



2020/21

ANNUAL PLAN

2020/21 MAAHERE-AA-TAU

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INTRODUCTION

KOORERO WHAKATAKI

FROM THE MAYOR AND CHIEF EXECUTIVE

HE KUPU NAA TE MANU KAAHUI ME TE TUMU WHAKARAE O TE KAUNIHERA O KIRIKIROA. HE MAAHERE AA TAU HEI WHAKAITI IHO NEI I TE TOIMAHA I PUTA MAI AI I TE MATE URUTAA. AHAKOA NGAA REREKEETANGA O WAA KA ANGA WHAKAMUA TONU O NGAA MAHI WHAKAPAI I TOO TAATOU TAONE NUI A KIRIKIROA.

Welcome to the 'Back on Track' Hamilton's COVID-19 Response Budget 2020/21 Annual Plan

Greetings, teenaa koutou katoa

When we began developing our workplan and budgets for 2020/21, none of us could have foreseen how challenging the year ahead might be. COVID-19 has thrown us a curve ball and like other cities, Hamilton has been forced to adapt to a dramatically changed environment. All forecasts suggest the challenges presented by the global pandemic will be with us for some time yet.

Given that, we are proud to present a

costed and well-considered work programme for the next 12 months that continues to invest in our city, while targeting help to those people who are most vulnerable.

Following feedback from our community, Council settled on an average annual rates increase of 2.8% for the coming year. The increase is 1% lower than what had originally been proposed in our draft Annual Plan, and lower than what we had forecast in our 2018-28 10-Year Plan. It is a reflection of feedback from our community to recognise the significant economic stress some households are under.

Our budget still allows us to provide \$1.2 million over the year to support ratepayers, businesses and community groups struggling with the impact of COVID-19. Importantly, it also allows Council to continue investing in our city. Over the coming year, we have budgeted to spend more than \$300 million on capital projects to help get our local economy back on track, while catering for growth.

There is a great deal of work ahead, particularly as we now turn our minds to our 2021-31 Long-Term Plan.

We would like to thank those people and groups who took the time to make formal

submissions and provide feedback on this Annual Plan at a draft stage, and hope your engagement with Council continues. You will see that some of the suggestions you made have been picked up by your Council and are now locked in for the year ahead.



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Mayor



Richard Briggs
Chief Executive



YOUR COUNCIL
KO TAA TAATOU KAUNIHERA

YOUR COUNCIL



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OLLY TE UA

Community Committee, Economic Development Committee, Hearing and Engagement Committee



NORM HILL

Infrastructure Operations Committee, Environment Committee, Hearing and Engagement Committee



TE PORA THOMPSON-EVANS

Community Committee, Economic Development Committee, Hearing and Engagement Committee



HEMI RAU

Finance Committee, Strategic Risk and Assurance Committee, Hearing and Engagement Committee

EXTERNAL APPOINTEES



KEIRAN HORNE

Strategic Risk and Assurance Committee



BRUCE ROBERTSON

Strategic Risk and Assurance Committee

OUR CITY

Hamilton | Kirikiriroa

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



Opening of Hamilton Town Hall, 1905

OUR PAST



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

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



Formal European settlement

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



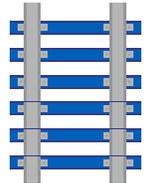
The Borough of Hamilton was established on 27 October 1877 with a population of 1245 and an area of 752 hectares, through the combining of the East and West settlements. On 13 December 1945, Hamilton became a **city with 20,000 citizens**

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



In 1867 the road

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



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



WE'RE BOOMING

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

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

1622 homes

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

WE'RE BUILDING



EMBRACING GROWTH

WE'RE INVESTING



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

In the last 12 months,

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



WE'RE ATTRACTING



Ruakura Reservoir

A GREAT RIVER CITY

WE'RE YOUTHFUL



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

WE'RE HOME... TO BATS!



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

BEST IN BUSINESS

WE'RE BOOMING

Property in Hamilton is worth \$44 billion -

\$10.7 billion more than it was in 2015



WE'RE PARTNERING



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



WE'RE HAPPY

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

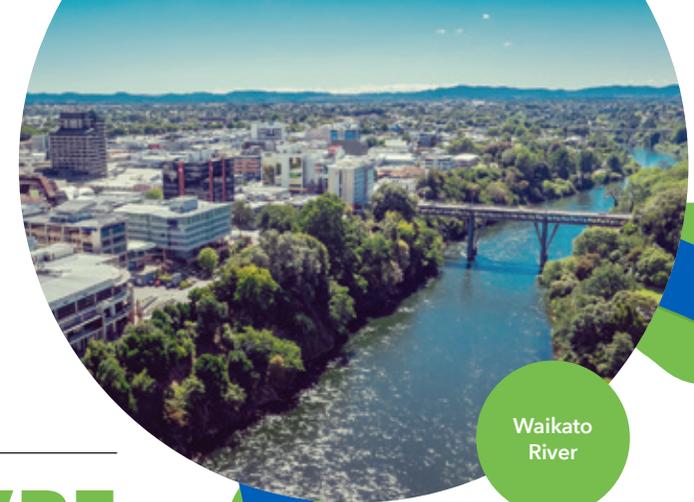
WE'RE DIVERSE

Hamilton's residents represent more than **160 different ethnic groups**



WE'RE PLAYFUL

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



Waikato River

WE'RE WORKING

Hamilton's economy supports **15,456 businesses** (up from 15,027 in 2019) and **95,971 employees** (up from 92,735 in 2019)

WE'RE IN THE ACTION

Along with Auckland and Tauranga, Hamilton sits in the Golden Triangle, a powerful region **containing half the country's population, generating half the country's GDP** and accounting for two thirds of the freight.

* hamilton.govt.nz/QoLJune2020

WE'RE PIONEERING



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

Smart Space, Garden Place



WE'RE PARTICIPATING

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



**DELIVERING ON OUR
COMMUNITY OUTCOMES**

KO NGAA WHAKATUUTUKITANGA
HAPORI

OUR COMMUNITY OUTCOMES

Our community outcomes describe what we aim to achieve for our community and what you can expect us to work towards. These outcomes were used to shape the development of the 2018-28 10-Year Plan and this 2020/21 Annual Plan. All our activities contribute to the overall achievement of our community outcomes and reflect our purpose and mission - to improve the wellbeing of Hamiltonians and to help build a more vibrant, attractive and prosperous city.

OUR THREE COMMUNITY OUTCOMES ARE:



A GREAT RIVER CITY

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



A CITY THAT EMBRACES GROWTH

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



A COUNCIL THAT IS BEST IN BUSINESS

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

THE IMPACT OF COVID-19 ON OUR ANNUAL PLAN



Before COVID-19, our 2020/21 Annual Plan was set to be what we said we'd do in Year 3 of the 2018-28 10-Year Plan.

But as the impact of COVID-19 became apparent, we needed to consider how this would affect our community and our services.

On 27 March, we were one of the first councils in New Zealand to launch a COVID-19 recovery plan. Work started immediately to direct almost \$3.4 million of funding in the 2019/20 financial year to support the wellbeing of those individuals, businesses and community groups hit hardest by COVID-19.

The initial recovery plan was based on what we knew at the time, with additional support always in the pipeline to ease ongoing hardship among our community.

COVID-19 posed significant financial challenges and we took the opportunity, by delaying the adoption of the 2020/21 Annual Plan, to rethink the year ahead, resulting in the 'Back on Track' Hamilton's COVID-19 response budget.

Given the extraordinary circumstances and community feedback, the planned average rate increase for 2020/21 will be 2.8%, 1% lower than what was proposed in the 2018-28 10-Year Plan.

This response budget includes a further \$1.2 million of targeted relief to support ratepayers, businesses and community groups hit hardest by COVID-19. This support consists of a community welfare package (\$465,000), rent and rates relief to community groups (\$104,000 in total), funding for an economic innovation project (\$100,000) and the extension of the Council Rates Rebate scheme for residential ratepayers (\$280,000). Funding for local business support (\$250,000) was also

approved, including \$40,000 for Waikato Food Inc.

We're forecasting a \$16 million drop in non-rates revenue for 2020/21. There is less money coming in from services like building and consent fees and development contributions. There are fewer people at our community facilities and visitor attractions like our pools and Hamilton Zoo, and our events and conference facilities like FMG Stadium Waikato and Claudelands Events Centre have also been affected.

We have looked for savings in other ways to offset the drop in revenue by deferring \$59.8 million of capital projects, finding savings in operational areas and delaying some operational projects such as the Municipal Pool demolition.

The financial challenges mean Council will delay balancing its books until 2023/24, two years later than planned. Our debt-to-

revenue ratio for 2020/21 is forecast to be 206%, which is within our financial strategy limit of 230% and our net debt is forecast to be \$631 million.

This budget reflects our commitment to supporting our community through the COVID-19 fallout, stimulating Hamilton's economy and keeping our finances on track.

Despite the financial impact, we're planning for the future of our city by investing \$302.8 million into capital projects. Of this, almost \$86 million is allocated to renew essential infrastructure such as roads and pipes and community assets. We're putting \$49 million towards transport improvements and \$10 million into our community facilities. \$15.8 million will be spent on new projects and facilities to cater for the demands of our growing city.

The following pages showcase some of the projects planned for the next 12 months.



A GREAT RIVER CITY

Our great river city ambitions extend beyond transforming the way Hamiltonians interact with the 16km stretch of the Waikato River running through our city. It's also about delivering services robustly and efficiently, maintaining our assets and making Hamilton a great place to live, work, play and visit.

GETTING AROUND

Being able to move around easily using your preferred mode of transport goes a long way towards making a city liveable. We will spend \$8 million in 2020/21, in partnership with Waka Kotahi NZ Transport Agency, on projects to improve safety and accessibility to transport networks. There's \$10.5 million earmarked for biking projects, including repair of the Te Awa River Ride path in the central city and installing new recreational biking route signs and bike racks.

We've budgeted \$16 million to maintain and renew our transport network to make sure it supports good travel choices that are safe, easy and connected. There's also \$7 million going towards transport and accessibility projects across the city, including creating and widening footpaths. The intersection at Boundary Road and Heaphy Terrace will be upgraded and speed limits reduced on some residential streets, while new raised pedestrian platforms will improve safety at crossings outside schools and other key locations. Fairfield Bridge will get a clean and paint job and the citywide rollout of LED lighting will be completed with \$2.9 million budgeted.

A PLAYFUL CITY

A number of playgrounds, sports parks and parks across Hamilton will be renewed in 2020/21, with an investment of \$1.6 million in playgrounds. Elliot Park playground in Nawton will be extended with new features added to the skatepark plus a half basketball court and replacement play equipment, new seating and shade. The



small playground at Glenview Park will be developed into a community playground similar in size to the new one at Hillcrest Stadium, while neighbourhood play spaces at Hammond Park and Hayes Paddock will get new equipment. We'll also renew and upgrade the popular Claudelands Park destination playground.

Our \$2 million parks renewal and upgrade programme for 2020/21 includes refurbishing the toilets at Innes Common and renewing paths, bollards, park furniture and carparks at Hinemoa Park in Whitiara, Lake Domain, and Claudelands Park. The development of Te Manatu Park in Rototuna gets underway with paths, seats and rubbish bins installed.

We'll complete a three-year programme to upgrade drainage across all our sports parks to improve playing conditions, with \$1.3 million budgeted for this work. Sports fields in the spotlight include Ashurst Park in Pukete, Elliot Park in Nawton and Resthills Park in Melville. Development of new sportsgrounds at Hare Puke Park, Rototuna, gets underway with \$2.8 million budgeted for ground levelling, drainage and path networks. We're working with Waipaa and Waikato District Councils on a regional approach to future sports park development to make sure we have the right facilities in the right locations.

In 2020/21 we'll be developing a Nature in the City Strategy to help guide the Council's decisions on how we invest in nature in Hamilton. Gully restoration has been boosted with an extra \$100,000.

WATERWORKS

Our ongoing programme of renewing stormwater, wastewater and water pipe networks across the city includes \$5 million to replace ageing pipe infrastructure. We'll also spend \$587,000 on stormwater infrastructure and \$7 million on wastewater pipes and pump stations. We're investing heavily in our water and wastewater treatment plants with around \$10 million worth of renewals and upgrades. A growing city needs excellent data to make informed decisions about future needs - we'll spend

\$1.2 million updating and rebuilding our water and wastewater hydraulic models so we can improve our current systems and better plan for growth.

CULTURE AND VISITOR ATTRACTIONS

The project to build a new entrance precinct for Hamilton Zoo and Waiwhakareke Natural Heritage Park starts with \$5.4 million budgeted for stage one. This stage delivers a new Zoo entrance building, including upgraded visitor access and ticketing, an improved education space and a public-facing café and toilets. A new walkway will link the Zoo to Waiwhakareke's new entrance. The precinct is designed to connect and showcase these two world-class attractions.

