

Elected Member Briefing Topic List – 15 June 2017

Time on Agenda	Topic	Brief Description	HCC Contact / Presenter(s)	Open/ Colsed
9.00am	Mobile Retail Trader Regulations	Resolution from the Community Forum Subcommittee that; Staff further review the current activities of mobile traders operating in the city, and that staff report further with reference to options available to Council as to the regulation of such activities	Kelvyn Eglinton Kelvin Powell Riki Manarangi	Open
9.30am	Hamilton to Auckland Passenger Rail	WRC has prepared a options report for progressing the Hamilton to Auckland Passenger Rail service and are seeking feedback on the preferred option by 21 June 2017.	Jason Harrison	Open
10.15am	MORNING TEA			
10.30am	Customer complaints and compliments procedure	EMs to understand where to go with complaints etc	Jamie Reid	Open
11.30am	Access Hamilton Strategy	An overview of the Access Hamilton Strategy refresh and presentation of the preferred programme following the Task Force meetings	Jason Harrison/ Katherine Johns	Open
12.30pm	LUNCH <i>(EM Catch up during break)</i>			
1.30pm	Annual Plan document	For discussion and opportunity for Ems to provide feedback.	Sarah Ward	Open
2.00pm	Future Proof Draft Strategy	Discussion on Future Proof Draft Strategy.	Blair Bowcott	Open

Mobile Traders Hamilton



Background

- Community Forum Subcommittee action point
- Definition of Mobile Shops under Public Places Policy
- Definition of Mobile Traders
- Mode of operation of Mobile Traders

Council Approaches

- Eight largest Councils surveyed
 - All issue Mobile shop permits
 - None actively look for mobile traders
 - Most believe that mobile trader transactions take place on private property and is not a Council issue
 - Any Council response is complaint driven – nil complaints to date

Public Places Bylaw 2016

- Apply only to goods sold or offered for sale in a public place
- Prohibits operating in Central City
- Must operate with a permit
- Sets conditions around compliance with food, alcohol and traffic regulations

Commerce Commission

- Responsible for enforcement of fair trading and credit laws
- Work with consumer advocates and community advisers to monitor trade practices
- Identify unlawful behaviour
- Conducted 2014/15 Mobile Trader Project

Commerce Commission 2

- Penalties increased under Credit Contracts & Consumer Finance Act and Fair Trading Act
- Responsible for mobile traders and door to door sellers
- Fines in excess of \$500,00 in 2016 and likely to exceed this in 2017

Summary

- Council have very limited powers to deal with mobile traders (public place trading only)
- Commerce Commission appropriate body to deal with community concerns
- Council will still respond to complaints about public place trading activities of mobile traders

HCC Complaints and Compliments

June 2017



Today's Discussion



Today's discussion has been broken into two parts.

Part 1: Overview of complaints process – presentation by Jamie Reid

Part 2: Councillor discussion regarding management of complaints notified to multiple elected members.

Pre-July 2016

Handling
Customer
Complaints



- Complaints and compliments managed by individual business units
 - Inconsistent recording of complaints across the organisation
 - Inconsistent information captured
 - Inconsistent handling of complaints – response times etc
 - Inconsistent response to the customer
 - Complaint registers were not up to date
 - Uncertainty over what was a complaint vs a request for service
- Limited visibility or reporting of complaints across the organisation
- No reporting on high risk complaints
- Complaint trends and improvement opportunities across Council were not being captured or actioned

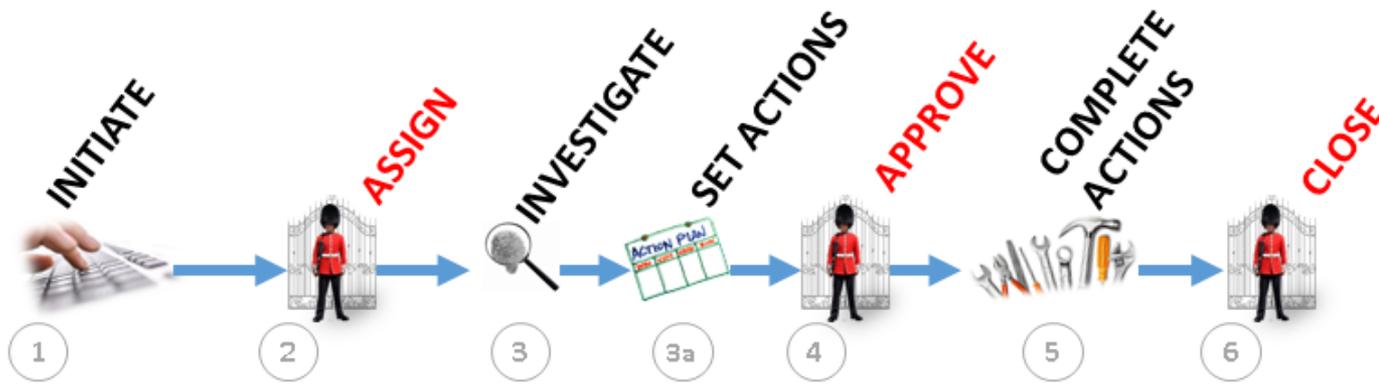
New complaints process

In July 2016 an organisation-wide complaints policy, process and register were introduced to ensure complaints were managed in a consistent, customer focussed manner across the organisation.

- Defined what a complaint was
- Introduced a standard process for managing complaints
 - Defined complaint risk rating
 - Standard response times for each type of complaint i.e. High Risk 3 days
 - Acknowledgement letters introduced
- Introduced a standard complaints register per group
- Created central support and oversight around overdue actions
- Developed reporting and analysis
- Introduced a review process if complainant is not happy

New Complaints System

- March 2017 Promapp Improvements module introduced to manage complaints
- Promapp allows us to:
 - Capture the same information about every complaint
 - Manage complaints through workflow in the system
 - Assign responsibility for a complaint to a complaint “owner” to resolve
 - Monitor and ensure that complaints are being addressed
 - Set timeframes for resolution and highlights any overdue complaints



Elected Member Process

- Each group is managed as a portfolio
- Generally the General Managers' Executive Assistants are responsible for oversight of their groups' complaints
- Any EM complaints should be referred to the GM or their EA.
- This will be entered into Promapp, assigned to someone to resolve and managed
- If you wish to be kept informed of resolution please let the EA or GM know

YTD Tracking



July 2016 – April 2017

- Total complaints received **479**
 - Including 81 High Risk complaints
- Total compliments received **1724**
 - 702 compliments recorded into the registers
 - 1022 online compliments for the Hamilton Gardens
- Highest classification of complaints
 - Service 32%
 - Infrastructure 19%
 - Facilities/Events 18%
- Highest classification of compliments
 - Service 58%
 - Employees 16%
 - Facilities/Events 15%

Appendix A - Definitions



Complaint Priorities

- **High Priority** – High Risk – e.g. safety of staff or community, media risk, brand or reputation risk, repeat complaints, escalations to Mayor, Elected Member, Chief Executive or GMs. Response time 1 – 3 working days
- **Medium Priority** - All other complaints. Response time 5 working days
- **Low Priority** - All compliments

Definitions

- A complaint is defined as customer's expression of dissatisfaction about the Council's:
 - Policies (why we do things); or
 - Processes (the way we do things); or
 - Charges (how much things cost); or
 - Employees' (behaviour, attitude, performance); or
 - Quality of service (has the job been satisfactorily completed) or
 - A complaint about the outcome of a process
- A compliment is defined as any positive external customer feedback where the service provided has met or exceeded customer expectations.

Access Hamilton



Hamilton's Strategic Direction

HAMILTON PLAN (2015-2025)

"build a stronger economy and a more attractive city for families"

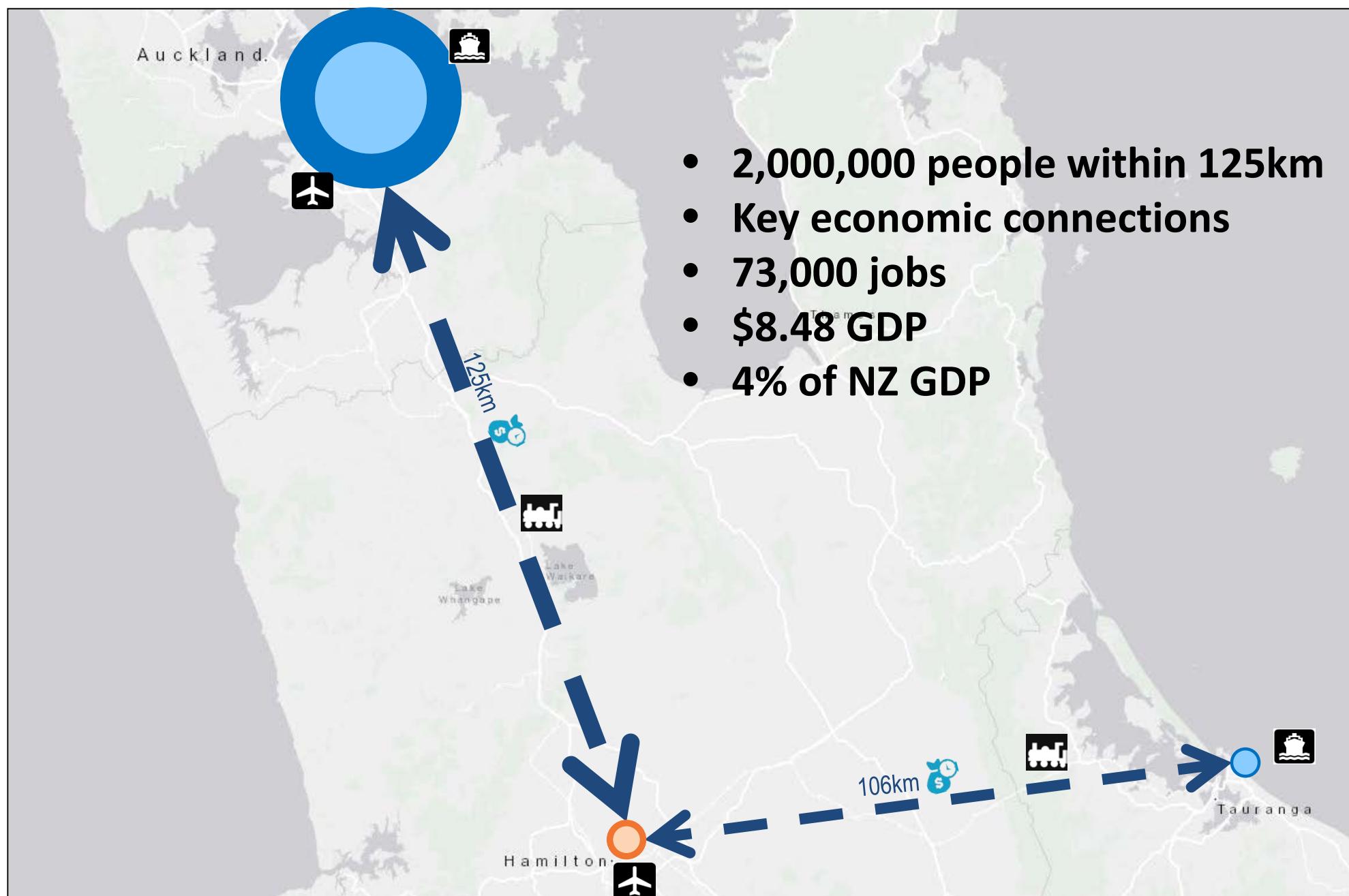
Hamilton's transport system primarily contribute to 5 of the 10 Hamilton Plan priorities:

2. *The third city economy in New Zealand.*
3. *Providing outstanding infrastructure*
4. *Strongly connected to the River.*
6. *An active, strong, commercial city centre with distinctive suburban villages.*
8. *Access to affordable housing.*

ACCESS HAMILTON (2010) OUTCOMES

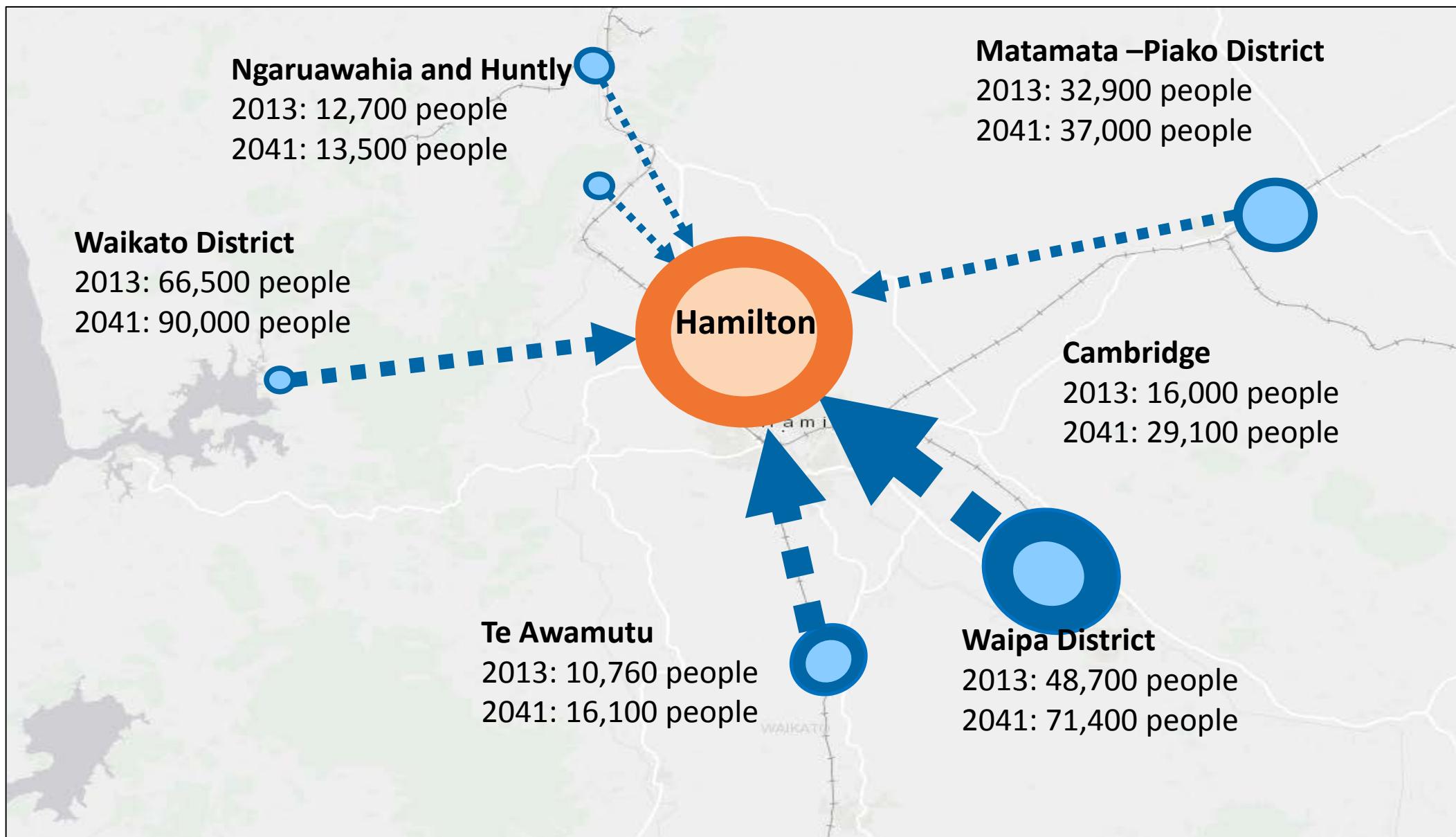
- *As a city we will reduce our dependence on cars and in particular minimise single occupancy car trips*
- *Our communities know that every trip counts and take responsibility for travel choices*
- *Our coordinated decisions as transport partners support national and regional objectives and targets, achieve value for money, integrated planning, and make the most out of our existing networks and infrastructure*
- *Safety is a key consideration in all our decisions as transport partners*

