loss) on revaluations	Current year additions (constructed)	Current year additions (vested)	Change in Work in Progress
	1-Jul-18	1-Jul-18	1-Jul-18						
Operational assets									
Land	68,038	-	68,038	-	-	14,925	-	1,587	-
Buildings	277,774	(10,544)	267,230	(137)	(11)	(4,023)	14,853	-	(687)
Land - parks and gardens	591,773	-	591,773	(2,432)	-	58,760	2,432	1,278	(1,267)
Improvements - parks and gardens	84,142	(5,125)	79,017	(153)	11	-	4,697	230	8,504
Plant and equipment	49,567	(31,587)	17,980	56	(3)	-	4,513	6	(2,907)
Leased assets	3,781	(2,364)	1,417	-	-	-	356	-	95
Vehicles	8,882	(3,951)	4,931	(60)	-	-	3,075	-	371
Library books	24,219	(16,535)	7,684	(47)	13	-	873	-	2
Zoo animals	1,355	(1,173)	182	-	-	-	39	-	(19)
Leasehold Improvements	2,096	(2,070)	26	-	-	-	-	-	-
Total operational assets	1,111,627	(73,349)	1,038,278	(2,773)	10	69,662	30,838	3,101	4,092
Restricted assets									
Land	30,467	-	30,467	1,302	-	2,197	377	1,076	142
Heritage assets									
Museum and library	35,388	-	35,388	-	-	-	137	-	(3)
Infrastructure assets									
Land	34,825	-	34,825	-	-	920	20	378	41
Refuse	49,886	(405)	49,481	-	-	1,635	-	-	291
Roads and traffic network	825,987	(35,082)	790,905	301	-	-	13,939	12,015	34,961
Land under roads	704,925	-	704,925	(1,302)	-	-	1,521	7,631	7,080
Stormwater system	536,098	(23,948)	512,150	-	-	85,795	1,908	5,607	6,683
Wastewater system	334,479	(18,577)	315,902	-	-	68,224	9,798	3,721	11,008
Wastewater treatment plant	74,743	(12,029)	62,714	-	-	24,236	419	-	11,539
Water system	261,358	(14,352)	247,006	-	-	25,840	4,944	2,128	(4,343)
Water treatment station	92,383	(8,492)	83,891	-	-	1,959	1,593	-	565
Total infrastructure assets	2,914,684	(112,885)	2,801,799	(1,001)	-	208,609	34,142	31,480	67,825
Total property, plant and equipment	4,026,311	(186,234)	3,840,077	(3,774)	10	288,271	64,980	34,581	71,917

COUNCIL 2019								GROUP 2019		
Current year disposals at cost	Current year impairment charges or write offs ¹	Current year depreciation	Accumulated depreciation reversed on disposal	Other adjustments	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	Cost / revaluation ²	Accumulated depreciation & impairment charges ³	Carrying amount
					30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-19
-	-	-	-	-	84,550	-	84,550	84,550	-	84,550
(1,620)	(481)	(9,236)	548	-	266,482	(46)	266,436	269,965	(46)	269,919
-	-	-	-	-	650,544	-	650,544	650,544	-	650,544
(1,037)	-	(4,396)	156	16	96,399	(9,354)	87,045	96,399	(9,354)	87,045
(5,853)	-	(2,573)	5,723	-	45,382	(28,440)	16,942	61,964	(28,449)	33,515
(1,330)	-	(543)	1,330	-	2,902	(1,577)	1,325	2,902	(1,577)	1,325
(1,142)	-	(926)	922	(14)	11,112	(3,955)	7,157	11,112	(3,955)	7,157
(8,944)	-	(1,455)	8,943	-	16,103	(9,034)	7,069	16,103	(9,034)	7,069
(598)	-	(26)	585	-	777	(614)	163	777	(614)	163
(1,938)	-	(6)	1,938	-	158	(138)	20	158	(138)	20
(22,462)	(481)	(19,161)	20,145	2	1,174,409	(53,158)	1,121,251	1,194,474	(53,167)	1,141,307
(364)	-	-	-	-	35,197	-	35,197	35,197	-	35,197
-	-	-	-	-	35,522	-	35,522	35,522	-	35,522
-	-	-	-	-	36,184	-	36,184	36,184	-	36,184
(8)	(145)	(438)	-	-	51,254	(438)	50,816	51,254	(438)	50,816
(1,748)	(2,445)	(16,746)	326	-	883,010	(51,502)	831,508	883,010	(51,502)	831,508
(1,211)	-	-	-	-	718,644	-	718,644	718,644	-	718,644
(261)	-	(9,369)	4	352	612,235	(9,366)	602,869	612,235	(9,366)	602,869
(1,732)	-	(7,629)	57	-	406,925	(7,573)	399,352	406,925	(7,573)	399,352
-	-	(3,993)	7	-	98,916	(3,994)	94,922	98,916	(3,994)	94,922
(1,126)	-	(5,408)	54	1	274,450	(5,354)	269,096	274,450	(5,354)	269,096
-	-	(2,500)	-	-	88,236	(2,728)	85,508	88,236	(2,728)	85,508
(6,086)	(2,590)	(46,083)	448	353	3,169,854	(80,955)	3,088,899	3,169,854	(80,955)	3,088,899
(28,912)	(3,071)	(65,244)	20,593	355	4,414,982	(134,113)	4,280,869	4,435,047	(134,122)	4,300,925

(1) The Group cost figures includes \$20 million for Waikato Innovation Growth Ltd (Group) - \$3.5 million of buildings and \$16.5 million of plant and equipment.

(2) The Group accumulated depreciation figures include \$9,000 for plant and equipment.

NOTE 24: PROPERTY, PLANT AND EQUIPMENT

WORK IN PROGRESS

Property, plant and equipment in the course of construction by class of asset are detailed as follows:

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Operational assets				
Land	-	-	-	-
Buildings	7,008	8,046	7,008	8,046
Land - parks and gardens	29	2,379	29	2,379
Improvements - parks and gardens	8,332	10,885	8,332	10,885
Plant and equipment	2,212	152	2,222	192
Finance Leases	167	115	167	115
Vehicles	400	571	400	571
Library books	-	2	-	2
Zoo animals	-	12	-	12
Leasehold improvements	-	-	-	-
Restricted assets				
Land	-	142	-	142
Heritage assets				
Museum and library	20	-	20	-
Infrastructure assets				
Land	263	736	263	736
Refuse	590	291	590	291
Roads and traffic network	88,489	51,602	88,489	51,602
Land under roads	3,020	7,249	3,020	7,249
Stormwater system	13,835	9,616	13,835	9,616
Wastewater system	23,185	19,420	23,185	19,420
Wastewater treatment plant	31,223	14,998	31,223	14,998
Water system	18,501	8,188	18,501	8,188
Water treatment plant	5,975	4,754	5,975	4,754
Total work in progress	203,249	139,158	203,259	139,198

CAPITAL COMMITMENTS

The amount of contractual commitments for acquisition of property, plant and equipment is:

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Capital commitments by asset class				
Land	-	-	-	-
Buildings	2,728	7,632	2,728	7,632
Improvements - parks and gardens	5,526	9,708	5,526	9,708
Plant and equipment	75	136	91	146
Leasehold improvements	-	214	-	214
Museum and library	176	157	176	157
Infrastructure land	-	-	-	-
Refuse	-	-	-	-
Roads and traffic network	105,658	67,161	105,658	67,161
Stormwater system	778	1,431	778	1,431
Wastewater system	25,387	30,926	25,387	30,926
Wastewater treatment plant	10,054	36,616	10,054	36,616
Water system	12,235	27,046	12,235	27,046
Water treatment station	475	409	475	409
Total capital commitments	163,092	181,436	163,108	181,446

NOTE 25: INTANGIBLE ASSETS

ACCOUNTING POLICY

Intangible assets are defined as identifiable non-monetary assets without physical form. Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

SOFTWARE ACQUISITION AND DEVELOPMENT

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with maintaining computer software are recognised in the surplus or deficit when incurred. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

AMORTISATION

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

The useful lives of major classes of intangible assets have been estimated as follows:

Computer Software	3-20 years	Consents & designations	10-35 years
Licenses	3-10 years	Models	7-30 years

	Council					Group	
	Infrastructural modelling	Licenses	Computer software	Consents & designations	Total	Intangibles	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost							
Balance as at 1 July 2019	3,109	399	21,414	15,351	40,273	1	40,274
Additions			3,720		3,720	-	3,720
Disposals					-	-	-
Work in Progress (WIP)					-	-	-
- Opening WIP	583	(10)	2,107	2,198	4,878	-	4,878
- Closing WIP	8,093	19	1,010	672	9,794	-	9,794
Change in WIP	7,510	29	(1,097)	(1,526)	4,916	-	4,916
Balance as at 30 June 2020	10,619	428	24,037	13,825	48,909	1	48,910
Balance as at 1 July 2018	2,783	409	21,336	16,208	40,736	1	40,737
Additions	89	-	953	214	1,256	-	1,256
Disposals	-	-	(2,194)	(997)	(3,191)	-	(3,191)
Work in Progress (WIP)	-	-	-	-	-	-	-
- Opening WIP	346	-	788	2,272	3,406	-	3,406
- Closing WIP	583	(10)	2,107	2,198	4,878	-	4,878
Change in WIP	237	(10)	1,319	(74)	1,472	-	1,472
Balance as at 30 June 2019	3,109	399	21,414	15,351	40,273	1	40,274
Accumulated amortisation and impairment							
Balance as at 1 July 2019	(645)	(73)	(15,535)	(4,683)	(20,936)	-	(20,936)
Transferred accumulated depreciation					-	-	-
Amortisation charge	(153)	-	(1,964)	(1,154)	(3,271)	-	(3,271)
Impairment					-	-	-
Amortisation reversed on disposal					-	-	-
Balance as at 30 June 2020	(798)	(73)	(17,499)	(5,837)	(24,207)	-	(24,207)
Balance as at 1 July 2018	(504)	(73)	(15,146)	(4,615)	(20,338)	-	(20,338)
Transferred accumulated depreciation	-	-	-	-	-	-	-
Amortisation charge	(141)	-	(2,583)	(1,065)	(3,789)	-	(3,789)
Amortisation reversed on disposal	-	-	2,194	997	3,191	-	3,191
Balance as at 30 June 2019	(645)	(73)	(15,535)	(4,683)	(20,936)	-	(20,936)
Carrying amounts							
Balance as at 1 July 2018	2,279	336	6,190	11,593	20,398	-	20,398
Balance as at 30 June and 1 July 2019	2,464	326	5,879	10,668	19,337	1	19,338
Balance as at 30 June 2020	9,821	355	6,538	7,988	24,702	1	24,703

RESTRICTIONS OVER TITLE

There are no restrictions over the title of intangible assets. No assets are pledged for security for liabilities.

IMPAIRMENT

No intangible assets have been impaired (2019 \$nil).

CAPITAL COMMITMENTS

Intangible asset commitments include \$1,670,000 (2019 \$115,000).

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Intangible assets	24,702	21,082

Intangible assets was favourable to budget as a result of the addition of the Finance System upgrade, which had not been included in the original budget.

NOTE 26: INVESTMENT PROPERTY

ACCOUNTING POLICY

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. These assets consist of investment properties owned by the Council, funded either from Corporate Funds, the Domain Endowment Fund or the Municipal Endowment Fund.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

	Council		Group	
	2020	2019	2020	2019
Balance at 1 July	\$000	\$000	\$000	\$000
Additions from acquisitions	31,989	25,255	31,989	25,255
Transfers	-	4,073	-	4,073
Work in progress	(2,530)	2,432	(2,530)	2,432
Disposals	103	-	103	-
Fair value gains/(losses) on valuation (note 8)	(335)	(375)	(335)	(375)
Balance at 30 June	29,768	31,989	29,768	31,989

The valuation of Council's investment property was performed by R A Smithers an independent valuer from Telfer Young (Waikato) Limited. Telfer Young (Waikato) Limited are experienced valuers with extensive market knowledge in the types and locations of investment properties owned by the Council. The valuation was effective 30 June 2020.

The valuer has taken into consideration the impacts of COVID-19, the lockdown period and current economic conditions when completing the valuation for June 2020, therefore there is a greater degree of uncertainty attached to the valuation.

The fair value of investment property has been determined using the capitalisation of net revenue and discounted cash flow methods. These methods are based upon assumptions including future rental revenue, anticipated maintenance costs, and appropriate discount rates.

Information about revenue and expenses in relation to investment property is detailed below:

	Council		Group	
	2020	2019	2020	2019
Rental revenue	\$000	\$000	\$000	\$000
Direct operating expenses from investment property generating revenue	2,228	2,568	2,228	2,568
	727	662	727	662

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Investment property	29,768	23,754

Investment property was \$6 million favourable to budget. This was due to the additions and transfers from the prior year not being budgeted for in the opening balance.

NOTE 27: PAYABLES AND DEFERRED REVENUE

ACCOUNTING POLICY

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current portion				
<i>Payables and deferred revenue under exchange transactions</i>				
Trade payables and accrued expenses	31,995	33,952	32,391	34,673
Income in advance	3,586	2,395	3,586	2,395
Amounts due to related parties	-	41	-	41
Amounts due to customers for contract work	996	1,560	996	1,560
Total	36,577	37,948	36,973	38,669
<i>Payables and deferred revenue under non-exchange transactions</i>				
Trade payables and accrued expenses	185	194	185	194
Income in advance	2,854	2,181	2,854	2,181
Other taxes payable	12	22	12	22
Total	3,051	2,397	3,051	2,397
Total current	39,628	40,345	40,024	41,066
Non-current portion				
<i>Payables and deferred revenue under exchange transactions</i>				
Income in advance	-	-	131	241
Total	-	-	131	241
Total non-current	-	-	131	241
Total payables and deferred revenue	39,628	40,345	40,155	41,307

Payables are generally non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables approximates their fair value.

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Payables and deferred revenue	39,628	32,125

Payables and deferred revenue was unfavourable to budget by \$7.5 million. This was due to rates income in advance of \$2.8 million being budgeted for in rates debtors. The accrual for City Development was also higher than anticipated due to work being on Pukete 3 treatment plant capacity upgrade and the Ring Road. There was additional accruals for the increase in supplier costs related to COVID-19.

NOTE 28: EMPLOYEE ENTITLEMENTS

ACCOUNTING POLICY

SHORT-TERM EMPLOYEE ENTITLEMENTS

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent it will be used by staff to cover those future absences.

The provision for retirement gratuities has been calculated on an actuarial basis bringing to account what is likely to be payable in the future in respect of service that employees have accumulated up until 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 year in which the employee provides the related service, such as retiring gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

PRESENTATION OF EMPLOYEE ENTITLEMENTS

Sick leave and annual leave are classified as a current liability. Retiring gratuities expected to be settled with 12 months of balance date are also classified as a current liability. All other employee entitlements are classified as a non-current liability

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

ESTIMATING RETIRING GRATUITIES OBLIGATIONS

The present value of retiring gratuities obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns. A weighted average discount rate of 0.94% (2019: 2.97%) and an inflation factor of 2.2% (2019: 1.9%) were used.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current portion				
Accrued pay	2,234	1,428	2,289	1,567
Annual leave	6,613	5,490	6,791	5,619
Sick leave	188	288	188	288
Retiring gratuities	589	534	589	534
Total current portion	9,624	7,740	9,857	8,008
Non-current portion				
Retiring gratuities	970	935	970	935
Total non-current portion	970	935	970	935
Total employee entitlements	10,594	8,675	10,827	8,943

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Employee Entitlements (current and non-current)	10,594	7,620

Employee entitlements was \$3 million unfavourable to budget. This was due to higher annual leave balances than budgeted due to staff taking less leave due to COVID-19 and the timing of pay runs around year end.

NOTE 29: PROVISIONS

ACCOUNTING POLICY

A provision is recognised for future expenditure of uncertain amount or timing when: there is a present obligation (either legal or constructive) as a result of a past event; it is probable that an outflow of future economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost in surplus or deficit (see note 13).

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The present value of these cash flows is calculated using the Treasury's published risk free rates as discount rates (2019: 5.09%).

The present value of these cash flows is calculated using an inflation rate of 2% (2019: 2.0%).

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current portion				
Strategic realignment (Restructuring provision)	-	395	-	395
Weathertight homes resolution services claims	1,078	354	1,078	354
Landfill aftercare	1,254	1,515	1,254	1,515
Other	484	-	484	-
Total	2,816	2,264	2,816	2,264
Non-current portion				
Weathertight homes resolution services claims	948	1,275	948	1,275
Landfill aftercare	17,696	12,887	17,696	12,887
Loan repayment provision	-	-	172	168
Total	18,644	14,162	18,816	14,330
Total provisions	21,460	16,426	21,632	16,594

WEATHERTIGHT HOMES RESOLUTION SERVICES CLAIMS PROVISION

These claims relate to weathertightness issues of homes in Hamilton and name the Council as well as other parties. The WHRS is a central government service established under the Weathertightness Homes Resolution Services Act 2006. It also offers a funding assistance package (FAP) to eligible homeowners. This sees the Council contribution capped at 25% of eligible costs if the homeowner elects to use the FAP scheme.

There are currently five claims lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2020 (2019 six claims). One claim was resolved during 2019/20 (2019: one claim).

Six claims (2019 seven claims) lodged via the court system are outstanding with an estimated liability of \$1,621,000 (2019 \$848,000).

Total estimated exposure is \$2,026,000 (2019 \$1,629,000). This represents an overall increase of \$397,000 for the year.

LANDFILL AFTERCARE COSTS

Council is responsible for four closed landfill sites – Horotiu, Willoughby, Cobham Dr and Rototuna.

Council's aftercare responsibilities include ongoing maintenance and monitoring such as the following:

- treatment and monitoring of leachate
- groundwater and surface monitoring
- gas monitoring and recovery
- implementation of remedial measures such as need for cover and control systems
- ongoing site maintenance for drainage systems, final cover and control

The cash outflows for the landfills are expected to occur until 2049. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred.

OTHER

The other provision category is made up of two provisions for legal proceedings and the Holidays Act Compliance provision.

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Provisions (current and non-current)	21,460	23,980

Provisions were favourable to budget as a result of the landfill provision being lower than budget due to cashflows for the provision being lower each year and the discount rate used being lower than budgeted.

	Council					Group	
	Strategic realignment	Weather-tightness claims	Landfill	Other	Total	Loan repayment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2019							
Balance at 1 July 2018	290	1,396	15,097	-	16,783	356	17,139
Additional provisions made	405	293	-	-	698	8	706
Amounts used	(300)	(60)	(399)	-	(759)	(196)	(955)
Reversal of previously recognised provisions	-	-	(1,064)	-	(1,064)	-	(1,064)
Discount unwind (note 13)	-	-	768	-	768	-	768
Balance at 30 June 2019	395	1,629	14,402	-	16,426	168	16,594
2020							
Balance at 1 July 2019	395	1,629	14,402	-	16,426	168	16,594
Additional provisions made	-	397	5,310	484	6,191	4	6,195
Amounts used	(300)	-	(894)	-	(1,194)	-	(1,194)
Reversal of previously recognised provisions	(95)	-	-	-	(95)	-	(95)
Discount unwind (note 13)	-	-	132	-	132	-	132
Balance at 30 June 2020	-	2,026	18,950	484	21,460	172	21,632

NOTE 30: BORROWINGS

ACCOUNTING POLICY

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

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

HOUSING INFRASTRUCTURE FUND LOAN

The Housing Infrastructure Fund Loan (HIF) is interest-free for 10 years from the date of each drawdown.

The fair value of the loan recognises the interest-free benefit and is recognised as other revenue. Ten years after each drawdown the loan will be recognised at its nominal value with the unwinding of the fair value gains being recognised annually as a finance cost.

FINANCE LEASES

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether we will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current				
Secured loans	72,500	42,500	72,740	42,990
- Interest accrual	1,110	174	1,110	174
Lease liabilities	141	584	141	584
Total current borrowings	73,751	43,258	73,991	43,748
Non-current				
Secured loans	445,000	355,000	449,985	359,624
- Interest accrual	-	1,735	-	1,735
- Housing Infrastructure Fund	8,755	1,073	8,755	1,073
Lease liabilities	952	756	952	756
Total non-current borrowings	454,707	358,564	459,692	363,188
Total borrowings	528,458	401,822	533,683	406,936

Explanation of significant variances against budget

	Council	
	Actual 2020	Budget 2020
	\$000	\$000
Borrowings (current and non-current)	528,458	580,903

Borrowings were \$52.4 million favourable to budget. This was driven by lower than budgeted capital projects spending.