Development of the award-winning Hamilton Gardens continues with \$3 million budgeted for construction of the Ancient Egyptian

Garden and Palm Court. This will be the first time in nearly 4000 years anyone has recreated one of these magnificent gardens from the ancient records. It will feature a courtyard with a rectangular step pool and plentiful vines for shade.

We'll invest just under \$1 million on maintaining our network of library branches. St Andrews Library will be painted and there'll be a new lift at the Central Library. There's also \$1.2 million for new content to keep our collections up to date.

Construction of an international-standard regional performing arts theatre in Hamilton gets underway. Hamilton City Council is contributing \$25 million towards building costs (including \$6 million from the Vibrant Hamilton Trust) with \$13 million provided in 2020/21. The theatre is expected to open in December 2022.

RIVER WORKS

Opposite Hamilton Gardens, a floating structure will be installed on the Waikato River to protect critical treated-water supply pipelines from debris and river traffic. The pipes were exposed by a riverbank collapse in 2017. The \$658,000 project will safeguard water supply to Hamilton's eastern suburbs.

The jetty below Waikato Museum will be replaced in 2020/21. The new jetty will create a safer, more accessible connection to the river and draw tourists from Hamilton Gardens to the central city. It is budgeted at \$1 million and will feature contemporary art reflecting key moments in the history of the five Kirikiriroa hapuu. We will also spend \$2.8 million replacing the Ferrybank revetment wall, which protects that section of the river path. We have bundled the jetty, revetment wall and pipes projects for efficiency and to save money.



A CITY THAT EMBRACES GROWTH

Even with the impacts of COVID-19, Hamilton is still a growing city. In 2018 our 10-Year Plan laid out what we would need to cater for thousands of new Hamiltonians in the coming decade, while making sure we looked after the needs of existing residents.

The impact of COVID-19 means we're expecting a reduction in our rate of population growth in the next year or two, particularly through reduced migration. Over time, growth is forecast to return to the levels anticipated in the 10-Year Plan. The latest data indicates we still expect another 20,000 residents in our city by 2028.

Our growth planning for the next 12 months takes the short-term slowing of growth rates into account, but recognises we need to be ready for it to bounce back.

Within our overall capital programme this year, we're deferring or re-phasing some planned expenditure, but we're still investing \$302.8 million in projects to make sure we retain a sense of community and create neighbourhoods as we grow.

There will be some massive milestones in our growth programme for Peacocke this year. Works will start on the new bridge across the Waikato River near the Hamilton Gardens which will also provide a link for waters connections and utility services. When completed the new bridge will change the way people access the city and is part of the HIF-funded infrastructure crucial to enabling a neighbourhood for up to 20,000 future Hamiltonians.

New wastewater network infrastructure, arterial roading and a new, safer roundabout at Ohaupo Rd/SH3 are all part of the wider Peacocke programme, along with environmental and cultural initiatives and provision for parks and other community assets.

PLANNING FOR OUR FUTURE

As Hamilton grows, we're taking a boundary-less approach to growth planning - recognising our communities move from one area to another to work, play and socialise. We'll be continuing to develop a sub-regional metropolitan spatial plan, a document which will guide where Hamilton and the

surrounding region will grow over the coming decades. We're also working closely with our regional partners on the Hamilton to Auckland Corridor Plan, preparing for transport-led growth along the country's most significant road, rail and river corridor.

We're investing with our partners on joint solutions or investigations into how we will



collaboratively manage water and wastewater needs, getting the best value for ratepayers and the best outcomes for the environment.

We're also planning for and supporting economic development, investing in expertise and initiatives to encourage new business and new jobs in our city as well as developing a central city growth strategy to enhance the heart of Hamilton. To support Hamilton's economic recovery and impetus, we've allocated \$270,000 to support our Economic Development Committee's work programme in 2020/21. We're working with government and industry partners to consider new funding options to reduce the costs of future growth for existing ratepayers. This could bring future projects forward to create more housing options, increase employment and support a post-COVID-19 economic recovery.

Above all else, we're focussing on growth which puts our community first. We're creating neighbourhoods, not just new housing. As we look to our 2020/21 Annual Plan, we want growth which is environmentally sound, provides for the wellbeing of our people and enhances the things we already treasure about our city.

COMMUNITY SPACES

This year we've allocated around \$10 million to developing new community facilities and a sports park in Rototuna. The overall project includes a library and community

centre, a village square, a playground, an urban play and skate area, and outdoor spaces to accommodate future growth in the Rototuna area. A further \$10 million is budgeted for parks in the developing Peacocke growth area.

LAYING THE FOUNDATIONS

One of the most crucial aspects of supporting growth is managing our three waters – stormwater, wastewater and the supply of healthy drinking water to the city.

Stormwater runs off our roofs, roads and hard surfaces and eventually finds its way to the Waikato River. We're investing to protect the health of the river as well as managing water flows to reduce flooding impacts on residential areas. Stormwater infrastructure in Peacocke, Rototuna, and Rotokauri is budgeted at around \$14 million in 2020/21, with a further \$1.3 million allocated for improvements in other areas and development of integrated catchment management plans.

A growing city needs to manage its wastewater system and we're building additional capacity into our networks in Peacocke, Rotokauri, and Rototuna as well as growth-related pipe upgrades in other areas. A further \$30 million is being invested in city-wide network capacity projects plus \$8 million as part of the three-year \$20 million upgrade to the city's sole wastewater treatment plant. The upgrade will meet our

growth needs and incorporates effective environmental sustainability.

Hamilton's water treatment plant is being upgraded as we develop greater treatment capacity, with \$2 million allocated. A similar amount is budgeted for the works associated with the recently completed Ruakura reservoir. The 12-million-litre reservoir provides additional water storage, pumping capacity and resilience to the city's eastern water network.

Getting the water from the plant to our city's homes also means investment in our network of pipes. \$6.9 million is budgeted for new watermains and water demand management in new growth areas and around the city, including Peacocke and Rototuna.

TRANSPORT

The most visible impact of growth is on our transport network. Congestion and increased travel times reduce productivity while also increasing risks to pedestrians and all road users. A safe, effective and efficient transport system is key to a well-managed growing city and requires investment in enhancing existing networks as well as building new roads, cycleways, footpaths, and public transport facilities.

Our 2020/21 budget includes \$62 million in road upgrades and development across Peacocke, Rotokauri, Rototuna, and Ruakura. We're investing \$10.4 million to implement



our Biking Plan and around \$10 million towards integrated transport initiatives, intersection upgrades and mass transit (including the Rotokauri Transport Hub).

A further \$14 million has been budgeted as we continue our work to finish the city's Ring Road. When complete, Hamilton's new transport network will include a new bridge across the Waikato River connecting Hillcrest to Peacocke. Separated cycle paths are a key feature of many of our new roads, improving safety and accessibility as well as offering better options for environmentally friendly travel around our city.

BEST IN BUSINESS

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

COVID-19 RECOVERY PLAN

Our COVID-19 recovery plan includes targeted relief over the next 12 months for ratepayers, businesses and community groups. There's \$100,000 to support opportunities for economic innovation to make Hamilton's economy more resilient and \$250,000 to for local business support with \$40,000 of this being allocated to Waikato Food Inc.

We've also earmarked an additional \$280,000 to support homeowners suffering hardship because of COVID-19. We're already one

of only a few councils in New Zealand that offer additional assistance to low-income ratepayers, on top of the nationwide rates rebate scheme. We've now extended the criteria to factor in those homeowners directly affected by COVID-19. Eligible Hamiltonians can apply for rates relief of up to \$570 for their 2020/21 rates.

PARTNERSHIPS WITH MAAORI

By 2038, more than 30% of people living in our city will be Maaori. Iwi are a critical partner for the city and the overall wellbeing of our city hinges on collaborative relationships with Maaori. We need to encourage and support Maaori in having a stronger voice. In 2020/21, \$30,000 is being put towards developing a strategy for enhancing our partnerships and engagement with Maaori.

PROTECTING OUR ENVIRONMENT

Protecting and enhancing our natural environment is essential to ensuring Hamilton continues to increase its sustainability. Applying a green lens to business is not optional anymore, it's essential. Consumers expect it and our residents, ratepayers and customers are no different. Council's Environment Committee has been established to drive our approach and response to the issues of climate change, the sustainable use of the city's natural resources and our corporate environmental sustainability. Funding of \$280,000 has been allocated in 2020/21 to support the Committee's direction of Council strategies, policies, and plans relating to the wellbeing of the city's natural environment.



LIVING WAGE FOR COUNCIL STAFF

We want to pay and reward our people fairly for the work that they do, allowing them to provide the necessities to support their family and to participate as an active citizen within their community. We've committed \$353,000 to increasing the minimum wage for our staff to the hourly rate set by Living Wage Aotearoa. Around 240 of Council's lowest paid staff will see their hourly rate lifted from \$20 to \$22.10.

SAVINGS TARGETS

Over the first six years of the 2018-28 10-Year Plan, we've baked in annual savings resulting in a total impact over 10 years of \$94 million. This includes a targeted \$7.3 million of operating savings in 2020/21. We expect to make these savings from more efficient processes, smart business practices, cutting travel and training costs, and freezing wages for Council staff earning more than \$70,000 per year. We will achieve these savings without affecting community services.



A nighttime photograph of a modern city street. The scene is illuminated by streetlights, creating a warm glow. On the left, there's a white building with classical architectural features. In the center, a row of trees and a landscaped area with green plants are visible. On the right, a modern building with a 'bnz' logo is partially visible. The overall atmosphere is vibrant and urban.

FINANCIAL MATTERS KO NGAA TAKE PUUTEA

KEY CHANGES TO THE 10-YEAR PLAN 2020/21 BUDGET

In response to COVID-19, Council considered the impact on our community and our services resulting in a rethink of the 2020/21 Annual Plan budget. This meant we delayed the adoption of the 2020/21 Annual Plan to 10 August 2020.

The recovery plan we launched immediately to support the community as the Alert Level 4 lockdown hit in the 2019/2020 year has continued into 2020/21, with an additional \$1.2 million that was not planned for in Year 3 of the 2018-28 10-Year Plan.

We've reviewed our assumption about how much revenue we'll receive through growth

projects. Compared to what was in Year 3 of the 2018-28 10-Year Plan, we're now forecasting a 23% (\$9.2 million) drop in revenue from development contributions, building consents and resource consents.

We're also expecting less revenue and expenditure because of fewer visitors to our community facilities and visitor destinations. There'll be a \$6.7 million reduction in operational revenue offset by a \$1.9 million decrease in operational expenditure, compared to what's in Year 3 of the 2018-28 10-Year Plan.

The interest rate deferrals approved by the Finance Committee on 16 June 2020 has reduced \$4.46 million of interest expense compared to Year 3 of the 2018-28 10-Year Plan.

Based on feedback from the community, several projects that were not in Year 3 of the 2018-28 10-Year Plan have been brought forward. This has increased the operational budget by \$1.4 million and reduced the capital revenue budget by \$700,000. These projects include funding to support the Environment Committee and Economic Development Committee, the implementation of the living wage for all staff directly employed by Council, funding for our partnerships with Maaori and the development of a Maaori strategy, and support for community groups working in our gullies. Savings have been found by postponing the demolition of the Municipal Pool by one year, pausing digitisation of the Hamilton City Libraries heritage collection for one year and closing the public display houses at Hamilton

Gardens Nursery. Additional parking revenue has also been included.

Other budget changes approved by Council that have impacted the budget are from adjustments to timing and costs of initiatives and projects. These include the deferral of Council's contribution to the Waikato Regional Theatre and the social housing grant from 2019/20 to 2020/21. Financial adjustments such as fair value recalculation and depreciation recalculations were also approved as budget changes.

Council has recognised the impact COVID-19 will continue to have on the community and our ratepayers, and approved an average annual rate increase of 2.8% for 2020/21. This increase is 1% less than the 3.8% forecast in Year 3 of the 2018-28 10-Year Plan.



The combined impact of the adjustments mean we are now forecasting an operating surplus in 2020/21 of \$66 million, \$28 million more than the \$38 million forecast in Year 3 of the 2018-28 10-Year Plan.

The operating surplus is calculated after subtracting expenses from total revenue. Our financial strategy aims to generate operating surpluses, so we pay down debt faster than we have been and place the city in a more sustainable financial position.

The measure we use to show whether we are 'balancing the books' (paying for everyday costs from everyday revenue) takes the operating surplus and subtracts revenue from developers and other capital project funders. That revenue is set aside for specific capital projects. We also exclude expenses that aren't everyday costs. We are now forecasting a 'balancing the books' deficit for 2020/21 of \$4.4 million compared to the \$0.9 million deficit forecast in Year 3 of the 2018-28 10-Year Plan.

