

HAMILTON'S 2015/16 ANNUAL REPORT



Hamilton City Council

Te kaunihera o Kirikiriroa

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FROM THE MAYOR AND CHIEF EXECUTIVE

We are pleased to present the 2015/16 Annual Report.

The city's finances continue to be in excellent shape and again the Council has performed better than expected against its Financial Strategy and the financial performance indicators.

For the third consecutive year the Council has met its balancing the books target: the adjusted result this year is nearly \$13 million against a target of \$751,000. The Council's overall debt is \$348 million, lower than the projected target of \$407 million.

The Council's debt is now 170 per cent of revenue against a performance target of 205 per cent.

The contributing factors to the Council's overall better than projected financial performance include higher revenue from development contributions of \$14.7 million, lower financing costs of \$900,000 and a better-than-expected opening debt balance of \$14 million from the previous financial year. The Council has also made operation savings including \$1 million at the Wastewater Treatment Plant and \$520,000 from the Water Treatment Plant.

The Council delivered \$69 million in capital projects including \$5.7 million for new roading projects and \$10.1 million for a new reservoir at Rototuna to meet the demands of growth, \$2.3 million for developments at Hamilton Gardens and \$8.1 million to renew parts of Hamilton's road network. Capital projects totalling \$21.4 million were incomplete at year end and have been deferred to future financial years.

The Council entered into an agreement with Accessible Properties to sell its pensioner housing for \$23.5 million after a two-year process of discussion and consultation with the public.

The Council continues to be in a strong financial position to deliver on the 2015-2025 10-Year Plan which focuses on investment in infrastructure to service a growing Hamilton. This positive financial performance has enabled some infrastructure projects from later years in the 10-Year Plan have been bought forward for delivery.

This year has also seen delivery of major community projects. The Council entered into a partnership agreement with the Ministry of Education and the Rototuna Junior High School to build an indoor recreational centre on the school grounds.

The Hamilton Gardens development project is on track and the partnership funding target is expected to be achieved two years ahead of schedule. The Council awarded the contract for the Ferrybank Development Plan, a major project in the River Plan, and a \$1 million donation was received from Momentum Waikato for River Plan projects.

Council received a large grant from the government's Urban Cycleway Fund towards the Western Rail Trail, a project in the Biking Plan which creates an off-road cycleway from west Hamilton into the central city. The Council also approved development of a central city open space on the Victoria On The River site, with completion expected in the next financial year.

New playgrounds opened with the assistance of partnership funding from community trusts and philanthropic donations, including the destination playground at Minogue Park and the new Deanwell playground developed in partnership with the Ministry of Education and located within the Deanwell Primary School grounds.

The Council continued to develop strategic plans as part of delivering the Hamilton Plan. The Frankton Neighbourhood Plan provides a vision and projects to enhance the opportunities in Frankton and the Waikato Museum Strategic Plan sets a direction for the next five years to realise the opportunities and potential of Waikato Museum.

Hamilton received a number of accolades during the year including the Hamilton Gardens taking the top prize in the 2016 McGredy Winder SOLGM Local Government Excellence Awards and the Playgrounds of the Future Plan won a New Zealand Recreation Association award for Outstanding Research, Planning and Policy.

Looking ahead, Hamilton continues to be one of the fastest growing places in New Zealand. The Council is focused on delivering infrastructure to meet that population demand and prioritising investment to ensure the Council operates within its Financial Strategy.



Julie Hardaker
Mayor



Richard Briggs
Chief Executive



THE HAMILTON PLAN

Hamilton continues to emerge as a New Zealand success story: a city built on a rich cultural history and a strong agricultural economy, maturing to become a major New Zealand city – a leader in business, culture and lifestyle.

Hamilton's success is reflected in its growing population as more people are attracted by the great lifestyle and the economic opportunities. More than 157,000 people already live here and the city's population is expected to reach 200,000 soon after 2030. That is both exciting and challenging for the community and for the Council.

The Hamilton Plan is our vision for Hamilton's future and the 10 priorities in the Plan are about building a stronger economy and a more attractive city for families over the next 10 years. The priorities listed below centre on building on the lifestyle and economy Hamilton already has, to maximise all the opportunities.

Where we want to be:

- Our books are balanced
- The third city economy in New Zealand
- Providing outstanding infrastructure
- Strongly connected to the river
- Best garden in the world
- An active, strong commercial central city with distinctive suburban villages
- An urban garden
- Access to affordable housing
- Celebrated for our arts and culture
- Waikato is the capital of high performance sport