TOTAL NET DEBT

Total net debt is Council's debt performance measure that was put in place for the 2018-2028 10-Year Plan.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
External debt	528,458	401,822	533,683	406,936
less: cash held and cash investments	(122,375)	(57,567)	(122,550)	(57,649)
Total net debt	406,083	344,255	411,133	349,287

INTEREST TERMS FOR SECURED LOANS

Council has \$22.5 million of its total debt of \$526.2 million issued at fixed rates of interest (2019 \$22.5 million of \$398.5 million). The remainder of Council's secured loans are issued at floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin for credit risk.

HOUSING INFRASTRUCTURE FUND (HIF)

In September 2016 the Housing Infrastructure Fund (HIF) was established by the New Zealand Government as a one off contestable fund. The fund is for accelerating short and medium term supply of new housing in high growth urban areas. This will provide financial capacity for growth councils to deliver the infrastructure needed to sustain their growth.

High urban growth areas are defined as those where Statistics New Zealand projects population growth to be or exceeding 1% per year for the next ten years. Hamilton has been identified as a high growth urban area.

Hamilton City Council submitted its proposal and was successful in getting funding for the Peacocke growth area. The approved funding agreement is for \$180.3 million.

The HIF funding is providing essential bulk infrastructure, including a bridge crossing at Hamilton Gardens, arterial roads and wastewater pump station and pressure main. The Peacocke growth area is expected to provide 3,750 homes over the next 10 years and approximately 8,400 over the next 30 years. This growth area is essential to meeting the overall growth needs of Hamilton of 12,500 homes over the next 10 years.

During the 2020 financial year \$8.31 million (2019 \$1.224 million) of the HIF interest free loan was drawn down. The undrawn amount is \$170.76 million (2019 \$179.07 million).

The HIF facility will be reduced by fixed reduction amounts as set out in the Facility Agreement. The first fixed repayment is due on 30 June 2023. Upon termination date the borrower must repay all of the outstanding amount and the facility will reduce permanently to zero.

All HIF loan draw downs are discounted using the 10 year - long term borrowing fixed rate as supplied by the New Zealand Local Government Funding Agency at the time of the drawn down. This discount is unwound as interest paid up to maturity of that draw down.

SECURITY

Council's secured loans have been issued in accordance with the Local Government Act 2002.

The loans are secured through the debenture trust deed over all rates, with the exception of \$12.5 million (2019: \$12.5 million) of Commercial Paper that has a maturity of three months or less.

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

FAIR VALUES

The carrying amounts of borrowings repayable within one year approximate their fair value as the effect of discounting is not significant.

Due to interest rates on debt resetting to the market rate every three months, the carrying amounts of the majority of secured loans approximates their fair value. There is a \$10 million secured loan that has been issued at a fixed rate and has greater than 12 months to maturity. The fair value of this loan is \$11.1 million (2019 \$11.1 million). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date of 0.74% (2019 1.81%).

ANALYSIS OF LEASE LIABILITIES

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Total minimum finance lease payments payable:				
Not later than one year	143	621	143	621
Later than one and not later than five years	985	777	985	777
Later than five years	-	-	-	-
Total minimum finance lease payments	1,128	1,398	1,128	1,398
Future finance charges	(35)	(58)	(35)	(58)
Present value of minimum finance lease payments	1,093	1,340	(35)	(58)
Present value of minimum finance lease payments payable:				
Not later than one year	141	584	141	584
Later than one and not later than five years	952	756	952	756
Later than five years	-	-	-	-
Total minimum finance lease payments	1,093	1,340	1,093	1,340
Current portion	141	584	141	584
Non-current portion	952	756	952	756
Total finance lease liability	1,093	1,340	1,093	1,340

INTEREST RATE

The interest rates applying to lease liabilities for 2020 range from 2.17% to 6.68% (2019 range from 2.77% to 6.68%).

DESCRIPTION OF MATERIAL LEASING ARRANGEMENTS

Council has entered into finance leases for various plant and equipment. The net carrying amount of leased items within each class of property, plant and equipment is included in the numbers disclosed in note 24.

The finance leases can be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council does have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on Council by any of the finance leasing arrangements.

INTERNAL BORROWINGS

Internal borrowings apply to Council created reserves that are not supported by cash. There are currently no internal borrowings (2019: nil).

NOTE 31: CONTINGENCIES

CONTINGENT LIABILITIES

WEATHERTIGHT HOMES RESOLUTION SERVICES AND COURT CLAIMS

A provision for potential liability for five claims (2019 six claims) that are outstanding with the Weathertight Homes Resolution Service, and six claims (2019 seven claims) lodged via the court system have been made per note 29. There may be further claims in future but these are unable to be quantified at this point in time.

UNQUANTIFIED CLAIMS

Carter Holt Harvey

In April 2013, the Ministry of Education (MoE) initiated High Court proceedings against Carter Holt Harvey (CHH) alleging inherent defects in the shadowclad plywood cladding product manufactured and distributed by CHH and installed in school buildings. CHH joined 54 councils including HCC as third parties seeking contribution on the basis that, if CHH was liable, then councils must have inadequately inspected the school buildings as well. CHH has now settled the MoE claim and, as part of that settlement, CHH agreed to discontinue the third party claims against HCC and other councils on a drop-hands basis (i.e. each party bears its own legal costs). The claims were formally discontinued on 3 September 2020.

The CHH claims against HCC were never quantified and the court process in relation to the third party claims did not pass the preliminary pleading stage. The settlement was a very favourable outcome as the cost of defending the claims would have been very high.

We note that, initially, CHH's third party claim against HCC related to 123 schools within the city. Prior to the settlement, CHH had already agreed to drop claims against HCC in relation to 44 of those schools on the basis that there was no possible third party claim in relation to those schools and were considering their position on another 23.

Enviro Waste Services Limited

Enviro Waste Services Limited has recently raised a dispute which it says it will take to arbitration under its Fixed Term Rubbish, Recycling and Disposal Services Agreement with the Council. Enviro Waste claims that it is entitled to charge a higher fee for collecting rubbish from standard bins in "difficult to access" areas while Council has a different interpretation of the non-standard charge. The difference in price if Enviro Waste were right could be significant. At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

Development Contribution Policy Judicial review

Judicial review proceedings challenging the Council's Development Contribution policy were served on 27 August 2020. The applicants are a group of Hamilton's largest property developers. The claim comprises 19 separate claims identifying aspects of the DC regime which are said to be unlawful. Council are currently reviewing the claim. At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

Peacocks landowners

Several Peacocks landowners have indicated that they intend to challenge the Council approach to valuation (which has resulted in assessment of nil compensation, taking into account betterment). Each landowner is entitled to challenge the Council's approach through the Land Valuation Tribunal. At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

FINANCIAL GUARANTEES

Council is at times requested to act as guarantor to loans raised by community organisations and sports clubs to construct facilities on Council reserve land. These structures form part of the reserve but are not included in the fixed asset figures. No provision has been made because Council do not consider it likely that these loans will require settlement. Council's potential liability under the guarantees is as follows:

	Council		Group	
	2020	2019	2020	2019
Financial guarantees (Bank of New Zealand)	\$000	\$000	\$000	\$000
Legal proceedings	170	196	170	196
- weathertight homes	-	500	-	500
- various legal proceedings	250	485	250	485
Total contingent liabilities	420	1,181	420	1,181

UNCALLED CAPITAL

Council has contingent liabilities in respect of uncalled capital for the entities as follows:

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
New Zealand Local Government Funding Agency Ltd	1,866	1,866	1,866	1,866
Total uncalled capital	1,866	1,866	1,866	1,866

WAIKATO INNOVATION GROWTH LTD

Waikato Innovation Growth Ltd does not have any contingent liabilities as at 30 June 2020 (2019 \$nil).

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LTD

Council is a guarantor of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. NZLGFA has a current local currency rating from Fitch ratings Standard and Poor's of AA+ and a foreign currency rating of AA.

Council is one of 31 local authority shareholders and 15 local authority guarantors of the NZLGFA. The NZLGFA has uncalled capital of \$20 million of which Council's share is \$1.9 million as at 30 June 2020 (2019 \$1.9 million). At 30 June 2020, NZLGFA had total borrowings of \$12.4b (2019 \$9.84b) for which Council is a guarantor along with other shareholders and guarantors.

Financial reporting standards require Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable value for the guarantee, and therefore has not recognised a liability.

The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

- Council is not aware of any local authority debt default events in New Zealand
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligation if further funds were required
- NZLGFA has a credit rating of AA+.

INVOLVEMENT IN ASSOCIATES

There are no quantifiable contingent liabilities arising from Council's involvement in its associates for 2020 (2019 \$nil).

CONTINGENT ASSETS

WEL ENERGY TRUST

Council is a 63 per cent capital beneficiary of the WEL Energy Trust. The life of the Trust ends in 2073 unless terminated earlier if its purpose is completed. Given the uncertainties surrounding the life of the Trust, Council is unable to accurately establish the appropriate value of its 63 per cent share.

NOTE 32: EQUITY

ACCOUNTING POLICY

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into accumulated funds, restricted and Council created reserves, revaluation reserves and fair value through other comprehensive revenue and expense reserve.

RESTRICTED RESERVES AND COUNCIL CREATED RESERVES

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned.

Restricted reserves include those subject to specific conditions we accept as binding and which may not be revised without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves we restrict by resolution. We may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at our discretion.

Council created reserves are restricted in their application by our resolution.

REVALUATION RESERVES

This reserve relates to the revaluation of property, plant and equipment to fair value.

FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE RESERVE

This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Accumulated comprehensive revenue and expenses				
Balance 1 July	1,825,150	1,756,116	1,840,928	1,776,282
Surplus/(deficit) for the year	80,956	65,561	85,734	61,123
Non-controlling interest prior year	-	-	-	-
Transfer from property revaluation reserves on disposal	(3,346)	3,142	(3,346)	3,192
Transfers from restricted and Council created reserves	2,370	1,566	2,370	1,566
Transfers to restricted and Council created reserves	(2,410)	(1,235)	(2,410)	(1,235)
Balance at 30 June	1,902,720	1,825,150	1,923,276	1,840,928
Restricted reserves				
Balance at 1 July	38,395	38,163	38,395	38,163
Transfers from accumulated comprehensive revenue and expense	512	287	512	287
Transfers to accumulated comprehensive revenue and expense	(26)	(55)	(26)	(55)
Balance at 30 June	38,881	38,395	38,881	38,395
Council created reserves				
Balance at 1 July	1,315	1,878	1,315	1,878
Transfers from accumulated comprehensive revenue and expense	1,898	948	1,898	948
Transfers to accumulated comprehensive revenue and expense	(2,344)	(1,511)	(2,344)	(1,511)
Balance at 30 June	869	1,315	869	1,315
Revaluation reserve*				
Balance at 1 July	2,061,447	1,792,933	2,094,489	1,819,281
Transfer to accumulated comprehensive revenue and expense on disposal of assets	3,346	(3,142)	3,346	(3,192)
Impairment	(201)	(2,893)	(201)	(2,893)
Revaluation gains/(losses) - property, plant and equipment	4,747	280,468	4,747	286,692
Revaluation gains/(losses) - shareholdings	650	945	650	945
Other movements	-	(6,864)	-	(6,344)
Balance at 30 June	2,069,989	2,061,447	2,103,031	2,094,489

* * The Revaluation reserve includes the property revaluation reserve and the fair value through other comprehensive revenue and expense reserve.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Property revaluation reserves for each class consist of:				
Operational assets				
Buildings	124,829	124,980	128,845	128,996
Plant and equipment	-	-	4,391	4,391
Land	61,976	61,976	79,332	79,332
Parks and gardens improvement	33,066	26,891	33,066	26,891
Parks and gardens land	497,669	497,669	497,669	497,669
Heritage assets				
Museum and library	11,396	11,396	11,396	11,396
Restricted assets				
Land	14,576	14,576	14,576	14,576
Infrastructure assets				
Land	23,335	23,335	23,335	23,335
Refuse	34,958	34,958	34,958	34,958
Roads and traffic network	354,292	351,426	354,292	351,426
Stormwater	457,485	457,668	457,485	457,668
Wastewater system	263,232	263,721	263,232	263,721
Wastewater treatment plant	36,818	36,818	36,818	36,818
Water treatment station	12,586	12,586	12,586	12,586
Water system	138,685	139,011	138,685	139,011
Airport infrastructure	-	-	7,279	7,279
Total	2,064,903	2,057,011	2,097,945	2,090,053
Fair value through other comprehensive revenue and expense reserve				
Balance at 1 July	4,436	3,491	4,436	3,491
Transfer to property revaluation reserve	-	-	-	-
Net change in fair value	650	945	650	945
Balance at 30 June	5,086	4,436	5,086	4,436
Non controlling interest				
Balance at 1 July	-	-	4,199	3,353
Share of surplus/(deficit)	-	-	(26)	380
Share of other comprehensive revenue and expense	-	-	-	466
Share transactions with non-controlling interest	-	-	-	-
Balance at 30 June	-	-	4,173	4,199
Total equity	4,012,459	3,926,307	4,070,230	3,979,326

Reserve	Activities to which the reserve relates	Council			
		Balance 1 July	Transfers into fund	Transfers out of fund	Balance 30 June
		\$000	\$000	\$000	\$000
2020					
Cemetery plot maintenance in perpetuity reserve	Cemeteries and Crematorium	1,733	26	(26)	1,733
Domain Endowment Fund	Parks and Recreation and Stormwater	8,013	105	-	8,118
Municipal Endowment Fund	Strategic property investment	28,639	380	-	29,019
Waikato Art Gallery Endowment reserve	Visitor Attractions	10	1	-	11
Total restricted reserves - 2020		38,395	512	(26)	38,881
Bus shelter reserve	Transport	365	381	(720)	26
Project Watershed operating reserve	Parks and Recreation and Stormwater	322	5	(22)	305
Hamilton Gardens reserve	Parks and Recreation	125	856	(981)	-
Waste minimisation reserve	Rubbish and Recycling	503	656	(621)	538
Total Council created reserves - 2020		1,315	1,898	(2,344)	869
Total restricted and Council created reserves - 2020		39,710	2,410	(2,370)	39,750

Reserve	Activities to which the reserve relates	Group			
		Balance 1 July	Transfers into fund	Transfers out of fund	Balance 30 June
		\$000	\$000	\$000	\$000
2019					
Cemetery plot maintenance in perpetuity reserve	Cemeteries and Crematorium	1,733	55	(55)	1,733
Domain Endowment Fund	Parks and Green Spaces and Stormwater	7,781	232	-	8,013
Municipal Endowment Fund	Strategic property investment	28,639	-	-	28,639
Waikato Art Gallery Endowment reserve	Arts promotion	10	-	-	10
Total restricted reserves - 2019		38,163	287	(55)	38,395
Bus shelter reserve	Travel demand management	354	11	-	365
Project Watershed operating reserve	Parks and Green Spaces and Stormwater	592	17	(287)	322
Hamilton Gardens reserve	Parks and Green Spaces	444	905	(1,224)	125
Reserves contribution fund	Strategic property investment	488	15	-	503
Waste minimisation reserve	Waste minimisation	1,878	948	(1,511)	1,315
Total Council created reserves - 2019					
Total restricted and Council created reserves - 2019		40,041	1,235	(1,566)	39,710

PURPOSE OF EACH RESERVE FUND:

RESTRICTED RESERVES

Cemetery plot maintenance in perpetuity reserve - To maintain and provide for improvements to the cemeteries.

Domain endowment fund reserve - Established by the Hamilton Domain Endowment Act 1979 to provide a capital endowment fund for domain land for investment in property. Rental income and interest earned from domain endowment land is used to fund parks and reserves operating costs.

Municipal Endowment Fund - To provide a capital fund for Crown endowment land vested in the council for investment in property. Rental income and interest earned from the land and property may be used for council purposes to offset rates.

Waikato Art Gallery Endowment reserve - To provide funds for the acquisition of works of art for the Waikato Museum of Art and History.

COUNCIL CREATED RESERVES

Bus shelter reserve - To manage the income generated from advertising in bus shelters to provide, maintain and enhance passenger infrastructure.

Project Watershed operating reserve - To fund works relating to river flood protection and erosion control (Project Watershed). Waikato Regional Council is the funding agency and Hamilton City Council carries out agreed works within the city boundary.

Hamilton Gardens reserve - To provide funds for the development of Hamilton Gardens. Funds are being sourced from a target rate over a four year period starting 2014/15.

Reserves contribution fund - This fund receives contributions from Council policy on levying 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.

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.

CAPITAL MANAGEMENT

The Council's capital is its equity (or ratepayers' funds), which comprises accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the cost of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's 10-Year Plan.

Hamilton City Council has the following Council created reserves:

- reserves for different areas of benefit
- other reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Deductions are made where funds have been used for the purpose they were donated.

Other reserves are created to set aside funding from general rates for future expenditure on specific projects or activities as approved by Council.

Council uses funds from reserves to reduce external borrowing requirements and reduce financing costs. An internal interest rate is paid to all reserves and provision for the repayment of internal borrowing is covered via committed external bank funding facilities.

NOTE 33: RELATED PARTY TRANSACTIONS

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Council and group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities, and are on normal terms and conditions for such group transactions.

KEY MANAGEMENT PERSONNEL COMPENSATION

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates, use of Council facilities, etc).

	Council		Group	
	2020	2019	2020	2019
<i>Councillors and Directors</i>				
Remuneration (\$000)	1,275	1,174	1,448	1,335
Full-time equivalent members	13	13	17	18
<i>Senior Management Team including the Chief Executive</i>				
Remuneration (\$000)	2,590	2,284	3,038	2,683
Full-time equivalent members	9	8	12	11
Total key management personnel remuneration (\$000)	3,865	3,458	4,486	4,018
Total full-time equivalent personnel	22	21	29	29

Due to the difficulty in determining the full-time equivalent for Councillors and Directors, the full-time equivalent figure is taken as the number of Councillors and Directors.

Key management personnel include the Mayor, Councillors, Chief Executive and other members of the senior management team.

No provision has been required, or any expense recognised for impairment of receivables for any loans or other receivables to related parties.