Increasing Demands – Regional Connections



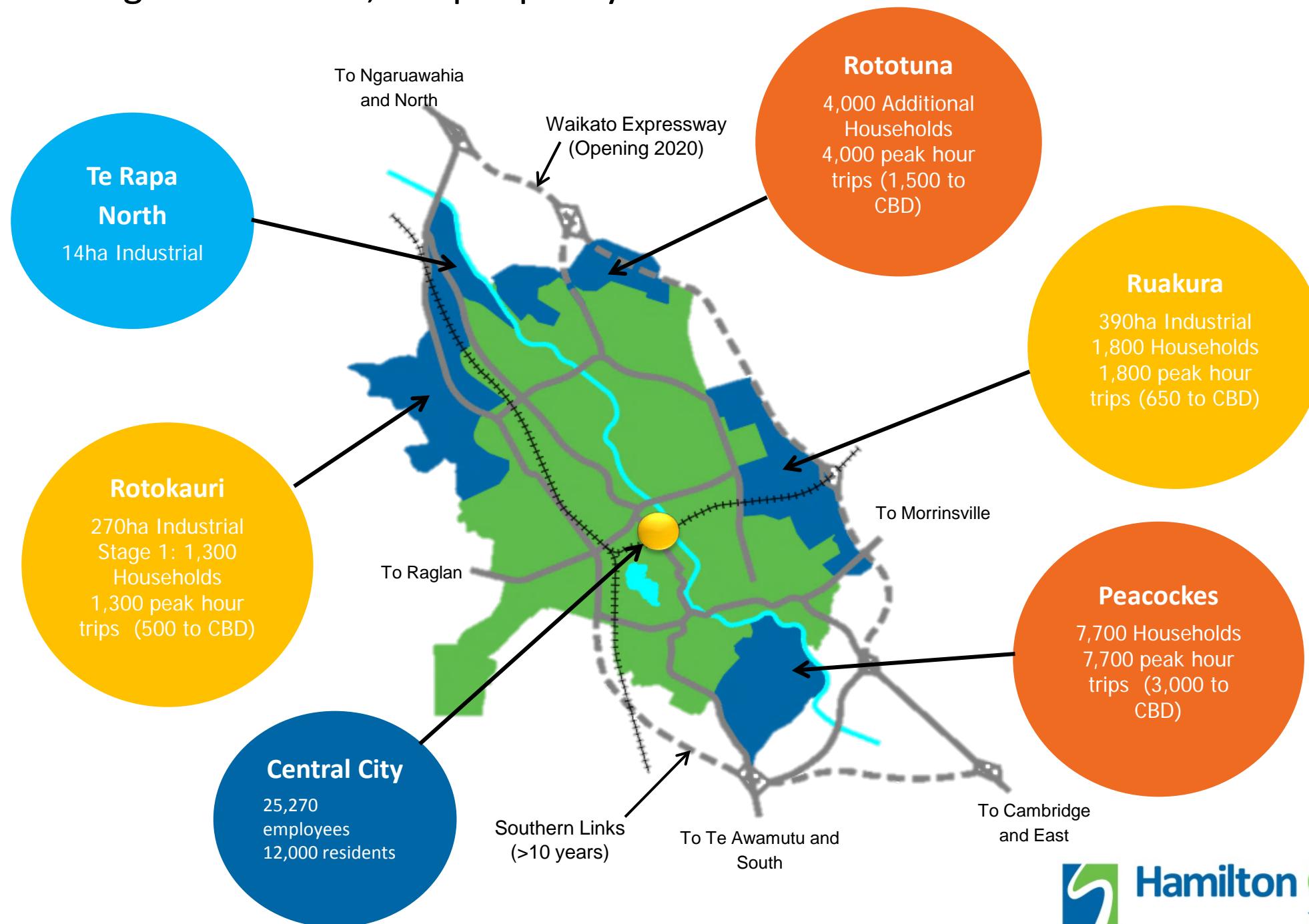
Increasing Demands – Neighbours

- Almost 50,000 people per day come to Hamilton to work or study from neighboring Waipa and Waikato Districts
- This will increase by 50% in 25-30 years



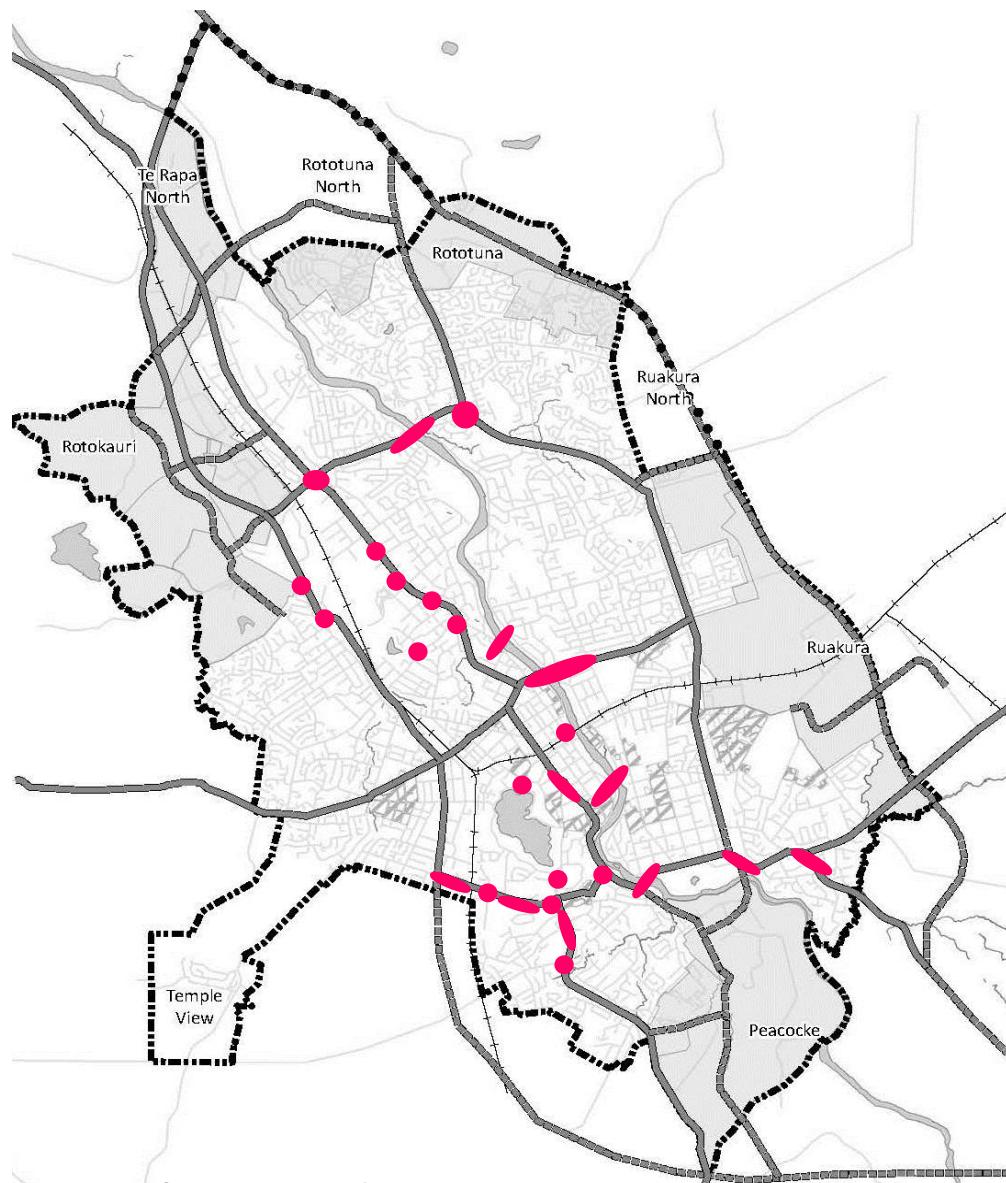
Hamilton's Growth to 2045

We are heading towards 250,000 people by 2045.



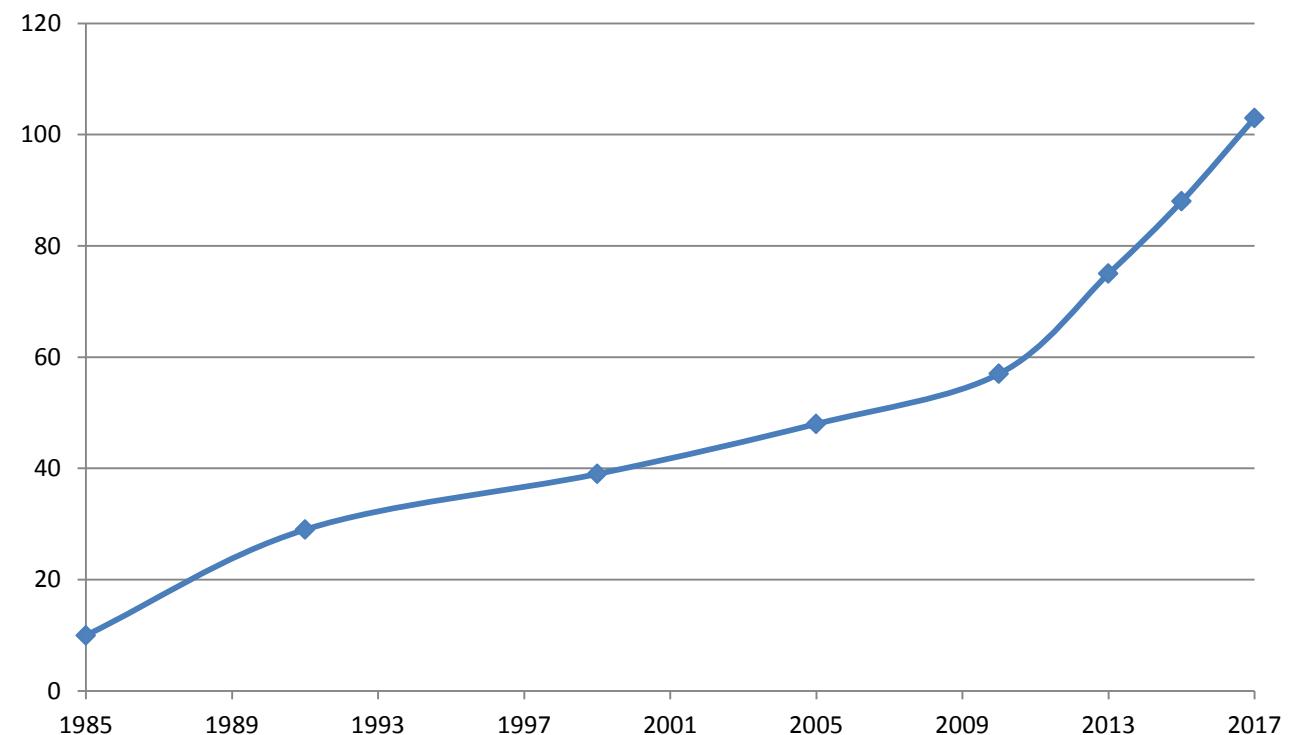
Existing capacity issues – Hamilton

Modelling shows us that demand already exceeds capacity at some of our key rail and river crossings and where major roads cross each other.