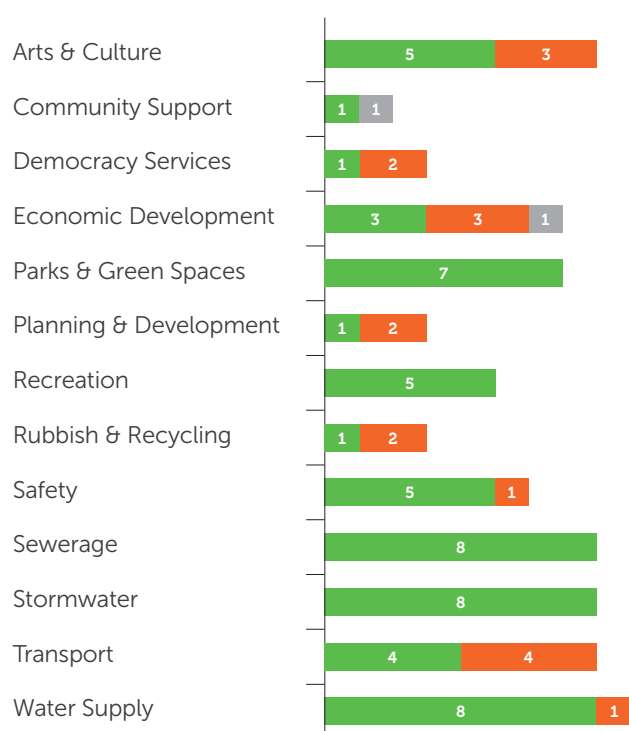
For more information about the Hamilton Plan visit hamilton.govt.nz/hamiltonplan

SERVICE PERFORMANCE

The Council's business is divided into 13 service groups. Each service group has performance measures that show how well we are delivering service to the community.

The summary graph below shows that, of 77 measures we use to track performance:

- we have met the targets for 57 measures
- we have not met the target for 18 measures; and
- we do not have sufficient data available to report against 2 measures



- Number of targets achieved
- Number of targets not achieved
- No data available

WHERE TO FIND OUT MORE.

- The performance measures and targets reported against in this section are from year one (2015/16) of our 10-Year Plan: hamilton.govt.nz/10YearPlan
- Information on individual performance targets, how well we achieved them in 2015/16 and what they mean for Hamilton can be found for each service group within pages 6 to 53 of Hamilton's 2015/16 Annual Report.
- If you want to find out more about Council's services, policies, projects and plans, visit our website: hamilton.govt.nz

Reasons for not meeting targets include:

- narrowly missing statutory timeframes (e.g. 14 out of 2509 building and resource consent applications were not processed within time)
- some slower-than-expected response times to customer requests due to work volumes at the time
- other parties as well as Council contributing to the performance against some targets (e.g. the number of fatalities or serious injuries on Hamilton's roads).

Council regularly reviews its performance and takes action to make improvements where necessary.

ARTS & CULTURE

The Council is involved in a range of artistic and cultural endeavours that contribute to making Hamilton a desirable place to live.

Hamilton has a network of six public libraries providing resources and information services. Our libraries are also increasingly becoming community learning spaces or hubs. Waikato Museum exhibitions and activities tell our stories from a regional and global perspective and include visual art, social history, tangata whenua culture and science from touring exhibitions and the museum's own collections.

Until recently Founders Theatre offered space for live entertainment and civic functions. In March 2016, Founders Theatre was closed due to concerns with the flying system and seismic strength of the building. We also provide seed funding for public art and liaise with arts groups to build a vibrant arts scene.

What we do

- Libraries
- Waikato Museum
- Founders Theatre
- Arts Promotion

This includes:

- Central and suburban libraries
- Founders Theatre
- Waikato Museum
- ArtsPost
- Public art support
- Performing arts grants

How we contribute to the Hamilton Plan

Arts and culture activities primarily contribute to this Hamilton Plan priority:

- Celebrated for our arts and culture

Effects on the community

We're involved in arts and culture to support a fun and creative city with quality artistic and recreational experiences.

Arts and culture facilities offer health, learning, social and leisure benefits. They are a big part of what makes our city a great place with an attractive lifestyle, especially for families.

2015/16 Year In Review

A striking new piece of public art – the eight metre high Tongue of the Dog sculpture outside Waikato Museum – was a key milestone for the Council and Mesh Sculpture Trust who gifted the sculpture to the Council in May 2016. The artwork, by renowned artist Michael Parekowhai, was constructed over eight months and installed on-site in April 2016 ahead of the unveiling. It is the third sculpture to be gifted to the Council by Mesh Sculpture Trust.

Elsewhere, a new mural by noted artist Flox was added to the Central Library. Flox's piece – part of the Hamilton Central City Transformation Plan's Laneways Plan – was inspired by the lush Paradise Gardens at Hamilton Gardens. The Central

Library was also spruced up internally and externally, with a new branding paint scheme and a refresh of furniture and fittings inside. The Council concluded a suite of arts and culture policy reviews in 2015/2016 with the adoption of the revised Arts Agenda in December 2015 and the Waikato Museum Strategic Plan in March 2016.

The future of the 54-year-old Founders Theatre emerged as a key issue for the Council this year, following a decision to close the facility due to concerns about health and safety aspects – most notably, an ageing flying system used to lower and hoist scenic elements, based on 17th century tall ships technology. In May and June the Council carried out a public consultation process which included the presentation of three options – to refurbish the theatre, to build a new theatre, or to demolish the existing facility.

The public feedback will inform decision-making on the theatre into the 2016/2017 financial year.