ELECTED REPRESENTATIVES' REMUNERATION

Elected members received the following remuneration:

	Council		Group	
	2020	2019	2020	2019
	\$	\$	\$	\$
Mayor				
Andrew King	51,319	162,899	51,319	162,899
Paula Southgate	116,798	-	116,798	-
Councillors				
Martin Gallagher	97,755	97,541	97,755	97,541
Dave Macpherson	95,340	90,038	95,340	90,038
Garry Mallett	28,976	90,038	28,976	90,038
Angela O'Leary	95,340	90,038	95,340	90,038
Rob Pascoe	92,925	82,535	92,925	82,535
Leo Tooman	26,561	82,535	26,561	82,535
Mark Bunting	90,511	75,031	90,511	75,031
James Casson	24,147	75,031	24,147	75,031
Siggi Henry	24,147	75,031	24,147	75,031
Paula Southgate	27,165	90,038	27,165	90,038
Geoff Taylor	101,487	82,535	101,487	82,535
Ryan Hamilton	92,925	81,055	92,925	81,055
Margaret Forsyth	66,364	-	66,364	-
Ewan Wilson	60,879	-	60,879	-
Kesh Naidoo-Rauf	60,879	-	60,879	-
Maxine van Oosten	60,879	-	60,879	-
Sarah Thomson	60,879	-	60,879	-
Total elected representatives' remuneration	1,275,273	1,174,345	1,275,273	1,174,345

NOTE 34: RECONCILIATION OF NET SURPLUS / (DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Net surplus/(deficit) after tax	80,956	65,561	85,708	61,503
Add/(less) non-cash items:				
Depreciation and amortisation	73,381	69,033	74,361	70,220
(Gains)/losses in fair value of bank borrowings	-	(151)	-	(151)
(Gains)/losses in fair value of interest rate swaps	12,258	14,210	12,258	14,210
(Gains)/losses in fair value of investment properties	(541)	(604)	(541)	(604)
(Gains)/losses unrealised loss on other financial assets	-	-	9	-
Other income	-	-	-	(1,610)
Share of associates (surplus)/deficit	-	-	(4,947)	(1,033)
Discount unwind and interest on community loans	(35)	(930)	(35)	(930)
(Gains)/losses in fair value of Housing Infrastructure Fund	(628)	-	(628)	-
Reclassification of WIP to operating expenditure	153	-	153	-
Vested assets	(49,147)	(33,666)	(49,147)	(33,666)
Total non-cash items	35,441	47,892	31,483	46,436
Add/(less) items classified as investing or financing activities:				
(Gains)/losses on disposal of property, plant and equipment	5,928	5,806	5,929	5,822
(Gains)/losses on disposal of investment property	(51)	45	(51)	45
Impairment of assets	1,686	-	1,686	-
Total items classified as investing or financing activities	7,563	5,851	7,564	5,867
Add/(less) movements in working capital:				
Trade debtors and other receivables	(1,016)	(7,207)	(922)	(7,198)
Inventory	4	(42)	1,156	804
Prepayments	(47)	(507)	(53)	(294)
Trade creditors and other payables	(7,318)	(2,263)	(7,847)	(2,266)
Employee entitlements	1,919	676	1,884	662
Provisions	5,034	(357)	5,038	(545)
Total movements in working capital	(1,424)	(9,700)	(744)	(8,837)
Net cash inflow from operating activities	122,536	109,604	124,011	104,969

NOTE 35: FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENT CATEGORIES

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	Council		Group	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
FINANCIAL ASSETS				
Fair value through surplus or deficit				
Equity securities	-	-	-	-
Fixed interest instruments	-	-	-	-
Derivative financial instrument assets (note 21)	1,084	956	1,084	956
Total fair value through surplus or deficit	1,084	956	1,084	956
Loans and receivables				
Cash and cash equivalents (note 17)	104,207	51,489	104,382	51,571
Receivables (note 18)	28,897	27,966	29,719	28,882
Other financial assets (note 22):				
- community loans	3,614	2,094	3,614	2,094
- term deposits	17,680	5,680	17,680	5,680
Total loans and receivables	154,398	87,229	155,395	88,227
Fair value through other comprehensive revenue and expense				
Other financial assets (note 22):				
- Unlisted shares	7,419	6,768	7,419	6,768
Total fair value through other comprehensive revenue and expense	7,419	6,768	7,419	6,768
FINANCIAL LIABILITIES				
Fair value through surplus or deficit				
Derivative financial instrument liabilities (note 21)	60,175	47,788	60,175	47,788
Total fair value through surplus or deficit	60,175	47,788	60,175	47,788
Financial liabilities at amortised cost				
Creditors and other payables (note 27)	33,188	35,769	33,584	36,490
Borrowings: (note 30)				
- bank overdraft	-	-	-	-
- secured loans	517,500	397,500	522,725	402,614
Total financial liabilities at amortised cost	550,688	433,269	556,309	439,104

FAIR VALUE HIERARCHY

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	Valuation technique			
	Total	Quoted market price	Observable inputs	Significant non-observable
	\$000	\$000	\$000	\$000
30 June 2020 - Council				
Financial assets				
Shares (note 22)	7,419	-	-	7,419
Derivative financial instrument assets (note 21)	1,084	-	1,084	-
Financial liabilities				
Derivative financial instrument liabilities (note 21)	60,175	-	60,175	-
30 June 2019 - Council				
Financial assets				
Shares (note 22)	6,768	-	-	6,768
Derivative financial instrument assets (note 21)	956	-	956	-
Financial liabilities				
Derivative financial instrument liabilities (note 21)	47,788	-	47,788	-

	Valuation technique			
	Total	Quoted market price	Observable inputs	Significant non-observable
	\$000	\$000	\$000	\$000
30 June 2020 - Group				
Financial assets				
Shares (note 22)	7,419	-	-	7,419
Derivative financial instrument assets (note 21)	1,084	-	1,084	-
Financial liabilities				
Derivative financial instrument liabilities (note 21)	60,175	-	60,175	-
30 June 2019 - Group				
Financial assets				
Shares (note 22)	6,768	-	-	6,768
Derivative financial instrument assets (note 21)	956	-	956	-
Financial liabilities				
Derivative financial instrument liabilities (note 21)	47,788	-	47,788	-

There were no transfers between the different levels of the fair value hierarchy.

VALUATION TECHNIQUES WITH SIGNIFICANT NON-OBSERVABLE INPUTS (LEVEL 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

	Council		Group	
	2020	2019	2020	2019
Balance at 1 July	\$000	\$000	\$000	\$000
	6,768	5,823	6,768	5,823
Gain and (losses) recognised in the surplus or deficit	-	-	-	-
Gain and (losses) recognised in other comprehensive revenue and expense	650	945	650	945
Purchases	-	-	-	-
Sales	1	-	1	-
Transfers into level 3	-	-	-	-
Transfers out of level 3	-	-	-	-
Balance at 30 June	7,419	6,768	7,419	6,768

Changing a valuation assumption to a reasonably possible assumption would not significantly change fair value.

FINANCIAL INSTRUMENT RISKS

The Council's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Council and group has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from its treasury activities. The Council has established Council approved Investment and Liability Management policies. These policies do not allow any transactions that are speculative in nature to be entered into.

MARKET RISK

PRICE RISK

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Equity securities price risk arises on listed share investments, which relate to Vibrant Hamilton Trust and are classified as financial assets held at fair value through surplus/deficit. This price risk arises due to market movements in listed shares.

CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council uses foreign currency forward exchange contracts to manage foreign currency exposure. Council's policy is that foreign currency exposure of amounts greater than \$25,000 are to be covered by way of forward exchange contracts. Council is no longer exposed to foreign currency movements.

INTEREST RATE RISK

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates expose Council to fair value interest rate risk. Council's Investment and Liability Management policy outlines the level of borrowing that is to be secured using fixed interest rate instruments.

CASH FLOW INTEREST RATE RISK

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowing and Investments issued at variable interest rates expose Council to cash flow interest rate risk.

Council manages its cash flow interest rate risk on borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the effect of converting borrowings at floating rates and swaps them into fixed rates that are known and therefore assist with forecasting future interest costs. Under the interest rate swaps, Council agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

CREDIT RISK

The council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in note 30.

Credit risk is the risk that a third party will default on its obligation to Council, causing Council to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits, which gives rise to credit risk. The Council also provides a financial guarantee, which gives rise to credit risk.

Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover debt from ratepayers.

The Council's Investment and Liability Management policy limits the amount of credit exposure to any one financial institution or organisation.

MAXIMUM EXPOSURE TO CREDIT RISK

Council's maximum exposure to credit risk for each class of financial instrument is as follows:

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Cash and cash equivalents	104,207	51,489	104,382	51,571
Debtors and other receivables	28,897	27,966	29,719	28,882
Equity securities	3,614	2,094	3,614	2,094
Fixed interest instruments	17,680	5,680	17,680	5,680
Community and related party loans	170	196	170	196
Term deposits	154,568	87,425	155,565	88,423
Financial guarantees	196	224	196	224
Total credit risk	87,425	128,299	88,423	135,876

CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates:

	Rating	Council		Group	
		2020	2019	2020	2019
Counterparties with credit ratings		\$000	\$000	\$000	\$000
Cash and cash equivalents	AA	-	-	-	-
	AA-	104,207	51,489	104,382	51,571
Total cash and cash equivalents		104,207	51,489	104,382	51,571
Term deposits	AA+	17,680	5,680	17,680	5,680
	AA-	-	-	-	-
Total term deposits		17,680	5,680	17,680	5,680

	Council		Group	
	2020	2019	2020	2019
Counterparties without credit ratings	\$000	\$000	\$000	\$000
Fixed interest instruments				
- existing counterparty with no defaults in the past	-	-	-	-
Community and related party loans and mortgages				
- existing counterparty with no defaults in the past	3,614	2,094	3,614	2,094
Total community and related party loans and mortgages	3,614	2,094	3,614	2,094

Receivables mainly arise from the group and council's statutory functions, as such there are no procedures in place to monitor or report the credit quality of receivable with reference to internal and external credit ratings.

LIQUIDITY RISK

MANAGEMENT OF LIQUIDITY RISK

Council has a maximum amount that can be drawn down against its overdraft facility of \$500,000 (2019 \$500,000). There are no restrictions on the use of this facility. Council also has \$565 million (2019 \$445 million) of committed borrowing facilities, with available headroom of \$121 million (2019 \$105 million) at balance date.

The Council is exposed to liquidity risk as a guarantor of all of NZLGFA's borrowings. This guarantee becomes callable in the event of the NZLGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 30.

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL LIABILITIES, EXCLUDING FINANCIAL DERIVATIVES

The table below analyses Council's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Council 2020	\$000	\$000	\$000	\$000	\$000
Creditors and other payables	33,188	33,188	33,188	-	-
Secured loans	517,500	547,211	78,521	266,802	201,888
Housing Infrastructure Fund	8,755	9,534	-	9,534	-
Finance leases	1,058	1,093	141	952	-
Financial guarantees	170	170	170	-	-
Total	560,671	591,196	112,020	277,288	201,888

Council 2019					
Creditors and other payables	35,769	35,769	35,769	-	-
Secured loans	397,500	460,294	54,329	278,590	127,375
Housing Infrastructure Fund	1,073	1,224	-	1,224	-
Finance leases	1,340	1,371	594	777	-
Financial guarantees	196	196	196	-	-
Total	435,878	498,854	90,888	280,591	127,375

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Group 2020	\$000	\$000	\$000	\$000	\$000
Creditors and other payables	33,584	33,584	33,584	-	-
Secured loans	522,725	552,436	78,761	271,787	403,776
Housing Infrastructure Fund	8,755	9,534	-	9,534	-
Finance leases	1,058	1,093	141	952	-
Financial guarantees	170	170	170	-	-
Total	566,292	596,817	112,656	282,273	403,776
Group 2019					
Creditors and other payables	36,490	36,490	36,490	-	-
Secured loans	402,614	465,408	54,819	283,214	127,375
Housing Infrastructure Fund	1,073	1,224	-	1,224	-
Finance leases	1,340	1,371	594	777	-
Financial guarantees	196	196	196	-	-
Total	441,713	504,689	92,099	285,215	127,375

CONTRACTUAL MATURITY ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES

The table below analyses the Council and Group's derivative financial instrument liabilities into those that are settled on a net basis and those that will be settled on a gross basis into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Council and group 2020	\$000	\$000	\$000	\$000	\$000
Net settled derivatives	59,091	66,497	6,476	36,601	23,421
Total	59,091	66,497	6,476	36,601	23,421

Council and group 2019					
Net settled derivatives	46,832	48,766	7,867	27,115	13,784
Total	46,832	48,766	7,867	27,115	13,784

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL ASSETS

The table below analyses Council's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Council 2020	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	104,207	104,207	104,207	-	-
Receivables	28,897	28,897	28,897	-	-
Community and related party loans	3,614	3,871	484	1,936	1,451
Other financial assets:					
- Term deposits	17,680	18,168	10,989	3,941	3,238
Total	154,398	155,143	144,577	5,877	4,689

Council 2019					
Cash and cash equivalents	51,489	51,489	51,489	-	-
Receivables	27,966	27,966	27,966	-	-
Community and related party loans	2,094	2,125	2,125	-	-
Other financial assets:					
- Term deposits	5,680	6,104	479	3,102	2,523
Total	87,229	87,684	82,059	3,102	2,523

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Group 2020	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	104,382	104,382	104,382	-	-
Debtors and other receivables	29,719	29,719	29,719	-	-
Community and related party loans	3,614	3,871	484	1,936	1,451
Other financial assets:					
- Term deposits	17,680	18,168	10,989	3,941	3,238
Total	155,395	156,140	145,574	5,877	4,689

Group 2019					
Cash and cash equivalents	51,571	51,571	51,571	-	-
Debtors and other receivables	28,882	28,882	28,882	-	-
Community and related party loans	2,094	2,125	2,125	-	-
Other financial assets:					
- Term deposits	5,680	6,104	479	3,102	2,523
Total	88,227	88,682	83,057	3,102	2,523

SENSITIVITY ANALYSIS

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on Council's financial instrument exposures at balance date.

Council	2020				2019			
	-100bps		+100bps		-100bps		+100bps	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Interest rate risk								
Financial assets								
Cash and cash equivalents	(1,042)	-	1,042	-	(515)	-	515	-
Financial liabilities								
Borrowings - secured loans	3,520	-	(3,520)	-	1,170	-	(1,170)	-
Derivative financial instruments	(19,563)	-	17,851	-	(17,151)	-	15,773	-
Total sensitivity	(17,085)	-	15,373	-	(16,496)	-	15,118	-

Group	2020				2019			
	-100bps		+100bps		-100bps		+100bps	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Interest rate risk								
Financial assets								
Cash and cash equivalents	(1,044)	-	1,044	-	(516)	-	516	-
Financial liabilities								
Borrowings - secured loans	3,572	-	(3,572)	-	1,221	-	(1,221)	-
Derivative financial instruments	(19,563)	-	17,851	-	(17,151)	-	15,773	-
Total sensitivity	(17,035)	-	15,323	-	(16,446)	-	15,068	-

Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonably possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease of 100bps is equivalent to a decrease in interest rates of 1%. The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of +/- 100bps.

NOTE 36: ADJUSTMENTS TO THE COMPARATIVE YEAR FINANCIAL STATEMENTS

The Council and group has adjusted the comparative year financial statements for the year ended 30 June 2019 and the 30 June 2020 due to reclassification adjustments. The adjustments are shown in the table below:

Actual 2019				
	Note	Before adjustments	Reclassification adjustments	After adjustments
Council		\$000	\$000	\$000
Expenses				
Personnel costs	a.	79,951	(4,028)	75,923
Operating and maintenance costs	b., c. & d.	46,076	825	46,901
Professional costs	d.	10,131	(543)	9,588
Administration costs	a. & b.	11,143	6,161	17,304
Property costs	c.	12,172	(2,415)	9,757
Total expenses		159,473	-	159,473
Group				
Expenses				
Personnel costs	a.	81,968	(4,028)	77,940
Operating and maintenance costs	b., c. & d.	52,100	825	52,925
Professional costs	d.	10,368	(543)	9,825
Administration costs	a. & b.	17,338	6,161	23,499
Property costs	c.	12,172	(2,415)	9,757
Total expenses		173,946	-	173,946
Budget 2020				
	Note	Before adjustments	Reclassification adjustments	After adjustments
Council				
Expenses				
Personnel costs	a.	86,426	(6,057)	80,369
Operating and maintenance costs	b., c. & d.	46,523	2,067	48,590
Professional costs	d.	12,838	(602)	12,236
Administration costs	a. & b.	13,602	7,844	21,446
Property costs	c.	14,068	(3,252)	10,816
Total expenses		173,457	-	173,457

Reclassification adjustments

- Personnel costs capitalised as part of capital projects have been reclassified from administration costs to personnel costs to more closely align to where the costs have been incurred.
- City delivery costs that have been capitalised as part of capital projects have been reclassified from administration costs to operating and maintenance costs to more closely align to where the costs have been incurred.
- Security and cleaning contracts have been moved from property costs to operating and maintenance costs to align with the new ledger structure.
- Some professional costs have been move to service providers to align with the new ledger structure.

NOTE 37: EVENTS AFTER BALANCE DATE

There have been no events after balance date that require adjustments to be made to the financial statements or disclosure.

NOTE 38: IMPACTS OF COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a COVID-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. Economic uncertainties have arisen which are likely to negatively affect our operations and services.

The effect on our operations is reflected in these financial statements, based on the information available to the date these financial statements are signed. At this time, it is difficult to determine the full on-going effect of COVID-19 and therefore some material uncertainties remain. There could also be other matters that affect the Council in future, of which we are not yet aware.

We have also disclosed in the financial statements our significant assumptions and judgements regarding the future potential impacts that may have a material impact on the Council. These uncertainties might have a material impact on the Council in future.

The COVID-19 financial impacts on Hamilton City Council during the 2019/20 financial year and expected financial impacts on the 2020/21 financial year have been disclosed on page 20 and 21.

The valuation of investment property has considered any estimated impacts of COVID-19, therefore there is a greater degree of uncertainty attached to the valuation. This has been explained in note 26. Fair value assessments have been performed over all assets that are revalued. We believe the current carrying value of the assets represents the fair value and no adjustments have been required for COVID-19. Further information about the key valuation assumptions used in estimating the fair value at 30 June 2020 are provided in note 24. Impairment assessment has been completed for tangible and intangible assets. No impairment losses have been recognised because of COVID-19.

At this time, it is difficult to determine the full effect of the COVID-19 pandemic, and there could be other matters that affect Hamilton City Council.

LOCAL GOVERNMENT DISCLOSURES

RATING BASE INFORMATION

The Council's rating base information relating to preceding financial years is:

	30 June 2019	30 June 2018
The number of rating units	59,901	58,972
The total capital value of rating units	\$44,083,647,500	\$33,598,350,000
The total land value of rating units	\$23,193,558,000	\$14,505,359,000

INSURANCE OF ASSETS

The following information relates to the insurance of Council assets as at 30 June.

	Council	
	2020	2019
	\$'000	\$'000
The values listed are the declared values Council has provided to its insurance broker.		
Material Damage	1,127,600	1,152,227
Council's Material Damage cover is based on a Maximum Probable Loss model (MPL) which means that its assets are insured for the value of the largest probable loss that could result from a disaster in Hamilton. Council has insured up to \$300 million consisting of two layers; a \$150 million primary layer which is shared between the Regional collective and an additional \$150 million excess layer which is shared with Waikato Regional Council due to geographic accumulation. A separate policy is in place which is shared by the Regional collective which provides cover of up to \$125 million for damage that is caused by fire, or fire following a natural disaster.		
The following categories are in addition to the Material Damage and each is covered with a separate policy.		
Fine Arts	37,652	39,999
This cover is for the declared values of art, artefacts and declared outdoor sculptures owned by Council.		
Commercial Motor Vehicles	20,000	14,518
Motor insurance up to the declared value of each individual vehicle.		
Infrastructure	2,216,345	1,987,387
Based on risk engineering and loss modelling for the Waikato hazardscape, a \$100 million shared loss limit is in place with the Regional Collective. Insurance is to the level of 40% in anticipation of 60% contribution from Central Government in a disaster.		
Boiler Explosion	1,105	1,105
Policy covers the damage caused by failure of large boilers.		
In addition to the material damage cover Council has two policies that relate to contract works and business interruption.		
Contract Works	8,000	8,000
This policy allows Council to perform small projects relating to new builds, works to existing structures, renovations, maintenance and repair with cover up to \$600,000 for any one contract.		
Business Interruption	77,618	77,368
\$37.3 million of cover provided for loss of rent revenue and receivable. A further \$40 million for the increased cost of working at the water treatment plants.		
There are no assets of the local authority that are self-insured.		

WHOLE OF COUNCIL FUNDING IMPACT STATEMENT

WHOLE OF COUNCIL FUNDING IMPACT STATEMENT

FOR YEAR ENDED 30 JUNE 2020

	Annual Plan 2018/19	Actual 2018/19	Annual Plan 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	90,582	90,862	140,314	139,786
Targeted rates	89,131	90,291	51,343	51,942
Subsidies and grants for operating purposes	7,120	6,852	6,907	10,963
Fees and charges	39,303	44,913	42,108	38,215
Interest and dividends from investments	2,579	3,926	1,754	1,837
Local authorities fuel tax, fines, infringement fees and other receipts	2,502	2,943	2,581	6,251
Total operating funding	231,217	239,787	245,007	248,994
Application of operating funding				
Payments to staff and suppliers	161,550	159,475	173,457	182,197
Finance costs	21,813	20,227	23,702	17,600
Other operating funding applications	-	-	-	-
Total applications of operating funding	183,363	179,702	197,159	199,797
Surplus/(deficit) of operating funding	47,854	60,085	47,848	49,197
Sources of capital funding				
Subsidies and grants for capital expenditure	44,840	35,516	69,690	42,446
Development and financial contributions	17,518	24,632	25,387	32,198
Increase/(decrease) in debt	99,149	(14,435)	176,038	128,063
Gross proceeds from sale of assets	20,925	1,635	2,125	1,374
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	182,432	47,348	273,240	204,081
Applications of capital funding				
Capital expenditure				
- to meet additional demand	140,504	80,664	225,275	128,661
- to improve the level of service	26,819	19,576	35,956	16,960
- to replace existing assets	55,441	51,888	62,373	45,225
Increase/(decrease) in reserves	(7,438)	(16,610)	(2,516)	(2,286)
Increase/(decrease) in investments	14,960	(28,085)	-	64,718
Total applications of capital funding	230,286	107,433	321,088	253,278
Surplus/(deficit) of capital funding	(47,854)	(60,085)	(47,848)	(49,197)
Funding balance	-	-	-	-

DISCLOSURE STATEMENT

ANNUAL REPORT DISCLOSURE STATEMENT FOR YEAR ENDED 30 JUNE 2020

WHAT IS THE PURPOSE OF THIS STATEMENT?