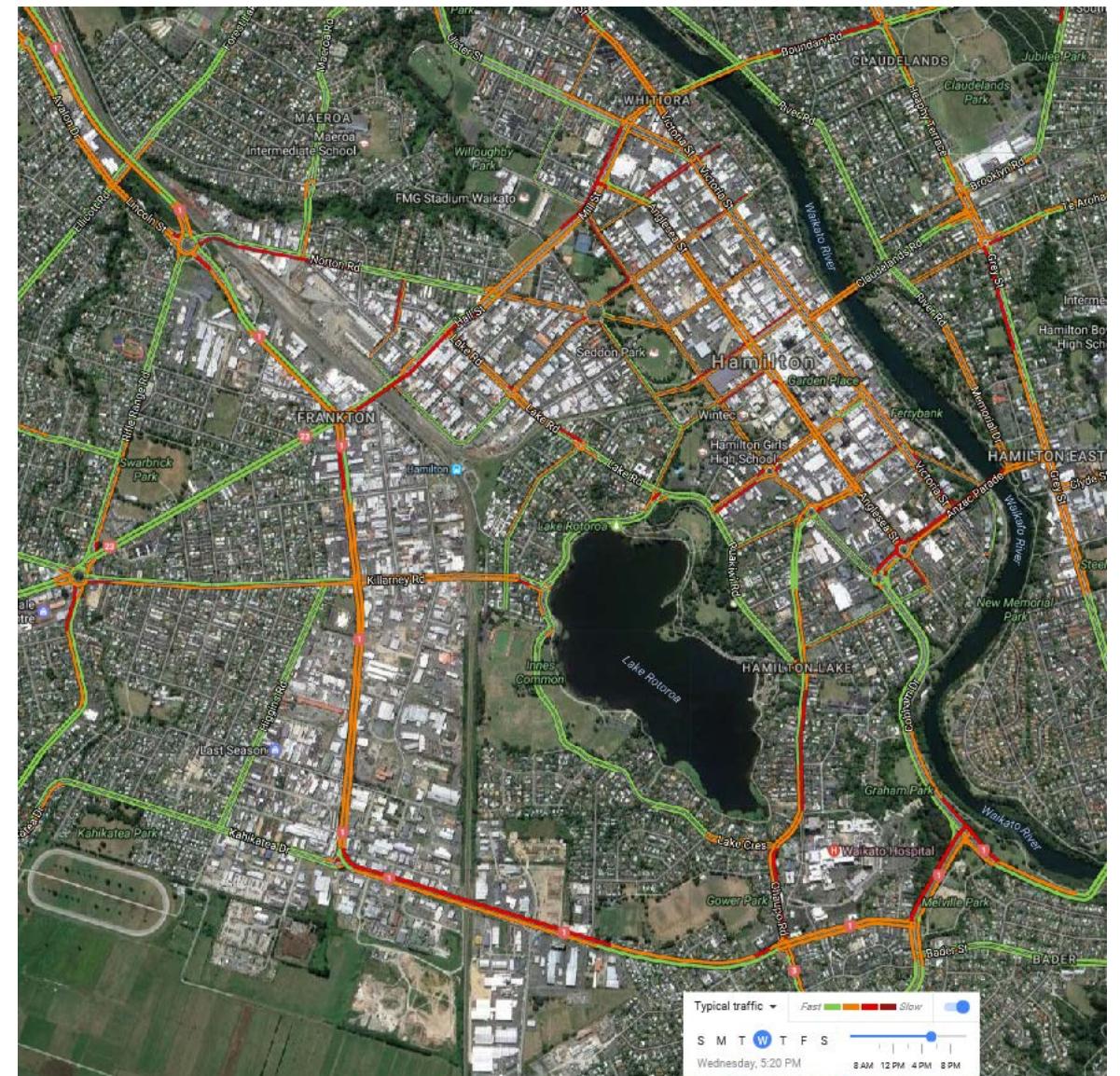
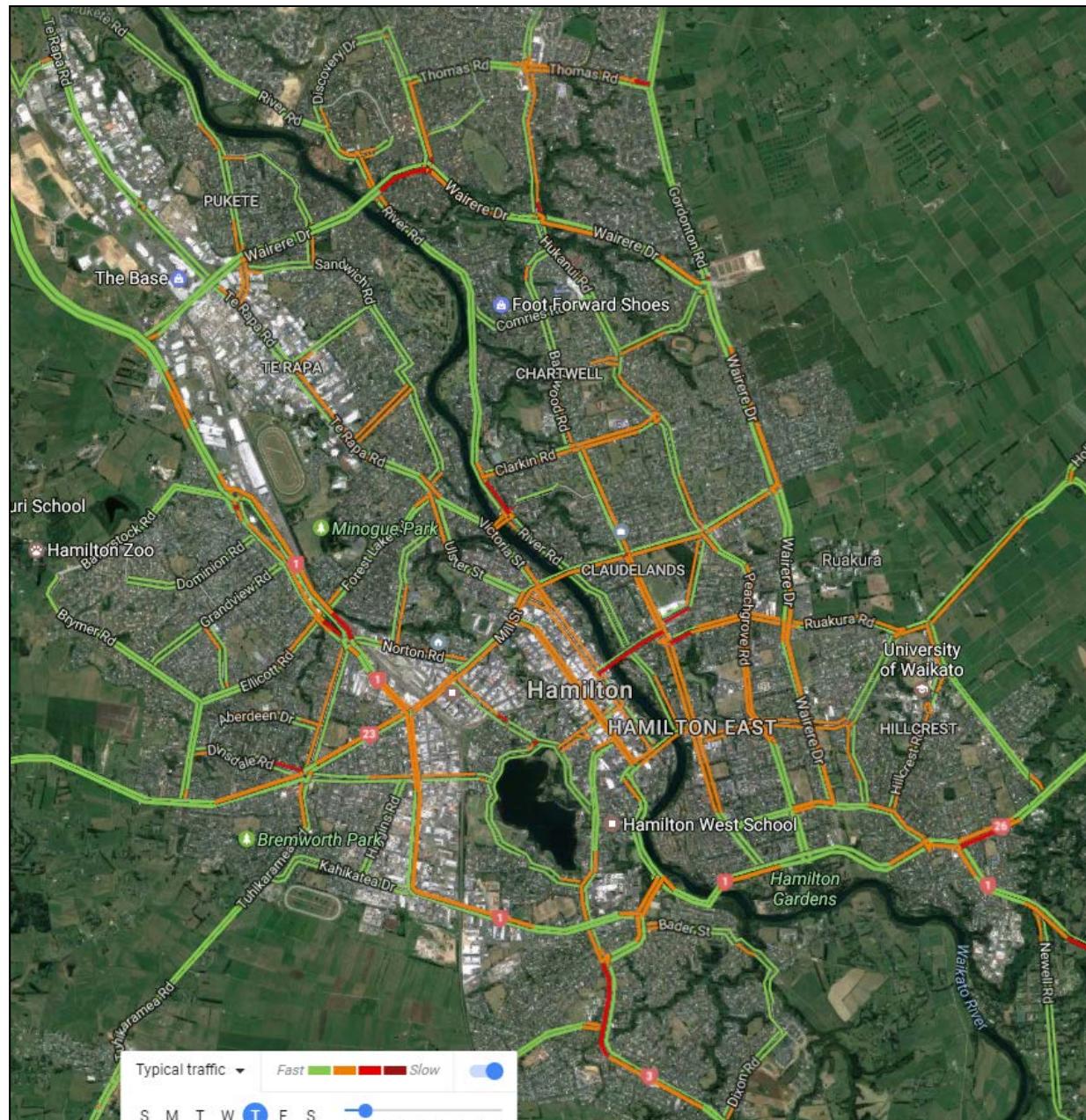
Existing peak period congestion
(volume > capacity) (Waikato Regional Traffic Model (2013))

Traffic signal sites managed by HCC



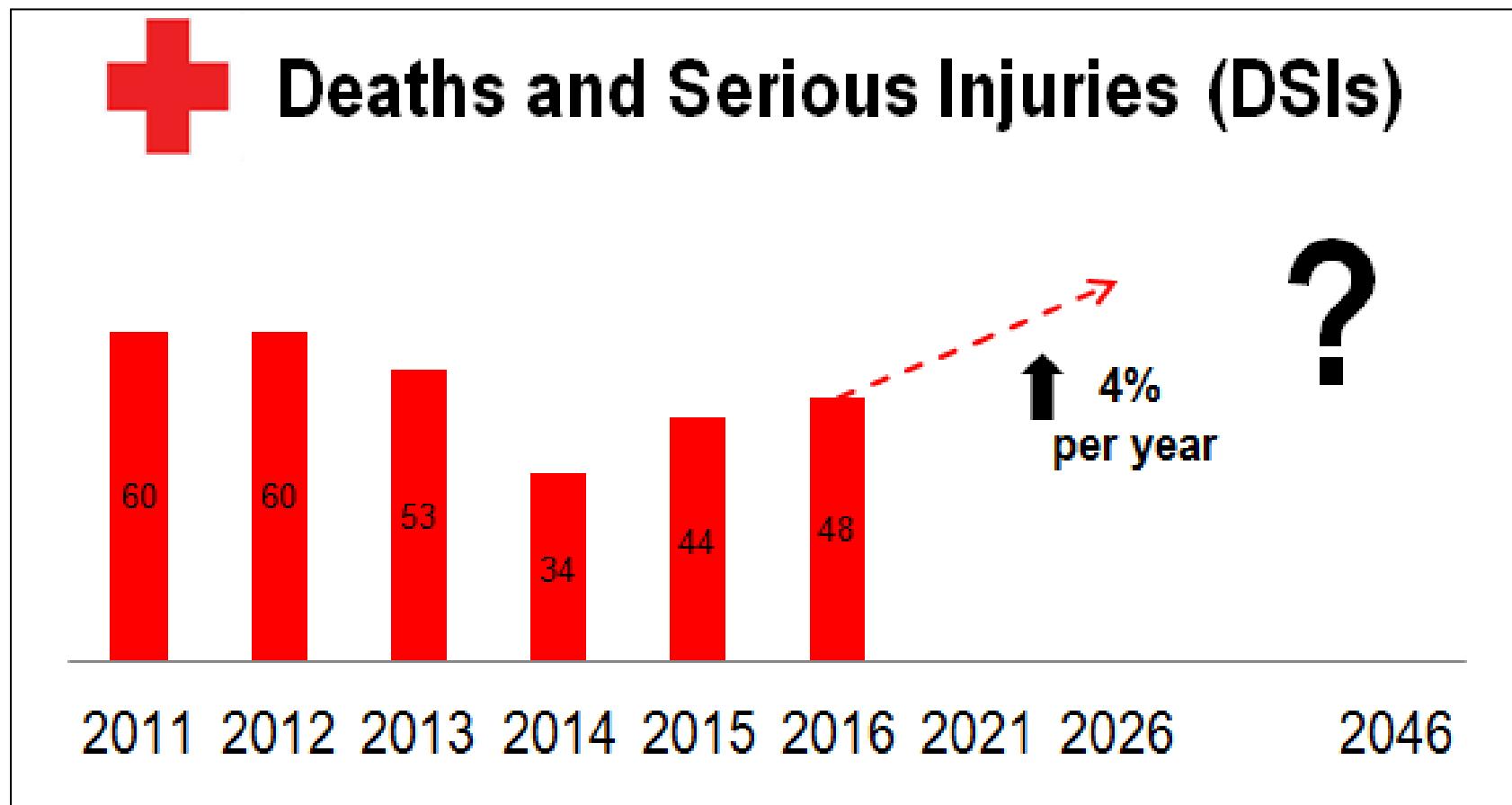
Existing capacity issues – Hamilton

Google provides a real time view



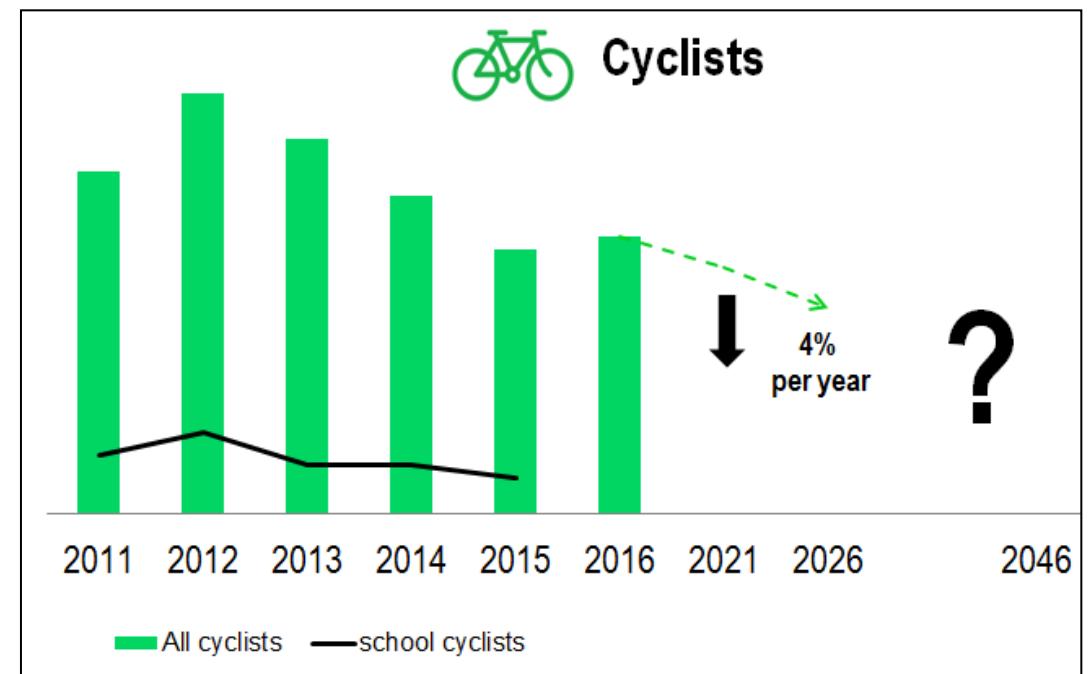
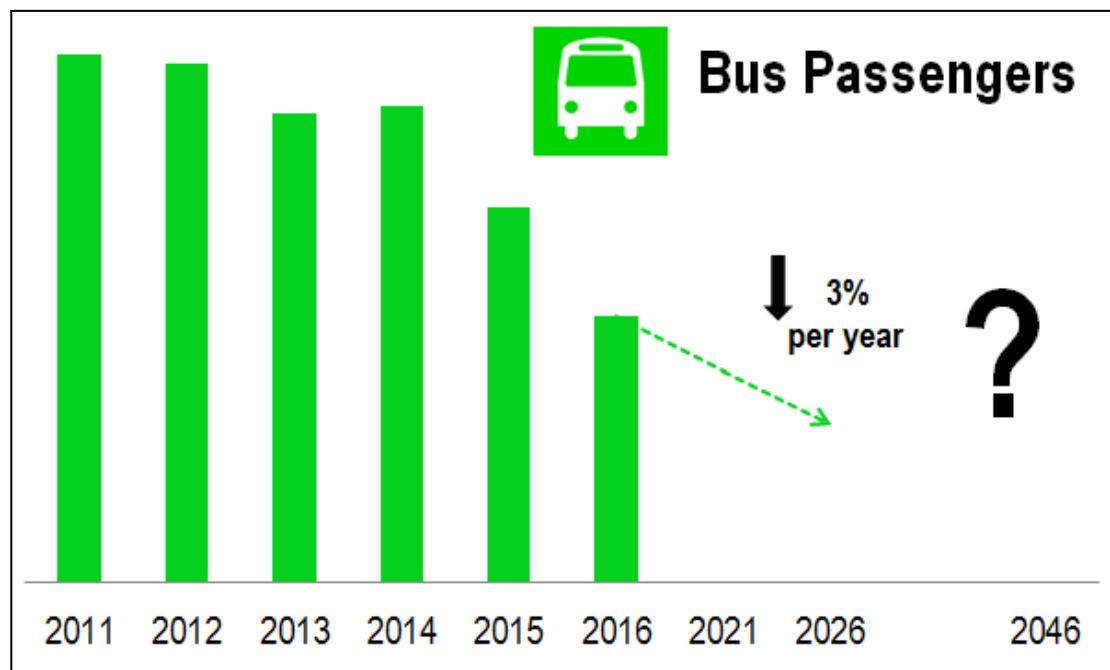
Safety

- Average of 50 deaths and serious injuries per year
- Pedestrians and cyclists are over represented
- 114km of high risk corridors and 49 High risk intersections



Travel Mode Trends

- Our current approach is leading to a reduction in the number of people choosing to take the bus or cycle
- Early indicators from the increased focus on biking, following adoption of the Biking Plan, reveal a small increase in the numbers choosing to ride a bike
- We need to replicate this mode shift for passenger transport



Problems, Benefits and Objectives

Problems

Safety

Poor User behaviour and increasing demand on our network results in death and serious injuries

Growth/Economic Development

Growth and economic development is happening faster than anticipated leading to congestion and demand for transport investment earlier than planned

Transport Choice

Our transport system has focused on cars resulting in low use of active modes and mass transit and a higher future cost for transport

Benefits

Reduction in deaths and serious injuries

Efficient and reliable access between key activities for all users

Infrastructure and services delivery contributes to strategic priorities

Objectives

We will reduce deaths and serious injuries

We will enable business and residential growth while reducing the cost of access

We will enable access to essential services, employment and recreation by providing transport choice for all users.

Next Steps– Programme Development

The direction of the new programme needs to:

- Provide access to identified growth areas with a fully integrated and balanced transport network
- Increase focus on safety
- Deliver a detailed investigation into mass transit, reduce the decline in passenger transport use, walking and cycling and a shift away from single occupancy vehicles

The Access Hamilton Task Force and funding partners will continue to consider a preferred programme of activities to align with the programme direction.