ARTS & CULTURE

Service Performance Measures

KEY: Target achieved | Target not achieved

We're involved in these activities to support a fun and creative city that recognises the importance of art, music and culture in our everyday lives.

You can expect: A modern and relevant library service

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The number of physical and online visits to the libraries each year.	5% decrease	1% increase each year	6% decrease
Use of the library collections, both print and electronic.	5% decrease	1% increase each year	6% decrease
The number of people attending events programmes and classes at the libraries.	4% increase	1% increase each year	19% increase
The ratio of e-Books to print books purchased.	18% e-books	12% e-Books	11%
What this tells us			
<p>These results show customers visit libraries for social reasons rather than just borrowing from the collections. This result is a reflection of the decline in usage that is happening nationally and has been occurring over the last few years. The decline in visits correlates to the decline in use of the libraries collections - in a visit a customer borrows on average two books so a decline in visits results in a decline in borrowing from the collections. With effective marketing we expect to see an increase in use of electronic collections offsetting the decrease in the use of print collections, as the e-collection continues to expand.</p> <p>The methodology for collecting data on library visits has been revised to ensure consistency between 2014/15 and this year's results. Please note that the 2014/15 result for physical visits to libraries has been corrected from the Annual Report 2014/15.</p>			

You can expect: Waikato Museum to share and celebrate our region's history, creativity and diversity.

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The number of visits to Museum each year.	138,067	At least 118,000	110,202
The number of children and students visiting the Museum for education each year.	10,193	At least 8000	5,381
What this tells us			
<p>The Museum has a changing programme of high quality exhibitions to give visitors compelling reasons to revisit. Broad-appeal exhibitions with an educational focus such as the Da Vinci Mechanics and Body In Action were very popular with schools and families locally and from further afield. Positive media attention during the Museum Strategic Plan consultation period and the installation of the Tongue of the Dog sculpture on the Museum street frontage has resulted in increased visibility and visits.</p>			

You can expect: Theatres to be well used

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The number of people attending events at Founders Theatre	34,651	At least 50,000	65,365
The total number of hire days at Founders Theatre	132	At least 100	284
What this tells us			
<p>We measure the number of days the theatres are booked instead of the number of events to get a more accurate picture of how much these venues are used. The length of each event varies, so too does the number of days taken to set up or pack down an event. The term 'hire days' reflects the total number of days that the theatres are booked.</p> <p>This target only includes Founders Theatre after Council gifted Clarence Street Theatre to a community group in June 2015 and did the same with the Meteor Theatre in January 2014. The 2015/16 targets have therefore been reduced from the 10-Year Plan targets of at least 70,000 people and at least 170 hire days respectively.</p> <p>The 2014/15 results included attendance and hire at the Clarence Street and Meteor Theatres.</p> <p>Due to the closure of Founders Theatre in March 2016, the patronage target was not achieved. However, the target was on track to be met with 34,651 people attending events up to 1 March 2016. The number of hire days target at Founders Theatre was achieved.</p> <p>Examples of events that took place prior to Founders Theatre being closed were The Country Music Awards of NZ, 7 Days Live Comedy Show, The Imperial Russian Ballet production of Swan Lake, The National Barbershop Convention, The Wiggles and High School prize-giving ceremonies.</p>			

ARTS AND CULTURE - FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Long Term Plan	Actual	Long Term Plan	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	13,233	14,489	1,568	1,320
Targeted rates	143	29	13,348	14,749
Subsidies and grants for operating purposes	-	511	38	30
Fees and charges	2,513	1,987	1,991	1,547
Internal charges and overheads recovered	-	1	-	1
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	133	31	66
Total operating funding	15,889	17,150	16,976	17,713
Applications of operating funding				
Payments to staff & suppliers	11,537	14,383	13,976	14,678
Finance costs	329	299	219	202
Internal charges and overheads applied	3,258	1	-	45
Other operating funding applications	30	103	-	-
Total applications of operating funding	15,154	14,786	14,195	14,925
Surplus/(deficit) of operating funding	735	2,364	2,781	2,788
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	172	-	-	-
Increase/(decrease) in debt	1,879	(65)	58	(292)
Gross proceeds from the sale of assets	-	575	17	9
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	52	-	3
Total sources of capital funding	2,051	562	75	(280)
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	941	444	157	22
- to replace existing assets	1,845	1,781	2,699	2,665
Increase/(decrease) in reserves	-	673	-	(4)
Increase/(decrease) of investments	-	28	-	(175)
Total application of capital funding	2,786	2,926	2,856	2,508
Surplus/(deficit) of capital funding	(735)	(2,364)	(2,781)	(2,788)
Funding balance	-	-	-	-

The 2015 Long Term Plan and 2015 Actuals have been restated due to the introduction of a new activity, Recreation, and changes in other activities.

COMMUNITY SUPPORT

We work alongside the community, support services and central government agencies to help ensure services are in place to support a strong and connected city.