The purpose of this statement is to disclose the council's planned financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

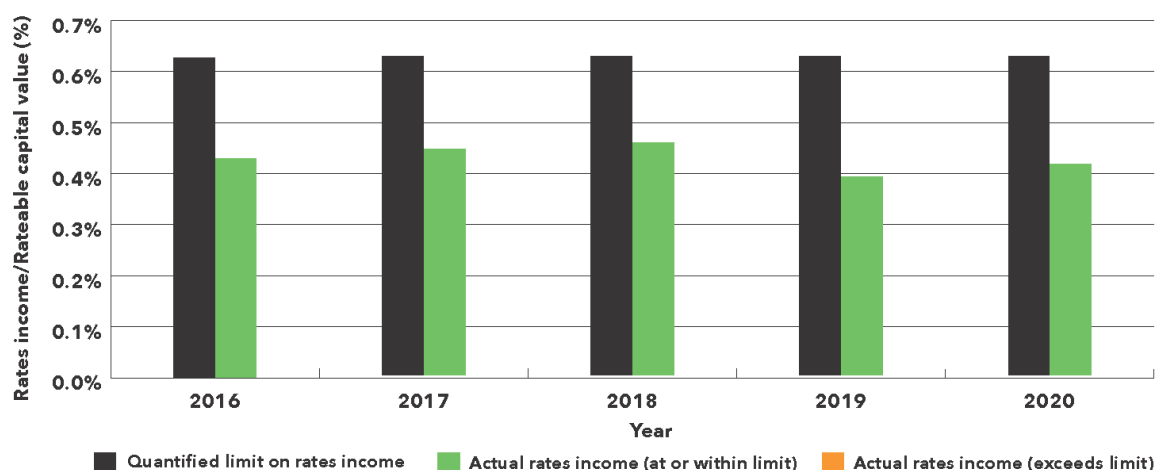
RATES AFFORDABILITY BENCHMARK

The Council meets the rates affordability benchmark if -

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

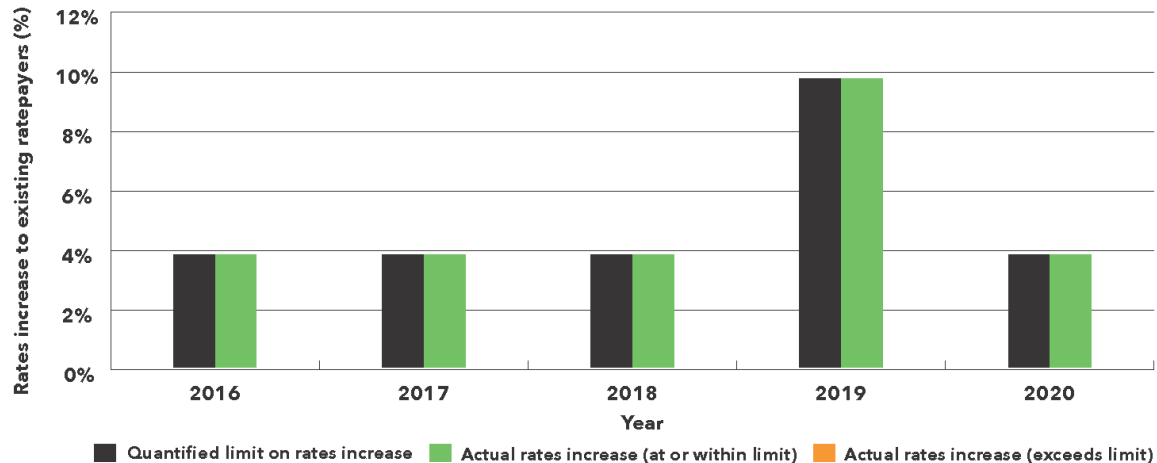
RATES (INCOME) AFFORDABILITY

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



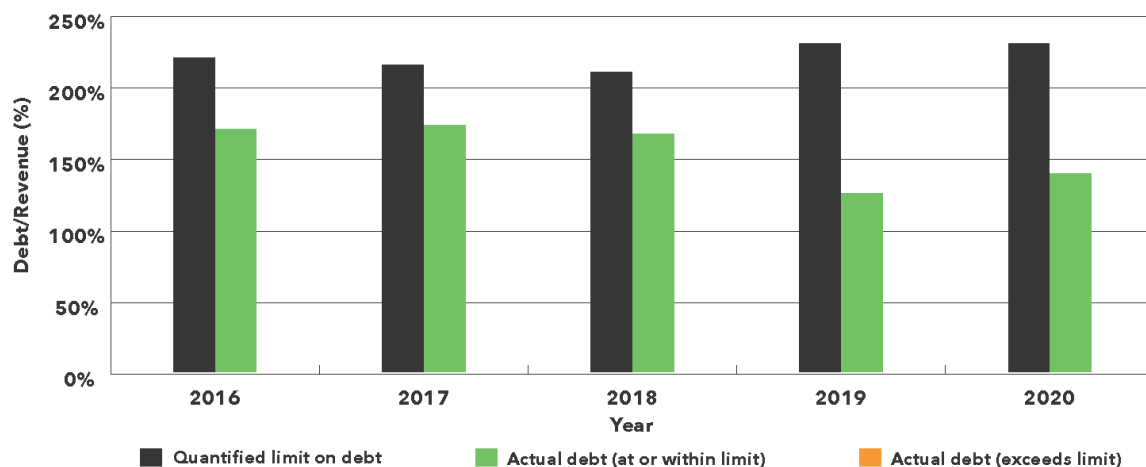
RATES (INCREASES) AFFORDABILITY

The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Council's long-term plan. The quantified limit is that rates average rate increases to existing ratepayers will not exceed 9.7% in 2018-19 or 3.8% thereafter. The quantified limit prior to 2018-2019 was that rates average rate increases to existing ratepayers will not exceed 3.8%.



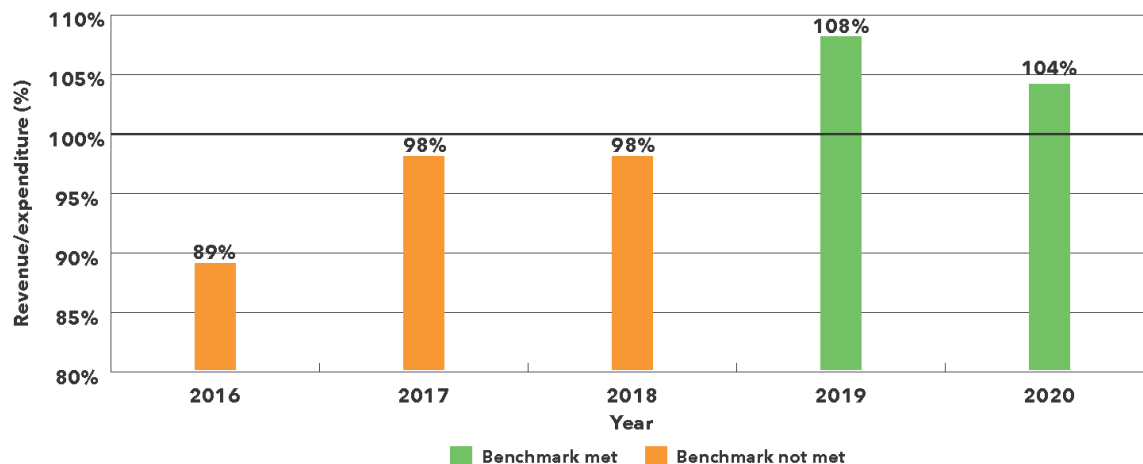
DEBT AFFORDABILITY BENCHMARK

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's long-term plan. The quantified limit is that the debt to revenue ratio will remain below 230%. The total debt and total revenue calculations have changed in 2018-19 to align with the 2018-28 10-Year Plan. The quantified limit prior to 2018-19 was to reduce to under 200% by 2020 and thereafter will remain below 200%.



BALANCED BUDGET BENCHMARK

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

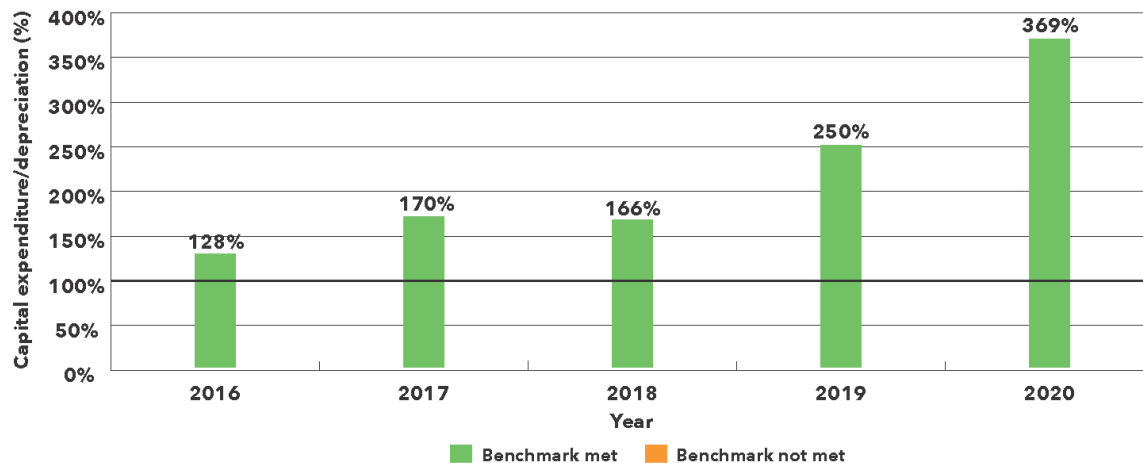


This benchmark is similar to Council's own "Balancing the books" measure that was introduced prior to the Local Government (Financial Reporting) Regulations. Council does meet its own measure that it believes is more relevant to a growing city. There are four main differences between the measures:

- the above balanced budget includes all capital subsidies
- the above balanced budget includes gains and losses from disposals of assets, investment property, and associates.
- the above balanced budget includes gains and losses from investment property revaluations.
- the above balanced budget excludes all development contributions.

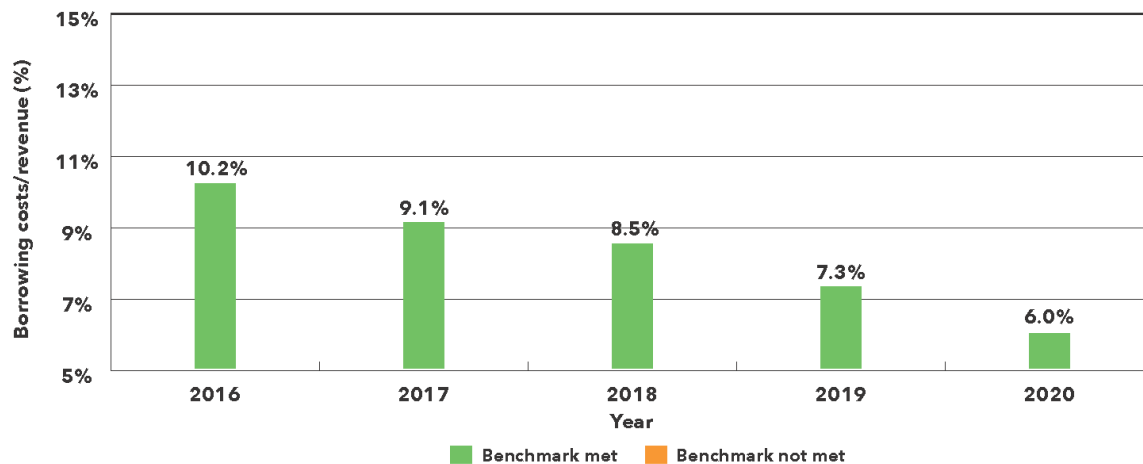
ESSENTIAL SERVICES BENCHMARK

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



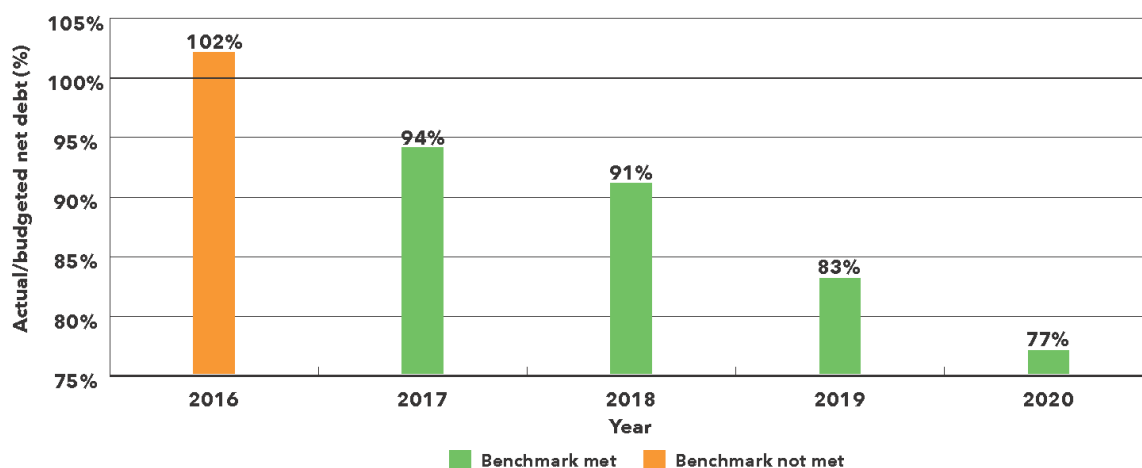
DEBT SERVICING BENCHMARK

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



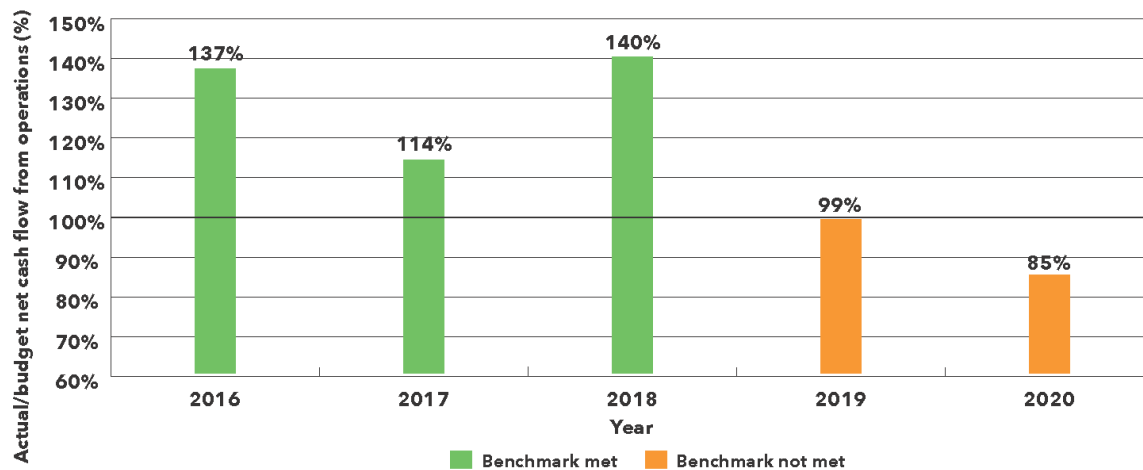
DEBT CONTROL BENCHMARK

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



OPERATIONS CONTROL BENCHMARK

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



Council did not achieve the operational control benchmark in 2020 due to less cash received from capital subsidies and development contributions than planned.

INFORMATION ON COUNCIL CONTROLLED ORGANISATIONS

We are involved with and represented in a number of organisations to support the realisation of our vision for Hamilton City. Council Controlled Organisations (CCOs) are any organisation in which one or more local authorities control 50% or more of the voting rights or appoint 50% or more of the directors.

We have an interest in the following CCOs:

- Waikato Local Authority Shared Services Ltd,
- New Zealand Local Government Funding Agency Ltd,
- Waikato Regional Airport Limited and its subsidiaries, Hamilton & Waikato Tourism Ltd, Titanium Park Ltd and Waikato Regional Airport Hotel Ltd, and
- Waikato Innovation Growth Ltd and its subsidiary, New Zealand Food Innovation (Waikato) Limited.

The following tables explain what these organisations do, our objectives in regard to ownership, nature and scope of activities, key performance targets and outcomes for 2019/20 year. We also have interests in Council Organisations details of which are available on our website.

We manage and monitor our investment in CCO's by reviewing statement of intents, six month and annual reports at our Finance Committee.

WAIKATO LOCAL AUTHORITY SHARED SERVICES LTD (WLASS)

Ownership	13.72% SDVS shares, 37.5% WRTM Service shares and 17.8% WRAPS shares equating to 19.6% of the total weighted value of issues shares. The balance of shares is owned by other Local Authorities in the Waikato Region. Council has only one voting right out the 12 voting Local Authorities.
Representation (total members)	1(12) - WLASS has 12 directors, with each director representing a shareholder council.
Significant policies and objectives	To make a regional leadership contribution and seek opportunities to operate more efficiently by participating with the region's local authorities on shared services, particularly in respect of information collection and management, with the aim of reducing the cost of those activities to the community at large.
Nature and scope of activities	The company has 12 major initiatives under the WLASS umbrella, plus a support role for the collaborative work streams of the Waikato Mayoral Forum. <ul style="list-style-type: none"> • Shared Valuation Data Service (SVDS) • Road Asset Technical Accord (RATA) • Waikato Regional Transportation Model (WRTM) • Waikato Building Consent Group (WBCG) • Future Proof • Energy Management • Joint Procurement Initiatives • Historic Aerial Photos • Waikato Regional Aerial Photography Service (WRAPS) • Aligned Resource Consent Planning • Regional Infrastructure Technical Specifications (RITS) • Local Government Contractor Health & Safety Pre-qualification Scheme

KEY PERFORMANCE TARGETS

Performance targets are specified in the WLASS Statement of Intent for 2019/20 and are summarised with the actual results below:

2019/20 performance targets	2019/20 outcome
Procurement Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.	Achieved
Collaborative Projects Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.	Achieved
Existing WLASS Contracts Existing contracts are managed and renegotiated as required.	Achieved
Cost Control Administration expenditure shall be managed and monitored.	Achieved
Reporting Six monthly reports provided to Shareholders.	Achieved
Shared Valuation Data Services (SVDS) The SVDS is reliable, well maintained and available to all users.	Achieved
Insurance Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.	Not measured
RATA Deliver better data for decision making across the Waikato Region, enabling more consistent best practice. Lead engagement and increase capability within the sector.	Achieved Not achieved
Waikato Regional Transport Model (WRTM) The Waikato Regional Transport Model (WRTM) is reliable, well managed and available to all users.	Achieved
Waikato Building Consent Group Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.	Partially achieved
Future Proof Planning for growth in the sub-region is co-ordinated and collaborative. The Future Proof budget is well managed and monitored. Future Proof influences and inputs into District Plan, Regional Plan, growth strategy and any other planning processes which manage growth within the sub-region and neighbouring regions.	Not achieved Achieved Achieved
Shareholder Survey Shareholders are satisfied with the performance of WLASS.	Not achieved
Review of Benefits Shareholders are informed of the benefits being provided to shareholding councils by WLASS.	Partially achieved

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LTD (NZLGFA)

Ownership	8.3%
Representation (total members)	1(31) - There are currently 31 shareholders comprising of the New Zealand Government at 20% and 30 local councils at 80%
Significant policies and objectives	Council's main objective for ownership in LGFA is to access shared funding at better rates and for more flexible terms.
Nature and scope of activities	<p>LGFA will raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency and provide debt funding to New Zealand Local Authorities, and may undertake any other activities considered by the Board to be reasonably related or incidental to, or in connection with, that business.</p> <p>The LGFA will only lend to local authorities that enter into all the relevant arrangements with it (Participating Local Authorities) and comply with the LGFA's lending policies. In lending to local authorities LGFA will ensure its products and services are delivered in a cost-effective manner.</p>

KEY PERFORMANCE TARGETS

Performance targets are specified in the LGFA Statement of Intent for 2019/20 and are summarised with the actual results below:

Financial performance measures:

Comprehensive income

Interest income	\$256.2M	\$370.2M	Achieved
Interest expense	\$238.3M	\$351.9M	Achieved

Net interest income

	\$17.9M	\$18.3M	Achieved
Issuance and on-lending costs	\$2.4M	\$2.6M	Achieved
Approved Issuer Levy	\$1.6M	\$1.4M	Achieved
Operating expenses	\$3.9M	\$3.7M	Achieved

Issuance and operating expenses

	\$7.9M	\$7.7M	Achieved
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P & L

Financial position

Capital	\$25.0M	\$25.0M	Achieved
Retained earnings	\$59.9M	\$58.6M	Not achieved
Total equity	\$84.9M	\$83.6M	Not achieved
Shareholder funds + borrower notes /Total assets	2.3%	2.0%	Not achieved
Dividend provision	\$1.2M	\$0.9M	Not achieved
Total assets (nominal)	\$10,262.9M	\$12,155.6M	Achieved
Total LG loans – short term (nominal)	\$460.0M	\$1,254.8M	Achieved
Total LG loans (nominal)	\$9,331.7M	\$10,899.80M	Achieved
Total bills (nominal)	\$425.0M	\$647.0M	Achieved
Total bonds (nominal) ex treasury stock	\$9,594.0M	\$12,309M	Achieved
Total borrower notes (nominal)	\$149.3M	\$182.3M	Achieved

2019/20 performance targets	2019/20 outcome
LGFA net interest income for the period to: • 30 June 2020 will be greater than \$17.9M	Achieved
LGFA's annual issuance and operating expenses (excluding AIL) for the period to: • 30 June 2020 will no more than \$7.9M	Achieved
Total lending to Participating Local Authorities at: • 30 June 2020 will be at least \$9,792M	Achieved
Conduct an annual survey of councils who borrow from LGFA and achieve at least an 80% satisfaction score as to the value added by LGFA to the council borrowing activities.	Achieved
Meet all lending requests from Participating Local Authorities, where those requests meet LGFA operational and covenant requirements.	Achieved
Achieve 75% market share of all council borrowing in New Zealand.	Achieved
Review each Participating Local Authority's financial position, its headroom under LGFA policies and arrange to meet each Participating Local Authority at least annually.	Not achieved
No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015.	Not achieved
Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.	Achieved
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency.	Achieved

WAIKATO REGIONAL AIRPORT LTD (WRAL) AND ITS SUBSIDIARIES, HAMILTON & WAIKATO TOURISM LTD, TITANIUM PARK LTD AND WAIKATO REGIONAL AIRPORT HOTEL LTD

Ownership	50%
Representation (total members)	0 (4)
Significant policies and objectives	Council's main objective in the ownership of WRAL (and its subsidiaries) is to support and provide economic growth to our community which can benefit from the opportunities WRAL provides.
Nature and scope of activities	<ul style="list-style-type: none"> Operate an efficient and compliant airport. Enhance the traveller experience. Maintain a viable aero nautical business. Maximise revenue diversification through non-aeronautical business opportunities. Ensure appropriate internal and external resource to enable a commercially driven and high performing organisation.