The 2018-28 10-Year Plan Year 3 capital programme of \$229 million has also been revised. Deferrals from previous years are now going ahead in 2020/21, some projects originally scheduled for 2020/21 have been delayed, and others from future years have been brought forward. The revised capital programme for 2020/21 is \$302.8 million.

The main areas where the programme for 2020/21 is different from the 2018-28 10-Year Plan Year 3 programme are:

- transport projects for roading upgrades and development in Peacocke Stage 2, Rotokauri Stage 1, Rototuna, Ruakura and the Ring Road
- wastewater projects to increase capacity in Peacocke stage 2 and the upgrade of the Pukete Wastewater Treatment Plant
- Zoo safety improvements and the entrance precinct for the Zoo and Waiwhakareke Natural Heritage Park.

FINANCIAL STRATEGY

Our financial strategy outlines our overall approach to managing the Council’s finances and provides guidance when we make spending decisions. During the process of developing the 2018-28 10-Year Plan, we revised the strategy and we will review it again when we prepare the 2021-31 Long Term Plan.

The current strategy aims to enable us to respond sustainably to growth in a way that is cost-effective for existing ratepayers. The guiding principles are:

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

The financial strategy can be read in full in the 2018-28 10-Year Plan or on our website. It sets limits on the amount of debt we can

take on compared to revenue (the debt to revenue ratio) and forecasts net debt (the money we owe lenders, less cash) and when we will balance the books.

We track those three measures to make sure we are operating within the financial strategy. The 2020/21 Annual Plan incorporates the forecast impact of COVID-19 on our revenue and expenditure resulting in the Balancing the Books measure being forecast to move to a surplus two years later than planned in the 10-Year Plan. The Debt to Revenue measure and Net Debt measure remain within the financial strategy parameters set for 2020/21 in the 10-Year Plan.

RATES

Council has set the average rate increase for 2020/21 at 2.8%, 1% lower than what was proposed in the 2018-28 10-Year Plan.

DEBT

DEBT TO REVENUE

To keep debt to manageable levels, the financial strategy caps debt to revenue at 230% or \$2.30 for every \$1 collected in

revenue. Our lenders will let us borrow up to a maximum debt to revenue ratio of 250%, which gives us a buffer for unforeseen events. In 2020/21 debt to revenue is forecast at 206%, compared to 229% in the 10-Year Plan.

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

The change from the 10-Year Plan over the next few years is due to the forecast loss of revenue from COVID-19. In 2020/21, \$59.8 million of capital projects (and associated revenue) have been deferred to 2021/22.

NET DEBT

In the 10-Year Plan net debt in 2020/21 was expected to be \$684 million and we are now forecasting it to be \$631 million. The net debt graph shows we are forecasting an increase in net debt against the 10-Year Plan.

BALANCING THE BOOKS

Everyday costs of running the city should be paid for from everyday revenue (rates, fees and user charges). We describe this as balancing the books. The 2018-28 10-Year Plan budgeted balancing the books deficits from 2018/19 through to 2022/23 then surpluses from 2023/24 onwards.

We are instead expecting a larger than forecast balancing the books deficit in 2020/21. In 2020/21, a \$4.4 million deficit is forecast compared to the \$0.9 million deficit in the 10-Year Plan. The books are now projected to be balanced from 2023/24 onwards.

The main reasons for the shift are:

- The loss of revenue of \$16 million from COVID-19.
- As capital projects move from 2020/21 to 2021/22, so do the associated operating costs (e.g. interest) and this improves the balancing the books results.
- The reforecast of interest costs at the lower interest rates also improves the balancing the books results.

TABLE 1: DEBT TO REVENUE RATIO

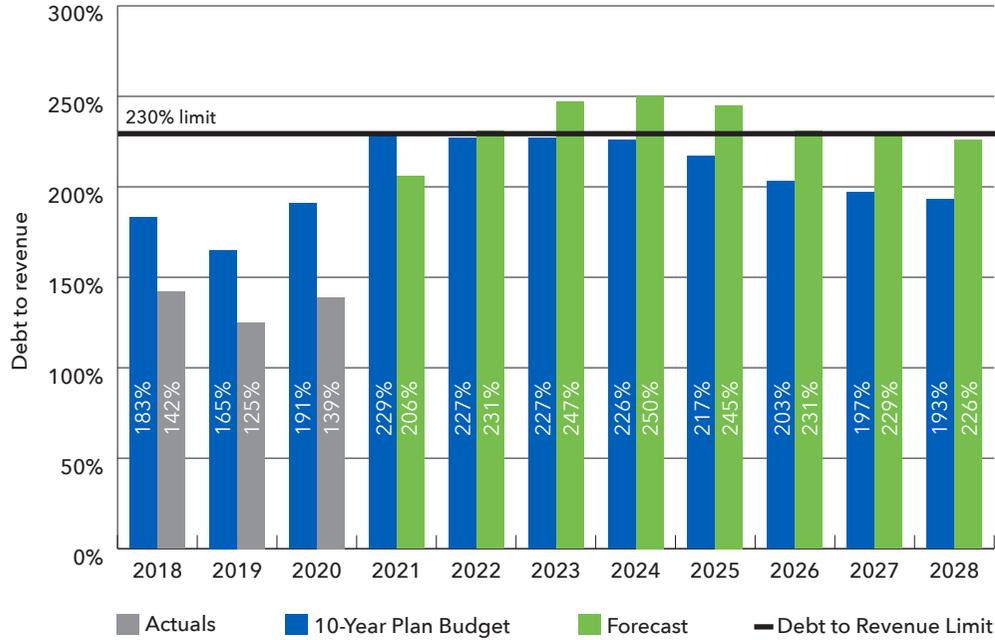


TABLE 3: EVERYDAY COSTS AND REVENUES (BALANCING THE BOOKS)

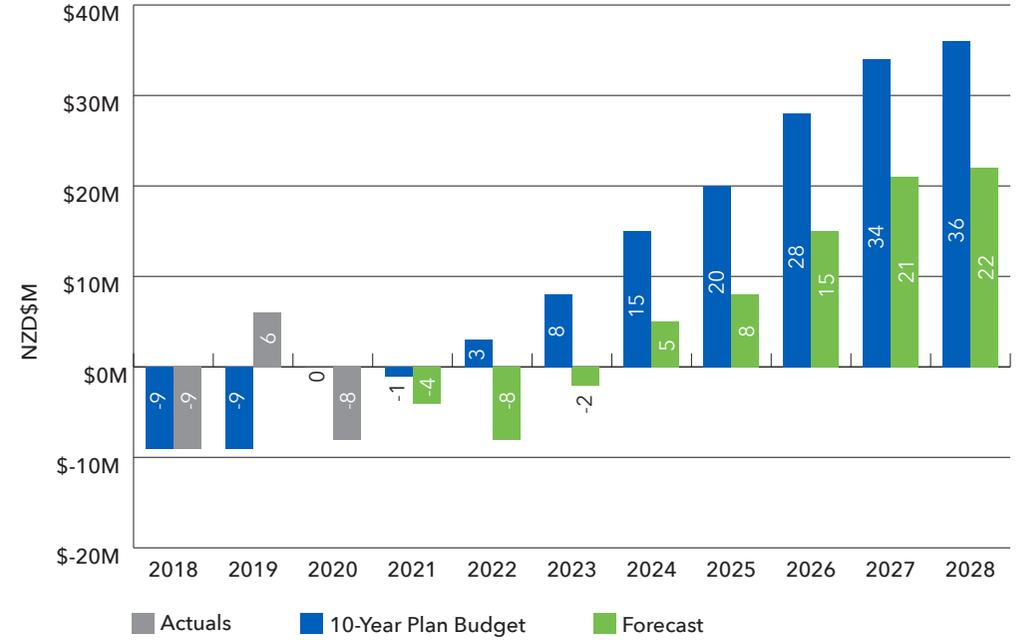
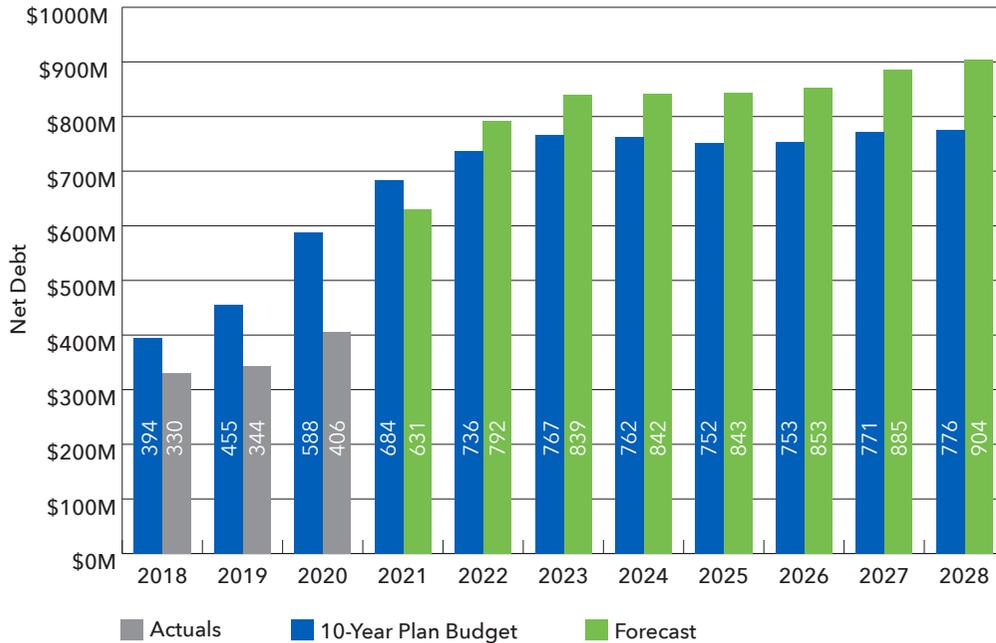


TABLE 2: NET DEBT



	WHAT'S IN OUR 10-YEAR PLAN FOR 2020/21	WHAT'S IN OUR ANNUAL PLAN FOR 2020/21
NET DEBT	\$684M	\$631M
DEBT TO REVENUE RATIO	229%	206%
BALANCING THE BOOKS	(\$0.9M)	(\$4.4M)

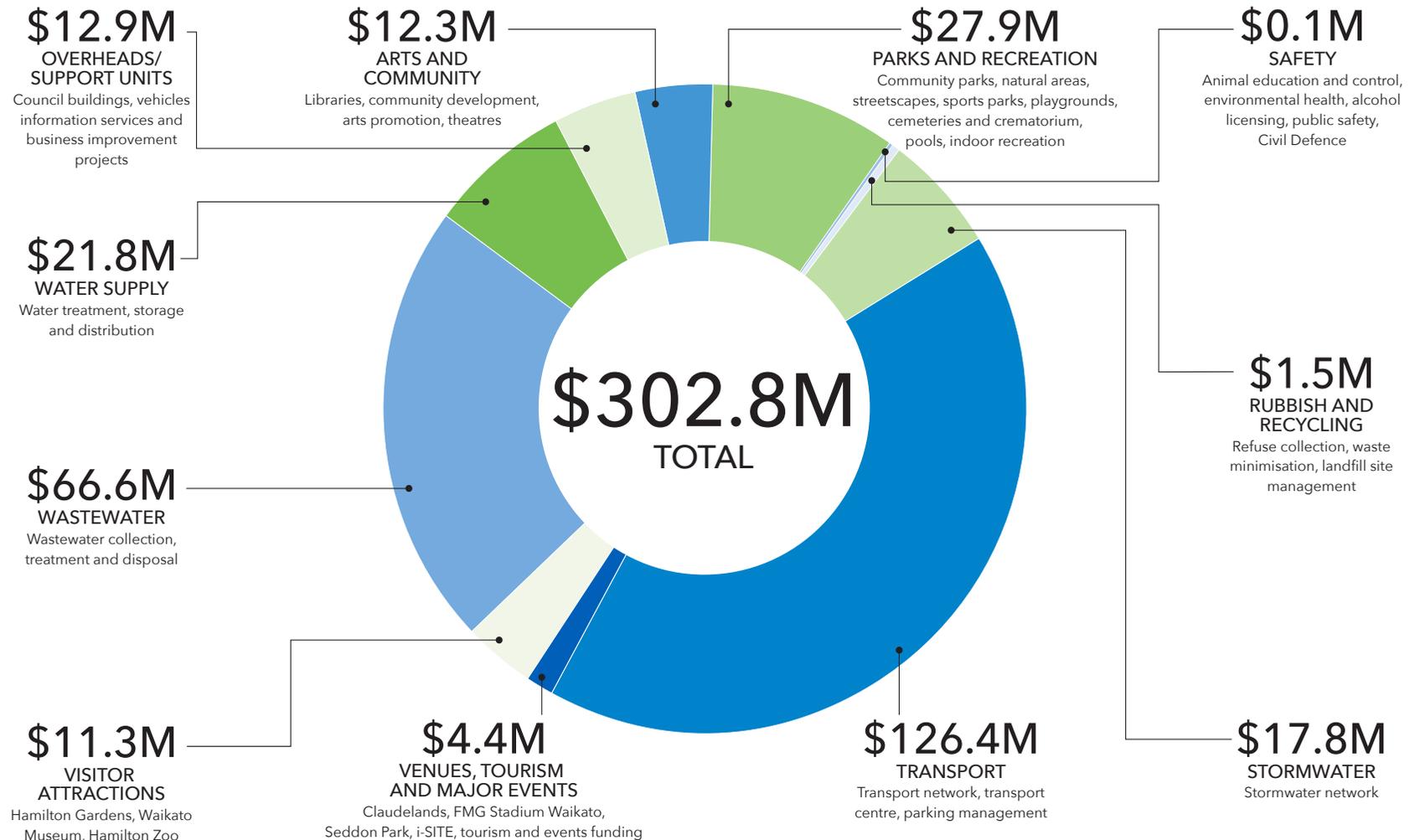
INVESTING FOR THE FUTURE

BUILDING A STRONGER CITY

The 2018-28 Long-Term Plan established the city's biggest ever capital programme with \$2 billion to be invested over that period.