This will be recommended as the basis of the transport input into Councils 2018-28 10 Year Plan discussions.

End of presentation

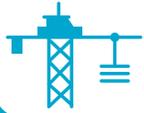


HAMILTON CITY COUNCIL'S 2017/18 ANNUAL PLAN



Hamilton City Council

Te kaunihera o Kirikiriroa





CONTENTS

2

FROM THE MAYOR
AND CHIEF EXECUTIVE

4

YOUR COUNCIL

6

OUR FINANCIAL
STRATEGY

9

FINANCIAL STATEMENTS

11

PROSPECTIVE NOTES
TO THE FINANCIAL
STATEMENTS

25

CAPITAL PROJECTS

34

COUNCIL FUNDING
IMPACT STATEMENT

36

ANNUAL PLAN
DISCLOSURE STATEMENT

FROM THE MAYOR AND CHIEF EXECUTIVE

We are pleased to present Hamilton City Council's Annual Plan for 2017/18.

The Council produced its 10-Year Plan in 2015, which set out our priorities and budget for the next decade. The 2017/18 Annual Plan presents year three of that plan, updated to reflect changes made since 2015.

The financial strategy we introduced in 2012 has put Hamilton City Council in a much better financial position than we were in six years ago. However, the costs to run the city are increasing and this is exacerbated by Hamilton's unprecedented growth.

The Annual Plan for 2017/18 aims to strike a balance between controlling costs and embracing growth, while continuing to deliver projects that make Hamilton an even greater place to live.

Key projects for 2017/18 include:

- significant investment in water supply, stormwater and sewerage networks
- significant investment in transport networks including development in Rototuna and Rotokauri and completion of the Hamilton Ring Road
- continuation of the Hamilton Gardens Development Programme
- additional investment in River Plan projects and Victoria on the River
- accelerating investment in sports parks in Rototuna
- the introduction of a 'free parking' trial designed to help revitalise the CBD.

In the next year, we are forecasting to 'balance the books' with a break-even operating budget – that is, the money we expect to receive through rates, developer contributions and other revenue is equal to the amount of money we plan to spend on running the city.

While that means that average rates won't increase beyond the 3.8% originally forecast in the 10-Year Plan, it does make things very tight and lessens our ability to respond to issues and opportunities throughout the year.

We will also need to make some tough calls in the year ahead about what it will take to be financially sustainable over the next decade and how we measure that.

But these are exciting times for Hamilton; we are growing much faster than we originally predicted and more people are looking to move here every day. How and where we cater for that demand will be a key topic of debate this year, including how we fund it.

We believe this Annual Plan continues the positive momentum of the past few years in building a stronger economy and a more attractive city for families, while setting a solid platform for the big decisions ahead.

Andrew King
Mayor of Hamilton

Richard Briggs
Chief Executive







YOUR COUNCIL

Andrew King

MAYOR OF HAMILTON

07 838 6976

andrew.king@council.hcc.govt.nz

Martin Gallagher

DEPUTY MAYOR

07 838 6766

martin.gallagher@council.hcc.govt.nz

Mark Bunting

COUNCILLOR: EAST WARD

027 808 5164

mark.bunting@council.hcc.govt.nz

James R Casson

COUNCILLOR: EAST WARD

027 808 5173

james.casson@council.hcc.govt.nz

Garry Mallett

COUNCILLOR: EAST WARD

021 741 021

garry.mallett@council.hcc.govt.nz

Rob Pascoe

COUNCILLOR: EAST WARD

021 988 742

rob.pascoe@council.hcc.govt.nz

Paula Southgate

COUNCILLOR: EAST WARD

021 589 957

paula.southgate@council.hcc.govt.nz

Philip Yeung

COUNCILLOR: EAST WARD

027 808 1626

philip.yeung@council.hcc.govt.nz

Siggi Henry

COUNCILLOR: WEST WARD

027 808 5155

siggi.henry@council.hcc.govt.nz

Dave Macpherson

COUNCILLOR - WEST WARD

021 447 388

dave.macpherson@council.hcc.govt.nz

Angela O'Leary

COUNCILLOR - WEST WARD

021 343 774

angela.oleary@council.hcc.govt.nz

Geoff Taylor

COUNCILLOR: WEST WARD

027 808 5170

geoff.taylor@council.hcc.govt.nz

Leo Tooman

COUNCILLOR - WEST WARD

021 512 098

leo.tooman@council.hcc.govt.nz

Richard Briggs

CHIEF EXECUTIVE

07 838 6975

richard.briggs@hcc.govt.nz



OUR FINANCIAL STRATEGY

Our 2015-25 10-Year Plan includes a financial strategy around rates increases, balancing the books and debt. The financial strategy:

- holds total rates rises at 3.8 per cent for existing ratepayers each year for 10 years
- balances the books from 2016 onwards
- reduces our debt-to-revenue ratio to 200 per cent or below by 2020. In other words, this caps debt at \$2 for every \$1 collected in rates and user charges.

This Annual Plan keeps within our financial strategy limits, which are outlined over the next few pages. However, you will see that there are funding challenges in future years and the Council has options to address those challenges.

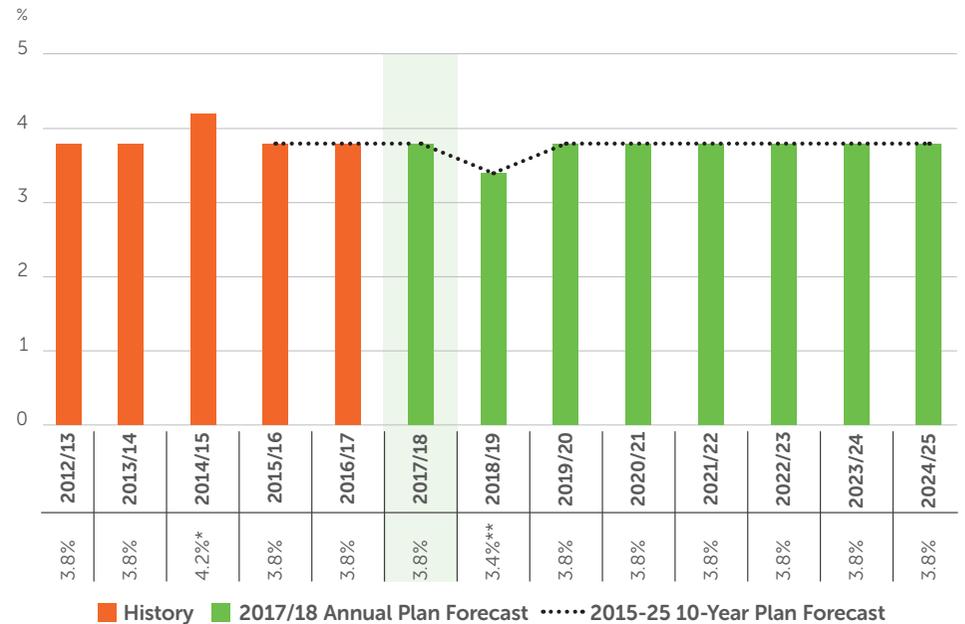
We have started work on our next 10-Year Plan, which is where the important decisions will be made around our future spending and revenue, including a review of our financial strategy. Being our biggest budgeting process it will need the input of Hamiltonians, so there will be opportunities to contribute throughout 2017/18.

RATES

In the 2015-25 10-Year Plan, we renewed our financial strategy to hold rates rises at 3.8 per cent per year for 10 years. The Council decided to stick with this increase for 2017/18. For the average residential property, this will mean an extra \$80 in rates.

	What's in our 10-Year Plan for 2017/18	What's in our Annual Plan for 2017/18
Total rates increase for existing ratepayers	3.8%	3.8%

Rates increases to existing rate payers



* Hamilton Gardens targeted rate introduced in 2014/15
 ** Hamilton Gardens targeted rate removed in 2018/19

BALANCING THE BOOKS

Our 2015-25 10-Year Plan forecast a \$2m balancing the books surplus for 2017/18. Changes to our operating budget mean we are now forecasting to break even. The main reasons for this shift are:

- changes in our assumptions relating to interest costs, inflation and revenue
- significant increases in depreciation costs
- additional staff costs
- the cost of the CBD 'free parking' trial
- increased costs in other areas such as Civil Defence, seismic and building condition assessments and information technology licences.

Our balancing the books measure is a way of assessing the Council's operating performance. There are other ways to measure this, including the Government's balanced budget measure, which we also report against.

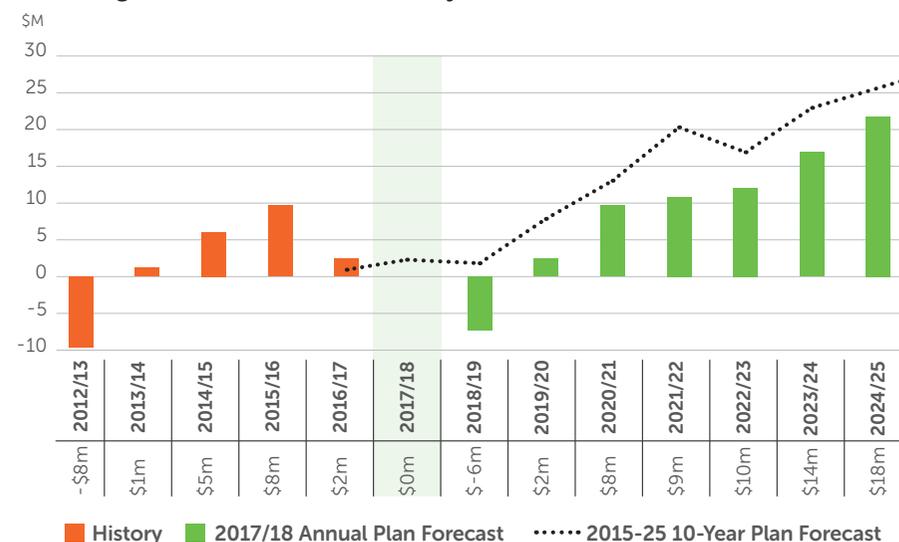
The main difference between the two measures is the Government's balanced budget measure excludes revenue from development contributions and Hamilton City Council's measure includes it. This makes the Government's measure more conservative.

Using the Council's measure, we balance the books in 2017/18 to \$0. Using the Government's measure, we are projecting a \$13m deficit in 2017/18 and wouldn't balance the budget until 2022/23.

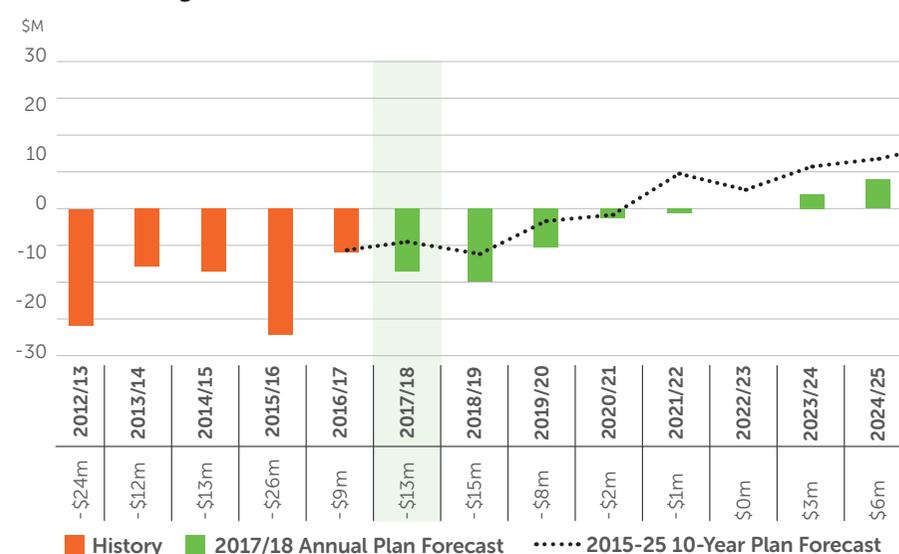
As part of developing our next 10-Year Plan, we will be reviewing our financial strategy, including how we measure our operating performance.

	What's in our 10-Year Plan for 2017/18	What's in our Annual Plan for 2017/18
Balancing the books <i>(Hamilton City Council measure)</i>	\$2m surplus	Break even
Balanced budget <i>(Government measure)</i>	\$10m deficit	\$13m deficit

Balancing the Books – Hamilton City Council Measure



Balanced Budget – Government Measure



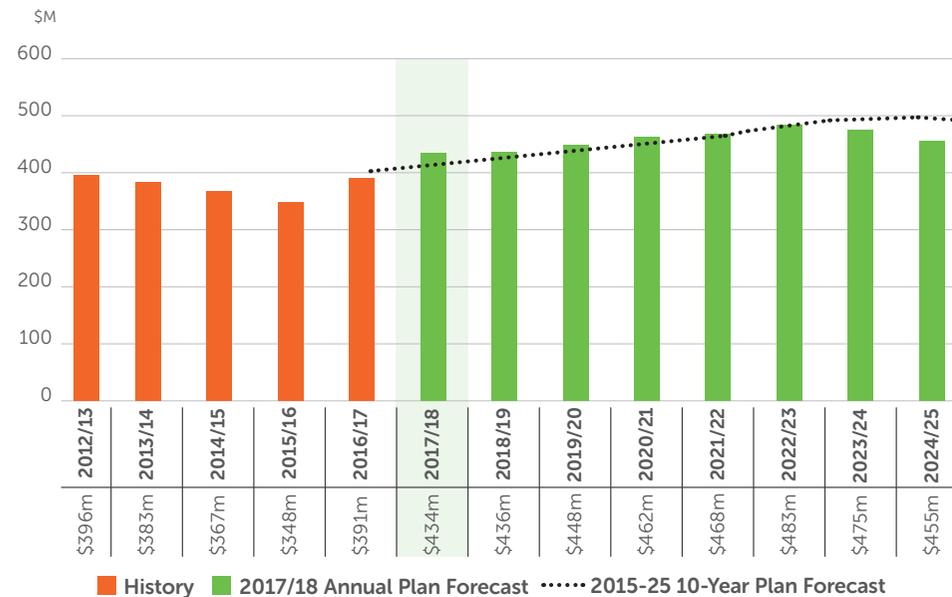
DEBT

Our 2015-25 10-Year Plan forecast the Council's debt at \$435m in 2017/18 and a debt-to-revenue ratio of 203 per cent. Changes to our capital budget mean that we are now forecasting \$434m of debt in 2017/18 and a debt to revenue ratio of 205 per cent.