KEY PERFORMANCE TARGETS

Performance targets are specified in the WRAL Statement of Intent for 2019/20 and are summarised with the actual results below:

Financial performance measures:

Consolidated company forecast:

	2019/20 targets	2019/20 results	2019/20 outcome
Earnings before interest, taxation & depreciation (EBITDA) but excluding land sales of at least	\$4M	\$2.8M	Not achieved
EBITDA including land sales of at least	\$6M	\$5.0M	Not achieved
Net profit after tax of no less than	\$1.2M	(\$1M)	Not achieved
Net operating cash flow (excluding land sales)	\$1.9M	\$2.5M	Achieved
Total debt, excluding funding for design-build properties, not exceeding	\$25M	\$17.0M	Achieved
Shareholder funds to total assets	65%	81%	Achieved
Net profit after tax to total shareholders funds	1.0%	5.7%	Achieved
Net profit after tax to total assets	1.3%	4.6%	Achieved
Land sales of at least	\$7M	\$5.9M	Not achieved

Parent company operations only:

Percentage of non-landing charges revenue	60%	73%	Achieved
Interest cover	4.0	4.6	Achieved

Non-financial performance measures:

2019/20 performance targets	2019/20 outcome
Health and safety:	
Facilitate health and safety meetings every two months with representatives from each company department.	Achieved
Zero Work Safe notifiable accidents/ injuries.	Achieved
Independently review and audit the Health and Safety system each year.	Achieved
Operational compliance:	
To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by the Civil Aviation Authority audit reports.	Achieved
Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events).	Achieved
Facilitate noise management meetings each four months in accordance with the Noise Management Plan.	Achieved
Property (Titanium Park Limited)	
Finalise subdivision plans for the 4th Stage of Titanium Park's Central Precinct.	Achieved
Develop a masterplan for Titanium Park's Northern Precinct and prepare a private plan change submission to Waipa District Council.	Not achieved
Tourism (Hamilton & Waikato Tourism Limited)	
Achieve 5% growth in visitor nights and visitor expenditure (as measured by key MBIE Tourism statistics)	Not achieved
Hotel Operation	
Complete a refurbishment program (both internally and externally) that will allow the hotel to be accredited to a Qualmark 4 Star standard.	Achieved

The actual results for 2019/20 are based on draft results available at the time of preparation of the 2019/20 Annual Report.

WAIKATO INNOVATION GROWTH LIMITED (WIGL) AND ITS SUBSIDIARY, NEW ZEALAND FOOD INNOVATION (WAIKATO) LIMITED (NZFIW)

Ownership	Council has 100% shareholding in WIGL and holds a 70% shareholding in NZFIW (its subsidiary).
Representation (total members)	0(5) - There are two boards. WIGL and NZFIW. The WIGL board consists of all NZFIW board members except one.
Significant policies and objectives	Our ownership in WIGL & NZFIW is to promote and provide support to business development and innovation in our community.
Nature and scope of activities	<p>WIGL</p> <ul style="list-style-type: none"> To provide business and innovation advisory services for customers such as small and medium-sized enterprises (SMEs) and High Value Manufacturing and Services (HVMS) business in the Waikato Region. <p>NZFIW</p> <ul style="list-style-type: none"> To provide facilities on an open access basis in which food processing companies and those entering new markets can develop new or improved food ingredient products To provide open access basis a small-scale production plant capable of producing samples for market development which is to be self-sustaining in the medium to long term To participate in and promote a national network of similarly focussed food innovation organisations as a shareholder in a food innovation network To provide an independent and secure facility to ensure the intellectual property and know-how of the Company and its customers are protected To provide a centre of learning for food technology, catering primarily to the pastoral product value chain, in cooperation with tertiary education institutions To provide one of several tangible centres and organisations throughout New Zealand around which networks of food processors and exporters, food equipment manufacturers and other partners can develop

KEY PERFORMANCE TARGETS

Performance targets are specified in the WIGL Group Statement of Intent for 2019/20 and are summarised with the actual results below:

Financial performance measures:

	2019/20 targets	2019/20 results	2019/20 outcome
NZFIW EBITDA (earnings before interest, tax, dep & amortisation)	\$1.956M	\$1.191M	Not achieved
NZFIW Cash from operating activities	\$0.856M	\$1.482M	Achieved
Net Profit after tax	\$0.337M	(\$0.079M)	Not achieved
Shareholders' funds (including deferred income)/Tangible assets	70%		

Non-financial performance measures:

2019/20 performance targets	2019/20 outcome
NZFIW	
284 days of product development production via the spray dryer contributing exceeding \$60 million to the regional economy.	Achieved
Commitment by private capital to establish increased spray drying capacity alongside the existing dryer in 2019/2020.	Achieved
A 10% minority interest in new spray dryer is planned to increase open access space for the sheep industry customers. \$1.67 million will available within the company's own cash flow.	Achieved
Assist with the development of new valued added sheep milk industry products and the international launch of one substantial new product.	Not achieved
Income receiving from managing Melody Dairies expects to amount to a net of \$400k.	Not achieved

The actual results for 2019/20 are based on draft results available at the time of preparation of the 2019/20 Annual Report.

STATEMENT OF COMPLIANCE

COMPLIANCE

The Council of Hamilton City Council confirms that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.

RESPONSIBILITY

Council and management of Hamilton City Council accept responsibility for the preparation of the financial statements and statement of service performance in accordance with generally accepted accounting practice and New Zealand equivalents to International Financial Reporting Standards.

Council and management of Hamilton City Council considers that the financial statements and statement of service performance have been prepared using appropriate accounting policies, which have been consistently applied and adequately disclosed and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

Council and management of Hamilton City Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non financial reporting.

In the opinion of Council and management of Hamilton City Council, the financial statements fairly reflect the financial position of Council and the Group as at 30 June 2020, and the results of its operations and cash flows and the service performance achievements for the year ended on that date.



Paula Southgate
Hamilton Mayor
22 October 2020



Richard Briggs
Chief Executive
22 October 2020

Independent Auditor's Report

To the readers of Hamilton City Council's annual report for the year ended 30 June 2020

The Auditor-General is the auditor of Hamilton City Council (the City Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to report on the information in the City Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the City Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the City Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 22 October 2020. This is the date on which we give our report.

OPINION

Unmodified opinion on the audited information, excluding the statement of service performance

In our opinion:

- the financial statements on pages 90 to 159 and information on pages 20 and 21:
 - present fairly, in all material respects:
 - the City Council and Group's financial position as at 30 June 2020;
 - the results of the operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 161 presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's long-term plan;
- the statement about capital expenditure for each group of activities on pages 28 to 88, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's long-term plan; and
- the funding impact statement for each group of activities on pages 29 to 88, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's long-term plan.

Qualified opinion on the statement of service performance - Our work was limited in relation to the performance measure on resource consent processing times in the prior year

The City Council included in its long-term plan a performance measure on the average processing time for non-notified land use and subdivision resource consents. In respect of the 30 June 2019 comparative information only, there were issues with recorded processing times not agreeing to underlying consent information at the time.

The extent of the inaccuracies we identified from our sampling testing in the prior year meant that we were unable to determine whether the City Council's reported result for this measure in the statement of performance for the prior year was materially correct. As a result, our work was limited and there were no practical audit procedures we could apply to obtain assurance over the reported result for the 30 June 2019 resource consent processing times.

The issues with recorded resource consent processing times has been resolved for the 30 June 2020 year. However, the

limitation cannot be resolved for the 30 June 2019 year, which means that the City Council's performance information reported in the statement of performance for the 30 June 2020 year, may not be directly comparable to the 30 June 2019 performance information.

In our opinion, except for the matter explained above, the statement of service performance on pages 22 to 88:

- presents fairly, in all material respects, the City Council's levels of service for each group of activities for the year ended 30 June 2020, including:
 - o the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - o the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand.

Report on the disclosure requirements

We report that the City Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 162 to 166, which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council and Group's audited information and, where applicable, the City Council's long-term plan and annual plans.

Emphasis of matter - Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the City Council as set out in note 38 on page 159 and in the information on pages 20 and 21 to the financial statements and page 23 of the statement of service performance. We draw attention to the following matter due to the significant level of uncertainty caused by Covid-19:

- Investment property
Note 38 on page 159 and the information on pages 20 and 21 describes the significant uncertainties highlighted by the valuer, related to estimating fair values of the City Council's Investment Property.

Basis for our opinion on the audited information

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

Responsibilities of the Council for the audited information

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the City Council and the Group or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the City Council's long-term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service performance, as a reasonable basis for assessing the levels of service achieved and reported by the City Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the City Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the City Council and the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 19; "balancing the books measure" on page 92, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the City Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit of the audited information and our report on the disclosure requirements, we have performed a limited assurance engagement related to the City Council's debenture trust deed and an assurance engagement over Project Kookiri that relates to the implementation of the Authority Financial Information Systems. Other than these engagements, we have no relationship with, or interests in, the City Council or its subsidiaries and controlled entities.

Clarence Susan
Audit New Zealand
On behalf of the Auditor General
Tauranga, New Zealand



**FURTHER INFORMATION**

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This is a summary of the Annual Report. It provides a snapshot of our results for 2019/20. The full document is available at hamilton.govt.nz/annualreport
This summary and the full Annual Report have been audited by our independent auditors.

INTRODUCTION

Hamilton City Council's Annual Report presents our financial results for 2019/20 as measured against the Financial Strategy set out for Year Two of the 2018-28 10-Year Plan. It also shows how we performed against our service delivery targets.

This document summarises our 2019/20 Annual Report. The full report can be found at hamilton.govt.nz/annualreport

The 2019/20 year will be remembered for many years to come as an extraordinary year. While in the grip of a global pandemic, Hamilton City Council and our city ended the financial year confident that Hamilton will be able to withstand its impacts better than some parts of New Zealand.

The balancing the books result ended in a deficit of \$8.3 million compared with a deficit of \$7.3 million forecast in the 2019/20 Annual Plan. Our balancing the books target measures how we are tracking against our goal of paying everyday costs with everyday revenue (such as rates, fees and user charges).

We ended the financial year with a net debt balance of \$406 million versus a 10-Year Plan projection of \$587 million. Net debt is defined as the money we owe the bank, less cash.

This lower net debt level was mainly because some capital projects were deferred into later years (capital projects are largely funded by debt). We also received more revenue from development contributions. Debt levels are expected to rise as our \$2 billion capital programme, the city's largest ever, gathers steam in coming years.

Our final debt-to-revenue ratio for 2019/20 was 139% against a target of 191%. The means we borrowed \$1.39 for every \$1 in revenue collected. The lower ratio was because of less debt due to capital projects shifting years. In addition, more rates and development contributions revenue than expected was received.

The Annual Report also shows how we performed against the commitments we made to our community in all areas of service delivery. In 2019/20 we met or exceeded 31 of our 50 non-financial performance targets. Of the targets we didn't meet, nine were a direct result of the impact of COVID-19, either because the lockdown affected our ability to meet the target or gather the data. A further two are because data was unavailable (not as a result of COVID-19).

One of the most important events during the year was the election in October 2019, which saw five new Elected Members join Council and Paula Southgate voted Mayor of Hamilton. The city succeeded in reversing a downward trend of voter turnout, moving from 33.6% of the eligible vote in 2016 to 39.8% in 2019.

But while this was the highest percentage increase of all metro cities in New Zealand (and meant a further 6943 people voted), it was still disappointing that little more than a third of eligible voters cast their ballot. The election reinforced a strong desire within Council by the Mayor and Elected Members to have significantly more meaningful engagement with people across our city.

Other highlights of 2019/20 included the opening to the public of Waiwhakareke Natural Heritage Park after more than 15 years of community commitment and passion. Major milestones were celebrated at Hamilton Gardens with the opening of the Picturesque Garden in November 2019 and the Surrealist Garden in February 2020. Housing, and the ongoing challenges around affordable housing, continued to be high on Council's agenda including the approval in September 2019 of the Trust Deed for the Waikato Community Lands Trust. The Trust was kick-started with a commitment by Council to fund \$2 million and, over time, aims to provide more affordable housing in the city and, over time, aims to provide more affordable housing in the city.

Despite the impacts of COVID-19, the programme to build a community in the Peacocke growth cell is tracking well and is currently on time and on budget. November 2019 saw the official sod turning of the Rotokauri Transport Hub. This will transform public transport within, in and out of our city, including the enabling of the long-awaited Hamilton to Auckland passenger rail link.

But 2019/20 will undoubtedly be remembered most for how COVID-19 upended the way we live, work and play following its swift impact. Council's work in early 2020 was dominated by the city's nimble and fulsome response to COVID-19. Within days of lockdown being announced, Council had transitioned all its operations, allowing staff to work from home while essential workers continued to provide critical services to the city. In late March, the Council was among the first in the country to announce a comprehensive 12-point recovery plan which included social service funding support, early payments to suppliers, rent relief, a comprehensive emergency response and more.

We were and remain incredibly proud of the way our organisation and the wider city responded to COVID-19. We will continue to do everything possible in the coming 12 months to ensure Hamilton meets and exceeds the challenges ahead.

KUPU WHAKATAKI

Kei eenei whaarangi o te Puurongo aa-Tau a Te Kaunihera o Kirikiriroa, ka horahia ngaa hua puutea i inea ai ki taa te tahua moo te tau tuarua o taa maatou Mahere Tekau Tau 2018-28. Ka whakaatuhia hoki ko ngaa hua o ngaa mahi i inea ai ki ngaa whaainga i takoto.

Koinei te whakarāpopototanga o te Puurongo aa-Tau 2019/20. Moo te whaanuitanga ake o te puurongo, tiikina atu i hamilton.govt.nz/annualreport

He tau tini hua te tau nei, 2019/20 e mau ai kia ita ki te hirikapo o te tangata. Ahakoa ngaa aupeehitanga o te urutaa, i puta pai te ihu o te Kaunihera o Kirikiriroa me te taaone nui nei ki te taha tahua puutea, pai kee atu toona puta i eeteahi atu whaitua i Aotearoa whaanui.

Noo te arotakenga o te tahua i te tau 2019/20, ko te \$8.3 miriona te nama i mahue mai, ki taa te Mahere aa-Tau 2019/20, e whakapaengia ana, ka heke taua nama ki te \$7.3 miriona. Ko taa maatou arotake tahua nei, he arotahi ki ngaa whaainga, mehemea e pai ana ngaa whakapaunga puutea ki ngaa nama o ia raa me te puutea o ia raa (peenei me ngaa reti, ngaa nama me ngaa utu whakamahi).

I te pito o te tau puutea, ko te \$406 miriona te nama neti i mahue mai, ki taa te Mahere Tekau Tau whakapae, ko te \$587 miriona teenaa. Ko te nama neti nei, koia teenaa ko te puutea e noho nama nei ki te peeke, kaua ko te puutea aa-ringa nei.

Naa te nuku o eeteahi o ngaa kaupapa matua ki teeteahi atu tau i heke ai te nama nei (whaangaihia ai ngaa kaupapa matua ki te puutea taurewa). Inaa hoki, he nui ake ngaa puutea naa ngaa kaupapa whakawhanake i homai ki a maatou. Ko te whakapae, teeraa ngaa nama ka piki ki te \$2 piriona taara hei whakatutuki i te hootaka matua a te taaone i ngaa tau te haere ake nei.

Ko taa maatou aawhata nama ki te puutea moo te tau 2019/20, koia ko te 139%, ki taa maatou whaainga, ko te 191%. Araa, moo ia \$1.39 taara puutea taurewa, he \$1 taara i kohia e maatou. Naa te nuku o ngaa kaupapa matua ki teeteahi tau kee i heke ai te aawhata nei. Hei taapiri, he nui noa atu ngaa reti me ngaa utu whakawhanake i riro ai i a maatou.

Ko taa teenei Puurongo aa-Tau hoki, he whakaatu i ngaa maatou tutukinga, ki aa ngaa oati i takoto ai ki te hapori, i roto i aa maatou mahi katoa. I te tau 2019/20, tutuki tonu ana i a maatou ngaa whaainga puutea-kore 31 o ngaa mea 50. O ngaa whaainga kaaore i tutuki, e iwa o eeraa, naa te COVID-19 i kore ai e tareka e maatou aua ritenga te whakatinana, ngaa raraunga raanei te whakaemi. E rua anoo ngaa whaainga, kaaore i tutuki, naa te korenga o ngaa raraunga (ehake naa te COVID-19).

Ko te kaupapa whakahirahira o eenei marama nei, ko te pootitanga i te Oketopa 2019. Tokorima ngaa Kaikaunihera hou me toona Koromatua hou, a Paula Southgate. He pikinga

paiheenetahi hoki i hua ake, araa, o te hunga pooti mai i te 33.6% i te tau 2016, ki te 39.8% i te tau 2019.

Ahakoa koia teenei te pikinga teitei o ngaa paiheenetahi, huri noa i ngaa taaone nui o Aotearoa (e 6943 taangata te pikinga o te hunga pooti), i paapouru tonu te manawa, he paku nui ake noa iho i te hautoru o te hunga i tareka te pooti, i tuku pooti. Naa teenei aahua, kua hiikaka te Kaunihera, te Koromatua me oona Mema ki te mahi tahi me te hapori.

Teeraa ngaa kaupapa o too taatou taaone i whakanuia ai peenei me te huakitanga o te Papa o Waiwhakareke, inaa raa, tekau maa rima tau e heke werawera ana ngaa rae, e kooingotia ana ka puaawai nei. Teeraa hoki ngaa mahi nunui i whakatairangatia ai i Ngaa Maara o Kirikiriroa, koia teenaa te huakitanga o te Maara Picturesque i te Noema 2019 me te Maara o Surrealist i te Peepuere 2020. Ko te kaupapa whare, ngaa uauatanga moo ngaa utu whare kei te pane o te hootaka mahi a te Kaunihera, peenei me te whakaetanga o te Tiiti Whakahaere i te Hepetema 2019 i raro o Waikato Community Lands Trust. I whaangaihia tuatahitia te Whakahaere nei e te Kaunihera ki te rua miriona taara, aa, haere te waa, e whaaia ana kia pai ake te utu whare i Kirikiriroa nei.

Haaunga ngaa whiu o te mate COVID-19 nei, ka nui te koke whakamua o te kaupapa whakatuu hapori i Peacocke, e haangai tonu ana toona tahua puutea me te waataka. I te Noema hoki, ko te huringa oneone teenaa ki te Pokapuu o Rotokauri. Ka pai kee ake ngaa whakahaere waka, ki roto, ki waho hoki i te taaone nei, me te aranga o te tereina kawae taangata, atu i Kirikiriroa ki Taamaki Makaurau.