We are already working hard throughout the city and in 2020/21 our capital programme ramps up even further. We will spend \$302.8 million on capital projects to renew city assets, maintain levels of service and put new infrastructure in place to ensure the city can cope with current and future growth.

This graph and the following pages show the breakdown of capital spending over the next year.



LIST OF CAPITAL PROJECTS

R - Renewals

LOS - Levels of service

G - Growth

Type	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
ARTS AND COMMUNITY			
Libraries			
CE10005 - Library collection purchases	R	1,182	1,229
CE10006 - Library asset renewal	R	160	147
CE10007 - Library building asset renewal programme	R	540	742
CE19016 - Libraries strategic plan	LOS	1,340	-
CE19017 - Rototuna community facilities	G	1,405	9,743
		4,627	11,862
Hamilton city theatres			
CE10013 - Technical services equipment renewals	R	362	352
		362	352
Community facilities			
CE19070 - Community Facilities building renewals	R	16	128
		16	128
Total Arts and Community		5,005	12,342
PARKS AND RECREATION			
Pools			
CE10001 - Aquatic facilities building renewals	R	84	20
CE10003 - Waterworld operational asset renewals	R	567	366
CE10004 - Gallagher Aquatic Centre operational asset renewal	R	45	12
		696	398
Cemeteries and crematorium			
CE10021 - Building renewals cemeteries	R	820	-
CE10022 - Renewal of crematorium assets	R	126	137
CE10023 - Hamilton Park east and west cemeteries renewals	R	329	43
CE19001 - Hamilton Park cemetery accessible toilet block	LOS	206	-
CE15024 - Hamilton Park cemetery, burial and ash lawn extension	G	124	-
		1,605	180

Parks

Type	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
CE10029 - Toilet and changing room renewals	R	127	86
CE10030 - Building renewals parks and open spaces	R	75	124
CE10032 - Parks and open spaces assets and playgrounds renewals	R	1,396	1,785
CE19004 - Destination Parks Renewals	R	3,610	4,130
CE15036 - Playground development programme	LOS	893	2,599
CE17004 - River Plan	LOS	867	-
CE19013 - Pooches and Parks	LOS	-	-
CE19022 - Alternative Weed Control	LOS	412	-
CE19007 - Peacocke Parks development	G	224	8,636
CE19009 - Rototuna Parks development	G	2,491	466
CE19010 - Te Manatu Park development	G	-	402
		10,095	18,227

Sports parks

CE10031 - Sports area renewals	R	979	1,673
CE19003 - Parks Toilets development/upgrade	LOS	2,178	1,874
CE19071 - Sports Park Drainage	LOS	1,562	1,624
CE15035 - Rototuna Park development	G	2,581	-
CE19005 - Sports Park development	G	604	1,562
		7,904	6,733
Total Parks and Recreation		20,300	25,537

RUBBISH AND RECYCLING

CE10054 - Replacement of closed landfill assets	R	973	179
CE10056 - Replacement of RTS & HOC assets	R	272	31
CE15055 - Closed landfill management	LOS	78	27
CE19027 - Refuse drop off points	G	-	43
		1,323	281
Total Rubbish and Recycling		1,323	281

SAFETY

CE10037 - CCTV renewals and development	R	52	54
Total Safety		52	54

	Type	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
		\$000	\$000	\$000
STORMWATER				
CE10058 - Replacement of stormwater assets	R	585	542	587
CE15067 - Comprehensive stormwater consent implementation	LOS	52	54	74
CE19026 - Erosion control works	LOS	3,725	3,585	2,200
CE15059 - Rototuna stormwater infrastructure	G	3,313	2,646	3,691
CE15060 - Rotokauri stormwater infrastructure stage 1	G	961	4,812	773
CE15062 - Peacocke stormwater infrastructure stage 1	G	1,233	33	927
CE15063 - Peacocke stormwater infrastructure stage 2	G	7,939	6,515	8,277
CE15064 - Stormwater pipe upgrade - growth	G	156	163	163
CE15066 - Existing network improvements in new areas	G	109	114	114
CE15068 - Stormwater customer connections to the network	G	52	54	54
CE15162 - Integrated catchment management plan	G	1,000	921	951
Total Stormwater		19,125	19,437	17,811
TRANSPORT				
Parking management				
CE10069 - Resurfacing off street carparks	R	66	55	-
CE10070 - Replacement of parking enforcement equipment	R	157	114	414
CE10071 - Parking building renewal	R	164	60	60
		387	229	474
Transportation network				
CE10072 - Replacement of footpath	R	4,809	5,079	5,079
CE10074 - Replacement of drainage (kerb and channel)	R	1,617	1,708	1,708
CE10075 - Replacement of road base	R	1,260	1,330	1,330
CE10076 - Road resurfacing	R	5,268	5,563	5,563
CE10077 - Replacement of bridges and culverts	R	2,056	278	2,548
CE10080 - Replacement of lighting	R	2,430	950	2,860
CE10081 - Replacement of traffic equipment	R	402	436	402
CE10098 - Building and property renewals	R	5	13	13
CE15085 - Minor improvements to transport network	LOS	2,082	2,166	2,166
CE15086 - Bus stop infrastructure	LOS	677	704	704
CE19052 - Intersection safety upgrade programme	LOS	1,850	1,625	1,881
CE19054 - Bridge safety improvements	LOS	479	3,357	3,764
CE19062 - Bridge resilience programme	LOS	641	1,516	-
CE19064 - Transport Centre rejuvenation	LOS	6,270	-	1,407
CE15087 - Network upgrades to allow new development	G	182	190	190

	Type	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
		\$000	\$000	\$000
CE15088 - Roading upgrades and development in Peacocke stage 1	G	6,982	4,145	2,907
CE15089 - Roading upgrades and development in Peacocke stage 2	G	38,410	20,160	25,742
CE15090 - Roading upgrades and development in Rotokauri stage 1	G	11,716	745	12,659
CE15092 - Roading upgrades and development in Rototuna	G	14,348	7,390	11,899
CE15093 - Roading upgrades and development in Ruakura	G	726	5,004	8,854
CE15095 - Integrated transport initiatives	G	3,272	1,625	2,475
CE19057 - Biking plan implementation	G	14,120	8,664	10,450
CE19058 - Mass transit	G	3,742	5,415	5,877
CE19063 - Intersection capacity upgrade programme	G	552	-	452
CE19037 - Hamilton transport model	G	546	1,625	500
CE19036 - Ring Road	G	15,478	2,977	13,977
CE19038 - Rotokauri rail platform	G	1,920	-	500
		141,840	82,663	125,906
Total Transport		142,227	82,892	126,380
VENUES, TOURISM AND MAJOR EVENTS				
H3 venues				
CE10040 - Business administration plant and equipment	R	52	33	33
CE10041 - Claudelands plant and equipment	R	135	503	503
CE10042 - Seddon Park plant and equipment	R	34	-	-
CE10043 - Waikato Stadium plant and equipment	R	402	133	356
CE10044 - Turf services plant and equipment	R	75	54	54
CE10046 - Seddon Park property renewals	R	18	314	314
CE10047 - Waikato Stadium property renewals	R	1,663	504	579
CE10048 - Stadia building renewals	R	1,826	339	1,319
CE10049 - Claudelands building renewals	R	1,033	636	774
CE15050 - Claudelands capital improvement programme	LOS	167	49	49
CE15051 - Stadia capital improvement function	LOS	357	29	429
		5,762	2,592	4,408
i-Site				
CE19031 - i-Site building renewals	R	54	54	-
		54	54	-
Total Venues, Tourism and Major Events		5,816	2,646	4,408

Type	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
VISITOR ATTRACTIONS			
Hamilton Gardens			
CE10026 - Hamilton Gardens renewals	R	99	168
CE10028 - Hamilton Gardens building renewals	R	80	12
CE19023 - Hamilton Gardens development	LOS	3,366	2,058
		3,545	2,238
			3,194
Hamilton Zoo			
CE10015 - Zoo animal enclosure renewals	R	586	521
CE10016 - Zoo building renewals	R	25	13
CE10017 - Property renewals	R	43	18
CE10020 - Zoo animal replacement	R	63	65
CE19021 - Water and stormwater reticulation	R	98	45
CE19019 - Zoo safety improvements	LOS	1,581	-
CE19020 - Hamilton Zoo improvement programme	LOS	79	81
CE19030 - Zoo and Waiwhakareke Entrance Precinct	LOS	1,562	4,115
		4,037	4,859
			7,269
Museum			
CE10008 - Museum asset renewal	R	76	52
CE19028 - Collection acquisition fund	R	52	54
CE10010 - Public art support fund	R	31	33
CE10011 - Museum activity building renewals	R	766	326
		925	465
			815
Total Visitor Attractions		8,507	7,562
			11,278

Type	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
WASTEWATER			
Wastewater reticulation			
CE10100 - Replacement of wastewater pump stations	R	956	680
CE10101 - Replacement of wastewater assets	R	2,952	4,471
CE15103 - Increase capacity of wastewater pump stations	LOS	1,378	914
CE15104 - Wastewater pipe upgrade - growth	G	312	325
CE15105 - Increase capacity of wastewater network - Rototuna	G	738	197
CE15106 - Wastewater network upgrades to allow development	G	83	87
CE15107 - Increase capacity of network in Rotokauri stage 1	G	546	40
CE15109 - Increase capacity of network in Peacocke stage 1	G	1,660	524
CE19040 - Increase capacity network Peacocke Stage 2	G	2,891	6,775
		11,516	14,013
			22,597
Wastewater treatment plant			
CE15160 - Wastewater model	R	428	623
CE10115 - Replacement of wastewater treatment plant assets	R	3,169	2,123
CE19029 - Wastewater seismic strengthening	LOS	156	108
CE15120 - Wastewater treatment plant compliance	LOS	2,144	1,954
CE15161 - Wastewater master plan	G	208	163
CE15117 - Upgrade wastewater treatment plant (Pukete 3)	G	15,313	-
CE15121 - Wastewater customer connections to the network	G	52	54
CE19041 - Increase capacity WW far east network	G	610	2,166
CE19042 - Increase capacity WW south network	G	13,718	17,868
CE19043 - Increase capacity WW west network	G	22,606	4,566
CE19044 - Increase capacity WW east network	G	2,158	1,260
CE19050 - Increase capacity WW central network	G	3,372	70
		63,934	30,953
			43,955
Total Wastewater		75,450	44,966
			66,553