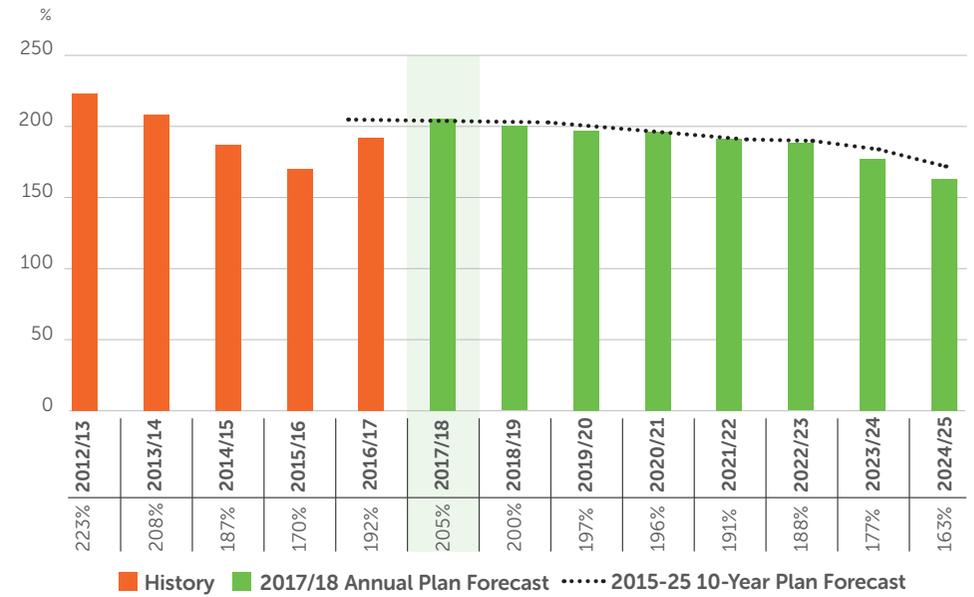
The change in our projected debt position is due to bringing forward projects planned for future years, additional funding for projects (including \$1.25m for River Plan projects) and re-phasing some projects to future years.

	What's in our 10-Year Plan for 2017/18	What's in our Annual Plan for 2017/18
Total overall debt	\$435m	\$434m
Debt-to-revenue ratio	203%	205%

Total Overall Debt



Debt-to-revenue Ratio



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
		\$000	\$000	\$000
Revenue				
Rates	2	152,774	159,606	160,765
Revenue from activities	3	43,525	44,621	39,867
Subsidies and grants	4	5,127	5,301	5,692
Development and financial contributions	5	9,027	9,141	11,141
Capital revenue	5	6,528	6,769	6,702
Interest revenue	8	2,000	2,000	2,000
Other revenue		9,766	9,857	9,770
Total revenue		228,747	237,295	235,937
Expenses				
Personnel costs		68,855	70,800	73,884
Depreciation and amortisation	7	58,352	60,086	63,870
Finance costs	8	23,543	24,650	21,819
Other expenses		67,497	71,572	67,783
Total expenses		218,247	227,108	227,356
Operating surplus/(deficit)		10,500	10,187	8,581
Gains		-	-	-
Losses		-	-	-
Share of associates' surplus/(deficit)		-	-	-
Surplus/(deficit) before tax		10,500	10,187	8,581
Other comprehensive revenue and expense				
<i>Items that could be reclassified to surplus/(deficit)</i>				
Financial assets at fair value through other				
<i>Items that will not be reclassified to surplus/(deficit)</i>				
Gain on property, plant and equipment revaluations		22,753	52,857	52,857
Total other comprehensive revenue and expense		22,753	52,857	52,857
Total comprehensive revenue and expense		33,253	63,044	61,438

BALANCING THE BOOKS MEASURE

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
		\$000	\$000	\$000
Surplus/(deficit) before tax		10,500	10,187	8,581
Adjustments for balancing the books measure				
Gains		-	-	-
Losses		-	-	-
Vested assets (included in Other revenue)		8,549	8,618	8,581
Ring Road subsidy (included in Subsidies and grants)		-	-	-
Total adjustments		8,549	8,618	8,581
Balancing the books surplus/(deficit)		1,951	1,569	-

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
		\$000	\$000	\$000
Balance at 1 July		2,983,007	3,016,260	3,179,121
Total comprehensive revenue and expense for the year		33,253	63,044	61,438
Balance at 30 June		3,016,260	3,079,304	3,240,559
<i>Total comprehensive revenue and expense attributable to:</i>				
Hamilton City Council		33,253	63,044	61,438
Total comprehensive revenue and expense		33,253	63,044	61,438

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

Note	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Assets			
Current assets			
Cash and cash equivalents	45,000	45,000	35,000
Receivables	17,614	18,142	19,142
Prepayments	1,663	1,663	1,563
Inventory	244	251	151
Other financial assets	-	-	-
Derivative financial instruments	-	-	-
Non-current assets held for sale	-	-	-
Total current assets	64,521	65,056	55,856
Non-current assets			
Property, plant and equipment	3,338,252	3,420,301	3,608,249
Intangible assets	20,520	19,196	19,067
Investment property	24,308	24,308	19,420
Investment in associates	10 7,430	7,430	7,430
Other financial assets	9 8,280	8,280	27,426
Investment in subsidiaries	11 10,150	10,150	8,422
Derivative financial instruments	-	-	-
Total non-current assets	3,408,940	3,489,665	3,690,014
Total assets	3,473,461	3,554,721	3,745,870
Liabilities			
Current liabilities			
Employee entitlements	5,053	5,094	5,994
Payables and deferred revenue	15,017	16,078	25,470
Provisions	1,074	824	1,781
Borrowings	12 81,217	84,443	65,300
Derivative financial instruments	-	-	-
Total current liabilities	102,361	106,439	98,545
Non-current liabilities			
Employee entitlements	886	886	886
Provisions	8,072	8,059	12,180
Payables and deferred revenue	-	-	-
Deferred tax liability	-	-	-
Borrowings	12 345,882	360,033	363,700
Derivative financial instruments	-	-	30,000
Total non-current liabilities	354,840	368,978	406,766
Total liabilities	457,201	475,417	505,311
Net assets	3,016,260	3,079,304	3,240,559
Equity			
Accumulated funds	1,620,209	1,630,844	1,639,564
Other reserves	1,355,264	1,408,120	1,558,540
Restricted and Council created reserves	40,787	40,340	42,455
Total equity attributable to Hamilton City Council	3,016,260	3,079,304	3,240,559
Total equity	3,016,260	3,079,304	3,240,559

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Cash flows from operating activities			
Cash was provided from:			
Rates revenue	152,774	159,606	160,765
Fees, rents and charges	43,525	44,621	39,867
Government operating subsidies and grants	5,127	5,301	5,692
Government capital subsidies and grants	4,771	4,964	4,905
Other capital contributions	10,784	10,946	12,938
Interest received	2,000	2,000	2,000
Dividends received	144	145	100
Sundry revenue	1,068	1,094	1,089
Total	220,193	228,677	227,356
Cash was applied to:			
Payments to employees	68,855	70,800	73,884
Payments to suppliers	65,475	69,513	67,783
Interest paid	23,543	24,650	21,819
Tax payments	-	-	-
Net GST paid	1,900	1,900	(657)
Total	159,773	166,863	162,829
Net cash flow from operating activities	60,420	61,814	64,527
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from reduction in other financial assets	-	-	-
Proceeds from sale of shares	-	-	-
Proceeds from sale of investment property	-	-	-
Proceeds from sale of property, plant and equipment	137	145	-
Total	137	145	-
Cash was applied to:			
Acquisition of investments	-	-	-
Purchase of investment property	-	-	-
Purchase of intangible assets	-	-	-
Purchase of property, plant and equipment	72,572	79,336	89,884
Total	72,572	79,336	89,884
Net cash flow from investing activities	(72,435)	(79,191)	(89,884)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Loans raised	67,440	112,802	110,782
Finance leases raised	-	-	-
Total	67,440	112,802	110,782
Cash was applied to:			
Loan repayments	55,000	95,000	95,000
Finance lease repayments	425	425	425
Total	55,425	95,425	95,425
Net cash flow from financing activities	12,015	17,377	15,357
Net increase/(decrease) in cash held	-	-	(10,000)
Opening cash and cash equivalents balance	45,000	45,000	45,000
Closing cash and cash equivalents balance	45,000	45,000	35,000

PROSPECTIVE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

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

These prospective financial statements are for Hamilton City Council (the Council) as a separate legal entity. Consolidated prospective financial statements comprising the Council and its subsidiaries and associates have not been prepared as the income and expenditure is not material to the long-term planning of Council.

BASIS OF PREPARATION

The Council authorised the prospective financial statements on 30 June 2016. The Council which is authorised to do so and, believes that the assumptions underlying these prospective financial statements are appropriate, approved the annual plan. Council and management of Hamilton City Council accept responsibility for the preparation of the prospective financial statements, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. No actual results have been incorporated within the prospective financial statements. Council do not intend to update the prospective financial statements subsequent to presentation.

Statement of compliance

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

The prospective financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 1 entity.

The reporting period for these prospective financial statements is for the year ending 30 June 2018. The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand (\$000), unless otherwise stated.

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

The purpose of the prospective financial information is to support the planning of Council.

Measurement base

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

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

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

Judgements and estimations

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

The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

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

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

SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

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

Exchange transactions

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

Non-exchange transactions

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

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

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

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

Rates

Rates are set annually by resolution from the Council and relate to a particular financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised in full as at the date when rate assessment notices are sent to the ratepayers. Rates revenue is classified as non-exchange except for metered water rates which are classed as exchange revenue.

Operating activities

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

- **Grants, subsidies and reimbursements**

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

- **Development contributions**

Development contributions are recognised as revenue when the application for service connection or code of compliance or 224(c) is received.

- **Fees and charges**

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 percent funded by users and classified as exchange revenue.

- **Fines and penalties**

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

- **Sale of goods**

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

Other revenue

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

- **Dividends**

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

- **Investment property lease rentals**

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

- **Donated, subsidised or vested assets**

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as non-exchange revenue when the control of the asset is transferred to the Council.

- **Gains**

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

Finance revenue

- **Interest**

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

- **Donated services**

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

Expenses

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

Grants and sponsorship

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

Finance expense

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

Borrowing costs

The Council has elected to defer the adoption of NZ IAS 23 Borrowing Costs (revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

Goods and Services Tax (GST)

All items in the prospective financial statements are stated exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

Taxation

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

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

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

Financial instruments

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

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

Financial assets

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

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

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

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

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

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

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

Debtors and other receivables

Debtors and other receivables are measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Council 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 liquidations, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Inventory

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

Property, plant and equipment

Property, plant and equipment consist of:

- **Operational assets**

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

- **Zoo animals**

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

- **Restricted assets**

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

- **Heritage assets**

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

- **Infrastructure assets**

These are the fixed utility systems owned by the Council. Each asset type includes all items that are required for the network to function.

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

- **Additions**

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

- **Disposals**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported in the net surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

- **Subsequent costs**

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

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

Revaluation

Land and buildings (operational and restricted), heritage assets, and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

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

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

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

- **Depreciation**

Depreciation is provided on a straight-line basis at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

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

Buildings - structure/fit out/services	10-100 yrs	1%-10%
Plant and vehicles	3-15 yrs	6.6%-33.3%
Furniture, fittings and equipment	5-10 yrs	10%-20%
Library books	8 yrs	7.1%
Zoo animal (acquisition costs)	10 yrs	10%
Improvements – Parks & Gardens	5 – 150 yrs	0.6% - 20%
Roads and traffic network:		
Top surface (seal)	6 - 18 yrs	5.5% - 16.6%
Pavement (basecourse)	30 - 140 yrs	2% - 4%
Catchpits	70 yrs	2%
Culverts	60 - 80 yrs	1.25% - 1.6%
Footpaths	50 - 70 yrs	1.4% - 2%
Kerbs and traffic islands	70 yrs	1.4%
Signs	12 yrs	8.3%
Street lights	25 yrs	4%
Bridges	150 yrs	0.6%
Traffic signals	15 yrs	6.6%
Barriers	25 - 40 yrs	2.5% - 4%
Bus shelters and parking meters	4 - 10 yrs	10% - 25%
Verge, embankment and retaining walls	60 yrs	1.6%
Wastewater reticulation:		
Pipes	60 - 100 yrs	1% - 1.6%
Manholes	75 yrs	1.3%
Treatment plant	5 - 100 yrs	1% - 20%
Bridges	75 - 100 yrs	1% - 1.3%
Pump stations	15 - 100 yrs	1% - 6.6%
Stormwater system:		
Pipes	100 yrs	1%
Manholes, cesspits	100 yrs	1%
Service connections and outlets	30-100 yrs	1%-3.3%
Water reticulation:		
Pipes	60 - 80 yrs	1.25% - 1.6%
Butterfly valves	50 - 75 yrs	1.3% - 2%
Treatment plant	10 - 120 yrs	0.8% - 10%
Meters	20 – 75 yrs	1.3% - 5%
Hydrants	50 yrs	2%
Reservoirs	30 - 80 yrs	1.25% - 3.3%
Refuse – Rubbish and Recycling	10 – 100 yrs	1% - 10%

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

Heritage assets are not depreciated.

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

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

Investment properties

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

These assets consist of investment properties owned by the Council, funded either from Corporate Funds, the Domain Endowment Fund or the Municipal Endowment Fund.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Intangible assets

Intangible assets comprise:

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

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

Impairment of non-financial assets

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

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

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

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

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

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

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

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

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

- **Fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are those that are designated into this category at initial recognition or are not classified in any of other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the

investment within 12 months of balance date. The Council includes in this category;

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

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

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

Impairment of financial assets

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

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

Impairment is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government stock bonds, general and community loans are recognised directly against the instruments' carrying amount.

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

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

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

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

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

If in a subsequent period the fair value of a debt instrument increases and the increase can be

objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Creditors and other payables

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

Borrowings

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

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

EMPLOYEE ENTITLEMENTS

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent it will be used by staff to cover those future absences.

The provision for retirement gratuities has been calculated on an actuarial basis bringing to account what is likely to be payable in the future in respect of service that employees have accumulated up until twelve months after balance date.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

SUPERANNUATION SCHEMES

Defined contribution schemes

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

Derivative financial instruments

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

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

LEASES

Leases consist of:

- **Finance leases**

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, Council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

- **Operating leases**

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Provisions

Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

- **Financial guarantee contracts**

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

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

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

Landfill post-closure costs

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

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

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

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

All subsequent changes in the liability shall be recognised in the surplus/deficit and the periodic

unwinding of the discount will also be recognised in the surplus/deficit as a finance cost as it occurs.

Equity

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

The components of equity are:

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

Accumulated funds comprise accumulated surpluses over the years.

Revaluation reserves comprise accumulated revaluation increments/decrements.

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

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

Prospective Statement of cash flows

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

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

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

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

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

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

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

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

(iii) Bases for assumptions, risks and uncertainties

The financial information has been prepared on the basis of best estimate assumptions as the

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

(iv) Cautionary note

The financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

(iv) Other disclosures

These prospective financial statements were adopted as part of the 2017-2018 Annual Plan for Hamilton City Council. The Council is responsible for the prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The Annual Plan is prospective and as such contains no actual operating results.