We place special emphasis on connecting with the city's ethnic communities, people with disabilities, youth and elderly, and communities in areas of low social-economic status. Our work includes community advisory services, funding and grants. We also own and operate a number of community centres and halls to support social and recreational activities within our city.

We provide leadership, advice, planning and resources to enable the community to respond and recover from any significant disaster that could affect the city. In 2014 Council sold its pensioner housing units to social housing providers.

What we do

- Community Development
- Emergency Management

This includes:

- Grants and funding advice
- Community liaison and collaboration
- Community centres and halls
- Civil defence

How we contribute to the Hamilton Plan

These activities are about building a strong, resilient and connected community, which contributes to the achievement of all our Hamilton Plan priorities.

Effects on the community

We're involved in community services to support a strong, resilient and connected community.

Community Development promotes the social and cultural well-being of Hamilton's diverse communities; enabling and encouraging them to achieve their goals and aspirations by providing facilities, leadership, services and support.

Through our emergency management activity we aid the community to develop individual and community resilience and readiness through planning and support to ensure that Hamilton can respond to and recover from an emergency or disaster event.

2015/16 Year In Review

A key aspect of the Council's Support for its community is the Multi-Year Community Grant scheme, and this year \$868,000 was allocated to 27 community organisations which are delivering services, programmes and activities that benefit the social, cultural, arts and environmental wellbeing of our city's residents. Production of the Community Profiles – available for download from the Council's website – has given us a snapshot of our communities. Eleven different parts of the city are covered, with statistics included and compared to city averages. The profiles will be crucial to organisations with programmes and projects intended for the city and its residents.

The Council also voted in favour of joining the World Health Organisation's Global Age Friendly Network, which will see the voice of older people in the community incorporated into cross-sector and collaborative projects. The application is being led by the Age Friendly Steering Group – an established group of experts in issues affecting older people in Hamilton – and is supported by Hamilton City Council and the Older Persons Advisory Panel.

Council has continued to work with multiple agencies to restore public confidence in the safety of the central business district this year. The Hamilton Central Safety Plan launched in September 2014 has a two-pronged approach of setting the boundaries of acceptable public behaviour and providing help to vulnerable people through The People's Project.

This approach has resulted in 211 people housed and provided with on-going support, and a 32.5 per cent reduction in reported crime within the central city. The Plan won the Fulton Hogan Excellence Award for Community Engagement at the Local Government New Zealand Excellence Awards in July 2016.

The Council also threw its support behind Sistema Waikato, a community-based social development programme which uses orchestral music-making as a model for changing lives and creating good citizens. Delivered into four primary schools in the west of the city, it is based on similar, highly successful international programmes aimed at enhancing social aspirations while building life skills of young children, their whanau and communities.

Supporting communities extends to civil defence, an area where Council has a vital role and aims to enhance its preparedness. Staff from across the organisation have participated in civil defence training and exercises.

COMMUNITY SUPPORT

Service Performance Measures

KEY: Target achieved | Target not achieved

We provide these services to support a strong, resilient and connected community.

You can expect: The Council to always be ready for an emergency

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
Hamilton's overall capability for an emergency event, assessed against the Ministry of Civil Defence criteria.	No data	75%	75%
What this tells us			
An informal external review of the capability of Hamilton CDEM was undertaken in 2016 by Waikato Group Civil Defence. Due to personnel changes no self-assessment of capability was undertaken and there is no data to report. Any self-assessment would not have been consistent with those previously carried out. A formal external assessment will be undertaken by the Department of Prime Minister & Cabinet early in 2016/2017 and this will provide baseline data going forward.			

You can expect: Council grants to be used effectively.

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The value of services leveraged for every \$1 of community grant funding provided.	\$14.21 per \$1	\$3.00 worth of services leveraged for every \$1 provided	New measure in 2015/16
What this tells us			
Through an application process, the Council provides community assistance grants to groups and organisations to deliver services to the community. This is a measure of the return on investment for the Council's community grants programme. The Single-Year Community Grant was distributed to 94 grassroots community organisations. The \$292,000 was leveraged to create \$3,518,296 worth of community projects. Combined with the \$868,000 distributed through the Multi-Year Community Grant Scheme, the Council distributed \$1.16 million leveraged to \$16,478,296 meaning \$14.21 was leveraged for every \$1 contributed by the Council.			

COMMUNITY SUPPORT - FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Long Term Plan	Actual	Long Term Plan	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	3,664	4,054	174	292
Targeted rates	39	6	2,894	-
Subsidies and grants for operating purposes	56	21	-	-
Fees and charges	3,823	2,328	2,305	1,489
Internal charges and overheads recovered	-	10	3	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	5	1	8
Total operating funding	7,582	6,424	5,377	1,789
Applications of operating funding				
Payments to staff & suppliers	6,471	6,425	5,084	4,897
Finance costs	111	(138)	13	(220)
Internal charges and overheads applied	1,151	10	3	9
Other operating funding applications	6	13	-	-
Total applications of operating funding	7,739	6,310	5,100	4,686
Surplus/(deficit) of operating funding	(157)	114	277	(2,897)
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	306	-	-
Increase/(decrease) in debt	48	(29)	3	(17)
Gross proceeds from the sale of assets	-	260	7	4,060
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	5	-	(480)
Total sources of capital funding	48	542	10	3,563
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	82	113	14	11
- to replace existing assets	319	163	273	128
Increase/(decrease) in reserves	(510)	361	-	537
Increase/(decrease) of investments	-	19	-	(10)
Total application of capital funding	(109)	656	287	666
Surplus/(deficit) of capital funding	157	(114)	(277)	2,897
Funding balance	-	-	-	-

The 2015 Long Term Plan and 2015 Actuals have been restated due to the introduction of a new activity, Recreation, and changes in other activities.