Type	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan	
WATER SUPPLY	\$000	\$000	\$000	
Water reticulation				
CE10123 - Replacement of watermains	R	2,332	2,792	2,292
CE10124 - Replacement of water meters, valves and hydrants	R	1,182	1,229	2,097
CE10145 - Tools of trade renewals	R	52	54	54
CE15133 - Water demand management - network water loss	LOS	-	-	-
CE15126 - Upgrade or build new watermains in Rototuna	G	1,817	1,042	1,526
CE15127 - Water pipe upgrade - growth	G	312	325	325
CE15128 - Upgrade/build new watermains in Rotokauri stage 1	G	-	-	61
CE15130 - Upgrade/build new watermains in Peacocke stage 1	G	78	-	-
CE19046 - Upgrade/build new watermains in Peacocke Stage 2	G	141	1,090	1,272
CE16004 - Eastern Bulk Main Slip	G	1,008	-	658
CE15132 - Water network upgrades to allow new development	G	-	87	87
CE15132 - Water network upgrades to allow new development	G	83	-	-
CE15134 - Water demand management - Pukete reservoir zone	G	-	-	-
CE15135 - Upgrade/build distribution watermains in Peacocke		118	649	623
CE19073 - Upgrade/build new watermains in Te Rapa	G	-	-	-
CE15137 - Water demand management - Newcastle reservoir zone	G	4,854	6,090	2,313
		11,977	13,358	11,309
Water treatment plant				
CE10138 - Replacement of treatment plant and reservoir assets	R	2,167	1,937	2,969
CE15158 - Water model	R	98	585	585
CE15139 - Water treatment plant compliance - minor upgrades	LOS	1,570	782	2,089
CE15141 - Water demand management - Hillcrest reservoir zone	G	1,127	-	-
CE15144 - Upgrade water treatment plant	G	3,581	9,151	2,058
CE15146 - Water customer connections	G	52	54	54
CE15148 - Upgrade or build new watermains in Ruakura	G	206	217	217
CE15159 - Water master plan	G	96	-	-
CE19045 - Ruakura reservoir & associated bulk mains	G	12,680	43	2,486
CE19047 - Water Demand Management - Maeroa reservoir zone	G	-	-	-
CE19048 - Water Demand Management - Hamilton South reservoir zone	G	666	-	-
CE19049 - Water Demand Management - Fairfield reservoir zone	G	-	-	-
		22,243	12,770	10,459
Total Water Supply		34,220	26,128	21,768

Type	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan	
	\$000	\$000	\$000	
OVERHEAD AND SUPPORT UNITS				
Facilities				
CE10151 - Renewals program	R	1,910	671	2,271
CE19032 - Civic Square upgrade project	R	-	541	541
CE19033 - Duke Street workshop replacement	G	-	-	60
CE10158 - Replacement of fleet vehicles	R	3,174	1,886	2,372
		5,084	3,097	5,244
Information Services				
CE10152 - Network and infrastructure	R	1,856	877	2,023
CE10153 - Core business applications	R	654	780	1,498
CE10154 - Minor applications	R	130	49	64
CE10156 - Lease funding of equipment	R	913	1,344	1,578
CE15155 - Mobility and eservices	R	944	92	564
CE19024 - IS major upgrades	R	1,634	476	1,467
		6,131	3,618	7,194
Customer Services				
CE19025 - Smart Hamilton Initiatives	LOS	286	271	271
CE17001 - Customer Service Projects	R	-	-	51
		286	271	322
Strategic Property				
CE10053 - Tenancy inducement renewals	R	78	81	109
		78	81	109
Total Overheads/Support Units		11,579	7,067	12,869
TOTAL COUNCIL		323,604	228,912	302,844

FINANCIAL STATEMENTS

Assumptions used in the preparation of the 2018-28 Long-Year Plan have been reviewed and are still current. See pages 72 to 79 of the Long-Term Plan for further information.

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDING 30 JUNE 2021

		2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
Revenue	Notes	\$000	\$000	\$000
Rates	2	191,657	203,293	200,066
Fees and charges	3	38,077	38,550	32,260
Subsidies and grants	4	6,907	6,991	7,227
Interest revenue	5	1,650	1,650	1,250
Other revenue	6	20,128	21,141	10,298
Development contributions	7	25,387	29,909	22,504
Capital revenue	8	69,690	41,541	58,634
Vested assets	9	31,230	32,479	32,479
Total revenue		384,726	375,554	364,718
Expenses				
Personnel costs ¹		86,426	89,187	83,802
Depreciation and amortisation expense	10	76,564	77,175	74,727
Finance costs	11	24,862	31,951	17,124
Operating and maintenance costs ²		46,523	50,626	47,775
Professional costs		12,838	11,243	13,820
Administration cost ³		13,602	16,314	41,520
Property costs ⁴		14,068	12,554	10,017
Total expenses		274,883	289,050	288,785
Operating surplus/(deficit)		109,843	86,504	75,933
Gains		579	593	593
Losses		-	(48,718)	(10,457)
Surplus/(deficit)		110,422	38,379	66,069
Other comprehensive revenue and expense				
Items that will not be reclassified to surplus/(deficit)				
Gain on property, plant and equipment revaluations		85,110	143,896	178,286
Total other comprehensive revenue and expense		85,110	143,896	178,286
Total comprehensive revenue and expense		195,532	182,275	244,355

The accompanying notes form part of these financial statements.

1 Personnel costs capitalised as part of capital projects have been reclassified from administration costs to personnel costs to more closely align to where the costs have been incurred. The restated 2020/21 10-Year Plan personnel costs comparative would be \$84,888.

2 City delivery costs that have been capitalised as part of capital projects have been reclassified from administration costs to operating and maintenance costs to more closely align to where the costs have been incurred. Security and cleaning contracts have been moved from property costs to contractor costs to align with the new ledger structure. The restated 2020/21 10-Year Plan operating and maintenance cost comparative would be \$51,493.

3 Efficiency savings of \$7.3m have been reclassified to the areas where Council plan to achieve the efficiency savings. Costs capitalised towards capital projects have been reclassified to the expense category to more closely align to where the costs have been incurred. The restated 2020/21 10-Year Plan administration costs comparative would be \$22,254.

4 Costs for security and cleaning contracts have been reclassified to operating and maintenance costs as they now sit under contractor costs in the new ledger structure. The restated 2020/21 10-Year Plan property costs comparative would be \$10,046.

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDING 30 JUNE 2021

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
Notes	\$000	\$000	\$000
Equity balance at 1 July	3,910,388	4,108,043	3,964,373
Total comprehensive revenue and expense for the period	195,532	182,275	244,355
Equity balance at 30 June	4,105,920	4,290,318	4,208,728
Accumulated comprehensive revenue and expense			
Balance at beginning of year	1,801,331	1,913,813	1,855,419
Operating surplus/(deficit)	110,422	38,379	66,069
Transfers (to)/from restricted and council created reserves	617	(370)	(2,196)
Balance at end of year	1,912,370	1,951,822	1,919,292
Revaluation reserves			
Balance at beginning of year	2,069,215	2,154,325	2,069,204
Revaluation gains	85,110	143,896	178,286
Balance at end of year	2,154,325	2,298,221	2,247,490
Restricted and council created reserves			
Balance at beginning of year	39,842	39,905	39,750
Transfers (to)/from reserves	(617)	370	2,196
Balance at end of year	39,225	40,275	41,946
Equity balance at 30 June	4,105,920	4,290,318	4,208,728

The accompanying notes form part of these financial statements.

PROSPECTIVE BALANCING THE BOOKS MEASURE

FOR THE YEAR ENDING 30 JUNE 2021

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
Notes	\$000	\$000	\$000
Surplus/(deficit)	110,422	38,379	66,069
Remove capital revenue			
Vested assets	(31,230)	(32,479)	(32,479)
Part of development and financial contributions ⁵	(16,502)	(19,441)	(14,628)
Capital subsidy (excluding subsidy on transport renewals) ⁶	(52,022)	(31,184)	(37,736)
Other capital contributions	(11,146)	(5,173)	(12,496)
Other items not considered everyday operating revenue ⁷	(13,412)	(14,345)	(4,217)
Remove (gains)/losses			
All (gains)/losses	(579)	48,125	9,864
Remove other expenses			
Other items not considered everyday operating expenses ⁸	7,160	15,189	21,189
Balancing the books surplus/(deficit)	(7,309)	(929)	(4,434)

The accompanying notes form part of these financial statements.

5 Development contributions contain an element of funding for interest costs that are part of every day expenses. An adjustment is made to match the revenue with the expense. The budget has assumed interest costs funded from development contributions represent 35% of development contributions revenue.

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

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

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

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDING 30 JUNE 2021

		2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	Notes	\$000	\$000	\$000
Assets				
Current assets				
Cash and cash equivalents		46,440	47,300	76,000
Receivables		18,360	18,810	28,177
Prepayments		1,712	1,755	1,755
Inventory		160	160	160
Other financial assets	12	-	-	432
Total current assets		66,672	68,025	106,524
Non-current assets				
Property, plant and equipment		4,632,252	4,971,807	4,868,181
Intangible assets		21,082	19,500	23,711
Investment property		23,754	24,348	30,258
Other financial assets				
- Investment in CCOs and other similar entities		9,516	8,978	10,445
- Other investments		8,867	7,700	13,089
Total other financial assets	12	18,383	16,678	23,534
Investment in associates	13	7,430	7,430	7,430
Derivative financial instruments		-	-	1,191
Total non-current assets		4,702,901	5,039,763	4,954,305
Total assets		4,769,573	5,107,788	5,060,829
Liabilities				
Current liabilities				
Payables and deferred revenue		32,125	32,446	38,446
Employee entitlements		6,520	6,620	9,620
Provisions		771	698	2,116
Borrowings	14	42,800	78,300	22,800
Derivative financial instruments		4,119	3,650	322
Total current liabilities		86,335	121,714	73,304
Non-current liabilities				
Employee entitlements		1,100	1,100	1,100
Provisions		23,209	22,583	16,948
Borrowings	14	538,103	660,816	694,021
Derivative financial instruments		14,906	11,257	66,728
Total non-current liabilities		577,318	695,756	778,797
Total liabilities		663,653	817,470	852,101
Net assets		4,105,920	4,290,318	4,208,728
Equity				
Accumulated funds		1,912,370	1,951,822	1,919,292
Other reserves		2,154,325	2,298,221	2,247,490
Restricted reserves	15	38,789	39,078	41,369
Council created reserves	15	436	1,197	577
Total equity attributable to Hamilton City Council		4,105,920	4,290,318	4,208,728
Total equity		4,105,920	4,290,318	4,208,728

The accompanying notes form part of these financial statements.

PROSPECTIVE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING 30 JUNE 2021

		2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
Cash flows from operating activities	Notes	\$000	\$000	\$000
Cash will be provided from:				
Rates revenue	2	191,657	203,293	200,066
Fees and charges	3	38,077	38,550	32,260
Government operating subsidies and grants	4	6,907	6,991	7,227
Government capital subsidies and grants	8	58,544	36,368	46,138
Other capital contributions	7 & 8	36,533	35,082	35,000
Interest received	5	1,650	1,650	1,250
Dividends received	6	104	104	104
Sundry revenue	6	6,613	6,692	5,977
Total		340,085	328,730	328,022
Cash will be applied to:				
Payments to employees		86,426	89,187	83,802
Payments for suppliers		87,031	90,737	113,132
Interest paid	11	22,586	28,682	14,670
Net GST paid		-	-	-
Total		196,043	208,606	211,604
Net cash flow from operating activities		144,042	120,124	116,418
Cash flows from investing activities				
Cash will be provided from:				
Proceeds from reduction in other financial assets		-	-	425
Proceeds from sale of shares		2,125	-	-
Proceeds from sale of asset held for sale		-	-	2,396
Proceeds from sale of property, plant and equipment		-	-	-
Total		2,125	-	2,821
Cash will be applied to:				
NZLGFA borrower notes	12	1,660	800	2,464
Purchase of property, plant and equipment and intangible assets		323,605	228,860	302,844
Total		325,265	229,660	305,308
Net cash flow from investing activities		(323,140)	(229,660)	(302,487)
Cash flows from financing activities				
Cash will be provided from:				
Loans raised		218,838	187,036	246,069
Finance lease raised		-	-	300
Total		218,838	187,036	246,369
Cash will be applied to:				
Loan repayments	14	42,500	78,000	60,000
Finance lease repayments	14	300	300	300
Total		42,800	78,300	60,300
Net cash flow from financing activities		176,038	108,736	186,069
Net increase/(decrease) in cash held		(3,060)	(800)	-
Opening cash and cash equivalents balance		49,500	48,100	76,000
Closing cash and cash equivalents balance		46,440	47,300	76,000

The accompanying notes form part of these 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.

Our primary objective is to provide goods or services for community or social benefit rather than making a financial return. As such, for the purposes of financial reporting, we are considered a public benefit entity.

These prospective financial statements are for Hamilton City Council as a separate legal entity. Consolidated prospective financial statements covering both us and our subsidiaries and associates have not been prepared as the income and expenditure is not material to our long-term planning.

BASIS OF PREPARATION

We authorised the prospective financial statements on 10 August 2020. We believe the assumptions underlying these prospective financial statements are appropriate. We accept responsibility for the preparation of the prospective financial statements, including the appropriateness of the assumptions underlying these statements and all other required disclosures. No actual results have been

included within the prospective financial statements. We do not intend to update the prospective financial statements after they are presented.

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 2020. 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 our planning.