NOTE 2: RATES REVENUE

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
General rates, rates penalties			
General rates	30,303	46,892	44,679
Rates penalties	775	810	950
Less rates charges to Council properties	(652)	(676)	(414)
Less: Rates remissions			
- Hardship	(369)	(386)	(250)
- Other	(2,368)	(3,184)	(3,184)
Targeted rates attributable to activities:			
- Transitional rate	110,262	101,084	104,251
- Community use	975	1,020	1,020
- Access Hamilton rate	5,000	5,000	5,000
- Business improvement district rate	280	280	291
- Hamilton Gardens rate	615	620	620
- CBD Parking rate	-	-	109
- Metered water supply	7,953	8,146	8,111
Less metered water charges to Council properties	-	-	(418)
Total rates revenue	152,774	159,606	160,765

NOTE 3: ACTIVITY REVENUE

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Revenue by group of activity			
Arts and Culture	1,718	1,760	1,018
Community Support	2,458	2,517	118
Governance	220	18	18
Economic Development	9,210	9,436	7,851
Parks and Green Spaces	3,104	3,196	2,536
Planning and Development	7,583	7,767	8,629
Recreation	4,790	5,103	4,279
Rubbish and Recycling	347	355	353
Safety	2,185	2,239	2,163
Sewerage	5,400	5,598	4,226
Stormwater	246	252	173
Transport	6,108	6,256	3,774
Water Supply	161	164	164
Overheads/Support units	2,010	2,058	5,591
Less: Internal revenue	(2,015)	(2,098)	(1,026)
Total revenue from activities	43,525	44,621	39,867
Revenue from activities by type			
Adshel contribution	37	38	53
Environment Waikato contribution (Project Watershed)	459	471	392
Sale of goods	1,340	1,372	2,104
Fees and user charges	27,533	28,414	27,872
Infringements and fines	2,036	2,086	1,379
Rental income	6,206	6,357	3,849
Commission received	973	996	778
Ticketing commission	14	15	-
External recoveries	4,571	4,507	3,103
Donations	11	12	12
Other income	345	353	325
Total revenue by type	43,525	44,621	39,867

NOTE 4: SUBSIDIES AND GRANTS

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
NZTA roading subsidy - operating	4,226	4,378	4,640
Government grants & subsidies	-	-	295
Other grants	481	493	207
Waste minimisation levy	420	430	550
Total subsidies and grants	5,127	5,301	5,692

NOTE 5: CAPITAL REVENUE

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Development and financial contributions			
Stormwater	477	483	589
Transport	2,524	2,556	3,116
Sewerage	2,733	2,767	3,372
Water	1,820	1,843	2,246
Community infrastructure	1,473	1,492	1,818
Total development and financial contributions	9,027	9,141	11,141
Capital revenue			
NZTA roading subsidy - capital	4,771	4,964	4,905
Capital contributions - general	1,757	1,805	1,797
	6,528	6,769	6,702
Total capital revenue	15,555	15,910	17,843

The NZTA capital roading subsidy was classified as subsidies and grants and capital contributions were classified as other revenue in the 2015-2015 10-Year Plan.

NOTE 6: OTHER REVENUE

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Vested assets	8,549	8,618	8,581
Dividends	144	145	100
Petrol tax income	1,068	1,094	1,089
Other sundry income	5	-	-
Total other revenue	9,766	9,857	9,770

Revenue reclassified as exchange or non-exchange transactions

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

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

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

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Revenue from exchange transactions			
Fees and user charges	27,877	28,767	28,197
Other revenue	9,543	9,544	8,530
Rental income	6,206	6,357	3,849
Subsidies and grants	481	493	502
Targeted rates for water supply	7,953	8,146	7,693
Total revenue from exchange transactions	52,060	53,307	48,771
Revenue from non-exchange transactions			
Development and financial contributions	9,027	9,141	11,141
Subsidies and grants	9,417	9,772	10,095
Infringements and fines	2,036	2,086	1,379
Other revenue	2,837	2,911	2,898
Rates, excluding targeted rates for water supply	144,821	151,460	153,072
Vested assets	8,549	8,618	8,581
Total revenue from non-exchange transactions	176,687	183,988	187,166
Total revenue	228,747	237,295	235,937

NOTE 7: DEPRECIATION AND AMORTISATION EXPENSE BY GROUP

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Directly attributable depreciation and amortisation expense by group of activity			
Arts and Culture	2,641	2,744	3,683
Community Support	1,118	1,193	186
Governance	-	-	-
Economic Development	5,284	5,715	5,478
Parks and Green Spaces	3,341	3,666	4,180
Planning and Development	-	-	-
Recreation	1,641	1,715	1,660
Rubbish and Recycling	317	327	410
Safety	76	80	80
Sewerage	7,921	8,131	9,313
Stormwater	5,805	5,853	8,256
Transport	17,927	17,792	18,309
Water Supply	7,416	7,616	7,146
Total directly attributable depreciation and amortisation by group of activity	53,487	54,832	58,701
Depreciation and amortisation not directly related to group of activities	4,865	5,254	5,169
Total depreciation and amortisation expense	58,352	60,086	63,870

NOTE 8: INTEREST REVENUE AND FINANCE COSTS

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Interest revenue			
Interest income	2,000	2,000	2,000
Finance costs			
Interest on borrowings	23,468	24,575	21,744
Interest on finance leases	75	75	75
Total finance costs	23,543	24,650	21,819
Net finance costs	21,543	22,650	19,819

NOTE 9: OTHER FINANCIAL ASSETS

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Current portion			
Loans investments			
Community loans	-	-	-
Non-current portion			
Loans and receivables			
Term deposits with maturities greater than 1 year	3,303	3,303	5,040
Community loans	-	-	17,975
Unlisted shares			
NZ Local Government Insurance Co Limited	227	227	295
NZ Local Government Funding Agency Limited	1,866	1,866	1,866
Waikato Innovation Park Limited	2,506	2,506	2,079
Local Authority Shared Services Limited	378	378	171
Total non-current portion	8,280	8,280	27,426
Total other financial assets	8,280	8,280	27,426

NOTE 10: INVESTMENT IN ASSOCIATES

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Associates			
Waikato Regional Airport Limited	7,430	7,430	7,430
Total investment in associates	7,430	7,430	7,430

NOTE 11: INVESTMENT IN SUBSIDIARIES

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Subsidiaries			
Hamilton Properties Limited	1	1	1
Innovation Waikato Limited	10,149	10,149	8,421
Total investment in subsidiaries	10,150	10,150	8,422

NOTE 12: BORROWINGS

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Current portion			
Secured loans	80,917	84,143	65,000
Finance leases	300	300	300
Total current portion	81,217	84,443	65,300
Non-current portion			
Secured loans	345,232	359,383	361,850
Unsecured loans	-	-	1,200
Finance leases	650	650	650
Total non-current portion	345,882	360,033	363,700
Total external debt	427,099	444,476	429,000
Adjustments required to determine overall debt:			
External debt	427,099	444,476	429,000
Less cash held and cash equivalents	(45,000)	(45,000)	(35,000)
Plus reserves	36,288	35,841	39,583
Total overall debt	418,387	435,317	433,583
DEBT SERVICING PERFORMANCE INDICATORS			
Financial ratios			
Liquidity ratio (target >110%)	>110%	>110%	>110%
Total overall debt / Total revenue (target 200% by 2020)	203%	203%	2
Net interest on external debt / Total revenue (target <20%)	11%	11%	0
Total overall debt as a multiple of cashflow (target <15)	7.5	7.7	9

NOTE 13: RESERVES

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Restricted reserves			
Cemetery plot maintenance in perpetuity reserve	1,541	1,541	1,800
Dame Hilda Ross children's library memorial fund	2	2	-
Domain Endowment fund	2,144	2,144	7,518
Municipal Endowment fund	27,927	27,927	28,639
Roman Catholic Schools Library fund	2	2	-
Waikato Art Gallery Endowment reserve	8	8	10
Total restricted reserves	31,624	31,624	37,967
Council created reserves			
Bus shelter (adshel) reserve	212	212	81
Hamilton Gardens reserve	492	-	432
Housing upgrade reserve	3,101	3,101	-
Project Watershed operating reserve	351	396	571
Rotokauri land sale reserve	2,167	2,167	-
Reserves contribution fund	2,332	2,332	2,872
Waste minimisation reserve	508	508	532
Total council created reserves	9,163	8,716	4,488
Total restricted and council created reserves	40,787	40,340	42,455

The following reserves were closed in 2015/16

- Council created reserves
 - Rotokauri land sale reserve
 - Housing upgrade reserve
- Restricted reserves
 - Dame Hilda Ross children's library memorial fund
 - Roman Catholic Schools Library fund

NOTE 13: RESERVES

	Activities to which the reserve relates	Balance July 2017	Transfers into reserve	Transfers out of	Balance June 2018
Restricted reserves					
Cemetery plot maintenance in perpetuity reserve - to maintain and provide for improvements to the cemeteries.	Cemeteries and Crematorium	1,800	0	0	1,800
Domain endowment fund reserve - to provide a capital endowment fund for domain land for investment in property. Rental income and interest earned from domain endowment land is used to fund parks and reserves operating costs.	Parks and Green Spaces and Stormwater	7,518	0	0	7,518
Municipal Endowment Fund - to provide a capital fund for Crown endowment land vested in the council for investment in property. Rental income and interest earned from the land and property may be used for council purposes to offset rates.	Strategic property investments	28,639	0	0	28,639
Waikato Art Gallery Endowment reserve - to provide funds for the acquisition of works of art for the Waikato Museum of Art and History.	Arts promotion	10	0	0	10
Total restricted reserves		37,967	-	-	37,967
Council created reserves					
Bus shelter reserve - to manage the income generated from advertising in bus shelters to provide, maintain and enhance passenger infrastructure.	Travel demand management	299	53	(271)	81
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.	Hamilton Gardens	911	2,265	(2,744)	432
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.	Parks and Green Spaces and Stormwater	869	0	(298)	571
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.	Strategic property investments	2,872	0	0	2,872
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.	Waste minimisation	530	550	(548)	532
Total council created reserves		5,481	2,868	(3,861)	4,488
Total restricted and council created reserves		43,448	2,868	(3,861)	42,455

NOTE 14: CAPITAL EXPENDITURE

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Capital expenditure incurred by activities			
Arts and Culture	2,245	3,541	3,484
Community Services	205	211	-
Democracy Services	-	-	-
Economic Development	1,912	2,083	2,314
Parks and Green Spaces	5,841	5,326	8,979
Planning and Development	-	-	-
Recreation	1,214	1,801	1,133
Rubbish and Recycling	422	425	420
Safety	41	42	40
Sewerage	15,590	23,072	23,790
Stormwater	1,550	2,714	3,038
Transportation	20,286	17,643	20,693
Water Supply	17,994	18,334	18,850
Corporate Services	5,272	4,144	7,143
Total capital expenditure	72,572	79,336	89,884

CAPITAL EXPENDITURE NOTES – EXPLAIN CHANGES FROM 10 YEAR PLAN TO ANNUAL PLAN

1. Budget not required due to the sale of the Pensioner Housing stock.
2. Includes work at the Crematorium, the River Plan and the Rototuna Sports Park.
3. For providing increased capacity in the Rototuna wastewater network.
4. Includes an increase for the roading network in Rotokauri.
5. Increase required to meet fleet and software replacements.

CAPITAL PROJECTS

The following pages set out what we will spend on major projects in 2017/18. The projects are required to renew existing assets, improve the Council's levels of service or to respond to the needs of a growing city.

KEY

R	= Renewals
LOS	= Levels of service
G	= Growth

	Type	2017/18 10-Year Plan \$000	2017/18 Annual Plan \$000
ARTS AND CULTURE			
Libraries			
CE10005 - Library collection purchases	R	1,104	1,091
CE10006 - Library asset renewal	R	81	177
CE10007 - Library building asset renewal programme	R	38	37
		1,223	1,305
Museum			
CE10008 - Museum asset renewal	R	94	93
CE10009 - ArtsPost earthquake strengthening	R	1,316	1,301
CE10010 - Public art support fund	R	32	81
CE10011 - Museum activity building renewals	R	115	254
		1,557	1,729
Hamilton City theatres			
CE10012 - Founders Theatre plant and equipment	R	292	0
CE10013 - Technical services equipment renewals	R	456	450
CE10014 - Founders Theatre building renewals	R	13	0
		761	450
Total Arts and Culture		3,541	3,484

	Type	2017/18 10-Year Plan \$000	2017/18 Annual Plan \$000
COMMUNITY SERVICES			
Housing services			
CE10025 - Pensioner housing renewals	R	211	0
Total Community Support		211	0
ECONOMIC DEVELOPMENT			
Claudelands and stadia			
CE10040 - Business administration plant and equipment	R	53	52
CE10041 - Claudelands plant and equipment	R	591	648
CE10042 - Seddon Park plant and equipment	R	53	52
CE10043 - FMG Stadium Waikato plant and equipment	R	115	114
CE10044 - Turf services plant and equipment	R	74	73
CE10046 - Seddon Park property renewals	R	334	330
CE10047 - FMG Stadium Waikato property renewals	R	0	267
CE10048 - Stadia building renewals	R	694	686
CE15051 - Stadia capital improvement function	R	9	9
		1,923	2,231
Strategic property			
CE10052 - Strategic property renewals	R	8	8
CE10053 - Tenancy inducement renewals	R	152	75
		160	83
Total Economic Development		2,083	2,314

	Type	2017/18 10-Year Plan \$000	2017/18 Annual Plan \$000
PARKS AND GREEN SPACES			
Cemeteries and crematorium			
CE10021 - Building renewals cemeteries	R	3	603
CE10022 - Renewal of crematorium assets	R	32	31
CE10023 - Hamilton Park east and west cemeteries renewals	R	8	8
CE15024 - Hamilton Park cemetery, burial and ash lawn extension	G	37	36
		80	678
Hamilton Gardens			
CE10026 - Hamilton Gardens renewals	R	158	158
CE10028 - Hamilton Gardens building renewals	R	48	48
CE15027 - Proposed development programme	G	2,786	2,744
		2,992	2,950
Parks			
CE10029 - Toilet and changing room renewals	R	110	156
CE10030 - Building renewals parks and open spaces	R	48	0
CE10032 - Parks and open spaces assets and playgrounds renewals	R	1,245	1,231
CE15033 - Land purchase future reserves	G	232	229
CE15036 - Playground development programme	G	0	906
CE16001 - Victoria on the River Development	LOS	0	743
CE17004 - River Plan	LOS	527	1,250
		2,162	4,515
Sports Parks			
CE10031 - Sports area renewals	R	92	91
CE15164 - Rototuna Park option 1	G	0	745
		92	836
Total Parks and Green Spaces		5,326	8,979