Heoi anoo, ko te whiu o te tau 2019/20 nei e mau pai ai ki te hirikapo, koia teenaa ko te urutaa COVID-19, ko toona huripoki i te ao me te noho a te tangata e waia nei taatou. I te whakarewanga o te tau 2020 nei, warea katoatia ana te Kaunihera ki te whakatika i te taaone i mua i te paringa o COVID-19. Noo roto tonu i ngaa raa huatakinga o te mau a te motu, kua tika i te Kaunihera oona whakahaere, tukua ai oona kaimahi ki te kaainga mahi ai, aa, mahi tonu ai oona kaimahi matua i aa raatou mahi tiaki i te taaone. I te pito o te Maeehe, ko te Kaunihera tonu teeteahi o ngaa whakahaere tuatahi ki te whakatakoto mahere aawhina 12-piro, peenei me te puutea tautoko hapori, ngaa utu moata ki ngaa pakihi, te puutea tautoko reti whare, te tautoko ohotata me eeteahi atu aawhina.

E tairanga tonu ana te manawa o te Kaunihera i aa taatou kookiri ki mua i te urutaa COVID-19 nei. Ko taa maatou, he whakapau kaha i roto i eenei kookiri i ngaa marama tekau maa rua kei mua i a taatou kia eke ai ngaa hiahia me ngaa wawata o Kirikiriroa.

OUR CITY

HAMILTON | KIRIKIRIROA

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

OUR PAST



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



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

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

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



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



Formal European settlement

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

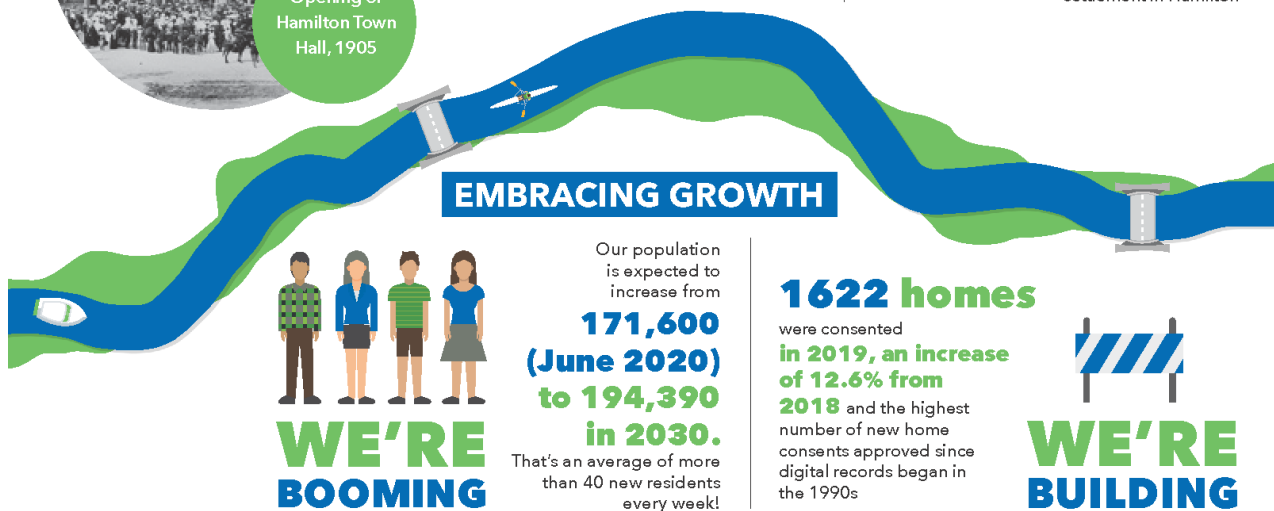


Opening of Hamilton Town Hall, 1905



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

EMBRACING GROWTH



Ruakura Reservoir



In the last 12 months,

Hamilton has been chosen as the home of the NZ Institute of Skills and Technology, the head office of Rabobank, the Criminal Cases Review Commission and the country's latest Alcohol and Other Drug Treatment Court



WE'RE ATTRACTING

WE'RE INVESTING



Our 2019/20 **budget saw a record spend of just over \$190 million** to enable and support growth, improve transport and look after the things we already have

A GREAT RIVER CITY

WE'RE YOUTHFUL



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

WE'RE HOME... TO BATS!



Hamilton is one of the only cities in New Zealand with an **urban population of endangered long-tailed bats**

WE'RE DIVERSE



Hamilton's residents represent more than

160 different ethnic groups

WE'RE PARTNERING



Our region banded together to provide **\$3.25 million in COVID-19 support** for community groups, with \$1 million going to Hamilton projects



WE'RE HAPPY

77% of residents think Hamilton is a great place to live*

WE'RE PLAYFUL



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



Waikato River

BEST IN BUSINESS

WE'RE BOOMING

Property in Hamilton is worth \$44 billion -

\$10.7 billion more than it was in 2015



WE'RE IN THE ACTION

Along with Auckland and Tauranga, Hamilton sits in the Golden Triangle, a powerful region

containing half the country's population, generating half the country's GDP

and accounting for two thirds of the freight

WE'RE WORKING

Hamilton's economy supports

15,456 businesses

(up from 15,027 in 2019) and

95,971 employees

(up from 92,735 in 2019)

WE'RE PIONEERING



Hamilton was the **first city in New Zealand to connect to the internet**, thanks to a partnership between The University of Waikato and NASA

WE'RE PARTICIPATING



In the 2019 elections, **Hamilton's 5.8% increase in voter turnout** was the **largest of all metro councils in New Zealand**

Smart Space, Garden Place



* hamilton.govt.nz/QoLJune2020

OUR FINANCIAL STRATEGY

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

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

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

Against the strategy, we are under target in balancing the books for 2019/20 by \$1 million and ended the financial year with a net debt balance \$182 million lower than projected. The results for the year are positive considering the detrimental impact of the COVID-19 pandemic. However, Hamilton is projected to continue growing and our infrastructure (from transport and water networks to parks and playgrounds) needs to support this growth.

RATES

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

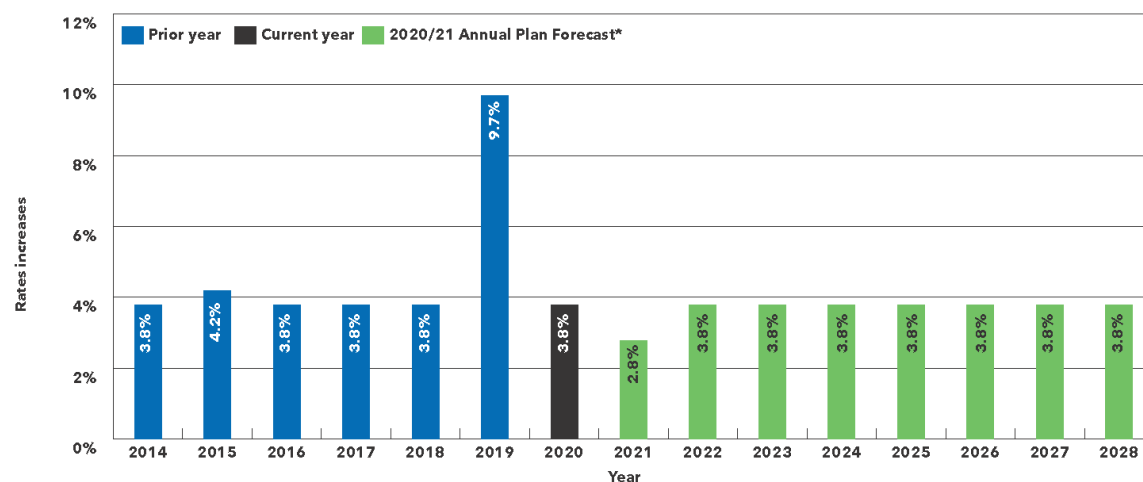
BALANCING THE BOOKS

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

The main differences between the two measures are:

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

TOTAL RATES INCREASES TO EXISTING RATEPAYERS



We are under target in balancing the books in 2019/20, with an adjusted operating deficit of \$8.3 million against a target of a \$7.3 million deficit. Using the Government's balanced budget measure, we are reporting a surplus of \$11.9 million against a budgeted surplus of \$53.2 million.

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

- higher than budgeted subsidies and grants due to the Victoria Bridge Painting project being completed in the early part of the financial year and the Rotokauri Park & Ride project
- higher than budgeted operating expenses, which includes higher personnel costs, professional costs, administration costs and operating and maintenance costs.

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

We ended the financial year with a net debt balance of \$406 million, which was lower than the projected target of \$588 million. Our debt is now 139% of revenue against a performance target of 191%.

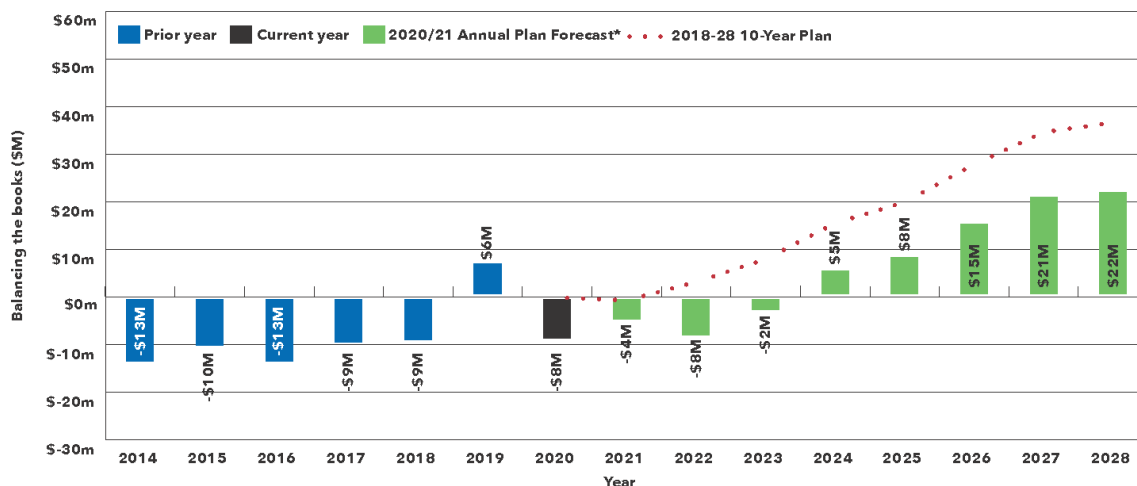
The main reasons for this favourable result are:

- higher than budgeted revenue from development contributions (\$6.8 million)
- savings of \$5.6 million on capital projects
- total deferrals of \$142 million, being the net position between projects moved out to future years and projects brought forward into 2019/20.

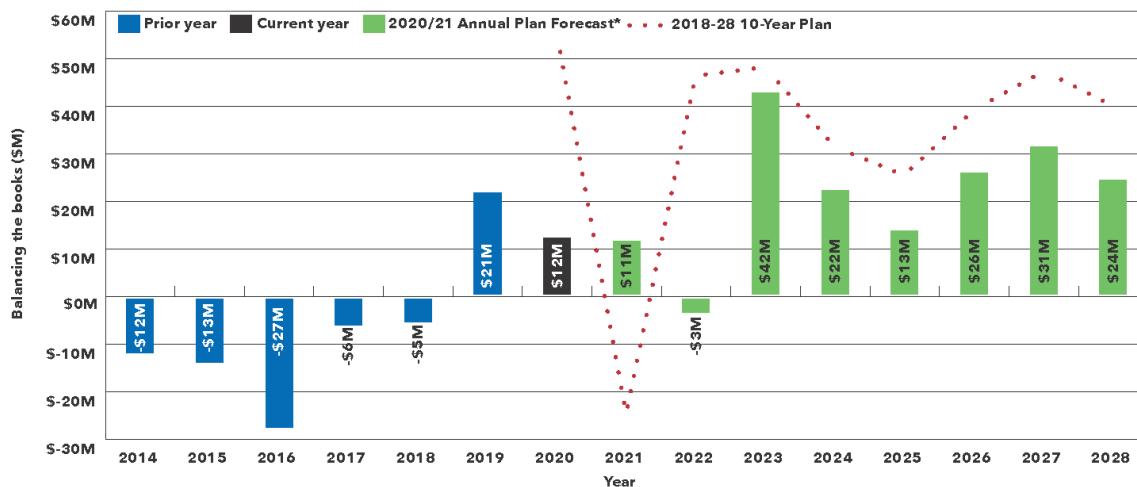
DEBT

The 2019/20 approved capital budget was \$323.6 million

BALANCING THE BOOKS - HAMILTON CITY COUNCIL MEASURE



BALANCING THE BOOKS - GOVERNMENT MEASURE



and was a significant increase over the previous 2018/19 budget of \$254.8 million. Actual spend for the capital portfolio was \$190.8 million, representing an 24% increase on the prior year spend \$153.8 million.

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

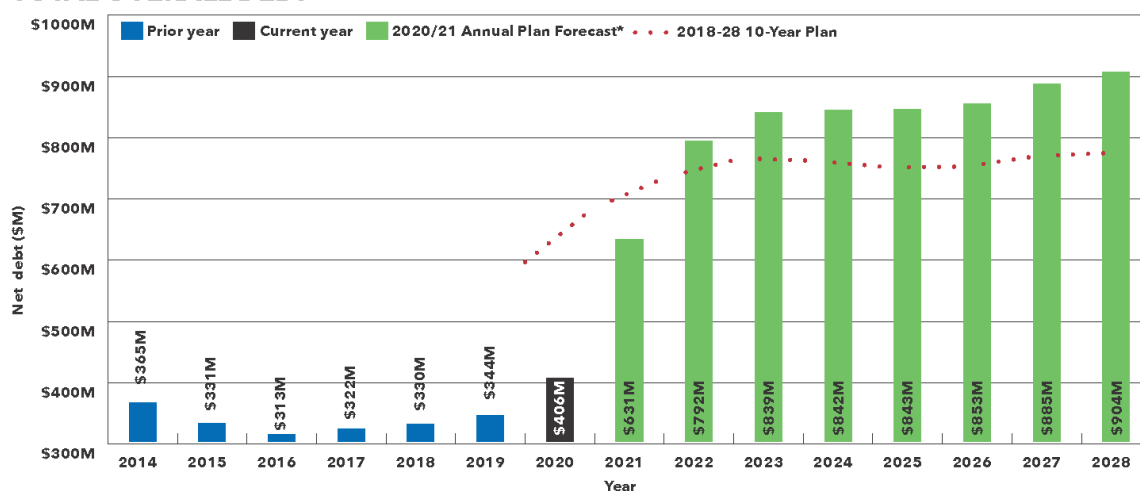
Projects were deferred due to:

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

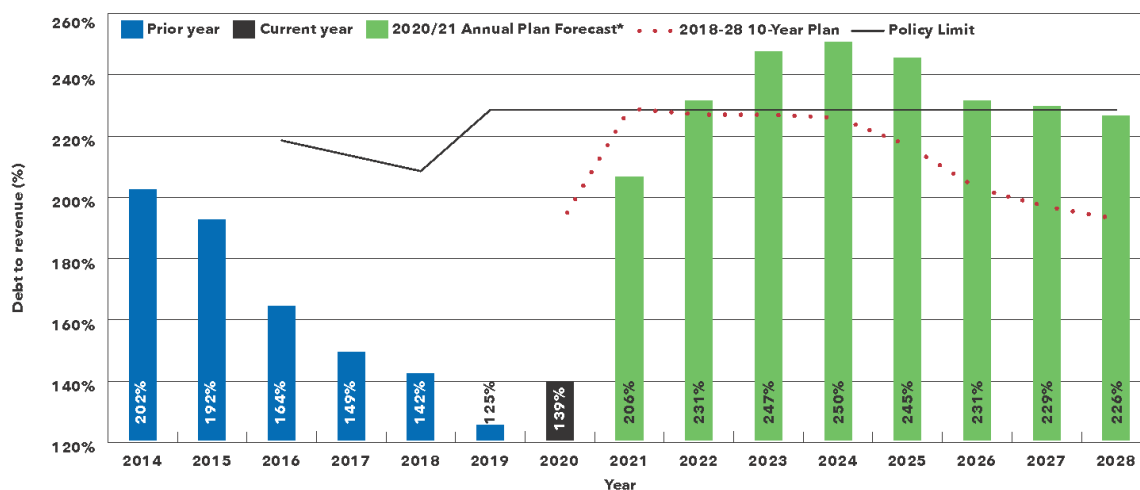
To keep debt to manageable levels, the financial strategy caps debt to revenue at 230%. Our lenders will let us borrow up to a maximum debt to revenue ratio of 250%, which gives us a buffer for unforeseen events.

Debt capacity headroom (the gap between the limit and forecast) is forecast to worsen in later years of the 10-Year Plan. In 2020/21 the debt to revenue is forecast as 231% and is not forecast to return below 230% until 2026/27. The change from the 10-Year Plan over the next few years is due to the forecast loss of revenue from COVID-19. The debt to revenue forecast will be reviewed as part of the financial strategy for 2021/22 as part of the 2021-2031 Long Term Plan.