MEASUREMENT BASE

The basis for measurement 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

from the latest relevant BERL forecasts and the discount rate is our 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

Significant accounting policies are included in the notes to which they relate. Those that do not relate to a specific note are outlined below.

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.

At times we satisfy a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset. Doing so reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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.

GOODS AND SERVICES TAX (GST)

All items in the prospective financial statements are stated exclusive of GST except 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short term highly liquid investments. The carrying value of cash at bank and short-term deposits with original maturities of less than three months approximates their fair value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

RECEIVABLES

Short-term receivables are recorded at the amount due less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

INVENTORY

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable for any loss of service potential.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus/deficit in the period of the write-down.

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 make sure they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

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 in other comprehensive income.

DEPRECIATION

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

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
- heritage assets
- refuse land.

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

ASSET CLASS	YEARS	DEPRECIATION RATE	ASSET CLASS	YEARS	DEPRECIATION RATE
BUILDINGS - STRUCTURE/FIT OUT/SERVICES	5-200	0.5%-20%	WASTEWATER RETICULATION		
PLANT AND VEHICLES	3-15	6.7%-33.3%	Pipes	30 - 100	1% - 3.3%
FURNITURE, FITTINGS AND EQUIPMENT	5-50	2%-20%	Manholes	100	1%
LIBRARY BOOKS	3-14	7.1-33.3%	Treatment plant	5 - 100	1% - 20%
ZOO ANIMAL (ACQUISITION COSTS)	10	10%	Valves	40 - 75	1.3% - 2.5%
IMPROVEMENTS - PARKS & GARDENS	5 - 150	0.7% - 20%	Pump stations	15 - 100	1% - 6.7%
ROADS AND TRAFFIC NETWORK:			STORMWATER SYSTEM		
Top surface (seal)	5 - 20	5% - 20%	Pipes	30 - 100	1% - 3.3%
Pavement (basecourse)	50 - 140	0.7% - 2%	Manholes, inlets and outlets	100	1%
Concrete	60	1.7%	Soakage trench	50	2%
Drainage	60-70	1.4-1.7%	Fish Pass	50	2%
Carparks	6 - 110	0.9% - 6.7%	Channels	70-90	1.1%-1.4%
Footpaths and cycleways	5 - 75	1.3% - 20%	EROSION CONTROL	50-100	1%-2%
Kerbs and traffic islands	20 - 60	1.7% - 5%	Water reticulation:		
Signs	15	6.7%	Bulk main chambers	100	1%
Street lights	5 - 50	2% - 20%	Backflow devices	40	2.5%
Bridges and culverts	40 - 150	0.7% - 2.5%	Pipes	40 - 100	1% - 2.5%
Underpasses	80	1.3%	Valves	40 - 75	1.3% - 2.5%
Traffic signals	15	6.7%	Treatment plant	5 - 100	1% - 20%
Guarding and railing	20 - 25	4% - 5%	Meters	15	6.7%
Bus shelters and fences	20	5%	Hydrants	50 - 75	1.3% - 2%
Verge, embankment and retaining walls	50 - 100	1% - 2%	Cathodic Protection Device	15 - 100	1% - 6.7%
			Reservoirs	15 - 100	1% - 6.7%
			REFUSE - RUBBISH AND RECYCLING	5 - 100	1% - 20%

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment with a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

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

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised

in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

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

Non-cash-generating assets are those assets not held with the primary objective of generating a commercial return. For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Cash-generating assets are those assets held with the primary objective of generating a commercial return. The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

INVESTMENT PROPERTIES

Properties leased to third parties under operating leases are classified as investment property. This is 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 us, 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 and not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

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

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

INTANGIBLE ASSETS

Intangible assets are defined as identifiable non-monetary assets without physical form. Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

Intangible assets include:

Software acquisition and development

- Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
- Costs directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.
- Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with maintaining computer software are recognised in the surplus or deficit when incurred. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

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

Consents and designations

- Consents and designations not attributed to a specific asset are capitalised at historic cost. These are amortised on a straight-line basis over their estimated useful lives.

AMORTISATION

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

The useful lives of major classes of intangible assets have been estimated as follows:

COMPUTER SOFTWARE	3-10 years
CONSENTS & DESIGNATIONS	10-35 years
LICENSES	3-10 years
MODELS	7-30 years

CREDITORS AND OTHER PAYABLES

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

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

Derivative financial instruments are used to manage exposure to interest rate risks arising from our financing activities. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. We have chosen 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.

For the purpose of preparing prospective financial statements, the Council has

recognised the fair value of contracted derivatives in the prospective statement of financial position. Movements in the fair value of derivatives has not been recognised in the prospective statement of comprehensive revenue and expense.

OPERATING LEASES

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

PROVISIONS

We recognise 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.
- 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. This is done using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to

the obligation. The increase in the provision due to the passage of time is recognised as a finance cost and is included in "finance costs".

CONTINGENCIES

FINANCIAL GUARANTEE CONTRACTS

At times we are requested to act as a guarantor to loans raised by community organisations and sports clubs to construct facilities on council reserve land. These structures form part of the reserve but are not included in the fixed asset figures. No provision has been made because we do not consider it likely that these loans will require settlement.

EQUITY

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- accumulated funds
- other reserves - revaluation reserves and fair value through other comprehensive revenue and expense reserve
- restricted reserves
- council created reserves.

Accumulated funds include accumulated surpluses over the years.

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 based on best estimate assumptions as to the future events which we expect to take place. We have 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 on pages 72 to 81 of the 10-Year Plan and remain current. As highlighted in the 10-Year Plan, we have assumed that transport operating and capital expenditure programmes that have in the past received NZ Transport Agency (NZTA) subsidies and/or satisfy the criteria that NZTA requires in order to provide a subsidy

will continue to receive subsidy funding. There is currently some uncertainty as to whether all the capital projects we have planned for 2020/21 will be funded by NZTA under its National Land Transport Programme. We have prepared these prospective financial statements on the assumption that projects will continue to be funded as planned. Should NZTA funding not eventuate, we will assess the impact on our planned programme of works and may defer projects to a later period or resolve to continue the project and fund the shortfall through debt. There is a low risk of impact on our overall financial strategy.

(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 2020/21 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. This Annual Plan is prospective and as such contains no actual operating results.

NOTE 2: RATES

ACCOUNTING POLICY

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

RATES PENALTIES

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

RATES REMISSIONS

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

METERED WATER RATES

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

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

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
General rates			
General rates	148,021	198,086	199,929
Rates charges to Council properties	(442)	(526)	(465)
Targeted rates			
Metered water supply	8,286	8,468	8,468
Metered water charges to Council properties	(472)	(484)	(484)
Business improvement district rate	303	310	310
Service category rates (water, refuse and sewerage)	1,277	1,252	1,284
Hamilton Gardens	729	808	812
CBD parking	145	145	145
Transitional rate	41,075	-	-
Penalties and remissions			
Rates penalties	1,082	1,123	1,112
Rates remissions			
- Hardship	(285)	(295)	(573)
- HCC utilities	(6,948)	(4,482)	(9,191)
- HCC other	(910)	(908)	(1,066)
- Community shop 50%	(58)	(61)	(54)
- Sewerage/water/refuse	(146)	(143)	(163)
Total rates	191,657	203,293	200,066

NOTE 3: FEES AND CHARGES

ACCOUNTING POLICY

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

SALE OF GOODS

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

BUILDING AND RESOURCE CONSENTS

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

ENTRANCE FEES

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

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
Animal control charges	1,073	1,096	1,096
Building and resource consent charges	11,188	10,883	8,817
Cemetery and crematorium charges	1,937	1,979	1,719
Event facilities charges	4,048	3,993	1,796
Hamilton Gardens charges	164	172	56
Parking fees	1,433	1,433	1,831
Swimming pools charges	2,979	3,127	2,381
Trade waste charges	3,146	2,950	2,950
Zoo charges	1,810	1,818	1,027
Other fees and charges*	2,893	2,938	2,790
Commission received	932	893	842
Sale of goods	2,620	3,395	2,075
Operating contributions**	3,854	3,873	4,880
Total fees and charges	38,077	38,550	32,260

* Other income has been included in Other fees and charges

** Adshel and Environment Waikato contributions and Shared services contributions have been included in Operating Contributions

NOTE 4: GRANTS, SUBSIDIES AND REIMBURSEMENTS

ACCOUNTING POLICY

NZ TRANSPORT AGENCY SUBSIDIES

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

OTHER GRANTS (INCLUDING GOVERNMENT GRANTS AND SUBSIDIES)

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

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
New Zealand Transport Authority roading subsidy - operating	5,993	5,716	6,245
Waste minimisation levy	575	583	583
Other grants*	339	692	399
Total grants, subsidies and reimbursements	6,907	6,991	7,227

*Other Government grants & subsidies have been included in Other grants.

NOTE 5: INTEREST REVENUE

ACCOUNTING POLICY

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

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
Interest revenue	\$000	\$000	\$000
Term deposits	1,650	1,650	1,250
Discount unwind on community loans	-	-	-
Total interest revenue	1,650	1,650	1,250

NOTE 6: OTHER REVENUE

ACCOUNTING POLICY

INFRINGEMENT FEES AND FINES

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

DIVIDENDS

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

INVESTMENT PROPERTY RENTAL REVENUE

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

BEQUESTS AND OTHER DONATIONS

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

FAIR VALUE GAINS

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

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
Infringements and fines*	1,292	1,291	1,356
Rental Income**	4,030	4,229	3,450
Dividend revenue	104	104	104
Petrol tax income	1,114	1,144	1,138
Sponsorship income	22	22	13
Donations received	154	6	20
Housing Infrastructure Fund - fair value benefit	13,412	14,345	4,217
Total other revenue	20,128	21,141	10,298

* Infringements and fines - parking, traffic and other has been combined into infringements and fines

** Rental revenue from investment properties, rents - residential and other rental income has been combined into Rental income

NOTE 7: DEVELOPMENT CONTRIBUTIONS

ACCOUNTING POLICY

Development and financial contributions are recognised as non-exchange revenue when the application for service connection or code of compliance or s.224(c) completion of resource consent conditions is received.

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
Reserves	1,345	1,590	1,196
Stormwater	3,033	3,793	2,854
Transport	7,560	8,927	6,717
Wastewater	8,408	9,806	7,378
Water	5,041	5,793	4,359
Total development contributions	25,387	29,909	22,504

NOTE 8: CAPITAL REVENUE

ACCOUNTING POLICY

NZ TRANSPORT AGENCY ROADING SUBSIDIES - CAPITAL

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

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
Capital contributions - general	11,146	5,173	12,496
NZ Transport Agency roading subsidy - capital	58,544	36,368	46,138
Total capital revenue	69,690	41,541	58,634

CAPITAL CONTRIBUTIONS - GENERAL

Capital contributions are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

NOTE 9: VESTED ASSETS

ACCOUNTING POLICY

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

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
Vested assets			
- Land	12,607	13,112	13,112
- Stormwater	5,297	5,508	5,508
- Transport	8,320	8,652	8,652
- Wastewater	3,160	3,287	3,287
- Water supply	1,846	1,920	1,920
Total vested assets	31,230	32,479	32,479

NOTE 10: DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

ACCOUNTING POLICY

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

Amortisation is provided on intangible assets and begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
Directly attributable depreciation and amortisation expense by group of activity			
Arts and Community	2,578	3,349	2,906
City Planning and Development	2	-	-
Democracy Services	-	-	-
Parks and Recreation	7,321	7,248	5,934
Rubbish and Recycling	657	486	564
Safety	94	198	70
Stormwater	10,281	9,676	9,748
Transport	18,095	20,668	21,719
Venues, Tourism and Major Events	5,498	5,430	5,480
Visitor Attractions	2,616	2,682	2,198
Wastewater	13,230	11,576	12,716
Water Supply	9,662	8,759	8,498
Total	70,034	70,072	69,833
Depreciation and amortisation expense not directly attributable to a group of activity	6,530	7,103	4,894
Total depreciation and amortisation expense	76,564	77,175	74,727

NOTE 11: FINANCE COSTS

ACCOUNTING POLICY

All borrowing costs are recognised as an expense in the period in which they are incurred.

FAIR VALUE DISCOUNT UNWINDING

Fair value discount unwinding is recognised as a finance cost for borrowing at low or zero interest cost. The fair value benefit is recognised as other revenue.

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
Interest on borrowings	22,516	28,612	14,600
Interest on finance leases	70	70	70
Discount unwind on provisions	1,116	1,080	265
Fair value discount unwinding	1,160	2,189	2,189
Total finance costs	24,862	31,951	17,124

NOTE 12: OTHER FINANCIAL ASSETS

ACCOUNTING POLICY

Financial assets (other than shares in subsidiaries) are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

TERM DEPOSITS AND COMMUNITY LOANS

For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as an interest expense.