DEMOCRACY SERVICES

Democracy is about providing Hamiltonians with excellent governance and sound leadership for the city, with opportunities to be involved in decisions the Council makes.

This activity includes Council and Committee meetings, consultation, elected members' remuneration, and civic functions. We also run Hamilton's local government elections. We make sure that people have easy access to the information they need to get involved in Council's decision-making.

The Council fosters opportunities for Maaori to be involved and has relationships and service contracts with organisations to ensure Maaori views are represented in decisions about the city. We have a number of advisory panels that provide guidance and advice to Council on a range of matters. These include the Hamilton's Older Persons Advisory Panel and Youth Council who are key representative partners.

What we do

- Governance and Public Affairs
- Partnership with Maaori

This includes:

- Council and committee meetings
- Elected members' remuneration
- Elections and referenda
- Civic events
- Partnership with Maaori
- Official information requests
- Advisory panels

How we contribute to the Hamilton Plan

Democracy services are about governance and decision-making, which contributes to all of our Hamilton Plan priorities.

Effects on the community

We're involved with democracy to provide effective, open and responsive city governance and opportunities for people to be part of shaping our city. Enabling democratic local decision-making is one of the purposes of local government. The Mayor and councillors have been elected by the community and given responsibility for the overall governance of the city. This includes setting Hamilton's long-term direction and ensuring that the Council acts in the best interests of Hamilton residents.

With Hamilton's population becoming increasingly diverse and the city embracing people from different ethnic groups and cultural backgrounds, it is even more important that residents are provided with a range of different ways to participate in local decision-making and that they are encouraged to have an active role in the city's development.

2015/16 Year In Review

In the democratic sphere, the Council's public meeting agendas and minutes are fully accessible on the Council's website and can be downloaded directly as PDF files for organisations and individuals with an interest in the decision making process undertaken by the Mayor and councillors.

The livestreaming of Council meetings continues to deliver democracy directly to the computers and digital devices of citizens and organisations. Video recordings of the meetings are also made available through the Council's official YouTube channels. Consultation processes are broadly advertised through the various Council communication channels and Local Government Official Information Act requests can be filed electronically via the Council's website. Similarly, the Council's bylaws and plans are freely available online.

Maaori and Decision-making

Council seeks to honour the principles of partnership in decision-making with its treaty partners.

Council has partnerships with Maaori organisations which assist Council in ensuring Hamilton is a city where people from different cultures work together and respect each other's views, heritage, culture and strengths. Following an independent review carried out by Pricewaterhouse Coopers in 2012/13, we continue to receive valued support and advice from urban Maaori organisation Te Runanga o Kirikiriroa (for strategic policy advice) and Te Hā o te Whenua o Kirikiriroa Trust (THaWK), who represent the five hapū for the greater Hamilton City area on issues relating to the management of Hamilton's natural and physical resources.

Council's Maaori Relationship Advisor continues to provide support and advice to Council on issues related to Maaori and to help with the development of stronger relationships with local Maaori. Hamilton City Council and Te Arataura, the Executive of Te Whakakitenga o Waikato Incorporated, are committed to working collaboratively under a co-governance structure to support and promote better environmental, social, cultural and economic outcomes within Hamilton. Council aims to continue building positive and stronger relationships between the organisations through collaborative projects with Waikato Tainui.

DEMOCRACY SERVICES

Service Performance Measures

KEY: Target achieved | Target not achieved

We provide democracy services to support effective, open and responsive city governance.

You can expect: Timely and open access to public information

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of official information requests responded to within 20 working days.	99%	100%	99%
What this tells us			
All requests for information are considered official. By law the Council must reply to official information requests within 20 working days. Out of a total of 217 official information requests received during the year, 215 were completed on time. The other two were both completed within one day after their deadline.			

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The number of complaints about Council withholding information upheld by the Ombudsman.	0 complaints upheld	0 complaints upheld	0
What this tells us			
The Local Government Official Information and Meetings Act and the Official Information Act identify certain grounds to be "valid reasons" for withholding information from the public. During 2015/16 there were three complaints made to the Ombudsman about the withholding of information. None of these were upheld.			

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of Council meeting agendas circulated at least two working days prior to the meeting.	99%	100%	100%
What this tells us			
We are required by law to make sure that meeting agendas are made publicly available within certain timeframes. During 2015/2016 there were 89 agendas which were made publicly available. Due to technical reasons only one agenda was not made available to the public at least two clear working days prior to the meeting; this was made available four hours later than the deadline.			