TOTAL OVERALL DEBT



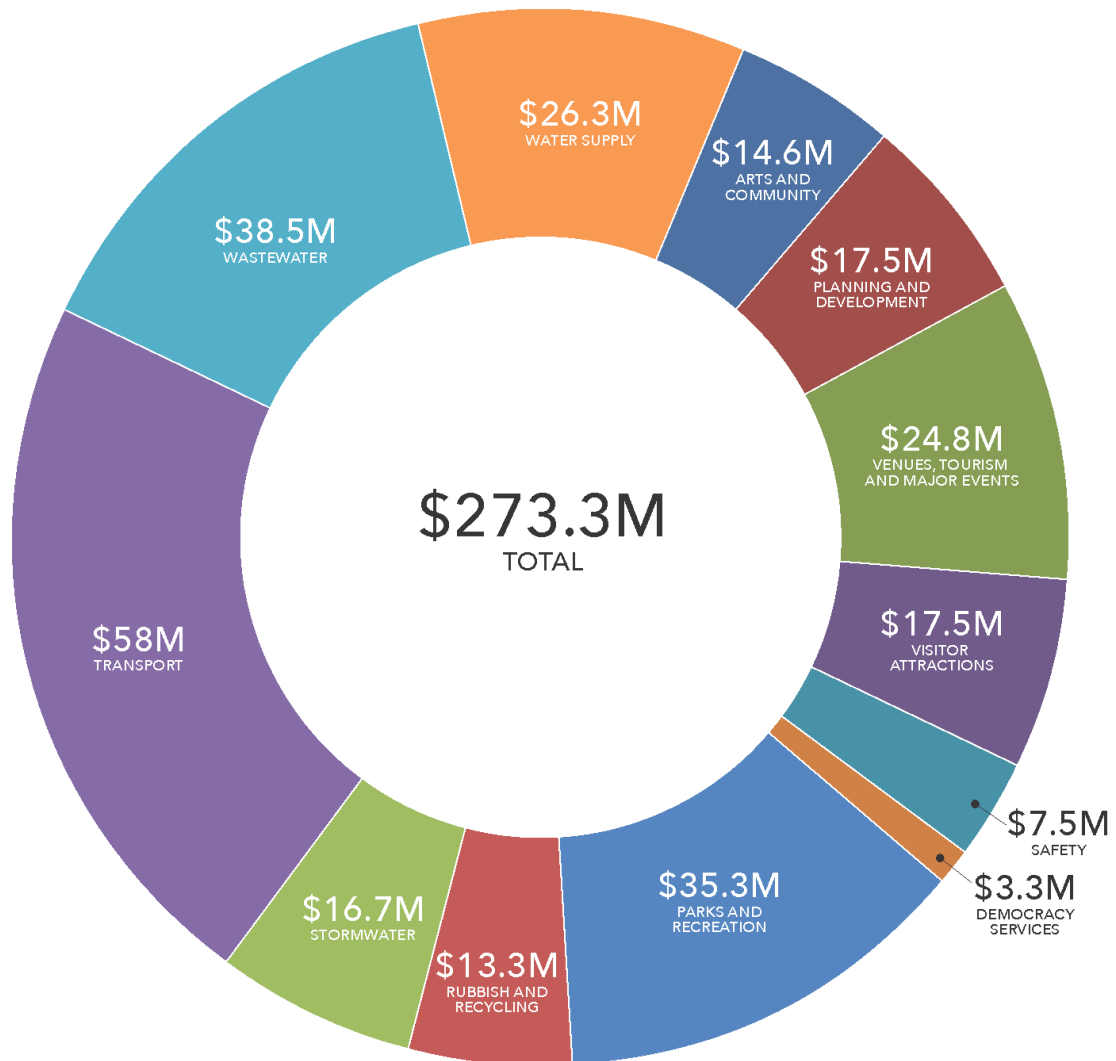
DEBT-TO-REVENUE RATIO



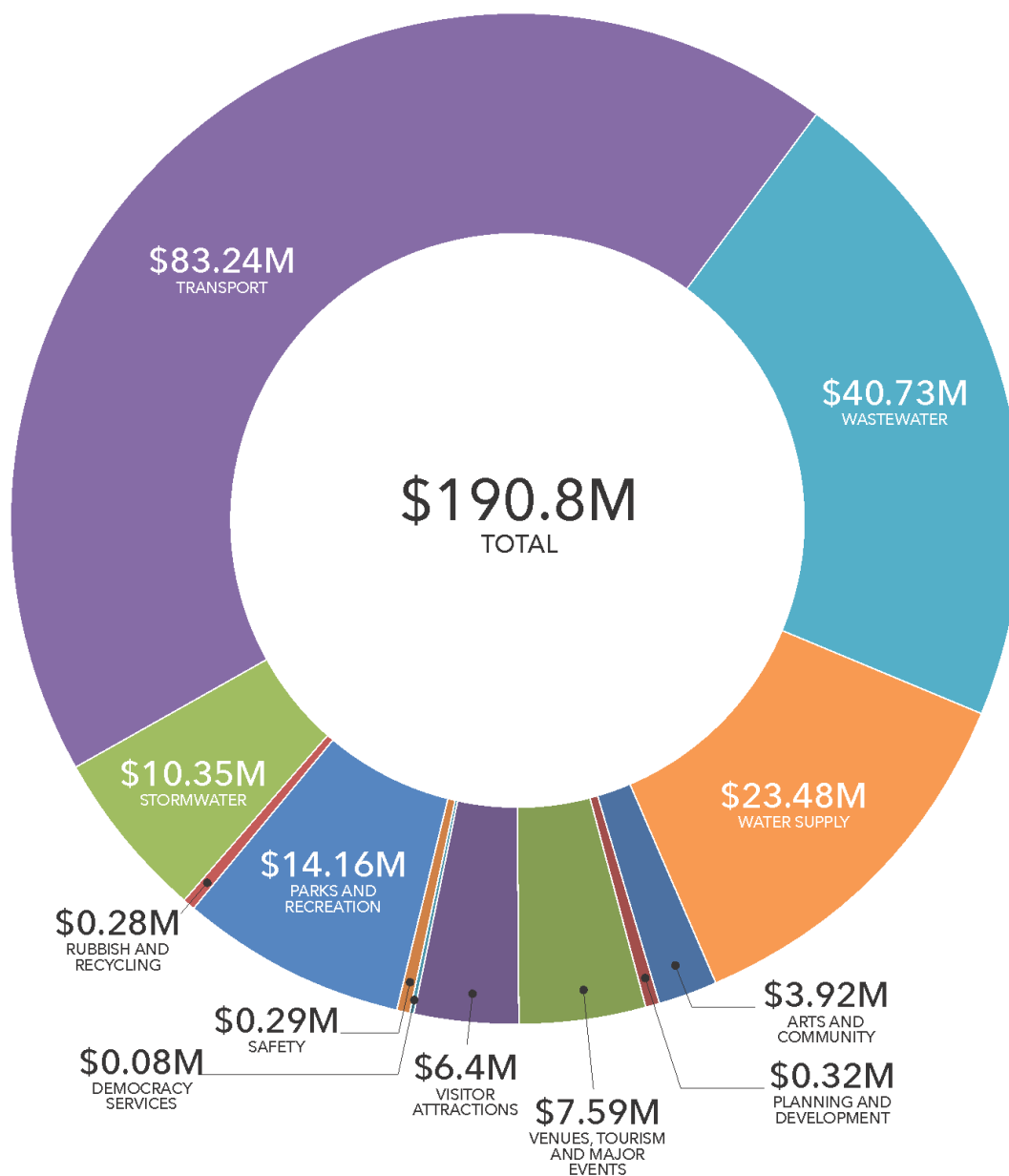


WHERE THE MONEY WENT

OPERATING EXPENDITURE BY ACTIVITY 2019/20 YEAR

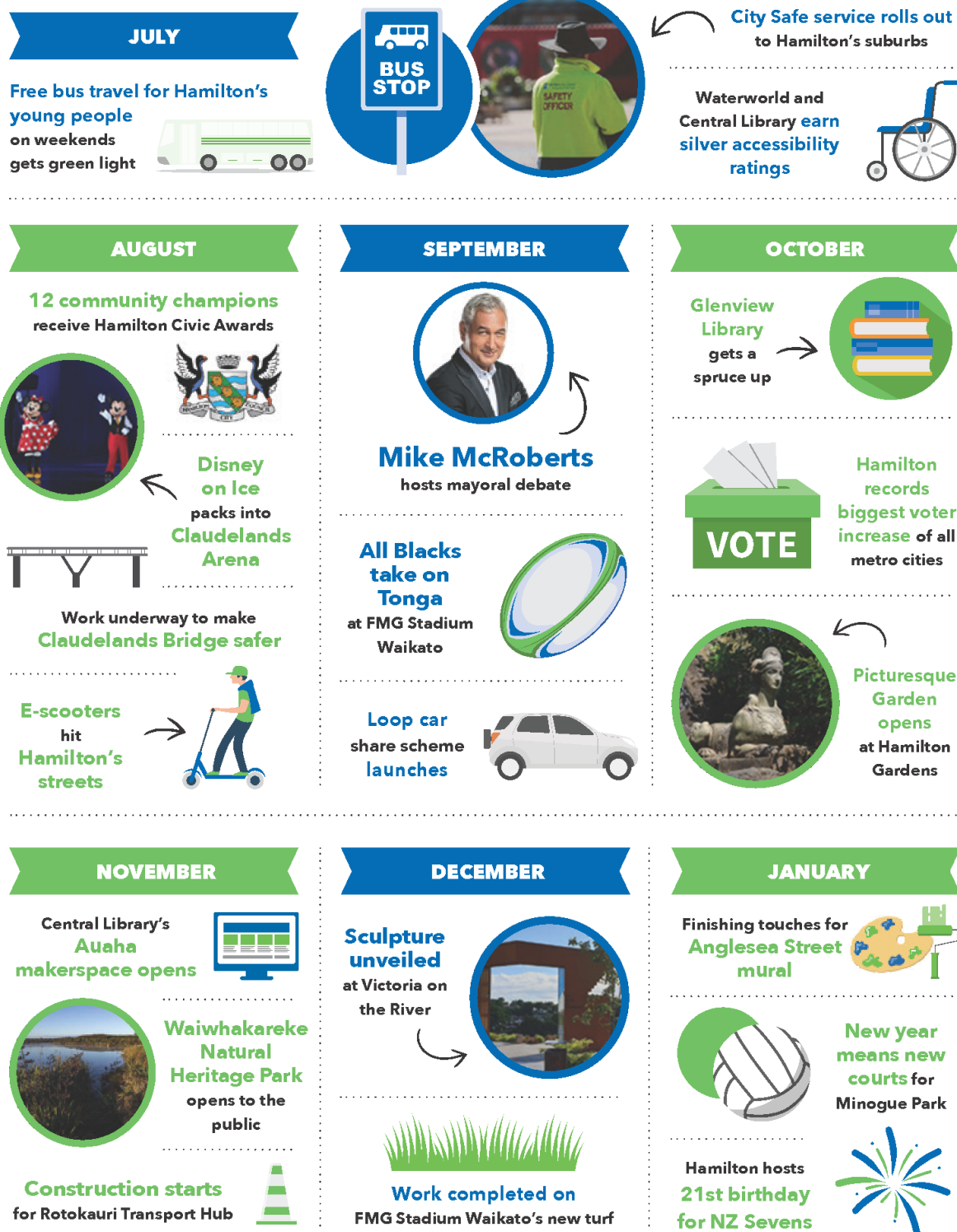


TOTAL CAPITAL EXPENDITURE BY ACTIVITY 2019/20 YEAR



HIGHLIGHTS OF 2019/20

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





IMPACTS OF COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) and two weeks later the New Zealand Government declared a State of National Emergency. The country was in lockdown at Alert Level 4 from 26 March 2020 to 27 April 2020, and then remained in lockdown at Alert Level 3 until 13 May 2020. After 13 May 2020, the country moved back to level 2 and 1. Economic uncertainties have arisen which are likely to negatively affect our operations and services.

The effect on our operations is reflected in these financial statements, based on the information available to the date these financial statements are signed. At this time, it is difficult to determine the full on-going effect of COVID-19 and therefore some material uncertainties remain. There could also be other matters that affect the Council in future, of which we are not yet aware.

We have also disclosed in the financial statements our significant assumptions and judgements regarding the future potential impacts that may have a material impact on the Council. These uncertainties might have a material impact on the Council in future.

In response to COVID-19, we announced a 12-point recovery plan to help the city withstand the economic and social effects of the virus. Phase 1 of this recovery plan resulted in a budget of \$3.4 million being allocated across the following areas:

- Social service funding support
- Early payments to suppliers
- Consent fees relief and refunds
- Rent relief
- Rates remissions
- Development contributions relief
- Emergency response
- Business response centre

COVID-19 has had the following financial impacts on Hamilton City Council during the 2019/20 financial year:

	2019/20 \$M	Impacts
Revenue		
Rates	(0.5)	Rates relief provided to community groups and additional hardship. Reduction in water by meter charges over the lockdown period.
Fees and charges	(3.3)	Reduction in parking revenue, wastewater, trade waste, parks and recreation, cemetery, aquatics, visitor attractions and venues, tourism and major events due to facilities closures.
Other revenue	(0.3)	Rent relief provided.
Total revenue	(4.1)	
Expenses		
Personnel costs	1.1	Higher leave accrual due to cancelled leave.
Operating and maintenance costs	(0.4)	Delays in maintenance work carried out on community buildings, safety and various projects within the parks and recreation area.
Property costs	(0.3)	Reduction in electricity costs in areas such as parks and recreation and visitor attractions, due to the closure of Council facilities during the lockdown period.
Administration costs	(4.5)	Reduction in expenses in advertising and promotions, safety and other administration expenses. Delays in payment of the grant for the Waikato Theatre. Increase in expenses in the Arts areas and an increase in Civil Defence Emergency costs incurred.
Total expenses	(4.1)	
Surplus/(deficit)	0.0	Net impact
Capital expenditure	2.8	Increase in contract costs associated with COVID-19.

In addition to the above impacts, there are also indirect impacts on interest revenue and finance costs due to reduction in interest rates. There has been increases in the financial instrument liabilities due to reduction in interest rates. There are lower discount rates on the landfill provision which has resulted in additional landfill provision expenses. We have considered the impacts on debtor receivables and adjusted the provision to reflect the doubtful debts.

The valuation of investment property has considered any estimated impacts of COVID-19. This has been explained in note 26 of the full Annual Report. Fair value assessments have been performed over all assets that are revalued. We believe the current carrying value of the assets represents the fair value and no adjustments have been required for COVID-19. Further information about the key valuation assumptions used in estimating the fair value at 30 June 2020 are provided in note 24 of the full Annual Report. Impairment assessment has been completed for tangible and intangible assets. No impairment losses have been recognised because of COVID-19.

We are expecting the following financial impacts during the 2020/21 financial year. The financial impacts have been factored into our 2020/21 Annual Plan Budgets:

	2020/21 \$M	Impacts
Revenue		
Rates	(0.4)	Rates relief provided to community groups and additional hardship expected.
Fees and charges	(7.6)	Reduction in revenue received from building control, planning and guidance, customer services and major events.
Other revenue	(0.5)	Rent relief provided.
Development contributions	(7.4)	Reduction in revenue received due to less development.
Capital revenue	(0.2)	Delays in Hamilton Gardens development.
Total revenue	(16.1)	
Expenses		
Personnel costs	(0.1)	Reductions due to vacant position no longer required and reduction in training.
Operating and maintenance costs	(1.0)	Expected reduction in expenditure due to less events and other cost reductions.
Professional costs	0.1	Increase due to project delays
Administration costs	6.9	Delays in payment of the grant for the Waikato Theatre until 2020/21. Increase in community grants and costs associated with the COVID-19 response centre.
Total expenses	5.8	
Surplus/(deficit)	(21.9)	Net impacts

In addition to the above impacts, there is also the indirect impacts on interest revenue and finance costs due to the reduction in interest rates. Contractor cost increases for capital projects have been absorbed in the current capital budgets. There is some uncertainty around this and the projects cost could increase significantly more.

The impacts on non-financial reporting impacts have been explained in Service Performance section of our full Annual Report as part of our performance story. In total we have not been able to meet 4 targets due to COVID-19 and there was no data available for 5 targets due to COVID-19.

At this time, it is difficult to determine the full effect of COVID-19, and there could be other matters that affect Hamilton City Council.

SERVICE PERFORMANCE SUMMARY

This part of the Annual Report covers the services we provide. Here you can read about how we performed against our service commitments for 2019/20.

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

These performance measures and targets are from year two (2019/20) of our 2018-28 10-Year Plan, which you can find on our website [here](#).

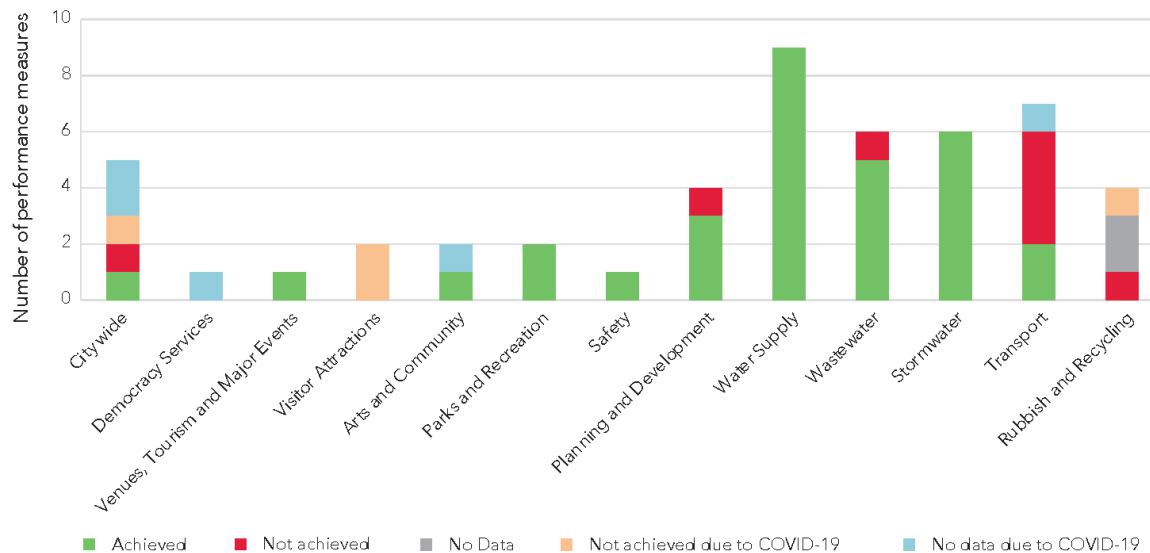
Prior to the restrictions put in place to address COVID-19, the Council was on track to achieve at least 40 of our 50 service performance measures. COVID-19 has impacted our ability to meet or gather data on nine service performance measures. We have identified these by stating if the result was impacted by COVID-19 and also by differentiating them in the Performance Results graph. In the graph, yellow indicates the measure was not achieved due to the impact of COVID-19 restrictions and blue indicates data was not able to be gathered for this measure due to the impact of COVID-19 restrictions.

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

- We have met target for 31 measures
- We have not met target for 8 measures
- We have no data for 2 measures
- We have not met target for 4 measures due to COVID-19
- We have no data for 5 measures due to COVID-19

The following sections provide more detail for each of these activity groups including an overview of the past financial year and a summary of what's behind the results.

PERFORMANCE RESULTS



Highlights from the 2019/20 year include:

- 89% of library users are satisfied with libraries - this is an increase on the baseline of 85% established in 2018/19.
- Prior to COVID-19, 391,047 people attended events at the stadia (FMG Stadium Waikato and Seddon Park) and Claudelands between July and December 2019, an 11% increase on the same time last year. Once restrictions lifted, a further 49,850 people attended events.
- 89% of central city users surveyed feel very safe or reasonably safe in the central city during daytime - this result is up on 2018/19 and exceeded the target (of at least 80%).
- The number of complaints relating to drinking water reduced significantly on prior results with 1.5 complaints per 1000 connections - this result is below the target of 5 complaints per 1000 connections.
- The number of fatalities and serious injury crashes on Hamilton's local road network decreased with 12 fewer fatal or serious injury crashes than 2018/19.

Prior to the restrictions put in place to address COVID-19, the Council was on track to achieve at least 40 of our 50 service performance measures. COVID-19 has impacted our ability to meet or gather data on nine service performance measures.

Another 10 of our targets were not achieved during the period, although we were close to target in a number of areas. We have identified areas for improvement, including the following measures where actual performance was below target:

- Across the city there is currently 2.6 years of business zoned land supplied for infrastructure development, which is lower than our target of three years. We are working on a change to the District Plan to enable further land for industrial development in the Te Rapa North area of the city.
- We achieved 95.8% of customer service requests relating to roads and footpaths responded to within five working days this is only 0.2% below our target of at least 96%. System enhancements and fully embedding previously made changes during early 2020 was already producing an improved response rate, visible in the last quarter of 2019/20.
- A new service contractor for kerbside rubbish and recycling started on 31 August 2020. We will be working with the new contractor regarding collection and presentation of data to ensure we are able to report results from the beginning of the financial year. Additional recycling options available through the new kerbside rubbish and recycling service will see the percentage of waste recovered for recycling increase in the next financial year.

SUMMARY FINANCIAL STATEMENTS

SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		Council			Group		
		Notes	Actual 2020	Budget 2020	Actual 2019	Actual 2020	Actual 2019
FOR THE YEAR ENDED 30 JUNE 2020							
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE TO 30 JUNE							
			\$000	\$000	\$000	\$000	\$000
Rates revenue			191,728	191,657	181,153	191,728	181,153
Other revenue	1		181,811	193,069	152,617	189,740	163,508
Total revenue			373,539	384,726	333,770	381,468	344,661
Personnel costs	2		83,359	80,369	75,923	85,877	77,940
Depreciation and amortisation	3		73,381	76,564	69,033	74,361	70,220
Finance costs	4		17,726	24,862	20,246	18,005	20,469
Other expenses	5		98,837	93,088	83,550	103,253	96,006
Total expenditure			273,303	274,883	248,752	281,496	264,635
Operating Surplus/(deficit)			100,236	109,843	85,018	99,972	80,026
Net gains/(loss)	6		(19,280)	579	(19,457)	(19,290)	(19,569)
Share of associates' surplus/(deficit)			-	-	-	4,947	1,033
Net surplus/(deficit) before tax			80,956	110,422	65,561	85,629	61,490
Income tax expense			-	-	-	79	13
Net surplus/(deficit) after tax			80,956	110,422	65,561	85,708	61,503
Other comprehensive revenue and expense							
Financial assets at fair value through other comprehensive revenue and expense			650	-	945	650	945
Gain/(loss) on property revaluations	7		4,747	85,110	280,468	4,747	287,763
Income tax on other comprehensive income			-	-	-	-	(605)
Impairment of revalued property, plant and equipment			(201)	-	(2,893)	(201)	(2,893)
Other revaluation reserve movements			-	-	(6,864)	-	(6,864)
Total other comprehensive revenue and expense			86,152	195,532	337,217	90,904	339,849
Total comprehensive revenue and expense attributable to:							
Hamilton City Council			86,152	195,532	337,217	90,930	339,003
Non-controlling interest			-	-	-	(26)	846
CHANGES IN EQUITY TO 30 JUNE							
Equity at the beginning of the year			3,926,307	3,910,388	3,589,090	3,979,326	3,639,477
Total comprehensive revenue and expense attributable to Hamilton City Council			86,152	195,532	337,217	90,930	339,003
Total comprehensive revenue and expense attributable to non-controlling interest			-	-	-	(26)	846
Equity at the end of the year			4,012,459	4,105,920	3,926,307	4,070,230	3,979,326
Total equity at the end of the year attributable to:							
Hamilton City Council			4,012,459	4,105,920	3,926,307	4,066,057	3,975,127
Non-controlling interest			-	-	-	4,173	4,199
FINANCIAL POSITION AS AT 30 JUNE							
Current assets	8		149,339	66,672	84,378	150,775	86,961
Non-current assets	9		4,523,435	4,702,901	4,356,985	4,588,777	4,416,875
Total assets			4,672,774	4,769,573	4,441,363	4,739,552	4,503,836
Current liabilities	10		126,357	86,335	94,127	127,226	95,606
Non-current liabilities	11		533,958	577,318	420,929	542,096	428,904
Accumulated comprehensive revenue and expense	12		1,902,720	1,912,370	1,825,150	1,923,276	1,840,928
Other reserves	13		2,069,989	2,154,325	2,061,447	2,103,031	2,094,489
Restricted reserves			38,881	38,789	38,395	38,881	38,395
Council created reserves			869	436	1,315	869	1,315
Non-controlling interest			-	-	-	4,173	4,199
Total equity and liabilities			4,672,774	4,769,573	4,441,363	4,739,552	4,503,836
CASH FLOWS TO 30 JUNE							
Opening cash and cash equivalents balance at 1 July			51,489	49,500	48,414	51,571	48,907
Net cash inflows/(outflows) from operating activities			122,536	144,042	109,604	124,011	104,969
Net cash inflows/(outflows) from investing activities			(197,881)	(323,140)	(92,093)	(199,374)	(87,309)
Net cash inflows/(outflows) from financing activities			128,063	176,038	(14,436)	128,174	(14,996)
Closing cash and cash equivalents balance at 30 June			104,207	46,440	51,489	104,382	51,571