After initial recognition, term deposits and loans to community organisations are measured at amortised cost using the effective interest method. Where applicable, interest accrued is added to the investment balance.

At year-end, the assets are assessed for indicators of impairment. Impairment is established when there is evidence we will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that

the debtor will enter into bankruptcy, receivership or liquidation and default in payments are indicators that the asset is impaired. If assets are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

SHARES IN SUBSIDIARIES

The investment in subsidiaries is carried at cost.

UNLISTED SHARES

Shares (other than shares in subsidiaries) and listed bonds (other than those designated as held to maturity) are designated at fair value through other comprehensive revenue and expense.

After initial recognition, the shares are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

For shares, a significant or prolonged decline in the fair value of the shares below its cost is considered to be objective evidence of impairment.

IMPAIRMENT

Impairment in term deposits, local authority stock, government stock bonds, general and community loans are recognised directly against the instruments' carrying amount.

If impairment evidence exists, the cumulative loss recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

Impairment losses on shares recognised in the surplus or deficit are not reversed through the surplus or deficit.

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
Current portion:	\$000	\$000	\$000
Loan to New Zealand Food Innovation (Waikato) Limited and Melody Dairies Limited Partnership	-	-	432
Total current portion	-	-	432
	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
Non-current portion:	\$000	\$000	\$000
Investment in CCOs and similar entities			
Shares in subsidiaries			
- Waikato Innovation Growth Limited	4,000	4,000	4,000
NZ Local Government Funding Agency Limited	5,336	4,472	6,154
Waikato Local Authority Shared Services Limited	180	196	291
	9,516	8,668	10,445
Other investments			
Civic Financial Services Limited	307	310	188
Term deposits with maturities greater than 1 year	8,560	7,700	10,144
Loan to New Zealand Food Innovation (Waikato) Limited and Melody Dairies Limited Partnership	-	-	2,757
	8,867	8,010	13,089
Total non-current portion	18,383	16,678	23,534
Total other financial assets	18,383	16,678	23,966

NOTE 13: INVESTMENT IN ASSOCIATES

ACCOUNTING POLICY

If the share of deficits of an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

The investment in the associate is carried at cost in the Council's financial statements.

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
Investment in associates			
Waikato Regional Airport Limited	7,430	7,430	7,430
Total investment in associates	7,430	7,430	7,430
Total investment in CCOs (as per note 12) and other entities⁹	16,946	16,098	17,875

⁹ Includes the total for Investment in CCOs and other entities and Investment in associates. It excludes Other investments.

NOTE 14: BORROWINGS

ACCOUNTING POLICY

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

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

HOUSING INFRASTRUCTURE FUND LOAN

The Housing Infrastructure Fund Loan (HIF) is interest free for ten years from the date of each drawdown.

The fair value of the loan recognises the interest free benefit and is recognised as other revenue. Ten years after each drawdown the loan will be recognised at its nominal value with the unwinding of the fair value gains being recognised annually as a finance cost.

FINANCE LEASES

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

At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and the present value of the minimum lease payments.

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

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

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
Current portion:			
Secured loans - general	42,500	78,000	22,500
Finance leases	300	300	300
Total current portion	42,800	78,300	22,800
Non-current portion:			
Secured loans - general	501,091	599,201	649,004
Secured loans - Housing Infrastructure Fund	36,362	60,965	44,182
Finance leases	650	650	835
Total non-current portion	538,103	660,816	694,021
Total external debt	580,903	739,116	716,821
Adjustments required to determine overall debt:			
External debt	580,903	739,116	716,821
Less cash held and cash investments	(55,000)	(55,000)	(86,144)
Net debt	525,903	684,116	630,677

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
Debt servicing performance indicators			
Financial ratios			
Liquidity ratio (target >110%)	>110%	>110%	>110%
Net debt/Total revenue (target <230%)	167%	229%	206%
Net interest on external debt/Total revenue (target <20%)	7%	9%	5.5%

Liquidity is defined as external term debt plus committed bank facilities plus liquid investments divided by current external debt.

Net debt is defined as total external debt less cash and cash equivalents.

Net interest on external debt is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period.

Total revenue is defined as total revenue less vested assets, development contributions, and fair value benefit of Housing Infrastructure Fund loans.

NOTE 15: RESERVES

ACCOUNTING POLICY

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into accumulated funds, restricted and Council created reserves, revaluation reserves and fair value through other comprehensive revenue and expense reserve.

RESTRICTED AND COUNCIL CREATED RESERVES

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned.

Restricted reserves include those subject to specific conditions we accept as binding and which may not be revised without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves we restrict by resolution. We may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at our discretion.

Council created reserves are restricted in their application by our resolution.

REVALUATION RESERVES

This reserve relates to the revaluation of property, plant and equipment to fair value.

FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE RESERVE

This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	
Restricted reserves			
Cemetery plot maintenance in perpetuity	1,876	1,876	1,733
Municipal endowment fund	28,639	28,639	31,415
Domain endowment fund	8,263	8,552	8,210
Waikato Art Gallery endowment reserve	11	11	11
Total restricted reserves	38,789	39,078	41,369
Council created reserves			
Bus shelter (adshel) reserve	-	517	-
Project watershed operating reserve	185	-	308
Waste minimisation reserve	251	680	269
Total council created reserves	436	1,197	577
Total restricted and council created reserves	39,225	40,275	41,946

NOTE 15: RESERVES

	Activities to which the reserve relates	Closing balance 30 June 2020	Transfers into reserve	Transfers out of reserve	Closing balance 30 June 2021
Restricted reserves					
		\$000	\$000	\$000	\$000
Cemetery plot maintenance in perpetuity - to maintain and provide for improvements to the cemeteries.	Cemeteries and Crematorium	1,733	25	(25)	1,733
Municipal endowment fund - to provide a capital fund for crown endowment land vested in the Council for investment.	Strategic Property Investment	29,019	2,396	-	31,415
Domain endowment fund - 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 Recreation Stormwater	8,118	92	-	8,210
Waikato Art Gallery endowment reserve - to provide funds for the acquisition of works of art for the Waikato Museum of Art and History.	Visitor Attractions	11	-	-	11
Total restricted reserves		38,881	2,513	(25)	41,369
Council created reserves					
Bus shelter (Adshel) reserve - to manage the income generated from advertising in bus shelters to provide, maintain and enhance passenger infrastructure.	Transport	26	785	(811)	-
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 Recreation Stormwater	305	3	-	308
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.	Rubbish and Recycling	538	589	(858)	269
Total Council created reserves		869	1,377	(1,669)	577
Total restricted and Council created reserves		39,750	3,890	(1,694)	41,946

NOTE 16: RECONCILIATION BETWEEN PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE AND PROSPECTIVE FUNDING IMPACT STATEMENT

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
Operating surplus/(deficit) per prospective statement of comprehensive revenue and expense	110,422	38,379	66,069
Items recognised as revenue in the statement of comprehensive revenue and expense and as capital expenditure funding sources in funding impact statements:			
Capital subsidies	(58,544)	(36,368)	(46,138)
Development, financial and capital contributions	(36,533)	(35,082)	(35,000)
Non-cash items recognised in prospective statement of comprehensive revenue and expense and not included in funding impact statements:			
Depreciation	76,564	77,175	74,727
Recognition of revenue from vested assets	(31,230)	(32,479)	(32,479)
Gain on fair value of investment properties	(579)	(593)	(593)
Housing Infrastructure Fund - fair value benefit	(13,412)	(14,345)	(4,217)
Housing Infrastructure Fund - fair value discount unwinding	1,160	2,189	2,189
Transfer of assets constructed but not owned	-	48,718	10,457
Operating funding surplus/(deficit) per prospective funding impact statement	47,848	47,594	35,015
Balance as per Council FIS operating surplus/(deficit) of operating funding	47,848	47,594	35,015

ANNUAL PLAN DISCLOSURE STATEMENT

FOR YEAR ENDING 30 JUNE 2021

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.	0.43%	Yes
Increases	Rates increases to existing ratepayers will not exceed 3.8% from 2020 onwards.	2.8%	Yes
DEBT AFFORDABILITY BENCHMARK			
The debt to revenue ratio will remain below 230%		206%	Yes
BALANCED BUDGET BENCHMARK			
100%		104%	Yes
ESSENTIAL SERVICES BENCHMARK			
100%		441%	Yes
DEBT SERVICING BENCHMARK			
15%		5.5%	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.

COUNCIL FUNDING IMPACT STATEMENT AND RATING INFORMATION

The Funding Impact Statement is made up of three parts:

- Rating Information for 2020/21
- Rates Samples for 2020/21
- The Whole of Council Funding Impact Statement.

The Funding Impact Statement should be read in conjunction with our Revenue and Financing Policy and Rating Policy. These can be found on our website.

RATING INFORMATION FOR 2020/21

We set and assess these rates under the Local Government (Rating) Act 2002:

- General Rate
- Uniform Annual General Charge (UAGC)
- Targeted Rates include:
 - Business Improvement District (BID)
 - Central City
 - Hamilton Gardens
 - Service Use Water
 - Service Use Wastewater
 - Service Use Refuse
 - Metered Water
 - Commercial and Other category non-metered water

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

GENERAL RATE

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

General rates are set on a differential basis on the categories of land identified below. The differential bases are the use to which the land is put, the provision or availability to the land of a service provided, the activities permitted, controlled, or discretionary for the area in which the land is situated, and in the case of the BID Commercial differential, the location of the land.

The objective of including differentials in the general rate is to achieve an appropriate distribution of the general rate, considering all factors we believe are relevant.

This rate covers all of the services we provide.

The total revenue sought is \$193,797,727.

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

SOURCE	DIFFERENTIAL CATEGORIES	DIFFERENTIAL FACTOR	PERCENTAGE OF TOTAL GENERAL RATES	RATE IN THE DOLLAR OF CAPITAL VALUE (GST INCL)	RATES REVENUE (GST INCL)
General Rate	Commercial	2.6473	34.14%	0.00913075	\$66,157,036
	BID Commercial	2.5149	7.08%	0.00867422	\$13,717,919
	Other	0.7410	1.44%	0.00255597	\$2,791,480
	Residential	1.0000	57.34%	0.00344913	\$111,131,292

Figures in this statement include GST unless otherwise stated.

GENERAL RATE RATING CATEGORIES

GENERAL RATE CATEGORY	DESCRIPTION
Commercial	All rating units: <ol style="list-style-type: none"> i. used solely or principally for commercial or industrial purposes; or ii. used solely or principally for commercial residential purposes, including, but not limited to, hotels, boarding houses, rest homes, motels, residential clubs, hospital care facilities, hostels. Commercial residential purposes are where a property is being provided for residential accommodation at a fee with the average occupancy period of the property not exceeding three months; or iii. where the area of a chartered club used for the restaurant, bar and gaming machines; or iv. where the commercial portion of a rating unit which has mixed use; or v. where land is developed or under development for a commercial use; or vi. where a commercial development is marketed for sale or lease, but where works have not yet commenced, whether-or-not wastewater services are currently available; or vii. where vacant land is within any District Plan zone that is predominantly used for commercial or industrial purposes; or viii. used as show homes; or ix. where resource consents require the rating units can only be used for a commercial purpose; or x. used as utility networks.
BID Commercial	All rating units that meet the definition of Commercial above and are located within the Business Improvement District as shown on the 'Business Improvement District (BID) and Central City areas map' in Schedule one of the Rating Policy.
Other	All rating units that do not meet the definition of Commercial or BID Commercial rating categories and where: <ol style="list-style-type: none"> i. connection to the our wastewater network is not available; and ii. water supply is through a metered connection or connection to the council's water network is not available.
Residential	All rating units that do not meet the definition of Commercial, BID Commercial, or Other rating categories, or: <ol style="list-style-type: none"> i. land under development intended for a residential use; or ii. land where a proposed residential development is marketed for sale, whether or not water and wastewater services are currently available.

Land described in Part 2 Schedule 1 of the Local Government (Rating) Act 2002 (broadly speaking, land owned or used by societies for arts or sports) will be assessed at 50% of the residential rate (general rate, UAGC, transitional rate and Hamilton Gardens rate) that applies to the land. This general rate revenue is included within the Residential category shown in the table above, and within the targeted rates revenue where applicable.

UNIFORM ANNUAL GENERAL CHARGE

A Uniform Annual General Charge (UAGC) is set and assessed on all rateable land. The UAGC is set at \$534 per Separately Used or Inhabited Part of a rating unit (SUIP). We have determined the level of UAGC in order to distribute the allocation of the general rate at an appropriate level among all ratepayers.

The total revenue sought from the UAGC is \$36,120,828.