	Type	2017/18 10-Year Plan \$000	2017/18 Annual Plan \$000
RECREATION			
Aquatic Facilities			
CE10001 - Aquatic facilities building renewals	R	1,120	211
CE10003 - Waterworld operational asset renewals	R	252	249
CE10004 - Gallagher Aquatic Centre operational asset renewal	R	156	154
		1,528	614
Hamilton Zoo			
CE10015 - Zoo animal enclosure renewals	R	146	144
CE10016 - Zoo building renewals	R	85	84
CE10020 - Zoo animal replacement	R	42	41
CE19019 - Zoo safety improvements	R	0	250
		273	519
Total Recreation		1,801	1,133

SAFETY			
CE10037 - CCTV renewals	R	42	40
Total Safety		42	40

RUBBISH AND RECYCLING			
CE10054 - Replacement of closed landfill assets	R	182	233
CE10056 - Replacement of RTS & HOC assets	R	7	7
CE15055 - Closed landfill management	LOS	236	180
Total Rubbish and Recycling		425	420

	Type	2017/18 10-Year Plan \$000	2017/18 Annual Plan \$000
SEWERAGE			
CE10100 - Replacement of wastewater pump stations	R	825	814
CE10101 - Replacement of wastewater assets	R	4,406	4,354
CE15103 - Increase capacity of wastewater pump stations	LOS	446	440
CE15104 - Wastewater pipe upgrade - growth	G	316	312
CE15105 - Increase capacity of wastewater network - Rototuna	G	671	0
CE15106 - Wastewater network upgrades to allow development	G	84	83
CE15107 - Increase capacity of network in Rotokauri stage 1	G	256	1,154
CE15111 - Increase capacity of network throughout the city	G	3,202	3,178
CE15112 - Increase capacity of network (far east interceptor)	G	0	3,124
CE15114 - Increase capacity of network (bulk storage)	G	3,881	837
CE15161 - Wastewater master plan	R	79	178
CE10115 - Replacement of wastewater treatment plant assets	G	1,901	1,879
CE15116 - Upgrade wastewater treatment plant systems	LOS	369	364
CE15117 - Upgrade wastewater treatment plant (Pukete 3)	G	6,056	6,500
CE15120 - Wastewater treatment plant compliance	LOS	527	521
CE15121 - Wastewater customer connections to the network	G	53	52
Total Sewerage		23,072	23,790

STORMWATER			
CE10058 - Replacement of Stormwater assets	R	645	637
CE15059 - Rototuna Stormwater infrastructure	G	900	600
CE15060 - Rotokauri Stormwater infrastructure stage 1	G	0	520
CE15062 - Peacocke stormwater infrastructure stage 1	G	316	0
CE15064 - Stormwater pipe upgrade - growth	G	132	131
CE15066 - Existing network improvements in new areas	G	105	104
CE15067 - Comprehensive stormwater consent implementation	LOS	184	182
CE15068 - Stormwater customer connections to the network	G	53	52
CE15162 - Integrated catchment management plan	LOS	379	812
Total Stormwater		2,714	3,038

	Type	2017/18 10-Year Plan \$000	2017/18 Annual Plan \$000
TRANSPORT			
Parking management			
CE10070 - Replacement of parking enforcement equipment	R	5	5
CE10071 - Parking building renewal	R	5	200
		10	205
Transportation network			
CE10072 - Replacement of footpath	R	2,248	1,790
CE10073 - Replacement of street furniture	R	63	60
CE10074 - Replacement of drainage (kerb and channel)	R	1,294	1,001
CE10075 - Replacement of road base	R	2,093	1,950
CE10076 - Road resurfacing	R	4,561	4,946
CE10077 - Replacement of bridges and culverts	R	158	155
CE10078 - Replacement of retaining walls and structures	R	47	45
CE10079 - Replacement of environmental controls	R	11	5
CE10080 - Replacement of lighting	R	295	428
CE10081 - Replacement of traffic equipment	R	421	358
CE10082 - Replacement of street signs	R	74	30
CE10098 - Building and property renewals	R	3	200
CE15085 - Minor improvements to transport network	LOS	672	664
CE15086 - Bus stop infrastructure	LOS	118	117
CE15087 - Network upgrades to allow new development	G	184	182
CE15088 - Roding upgrades and development in Peacocke stage 1	G	53	52
CE15089 - Roding upgrades and development in Peacocke stage 2	G	527	783
CE15090 - Roding upgrades and development in Rotokauri stage 1	G	772	3,281
CE15092 - Roding upgrades and development in Rototuna	G	3,091	3,504
CE15093 - Roding upgrades and development in Ruakura	G	0	0
CE15095 - Integrated transport initiatives	LOS	948	937
		17,633	20,488
Total Transportation		17,643	20,693

	Type	2017/18 10-Year Plan \$000	2017/18 Annual Plan \$000
WATER SUPPLY			
CE10123 - Replacement of watermains	R	3,440	3,400
CE10124 - Replacement of water meters, valves and hydrants	R	339	334
CE15126 - Upgrade or build new watermains in Rototuna	G	2,503	395
CE15127 - Water pipe upgrade - growth	G	316	312
CE15128 - Upgrade/build new watermains in Rotokauri stage 1	G	105	7,474
CE15130 - Upgrade/build new watermains in Peacocke stage 1	G	747	238
CE15132 - Water network upgrades to allow new development	G	84	83
CE15133 - Water demand management - network water loss	LOS	421	416
CE15134 - Water demand management - Pukete reservoir zone	LOS	105	104
CE15136 - Water demand management - Dinsdale reservoir zone	LOS	11	11
CE10138 - Replacement of treatment plant and reservoir assets	R	994	981
CE15139 - Water treatment plant compliance - minor upgrades	LOS	684	676
CE15140 - Rototuna reservoir and associated bulk mains	G	53	52
CE15141 - Water demand management - Hillcrest reservoir zone	LOS	0	1,520
CE15144 - Upgrade water treatment plant	G	8,426	2,750
CE10145 - Tools of trade renewals	R	53	52
CE15146 - Water customer connections	G	53	52
Total Water Supply		18,334	18,850

	Type	2017/18 10-Year Plan \$000	2017/18 Annual Plan \$000
CORPORATE SERVICES			
Corporate Buildings			
CE10151 - Renewals program	R	1,104	1,044
		1,104	1,044
Information Services			
CE10152 - Network and infrastructure	R	342	636
CE10153 - Core business applications	R	706	896
CE10154 - Minor applications	R	11	11
CE15155 - Mobility and eservices	LOS	243	589
CE10156 - Lease funding of equipment	R	800	791
CE15157 - Authority replacement	LOS	0	996
		2,102	3,919
Performance			
CE10158 - Replacement of fleet vehicles	R	938	2,080
		938	2,080
Customer services			
CE17001 - Customer Services Projects	LOS	0	100
Total Corporate Services		4,144	7,143

TOTAL COUNCIL		79,336	89,884
----------------------	--	---------------	---------------





COUNCIL FUNDING IMPACT STATEMENT

TO BE INCLUDED IN FINAL VERSION

WHOLE OF COUNCIL FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	2016/17 10 Year Plan	2017/18 10 Year Plan	2017/18 Annual Plan
	\$000	\$000	\$000
Sources of operating funding			
rates penalties	27,689	43,456	41,781
Targeted rates	125,085	116,150	118,984
Subsidies and grants for operating purposes	5,127	5,301	5,692
Fees and charges	40,986	42,015	38,031
Interest and dividends from investments	2,144	2,145	2,100
Local authorities fuel tax, fines, infringement fee	3,612	3,700	2,925
Total operating funding	204,643	212,767	209,513
Applications of operating funding			
Payments to staff & suppliers	136,352	142,371	141,667
Finance costs	23,543	24,650	21,819
Other operating funding applications	-	-	-
Total applications of operating funding	159,895	167,021	163,486
Surplus/(deficit) of operating funding	44,748	45,746	46,027
Sources of capital funding			
Subsidies and grants for capital expenditure	4,771	4,964	4,905
Development and financial contributions	9,027	9,141	11,141
Increase/(decrease) in debt	12,015	17,377	15,782
Gross proceeds from the sale of assets	137	145	-
Lump sum contributions	-	-	-
Other dedicated capital funding	1,757	1,805	1,797
Total sources of capital funding	27,707	33,432	33,625
Application of capital funding			
Capital expenditure			
- to meet additional demand	30,068	36,452	36,918
- to improve the level of service	8,084	5,491	10,622
- to replace existing assets	34,420	37,393	42,344
Increase/(decrease) in reserves	(117)	(158)	(232)
Increase/(decrease) of investments	-	-	(10,000)
Total application of capital funding	72,455	79,178	79,652
Surplus/(deficit) of capital funding	(44,748)	(45,746)	(46,027)
Funding balance	-	-	-

ANNUAL PLAN DISCLOSURE STATEMENT

FOR YEAR ENDING 30 JUNE 2018

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 plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Benchmark		Planned	Met
Rates affordability benchmark			
Income	Rates will not exceed 0.627% of the city's rateable capital value	0.468%	Yes
Increases	Rates increases to existing ratepayers will not exceed 3.8% except for targeted rates (Hamilton Gardens)	3.8%	Yes
Debt affordability benchmark	Debt to revenue ratio will be reduced to 200% or below by 2020 and thereafter will remain below 200%	205%	Yes
Balanced budget benchmark	100%	95%	No
Essential services benchmark	100%	154%	Yes
Debt servicing benchmark	15%	10%	Yes

NOTES

1 RATES AFFORDABILITY BENCHMARK

(1) For this benchmark,—

(a) the council's planned rates income for the year is compared with a quantified limit on rates contained in the financial strategy included in the council's 10-Year Plan; and

(b) the council's planned rates increases for the year is compared with a quantified limit on rates contained in the financial strategy included in the council's 10-Year Plan.

(2) The council meets the rates affordability benchmark if—

(a) its planned rates income for the year equals or is less than each quantified limit on rates; and

(b) its planned rates increases for the year equal or are less than each quantified limit on rates increases.

2 DEBT AFFORDABILITY BENCHMARK

(1) For this benchmark, the council's planned borrowing is compared with a quantified limit on borrowing contained in the financial strategy included in the council's 10-Year Plan.

(2) The council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

3 BALANCED BUDGET BENCHMARK

(1) For this benchmark, the council's planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant, or equipment) is presented as a proportion of its planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

(2) The council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

4 ESSENTIAL SERVICES BENCHMARK

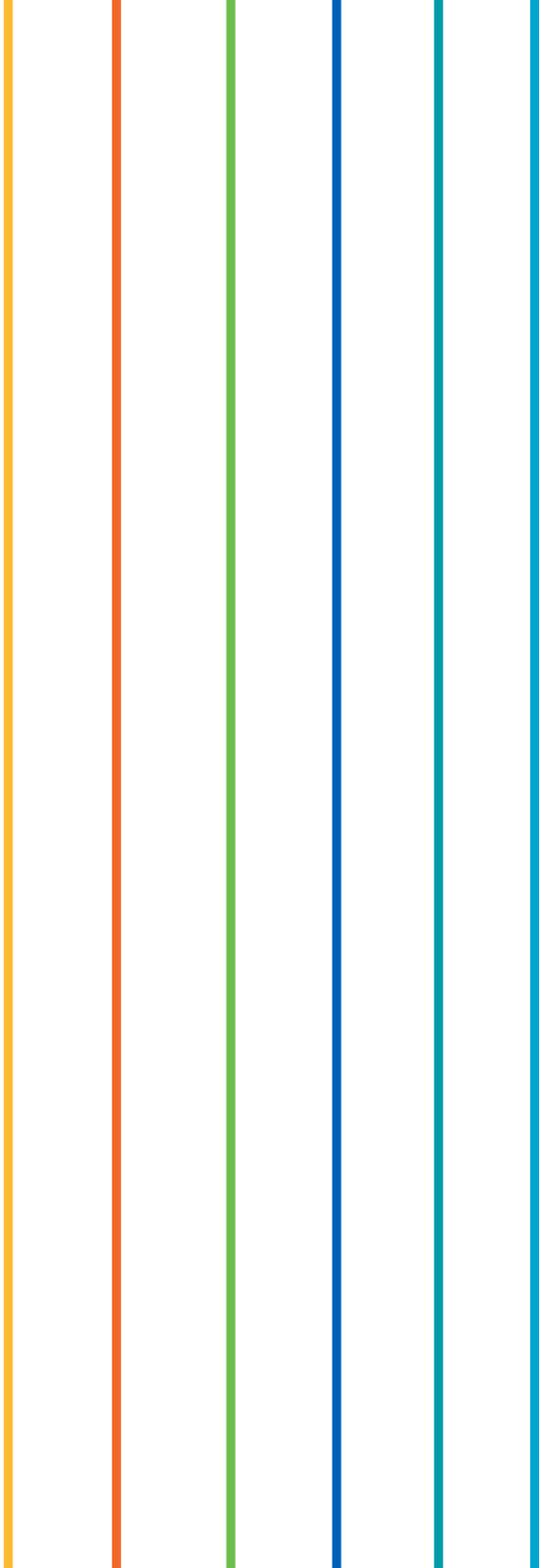
(1) For this benchmark, the council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.

(2) The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

5 DEBT SERVICING BENCHMARK

(1) For this benchmark, the council's planned borrowing costs are presented as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment).

(2) Because Statistics New Zealand projects that the council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 15% of its planned revenue.