NOTES

1. Other revenue was unfavourable to budget by \$11.3 million. The main contributors were:
 - The HIF fair value benefit not received due to less development occurring than what was expected.
 - NZTA capital subsidies was unfavourable to budget due to various capital projects such as the Peacocks subdivision and Ring Road projects, progressing slower than anticipated.
 - Development contributions, capital contributions and vested assets were higher than budget due to high growth in the city.
2. Staff remuneration was unfavourable against budget by \$3 million. This is due to higher costs associated with recruitment, additional staff being employed and an increase in the annual leave liability during COVID-19.
3. Depreciation and amortisation was favourable against budget by \$3.2 million. This was mainly due to deferrals of capital projects.
4. Finance costs was favourable against budget by \$7.1 million. This was due to less borrowings than expected and lower interest rates.
5. Other expenses was unfavourable to budget due to an increase in the landfill provision due to a reduction in the discount rates and an increase in operating and maintenance costs mainly in Transport due to the major bridge maintenance work and the Rotokauri Park and Ride project.
6. Council did not budget for losses due to the unpredictable nature of these items. There was a net decrease in the revaluation of interest rate swaps by \$12.3 million, A net loss on disposal of asset of \$5.8 million and impairment of assets of \$1.7 million.
7. The gain on revaluation was unfavourable to budget by \$80.3 million. This was due to the deferral of the Transportation and Heritage assets revaluations.
8. Current assets were favourable to budget due to the term deposits being higher than expected due to deferral of capital projects. The rates receivable and GST receivable were higher than budget due to rates income in advance being budgeted in debtors and the refund not being received until July 2020. There was also some properties classified as asset held for sale that were not budgeted for.
9. Non current assets were unfavourable due to less capital spend in the year than budgeted.
10. Current liabilities were favourable to budget by \$40 million. The main contributors were:
 - Current borrowings were unfavourable due to a higher proportion being payable in the next 12 months than budgeted.
 - Payables were unfavourable to budget due to rates income in advance of being budgeted for in rates debtors. The accrual for City Development was also higher than anticipated due to work being on Pukete 3 treatment plant capacity upgrade and the Ring Road project. There was additional accruals for the increase in supplier costs related to COVID-19.
 - Employee entitlements was unfavourable to budget due to higher annual leave balances than budgeted due to staff taking less leave due to COVID-19 and the timing of pay runs around year end.
11. Non-current liabilities were favourable to budget by \$43.3 million. The main contributors were:
 - Term borrowings were favourable to budget due to lower capital projects spending and more cash received through from development contributions.
 - Provision were favourable to budget as a result of the landfill provision being lower than budget due to cashflows for the provision being lower and changes to the calculation of the provision.
 - Derivative financial instrument liabilities were unfavourable to budget due to decline in interest rates.
12. Accumulated funds was unfavourable to budget due to a lower surplus achieved.
13. Other reserves were unfavourable to budget as a result of the revaluation gain being lower due to the deferral of the Transportation and Heritage asset valuations.

ACCOUNTING POLICIES

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

The group consists of the ultimate parent, Council, and its subsidiary, Waikato Growth Innovation Ltd (100% owned). The associate, Waikato Regional Airport Ltd is equity accounted.

The summary financial statements of the Council and Group are for the year ended 30 June 2020.

Council has designated itself and the Group as a public benefit entity as defined under the PBE International Public Sector Accounting Standards (PBE IPSAS).

These financial statements have been prepared in accordance with Tier 1 PBE accounting statements and generally accepted accounting practice in New Zealand (NZ GAAP). The full financial statements make an explicit and unreserved statement of compliance with PBE Standards for each period presented in this summary annual report.

Council's summary annual report complies with PBE Financial Reporting Standards 43 (FRS43) Summary Financial Statements.

All amounts are shown in New Zealand dollars and are rounded to the nearest thousand dollars (\$000).

CAPITAL COMMITMENTS AND CONTINGENCIES

Council has capital contract commitments of \$164.7 million (2019 \$181.4 million).

Council has one contingent asset, it is a 63% capital beneficiary of the WEL Energy Trust. Given the uncertainty surrounding the life of the Trust, Council is unable to accurately establish the appropriate value of its share.

Contingent liabilities, which are dependent on future events, are \$2.3 million (2019 \$3.0 million).

Council has identified 3 unquantified contingent liabilities. This is in relation to a legal action from Enviro Waste Services Limited, Development Contribution Policy Judicial review and Peacocks landowners.

RECLASSIFICATION ADJUSTMENTS FOR THE COUNCIL AND GROUP

Reclassification adjustments were made to the Statement of Comprehensive Revenue and Expense to align with the presentation of cost to the new general ledger structure and ensure that costs being capitalised towards capital projects have been reclassified to the expense area more closely align to where the costs have been incurred.

RELATED PARTIES

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates, use of Council facilities, etc).

EVENTS AFTER BALANCE DATE

There have been no events after balance date.

DISCLAIMER

The specific disclosures included in this summary annual report have been extracted from the full annual report and were authorised for issue by the Chief Executive on 22 October 2020.

These summary financial statements do not include all of the disclosures provided in the full financial statements and can not be expected to provide as complete an understanding as provided by the full annual report.

This summary can not be expected to provide as complete an understanding as provided by the full annual report of the financial and service performance, financial position and cash flows of Hamilton City Council.

The full annual report received an unmodified audit opinion (other than the service performance measures prior year comparatives) on 22 October 2020. In the prior year, a modified opinion was received on the service performance measures due to inaccuracies identified in the average processing times for non-notified land use and subdivision resource consents.

The full annual report can be obtained from our website - hamilton.govt.nz/annualreport - or from the Hamilton City Council main office.

Independent Auditor's Report

To the readers of Hamilton City Council and group's summary of the annual report for the year ended 30 June 2020

The summary of the annual report was derived from the annual report of the Hamilton City Council (the City Council) and group for the year ended 30 June 2020.

The summary of the annual report comprises the following summary statements on pages 18 to 21:

- the summary statement of financial position as at 30 June 2020;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2020;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the service performance summary.

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed a qualified audit opinion on the City Council's statement of service performance in respect of the comparative year, and an unmodified audit opinion on the other information we audited in the full annual report for the year ended 30 June 2020 in our auditor's report dated 22 October 2020. The basis for the qualified opinion on the statement of service performance is explained below.

The City Council included in its long-term plan a performance measure on the average processing time for non-notified land use and subdivision resource consents. In respect of the 30 June 2019 comparative information only, there were issues with recorded processing times not agreeing to underlying consent information at the time.

The extent of the inaccuracies we identified from our sampling testing in the prior year meant that we were unable to determine whether the City Council's reported result for this measure in the full statement of performance for the prior year was materially correct. As a result, our work was limited and there were no practical audit procedures we could apply to obtain assurance over the reported result for the 30 June 2019 resource consent processing times.

The issues with recorded resource consent processing times has been resolved for the 30 June 2020 year. However, the limitation cannot be resolved for the 30 June 2019 year, which means that the City Council's performance information reported in the full statement of performance for the 30 June 2020 year, may not be directly comparable to the 30 June 2019 performance information.

Our auditor's report also includes an emphasis of matter paragraph drawing attention to the disclosures about the impact of Covid-19 on the City Council as set out in the full annual report on pages 20 to 21 and page 159 to the financial statements and page 23 of the statement of service performance. An extract of this information is included in the summary of the annual report on pages 16 to 18.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS 43: *Summary Financial Statements*.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have performed a limited assurance engagement related to the City Council's debenture trust deed and an assurance engagement over Project Kookiri that relates to the implementation of the Authority Financial Information Systems. Other than these engagements, we have no relationship with, or interests in, the City Council or its subsidiaries and controlled entities.

Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
22 October 2020

**FURTHER INFORMATION**

Hamilton City Council
Garden Place, Private Bag 3010, Hamilton

 info@hcc.govt.nz

 07 838 6699 (24-7)

 hamilton.govt.nz/

 [/hamiltoncitycouncil](https://www.facebook.com/hamiltoncitycouncil)

Council Report

Committee: Strategic Risk and Assurance Committee
Date: 13 October 2020
Author: Tracey Musty
Authoriser: David Bryant
Position: Financial Controller
Position: General Manager Corporate
Report Name: Audit Engagement Letter: Audit of the consultation document and long term plan for the period commencing 1 July 2021

Report Status	<i>Open</i>
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Purpose - *Take*

1. To seek a recommendation from the Strategic Risk and Assurance Committee to Council on the Audit Engagement Letter that covers the audit of the consultation document and Long Term plan for the period commencing 1 July 2021, and delegates authority to the Mayor to sign the letters on Council's behalf.

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

2. That the Strategic Risk and Assurance Committee recommends the Council:
 - a) approve the Audit Engagement letter; and
 - b) delegate authority to the Mayor to sign the Audit Engagement letter on Council's behalf.

Executive Summary - *Whakaraapopototanga matua*

3. The Audit Engagement letter (**Attachment 1**) covers the consultation document and long term plan for the period commencing 1 July 2021.
4. The letter outlines the terms and nature of the audit engagement and the responsibilities of the Council and Audit New Zealand with regards to the consultation document and long term plan.

Financial Considerations - *Whaiwhakaaro Puutea*

5. The cost of this engagement is funded through the 2018-2028 10-Year Plan.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

6. Staff confirm that the matters in this report complies with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-orange tonutanga*

7. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

8. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
9. There are no known social, economic, environmental or cultural considerations associated with this matter.

Risks - *Tuuraru*

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

Significance and Engagement Policy**Significance**

11. Having considered the Significance and Engagement Policy, staff have assessed that the matter in this report is of low significance.

Engagement

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

Attachments

Attachment 1 - Audit New Zealand: Audit Engagement Letter for the Consultation Document and Long Term Plan



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

25 September 2020

Level 4, 127 Alexandra Street
PO Box 256, Waikato Mail Centre
Hamilton 3240
Ph 04 496 3099

Paula Southgate
Mayor
Hamilton City Council
Private Bag 3010
Waikato Mail Centre
Hamilton 3240

Ref: EN/LCA/4-0004 (H600)

Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 6140

Dear Paula

Audit Engagement Letter: Audit of the consultation document and long term plan for the period commencing 1 July 2021

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including Hamilton City Council (the Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, under section 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council’s consultation document and long-term plan (LTP).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

1 Specific responsibilities of the Council for preparing the consultation document and the long term plan

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council's own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10) and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity, we note the following statutory responsibilities as set out in the Act:

- section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 governs the content of the LTP;
- section 111 aligns the financial information with generally accepted accounting practice;
- section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP; and
- section 93C(4) requires an auditor's report on the consultation document, and section 94 requires a separate opinion on the LTP.

Please note that the audit does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

2 Our audit scope

The Act requires us to provide two separate reports, as follows:

- on the consultation document, a report on:
 - whether the consultation document gives effect to the purpose specified in section 93B; and
 - the quality of the information and assumptions underlying the information in the consultation document.
- on the LTP, a report on:
 - whether the LTP gives effect to the purpose in section 93(6); and
 - the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

Our focus for the first limb of each opinion will be to assess whether each document meets its statutory purpose. Given the different purposes of each document, we will assess the answers to different questions for each opinion.

Our focus for the second limb of each opinion will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit opinions do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

3 Our approach to this audit

3.1 The content of the consultation document

The Act emphasises the discretion of the Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Council must have regard to its significance and engagement policy, and the importance of other matters to the district and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has considered the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

3.2 Adopting and auditing the underlying information

Before adopting the consultation document, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;

- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of the Society of Local Government Managers (SOLGM), our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

If the Council decides not to adopt a draft LTP as its underlying information, we will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

In addition, the periods to consider and adopt the LTP after the consultation process will be tight. From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that can be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

3.3 Control environment

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council, review of publicly available information about the Council, updating our knowledge

of Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

3.4 Project management, reporting deadlines, and audit progress

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the Council and its community. We recognise that the Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in “real time” or on an “auditing as you go” basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the Council’s approach to preparing and completing the LTP. We expect that the Council is approaching its preparation on a project basis and recognise that our audit work should “shadow” that project timetable. The success of this “auditing as you go” approach will depend on the Council’s project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

3.5 Self-assessment

To assist our audit planning, we intend to use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management.

We will shortly be forwarding the self-assessment to you under a separate cover. We ask for your co-operation in completing this assessment for return to us by 9 November 2020.

The self-assessment is similar to those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion after its completion.

4 Our particular areas of audit emphasis

4.1 Impact of the economic downturn caused by Covid-19 on the Council's forecasts

The Covid-19 pandemic has created significant uncertainty for businesses, local and central government organisations, as well as communities and families. The effects of the pandemic on the Council, are likely to be felt for some time and will require the Council to continue to respond while also delivering essential services and investing in infrastructure. Important decisions may need to be made about the level of service the Council provides in the future. In addition, Council will need to consider the impact on their financial and infrastructure strategies, and key underlying assumptions such as those relating to population growth and inflation, as well as the impact on total debt, rates revenue, and user fees and charges.

We will review Council's approach to considering the impact of Covid-19 and how this has been factored into the underlying policies, strategies and assumptions used to prepare the LTP.

4.2 Financial strategy and infrastructure strategy

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

The Act expects close alignment between the two strategies, and section 101B(5) allows them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure

strategy, the principles of ISO 55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

Our focus when reviewing both strategies is to assess whether the Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
 - understanding how the Council has applied the effect of its assumptions (for example, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets) and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
 - reviewing the Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
 - checking that the infrastructure strategy is appropriately inflated.

The Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

4.3 Assumptions

The quality of the Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). Prospective Financial Statements (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and
- for all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.

Climate change assumption

We will be paying more attention to the assumptions that the Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

We will review the Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the Council is using in developing its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

Cost savings assumption

The previous 10-Year Plan included \$94.5 million of efficiency savings in total across the 10-year period. The City Council intended to achieve the proposed savings through efficiencies, headcount management, strategic procurement, smart business practices, innovation, and transformation. A key assumption underlying the proposed savings was that levels of service would not be reduced as a result of the savings planned.

We will follow up on the actual savings and review the assumption underlying the financial forecasts included in the current plan.

4.4 Quality of asset-related forecasting information

A significant portion of the Council's operations relates to the management of its infrastructure: the roading network and the "three-waters" of water supply, sewerage, and storm water drainage. These activities typically make up about 34% of operational expenditure (excluding finance and depreciation) and 77% of capital expenditure.

To prepare reasonable quality asset information, the Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Council's asset-related forecasting information, we will:

- assess the Council's type asset management planning systems and processes;
- understand what changes the Council proposes to its forecast levels of service;
- understand the Council 's assessment of the reliability of the asset-related information;
- consider how accurate recently prepared budgets have been; and
- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the Council's asset-related information.

4.5 Timing and funding of growth

A key challenge for the Council in the preparation of the LTP is in planning to build sufficient infrastructure to keep pace with growth. The city is continuing to experience significant levels of growth, which exceed the growth rate expected under previous long-term plans. We will review the timing of capital projects in the LTP to ensure that it aligns with the timing and funding for growth.

5 Other matters

5.1 Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the Council (including being independent of management personnel and the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity, and independence.

5.2 Publication of the consultation document and adopted long-term plan on the Council's website

The Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.

6 Audit logistics

6.1 Audit timing

Due to Covid-19 and the continuing impact on audit work, there may be some unforeseen impact on the timeframes set out below.

The key dates in the audit timetable are as follows:

Self-assessment provided to Council ¹	25 September 2020
Self-assessment returned to audit team for consideration ²	9 November 2020
First interim visit (initial assessment)	18 January 2021
Proposed consultation document available	15 January 2021
Audit opinion on consultation document required	25 February 2021
Draft Report to Council on consultation document engagement	25 February 2021
Finalised Report to Council on consultation document engagement	25 February 2021
Proposed LTP for adoption available	24 May 2021
Audit opinion on adopted LTP required	24 June 2021
Draft Report to Council on LTP engagement	24 June 2021
Finalised Report to Governors on LTP engagement	9 July 2021

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- a suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1); and
- electronic copies of key documents.

As set out in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

¹ Include as appropriate depending on how you plan to use the self-assessment.

² Include as appropriate depending on how you plan to use the self-assessment.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

7 Professional fees

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2021, is \$134,200 (excluding GST and disbursements), as outlined in Appendix 2.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document.
- There will be an appropriate level of assistance from your staff.
- All documentation (consultation document, LTP, and all other underlying documentation) provided would be subject to appropriate levels of quality review before submission for audit.
- The consultation document and LTP will include all relevant disclosures.
- We will review, at most, two drafts of each of the consultation document and LTP during our audit.
- We will also review one printer's proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Council that impact on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.
- The Council is preparing forecast financial statements for the "Council parent" only, rather than including consolidated forecast financial statements for the Council and any controlled entities in the adopted LTP.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the consultation document or between the development of the consultation document and the LTP), we will discuss the issues with you at the time.

If information is not available for the visits as agreed or the systems and controls the Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover all additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of any subsequent amendments the Council might make to the adopted LTP under section 93D.

We wish to interim bill as work progresses. We propose the following billing arrangements:

Month	\$
November 2020	18,000
December 2020	20,000
February 2021	40,000
March 2021	20,000
June 2021	25,000
July 2021	11,200
Total	\$134,200

8 Personnel

Our personnel involved in the management of the audit are:

Clarence Susan	Appointed Auditor
Karen MacKenzie	Engagement Quality Reviewer
TBC	SAAS specialist
Naudé Kotzé	Audit Manager
Wendy Freeman	Audit Supervisor

We have endeavoured to maintain staff continuity as far as possible.

9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the period commencing 1 July 2021; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing audit engagement letter dated 15 January 2020.

If there are any matters requiring further clarification, please do not hesitate to contact me.

Yours sincerely



Clarence Susan
Director

cc Richard Briggs, Chief Executive
David Bryant, GM Corporate (LTP Project Co-ordinator/Manager)

I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and that supplement the existing audit engagement letter dated 15 January 2020.

Signed: _____ Date: _____

Paula Southgate
Mayor, Hamilton City Council

Appendix 1: Terms of the engagement that apply specifically to the audit of the consultation document and LTP

Objectives

The objectives of the audit of the consultation document and LTP are:

- to provide independent opinions on the consultation document (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
 - whether each document gives effect to the relevant statutory purpose; and
 - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the consultation document and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the consultation document and LTP to identify whether there are material inconsistencies with the audited consultation document and LTP.

Provision of a Report to the Council

At a minimum, we will report to the Council at the conclusion of the engagement. The Report to the Council communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

Materiality

Consistent with the annual audit, the audit engagement for the consultation document and LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and assumptions underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the consultation document and LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit opinion. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements in our opinion.

The standards applied when conducting the audit of the consultation document and adopted long-term plan

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

Responsibilities

General responsibilities

The general responsibilities of the Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 15 January 2020 – but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendix 1 of that audit engagement letter as detailed below:

- Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor:
 - responsibilities for compliance with laws and regulations; and
 - responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

Specific responsibilities

The Council is responsible for:

- maintaining accounting and other records that:
 - correctly record and explain the forecast transactions of the Council;
 - enable the Council to monitor the resources, activities, and entities under its control;
 - enable the Council's forecast financial position to be determined with reasonable accuracy at any time; and
 - enable the Council to prepare forecast financial statements and performance information that comply with legislation.
- providing us with:
 - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation, and other matters;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation of representations made to us in connection with the audit.

Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to arrange with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Appendix 2: Team mix and hours for the audit of the consultation document and LTP for the 10-year period commencing on 1 July 2021

	Total hours
Appointed Auditor	130
Engagement Quality Review Director	20
Sector Specialists	40
Audit Manager	180
Other CA staff	690
Staff not yet CA qualified	20
Other Expert or Specialist Assistance: IS, etc.	1
Total	1081

Fee calculations

	\$
Net fee	134,200
OAG overhead contribution*	NIL
Total fee (including overhead contribution)	134,200
GST	20,130
Audit fee for the LTP for the period commencing 1 July 2021	154,330

* No OAG overhead is charged in relation to the audit of the LTP.

We will charge disbursements, including travel, on an actual and reasonable basis.