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

An SUIP is every rating unit and, without limitation, every additional dwelling, commercial or community activity. This includes:

- a) any part or parts of a rating unit used or occupied by the ratepayer for more than one single use
- b) any parts, whether or not actually occupied at any particular time, which are used for rental (or other form of occupation) on an occasional or long-term basis
- c) vacant land and vacant premises offered or intended for use or habitation and usually used as such are defined as 'used'.

For the purposes of clarity, every rating unit has a minimum of one SUIP.

As part of this definition, the list below sets out our intent in the application of SUIPs to rating units used as for residential purposes:

- the second and each additional SUIP must have a separate bathroom, bedroom or living area and separate sink
- any part of a rating unit as described in a-c above that is inhabited by virtue of a tenancy, lease, license or other agreement on an occasional or long-term basis
- single dwelling with flat attached
- two or more houses, flats or apartments on one rating unit
- ancillary flat or detached dwellings (as defined in the District Plan)

- individually surveyed lots of vacant land on one Certificate of Title offered for sale separately or in groups; and
- residential accommodation rented individually per room. For a residential property to be classified as having additional SUIPs, each part must have a separate bathroom, bedroom or living area and separate sink.

As part of this definition, the list below sets out our intent in the application of SUIPs to rating units used for commercial activities:

- a commercial activity is any activity involving the exchange of goods or services for reward (whether for profit or not)
- any part of a rating unit as described in a-c above that is inhabited through a tenancy, lease, license or other agreement on an occasional or long-term basis
- commercial building where there are clearly defined vacant parts, advertised for lease or tenancy
- business premise with separate permitted residential activity
- home-based business (as defined in the District Plan)
- each use within a single rating unit involving a different activity conducted by a person, company, or organisation different to the ratepayer (i.e. a large store which has a café operating within

it, where the café is a separate business entity)

- commercial building leased, or sub-leased, to multiple tenants
- a separate dwelling used for short-term accommodation
- commercial accommodation provided on a single rating unit for short-term stays (where average occupancy is limited as prescribed within the District Plan) will be one SUIP.

In addition to the primary use, the list below defines our intent in the application of SUIPs to rating units used as community activities:

- a community activity is any activity operated by an organisation (including clubs and societies)
- any activity meeting the definition of Schedule 1 of the Local Government Rating Act 2002.

TARGETED RATES

We are not seeking or inviting lump sum contributions for targeted rates.

METERED WATER RATE

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

The rate is:

- a fixed amount per connected meter, based on the nature of the connection, as follows:
 - i. \$444.00 for all metered rating units (except rating units receiving a restricted flow supply)
 - ii. \$360.00 for rating units receiving a restricted flow supply.
- a charge per unit of water consumed or supplied on every metered connection in accordance with the following scale:
 - i. all metered rating units (except rating units receiving a restricted supply) - \$1.85 per kilolitre of water supplied after the first 60 kilolitres of consumption or supply per quarter.
 - ii. rating units receiving a restricted flow supply - \$1.50 per kilolitre of water supplied after the first 60 kilolitres of consumption or supply per quarter.

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

The total revenue sought is \$9,472,053.

COMMERCIAL AND OTHER CATEGORY NON-METERED WATER RATE

The rate is set and assessed on Commercial and Other category properties connected to the water network, but not provided with a metered connection. The rate is \$444.00 per rating unit.

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

The total revenue sought is \$266,261.

Properties in Waikato District Council and Waipa District Council areas supplied with water under contractual arrangements will be charged according to these contracts.

BUSINESS IMPROVEMENT DISTRICT (BID) RATE

This rate is set and assessed on all rating units defined within the BID Commercial General rate category and comprises both a fixed amount per SUIP and a rate in the dollar based on the Capital Value.

The Business Improvement District (BID) and Central City rating areas map is shown in Schedule 1 of the Rating Policy. The components of this rate are:

- a) BID Fixed rate: a fixed amount of \$240 per SUIP of a commercial rating unit within the defined area
- b) BID CV rate: a rate per dollar of capital value required to meet the total revenue, after allowing for the total revenue raised by the BID Fixed rate. The rate is 0.00002772 per dollar of capital value.

The rate provides funding to the Tourism and Events Funding activity.

The total revenue sought is \$356,528.

CENTRAL CITY RATE

This rate is set on all rating units defined within the BID Commercial General rate category and is set as a fixed amount per SUIP.

The Business Improvement District (BID) and Central City rating areas map is shown on Schedule 1 of the Rating Policy.

The rate is a fixed amount of \$128 per SUIP.

The rate provides funding to the Transportation Network activity.

The total revenue sought is \$166,750.

HAMILTON GARDENS RATE

This rate is set and assessed as a fixed amount on all rating units.

The rate is set at \$13.80 per SUIP.

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

The total revenue sought is \$933,225.

SERVICE USE CATEGORY

Service Use Category includes rating units that are defined by the use, for the purpose of charging water, wastewater and refuse collection, set and assessed as targeted rates.

Service Use Category rating units are provided with one or more of these services and are used:

- i. as a reserve under the Reserves Act 1977

- ii. for conservation, wildlife management or preservation purposes and not for private pecuniary profit and accessible to the public

- iii. by us for:

- public garden, reserve, or children playground
- games and sports
- public hall, athenaeum, museum, gallery or similar institution
- public baths, swimming baths and sanitary convenience
- cemeteries or crematorium.

- iv. by the Queen Elizabeth the Second National Trust

- v. by the Royal Foundation of the Blind, except as an endowment

- vi. by or for an education establishment, special school or other institution under s159(1) of the Education Act 1989

- vii. by a district health board for health and health related services

- viii. solely and principally as a place of religious worship, Sunday or Sabbath school or other form of religious worship and not for private pecuniary profit

- ix. as Maaori meeting house that is Maaori freehold land not exceeding 2ha.

- x. as railway or for the loading and unloading of goods or passengers from trains

- xi. for the free maintenance or relief of persons in need, not exceeding 1.5ha.

Where there is a community, sporting or cultural activity on Council reserve land, and the activity is subject to a lease agreement as defined within our Community Occupancy Policy, these targeted rates will apply.

Upon application, we extend the rating treatment of the Service Use category to rating units which are operated by not for profit organisations, whom provide benefits to the wider community and where there is no private pecuniary gain. Refer to the Rates Remissions and Postponements Policy for criteria.

SERVICE USE - WATER RATE

The rate is set and assessed on properties defined as a Service Use Category and which are connected to our water network but are not provided with a metered connection.

The rate is a fixed amount of \$444.00 per SUIP.

The rate provides funding towards the Water Distribution and Water Treatment and Storage activities.

The total revenue sought is \$58,832.

SERVICE USE - REFUSE RATE

The rate is set and assessed on properties defined as a Service Use Category and which are provided with refuse collection service.

The rate is a fixed amount of \$152 per SUIP.

The rate provides funding towards the Refuse Collection activity.

The total revenue sought is \$20,824.

SERVICE USE - WASTEWATER RATE

The rate is set and assessed on properties defined as a Service Use Category and which are connected to the wastewater network. This rate comprises two components. These are:

- a rate per dollar of land value set at 0.00114208.
- a rate per dollar of capital value set at 0.00033046.

The rate provides funding towards the Wastewater Collection and Wastewater Treatment and Disposal activities.

The total revenue sought is \$1,398,818.

INSPECTION OF RATING INFORMATION DATABASE

In accordance with the Local Government (Rating) Act 2002, the District Valuation Roll and Rates Records are available for public inspection at the Council Offices, Garden Place, Hamilton, between the hours of 7.45am and 5.00pm on all business days of the week.

RATING BASE

Total land value for 2020/21 is \$23,456,695,000.

Total capital value for 2020/21 is \$44,754,945,500.

The projected number of rating units for 2020/21 is 60,938.

2020/21 RATES - SAMPLE PROPERTIES

			2018 RATING VALUES		2019/20 RATES					2020/21 RATES					
Transitional rates differential category	General rates differential category	SUIPs	Land value	Capital value	Uniform Annual General Charges	Land value Transitional rates	Capital Value General rates	Other rates	Total rates	Uniform Annual General Charges	Capital Value General rates	Other rates	Total rates	Total rates change (\$)	Total rates change (%)
RESIDENTIAL SECTOR															
Residential	Residential	1	400,000	400,000	348	660	1,075	13	2,095	534	1,380	14	1,927	-168	-8.0%
Residential	Residential	1	210,000	325,000	348	346	873	13	1,580	534	1,121	14	1,669	89	5.6%
Residential	Residential	1	345,000	520,000	348	569	1,397	13	2,327	534	1,794	14	2,341	15	0.6%
Residential	Residential	1	460,000	890,000	348	758	2,391	13	3,511	534	3,070	14	3,618	107	3.0%
Multi Unit Residential	Residential	4	395,000	1,180,000	1,392	996	3,171	51	5,609	2,136	4,070	55	6,261	652	11.6%
Multi Unit Residential	Residential	10	940,000	1,790,000	3,480	2,370	4,810	127	10,786	5,340	6,174	138	11,652	866	8.0%
Rural Residential	Residential	1	850,000	1,450,000	348	1,039	3,896	13	5,296	534	5,001	14	5,549	253	4.8%
OTHER SECTOR															
Rural Small	Other	1	580,000	580,000	348	441	1,161	13	1,963	534	1,482	14	2,030	67	3.4%
Rural Small	Other	1	445,000	960,000	348	339	1,922	13	2,621	534	2,454	14	3,002	381	14.5%
Rural Small	Other	1	2,350,000	2,600,000	348	1,788	5,205	13	7,353	534	6,646	14	7,193	-160	-2.2%
Rural Large	Other	1	2,960,000	2,960,000	348	1,221	5,926	13	7,508	534	7,566	14	8,113	606	8.1%
Rural Large	Other	1	3,380,000	4,340,000	348	1,395	8,688	13	10,444	534	11,093	14	11,641	1,197	11.5%
COMMERCIAL SECTOR															
Commercial	Commercial	1	700,000	700,000	348	3,626	4,832	13	8,819	534	6,392	14	6,939	-1,880	-21.3%
Commercial	Commercial	1	215,000	400,000	348	1,114	2,761	13	4,236	534	3,652	14	4,200	-35	-0.8%
Commercial	Commercial	1	335,000	640,000	348	1,735	4,418	13	6,514	534	5,844	14	6,391	-122	-1.9%
Commercial	Commercial	1	820,000	1,820,000	348	4,248	12,563	13	17,172	534	16,618	14	17,166	-6	0.0%
Commercial	Commercial	8	2,430,000	5,300,000	2,784	12,588	36,585	101	52,059	4,272	48,393	110	52,775	717	1.4%
BID Commercial	BID Commercial	1	138,000	550,000	348	679	3,607	393	5,027	534	4,771	397	5,702	675	13.4%
BID Commercial	BID Commercial	1	340,000	1,150,000	348	1,673	7,541	407	9,970	534	9,975	414	10,923	953	9.6%
BID Commercial	BID Commercial	3	900,000	2,260,000	1,044	4,429	14,820	1,195	21,488	1,602	19,604	1,208	22,414	926	4.3%

PROSPECTIVE WHOLE OF COUNCIL FUNDING IMPACT STATEMENT

FOR THE YEAR ENDING 30 JUNE 2021

	2019/20 Annual Plan	2020/21 10-Year Plan	2020/21 Annual Plan
	\$000	\$000	\$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	140,314	192,794	189,531
Targeted rates	51,343	10,499	10,535
Subsidies and grants for operating purposes	6,907	6,991	7,227
Fees and charges	42,108	42,784	32,260
Interest and dividends from investments	1,754	1,754	1,354
Local authorities fuel tax, fines, infringement fees and other receipts	2,581	2,458	5,977
Total operating funding	245,007	257,280	246,884
Application of operating funding			
Payments to staff and suppliers	173,457	179,924	196,934
Finance costs	23,702	29,762	14,935
Other operating funding applications	-	-	-
Total applications of operating funding	197,159	209,686	211,869
Surplus/(deficit) of operating funding	47,848	47,594	35,015
Sources of capital funding			
Subsidies and grants for capital expenditure	69,690	41,541	58,634
Development and financial contributions	25,387	29,909	22,504
Increase/(decrease) in debt	176,038	108,736	186,069
Gross proceeds from sale of assets	2,125	-	2,396
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	273,240	180,186	269,603
Applications of capital funding			
Capital expenditure			
- to meet additional demand	225,275	146,888	199,508
- to improve the level of service	35,956	29,493	34,691
- to replace existing assets	62,373	52,531	68,645
Increase/(decrease) in reserves	(2,516)	(1,352)	(690)
Increase/(decrease) in investments	-	-	2,464
Total applications of capital funding	321,088	227,780	304,618
Surplus/(deficit) of capital funding	(47,848)	(47,594)	(35,015)
Funding balance	-	-	-



FURTHER INFORMATION

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 hamilton.govt.nz/annualplan

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