DEMOCRACY SERVICES - FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Long Term Plan	Actual	Long Term Plan	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	4,079	5,425	551	437
Targeted rates	43	16	4,707	4,452
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	30	350	20	22
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	6	-	1
Total operating funding	4,152	5,797	5,278	4,912
Applications of operating funding				
Payments to staff & suppliers	1,535	4,561	5,251	4,879
Finance costs	10	9	-	3
Internal charges and overheads applied	2,935	-	-	10
Other operating funding applications	-	54	-	-
Total applications of operating funding	4,480	4,624	5,251	4,892
Surplus/(deficit) of operating funding	(328)	1,173	27	20
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	570	-	-	-
Gross proceeds from the sale of assets	-	598	1	1
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	20	-	-
Total sources of capital funding	570	618	1	1
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	91	463	7	2
- to replace existing assets	156	527	21	19
Increase/(decrease) in reserves	(5)	801	-	-
Increase/(decrease) of investments	-	-	-	-
Total application of capital funding	242	1,791	28	21
Surplus/(deficit) of capital funding	328	(1,173)	(27)	(20)
Funding balance	-	-	-	-

ECONOMIC DEVELOPMENT

The Council is a key contributor to enhancing the Hamilton economy and delivering core services and infrastructure that enable business to thrive in our city.

What we do

- Economic initiatives
- Strategic property investment
- Claudelands Events Centre
- FMG Stadium Waikato
- Seddon Park

This includes:

- Major event sponsorship and event leverage
- Hamilton i-site Visitor Information Centre
- Regional Tourism Organisation funding
- Hamilton Central Business Association
- Ownership interest in Waikato Innovation Park Limited and Hamilton Airport economic monitoring
- Property investments

FMG Stadium Waikato, Seddon Park and Claudelands Events Centre are owned and managed by H3, a business unit of Hamilton City Council.

How we contribute to the Hamilton Plan

Our Economic Development activities primarily contribute to these Hamilton Plan priorities:

- The third city economy in New Zealand
- An active, strong commercial central city with distinctive suburban villages
- Waikato is the capital of high-performance sport

Effects on the community

The Council invests in the city's prosperity to support a strong, productive and sustainable local economy. A strong economy fosters investment in the city, creating employment and business opportunities and supporting the overall economic well-being of the city. There are also positive social and lifestyle benefits for Hamilton residents. A financial return on the Council's commercial property investments also contributes towards a strong economy and fosters investment in the city.

Claudelands, FMG Stadium Waikato, Seddon Park and major events are important contributors to the city's economy as major generators of business and event tourism that comes to Hamilton. The events Council hosts bring visitors from outside Hamilton, which has an economic benefit for the city. Many stay in the city and buy goods and services while they are here, which has a flow on effect for businesses. We focus on bringing a range of international and national events to our venues to attract people to our city and contribute to Hamilton being a great place to live.

Significant events at Claudelands, Seddon Park and FMG Stadium Waikato may have temporary negative environmental and social effects. These include litter, traffic congestion, antisocial behaviour, noise and lighting effects for surrounding residents. The Council manages these effects in compliance with the District Plan, resource consents and effective asset management planning. These include having effective event management plans in place which includes plans to monitor alcohol, traffic and security at and around the event.

2015/16 Year In Review

Major events are identified as crucial to economic development, and the Council's event facilities attracted events and people to the city. The H3 year began with the announcement of 10-year sponsorship deal which saw Waikato Stadium become FMG Stadium Waikato. And 11 months later, the renamed stadium hosted the historic match between the Gallagher Chiefs and the touring Wales rugby team.

Fans attending the match were also able to watch the action on a second big screen installed at the venue. FMG Stadium also hosted ITM Cup and Super Rugby fixtures, while a few blocks away Seddon Park boosted its reputation as one of the country's top cricket venues, hosting matches featuring New Zealand, Sri Lanka and Pakistan and Australia. Claudelands, the third of the city's international venue trio, hosted The Waikato Home and Garden Show, Fight for Life, Pasifika by Nature, Women's Lifestyle Expo, Ice Age Live and ANZ Netball Championship games for Waikato Bay of Plenty Magic.

As well as public ticketed events there were also over 507 conferences, meetings, functions and exhibitions at Council's venues which were attended by 138,000 people. Many of these events attract people from outside Hamilton and the Waikato region. In 2015, Claudelands Events Centre was awarded the Excellence in Innovation award for its Business Systems and Processes Transformation Project.

Council continued to co-fund (alongside six city and district councils) Hamilton & Waikato Tourism, the official Regional Tourism Organisation (RTO) for the region. From an economic development perspective, Hamilton's value proposition is underpinned by a strong and vibrant tourism organisation.

The Council also holds 50 per cent of the shares in Waikato Regional Airport Limited, which operates Hamilton Airport. The objective of this company is to operate a successful commercial business, providing safe, appropriate and efficient services for the transportation of people and freight in and out of the airport of Hamilton.