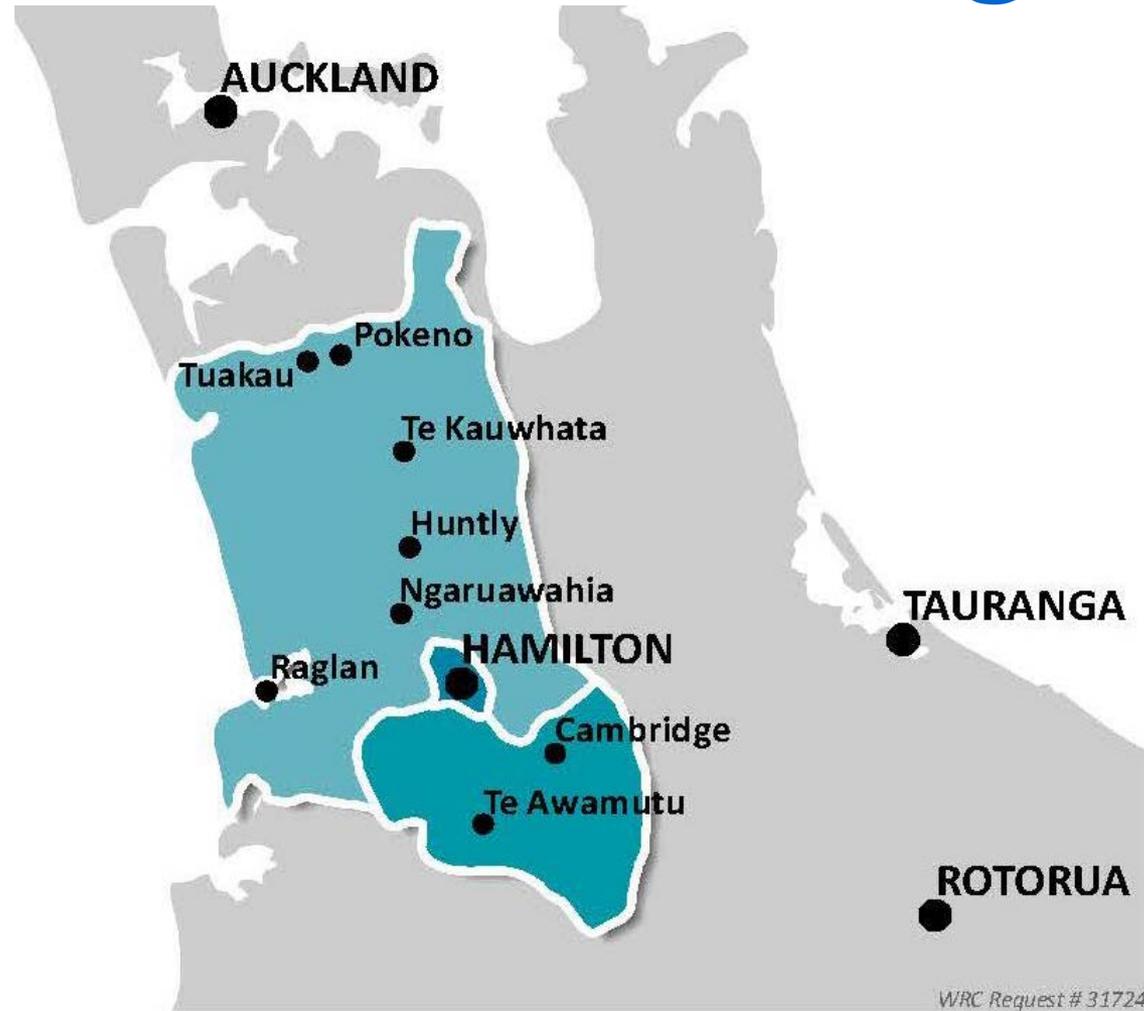




Growth Strategy and Implementation Plan

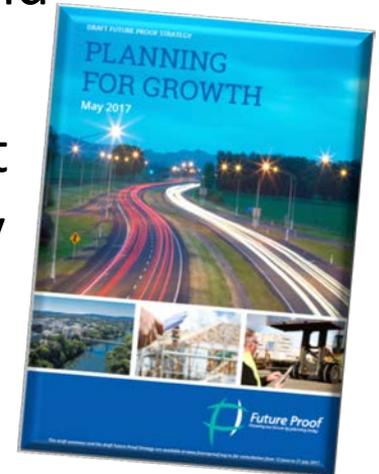
Future Proof Update

Future Proof sub-region



Overview

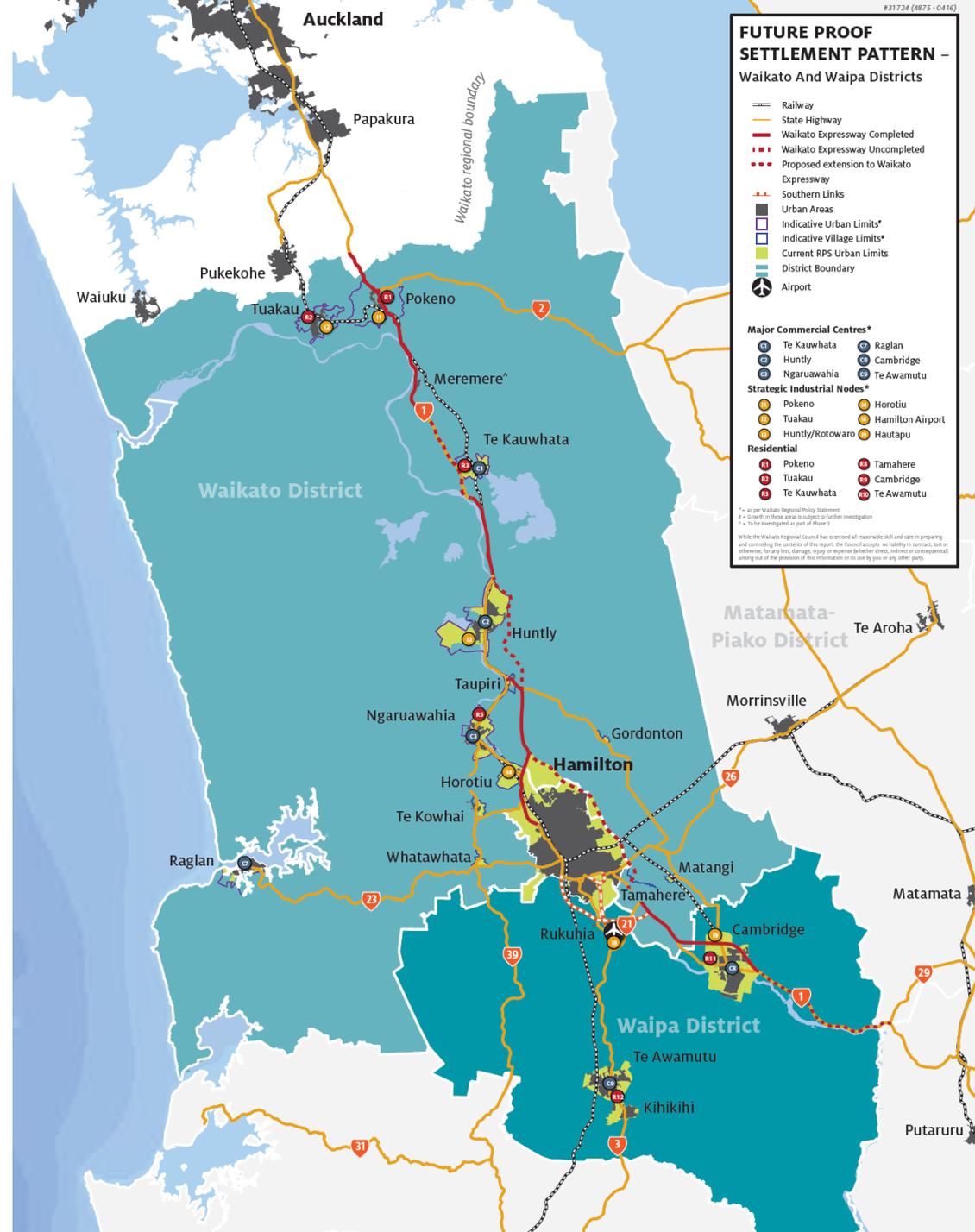
- The Strategy is being updated in two phases.
- Phase 1 - submissions on the draft updated Future Proof Strategy are now open:
 - 12 June to 21 July 2017
- Focus of the draft updated Strategy is on growth management and settlement pattern implementation across Hamilton City, Waipa and Waikato Districts
- There is an emphasis on enabling development if it is consistent with the Future Proof Strategy



Strategy Update — Phase 1

Phase 1
NOW

- Focus on growth management and settlement pattern implementation
- Confirm guiding principles and context
- Update demographic projections and settlement pattern
- Include Northern Waikato
- Address cross-boundary issues



FUTURE PROOF SETTLEMENT PATTERN – Waikato And Waipa Districts

- Railway
- State Highway
- Waikato Expressway Completed
- Waikato Expressway Uncompleted
- Proposed extension to Waikato Expressway
- Expressway Links
- Southern Links
- Urban Areas
- Indicative Urban Limits*
- Indicative Village Limits*
- Current RPS Urban Limits
- District Boundary
- Airport

Major Commercial Centres*

- Te Kauwhata
- Huntly
- Ngaruawahia
- Raglan
- Cambridge
- Te Awamutu

Strategic Industrial Nodes*

- Pokeno
- Tuakau
- Huntly/Rotowaro
- Horotiu
- Hamilton Airport
- Hautapu

Residential

- Pokeno
- Tuakau
- Te Kauwhata
- Tamahere
- Cambridge
- Te Awamutu

* as per Waikato Regional Policy Statement
 * as shown in future areas is subject to further investigation
 * to be investigated as part of Phase 2
 While the Waikato Regional Council has exercised all reasonable skill and care in preparing and controlling the contents of this report, the Council accepts no liability in contract, tort or otherwise, for any loss, damage, injury or expense whether direct, indirect or consequential, arising out of the provision of this information or its use by you or any other party.

FUTURE PROOF SETTLEMENT PATTERN Hamilton City and Surrounds

Major Commercial*

- C4 Te Rapa North
- C5 Chartwell
- C6 Hamilton CBD

Strategic Industrial Nodes*

- I5 Te Rapa North
- I6 Rotokauri
- I7 Ruakura

Hamilton Greenfield

- R7 Rototuna
- R8 Rotokauri
- R9 Ruakura
- R10 Peacocke

Future Hamilton Greenfield

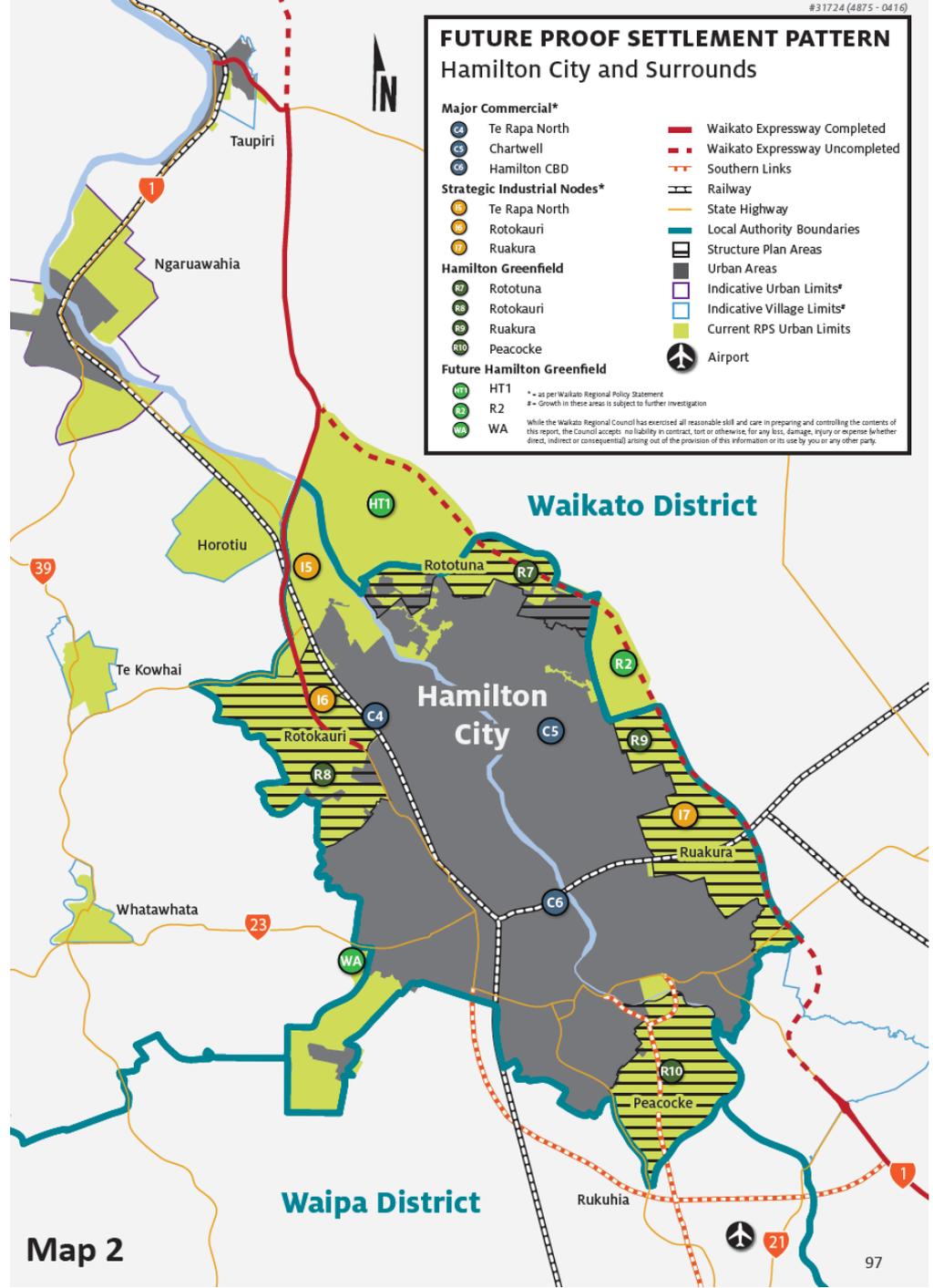
- HT1
- R2
- WA

Legend:

- Waikato Expressway Completed
- Waikato Expressway Uncompleted
- Southern Links
- Railway
- State Highway
- Local Authority Boundaries
- Structure Plan Areas
- Urban Areas
- Indicative Urban Limits*
- Indicative Village Limits*
- Current RPS Urban Limits
- Airport

* - as per Waikato Regional Policy Statement
- Growth in these areas is subject to further investigation

While the Waikato Regional Council has exercised all reasonable skill and care in preparing and controlling the contents of this report, the Council accepts no liability in contract, tort or otherwise, for any loss, damage, injury or expense whether direct, indirect or consequential arising out of the provision of this information or its use by you or any other party.



Map 2

Strategy content: Hamilton Area of Influence

- While there is enough land for around the next 30 years, after that point may be a need to extend Hamilton's boundaries.
- Existing agreements provide the framework and a Strategy action will focus on ensuring triggers are appropriate
- The partners will need to ensure that the land that has long-term strategic importance is not used up for rural-residential or other development
- The partners are comfortable with this approach

Settlement Pattern — Approach and Challenges

- Future Proof is not a control mechanism – it takes an enabling approach - identifies demand and matches it with supply
- Future Proof provides a forum for discussing and managing growth
- It is about providing certainty – important for the sustainable and affordable infrastructure provision
- The NZTA Board is seeking certainty in staging, timing and location of development
- Phase 2 will look at triggers to enable a more flexible approach than relying on population-based staging
- It will mean development can go ahead as long as certain criteria/thresholds are met

Strategy Update — Phase 2

Phase 2
2018/19

- Address NPS (Urban Development Capacity) requirements (joint housing and business land assessments)
- Update settlement pattern component of the Strategy
- Consider implications of the Housing Infrastructure Fund (HIF)
- Address elements of the Hamilton Housing Accord and Special Housing Areas
- Discussions on future growth areas such as R2 and HT1
- Address strategic issues raised in submissions on Phase 1
- Long term plan considerations for 2018-2028

Further phases of work

NPS requirements
Updates to growth strategies
and RPS

- NPS requirements including preparation of a Future Development Strategy and RPS change
- Update Hamilton Urban Growth Strategy, Waipa 2050, Waikato District Development Strategy

Timeline

Phase 1 consultation

- **12 June to 21 July:** Submission period
- **1 August:** HCC submission to G&I Committee
- **August/September:** Hearings and deliberations
- **October:** Future Proof Implementation Committee adopts
- **November:** Partners adopt the final phase one Strategy update and summary document.

Phase 2

- **2018/19:** Phase two updates occur to meet the requirements of the National Policy Statement on Urban Development Capacity.