ECONOMIC DEVELOPMENT

Service Performance Measures

KEY: Target achieved | Target not achieved

We invest in our city to support a strong, productive and sustainable local economy.

You can expect: Our venues to be well used

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The total number of hire days across the Claudelands facilities each year.	486	At least 500	574
The number of people attending events at Claudelands each year.	170,034	At least 180,000	224,223
The total number of hire days across the stadium facilities each year.	627	At least 410	618
The number of people attending events at the stadiums each year.	158,457	At least 200,000	211,488
What this tells us			
<p>We measure the number of days a venue is hired instead of the number of events to get a more accurate picture of how much our venues are used. Venues have multiple spaces available for hire and can host a number of different events on any particular day. The length of each event varies, so too does the number of days taken to set up or pack down an event. The term 'hire days' therefore reflects the total number of days that each hireable space is booked at a particular venue.</p> <p>Exhibitions across New Zealand are reducing in size and frequency and our region reflected this trend in 2015/16. Claudelands saw reduced exhibition activity and this impacted on "The number of people attending events" measure. At year end, actual attendance was 170,034 which is below the target of 180,000. FMG Stadium Waikato did not host an All Blacks game, semi-final or final Super Rugby match in 2015/16 and this is reflected in the overall patronage result of 158,457 which was below target of 200,000.</p> <p>By comparison, FMG Stadium Waikato and Seddon Park achieved their hire day targets which indicate a changing mix in event business and strong national conference and meeting activity.</p>			

You can expect: A financial return on the Council's commercial property investments

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The financial return on the Council's commercial property investments.	8.6%	7%	8%
What this tells us			
<p>Keeping properties tenanted is the key to ensuring we are achieving good financial returns on our commercial property investments.</p> <p>The target reflects the current market we are operating in, and has been benchmarked against other commercial investment portfolios. The result shows that the Council has achieved better-than-expected investment returns this year.</p>			

ECONOMIC DEVELOPMENT

You can expect: In-depth economic monitoring

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
Quarterly and annual economic analysis of Hamilton's economy to be produced.	Achieved	Quarterly and annual monitoring reports produced	New measure in 2015/16
What this tells us			
This analysis provides information data and economic intelligence that informs us about the economic health of the city and enhances the Council's business decision-making.			

You can expect: Growth in the Hamilton and Waikato region visitor economy

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of growth in the visitor economy of the Hamilton and Waikato Region	No data	2.8% growth annually	
What this tells us			
<p>The Council provides funding to the Waikato Regional Tourism Organisation (RTO), along with six other Waikato councils. Hamilton City Council is the major funder. The core purpose of the RTO is to promote the Hamilton and Waikato region as an appealing destination to international and domestic visitors in order to generate the economic benefits for the region and its communities.</p> <p>The aspiration for the Hamilton and Waikato region is to expand the visitor economy from \$1.08B in 2013 to \$1.5B in 2025, representing growth of 40 per cent or 2.8 per cent per annum. Additional funding has been provided through the seven councils' 2015-25 10-Year Plans to help achieve this.</p> <p>This is an annual expenditure figure provided by Ministry of Business, Innovation and Employment (MBIE) and isn't available quarterly. The results for year end March 2016 will be available in November 2016. MBIE have recast growth figures so Hamilton & Waikato Tourism have decreased their target to 2.7 per cent.</p>			

ECONOMIC DEVELOPMENT - FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Long Term Plan	Actual	Long Term	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	15,847	12,490	998	1,222
Targeted rates	169	295	11,062	11,293
Subsidies and grants for operating purposes	-	113	-	6
Fees and charges	9,285	10,314	9,057	8,921
Internal charges and overheads recovered	-	49	132	164
Local authorities fuel tax, fines, infringement fees, and other receipts	414	729	550	593
Total operating funding	25,715	23,990	21,799	22,199
Applications of operating funding				
Payments to staff & suppliers	14,886	20,333	15,028	14,604
Finance costs	7,279	6,739	5,143	4,951
Internal charges and overheads applied	2,240	49	132	271
Other operating funding applications	470	40	-	-
Total applications of operating funding	24,875	27,161	20,303	19,826
Surplus/(deficit) of operating funding	840	(3,171)	1,496	2,373
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	193	-	-	-
Increase/(decrease) in debt	1,191	(3,516)	1,476	(7,387)
Gross proceeds from the sale of assets	11	18,012	15	1,966
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	393	-	(20)
Total sources of capital funding	1,395	14,889	1,491	(5,441)
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	355	355	169	29
- to replace existing assets	901	1,145	2,818	2,501
Increase/(decrease) in reserves	-	8,689	-	(1,170)
Increase/(decrease) of investments	979	1,529	-	(4,428)
Total application of capital funding	2,235	11,718	2,987	(3,068)
Surplus/(deficit) of capital funding	(840)	3,171	(1,496)	(2,373)
Funding balance	-	-	-	-

PARKS & GREEN SPACES

One of the great features of Hamilton is its huge range of parks, trees, beautiful gardens and street plantings. Hamilton Gardens is an internationally award-winning destination, well-loved by local residents as well as national and international visitors.

Our city has a network of natural areas alongside the Waikato River, and a range of gullies and ecological restoration areas such as the Waiwhakareke Natural Heritage Park.

We also provide burial and crematorium services in park like settings where people can remember loved ones. The parks and open spaces, with their complementing walkways and amenities managed by the Council, contribute to people's sense of pride in how Hamilton looks and feels.

What we do

- Hamilton Gardens
- Community parks
- Gullies and native plantings
- Streetscapes
- Sports parks
- Cemeteries and Crematorium

This includes:

- Neighbourhood and destination parks
- Hamilton Gardens
- Playgrounds
- Public toilets
- Sports parks
- River and lake walkways
- Gullies and native plantings
- Natural heritage parks
- Street plantings and trees
- Cemeteries and crematorium

How we contribute to the Hamilton Plan

Our parks and green spaces primarily contribute to these Hamilton Plan priorities:

- An urban garden
- Best garden in the world
- Waikato is the capital of high performance sport

Effects on the community

We provide parks and open spaces to protect, restore and enhance Hamilton's beautiful green landscape and to offer community spaces that everyone can enjoy.

Our parks and open spaces, with their complementary walkways and amenities managed by the Council, provide spaces for leisure and recreation, beautify our city and preserve its green network. They also provide spaces that protect the city's heritage and contribute to people's pride in how Hamilton looks and feels.

Our cemeteries and crematorium provide burial and cremation services in park-like settings where people can remember loved ones and celebrate our city's heritage. Potential negative effects on the community from this activity, such as leachate from burial grounds and crematorium unit discharges are managed through soil and water testing and resource consent conditions and regular maintenance.

2015/16 Year In Review

It's been another very successful year for the award-winning Hamilton Gardens. The Hamilton Gardens Development Project has received contributions from a number of partners and the development is well on track. Other notable achievements for the gardens were the announcement of jeweller and entrepreneur Sir Michael Hill as the patron of the Hamilton Gardens Development Trust, the launch of a bespoke range of food products, and the inaugural Katherine Mansfield Garden Party (a 1930s-themed event held in the Rogers Rose Garden).

The Playgrounds of the Future Plan won a NZ Recreation Association Award in November, a significant achievement for the Council's Parks and Open Spaces unit – which opened the city's fifth destination playground, at Minogue Park, in August. Another playground initiative saw the Council partner with the Ministry of Education to develop a new playground at Deanwell School, with construction firm Downer also contributing financially.

In May 2016 Council resolved to add a 5.13 hectare piece of land bordering the Waiwhakareke Natural Heritage Park, to the park. The land was originally designated for a smart subdivision with an eco-housing focus, but had not been developed into a residential area. The land has now been reclassified as reserve land.

The Council also adopted the Hamilton Cemeteries Plan, which guides the operation, development, protection and public use of Hamilton's cemeteries and crematorium. It sets priorities for the next 10 years and describes how we will sustainably develop Hamilton Park Cemetery at Newstead to meet current and future burial and cremation needs. Lastly, the Victoria on the River project began and, when completed, the site will be a park-like environment with views across Waikato River.

PARKS & GREEN SPACES

Service Performance Measures

KEY: Target achieved | Target not achieved

We provide these activities to contribute to a green city with parks, trees, beautiful gardens and street plantings and places for leisure, sports and recreation.

You can expect: The Council to protect, restore and enhance Hamilton's beautiful green landscape

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The quantity of public green space in the city.	9 hectares gained	No net loss (1126ha at 30 June 2015)	New measure
The number of street trees in the city.	514 more trees	Annual growth in the number of street trees (approx 30,000 street trees at June 2015)	New measure
The number of native plants planted in Council-owned natural areas each year.	63,581 plants planted	At least 25,000 each year	85,153
What this tells us			
One of the priorities in the Hamilton Plan is for the city to be an urban garden. In 2015/16 we increased the area of public green space in the city and added over 500 more street trees to our existing 30,000 street trees. We also planted over 60,000 native plants, including more than 20,000 at Waiwhakareke Natural Heritage Park in June, to help make Hamilton a greener city.			

You can expect: Destination playgrounds to be completed as planned

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
Delivery of the destination playgrounds programme.	Achieved	1 new destination playground in 2015/16	4 destination playgrounds at June 2015
What this tells us			
The Council has been implementing the Playgrounds of the Future Plan that sets out a programme for development of new playgrounds across the city.			
The Minogue Park destination playground was opened in August 2015. While it is the fifth destination playground in Hamilton, this playground was the first of nine to be developed as part of the first 10 years of the Plan.			

You can expect: The Council to invest in sports fields

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The number of hours of play provided per week by the Council's sports fields during winter.	836 hours	836 hours	836
What this tells us			
The Council has retained its sports fields training capacity during 2015/16. Budget provision in 2015/16 has not yet increased this capacity due to the necessary lead-in time to plan, develop and establish sports facilities. It is anticipated that this result will increase in future as new facilities are made available.			
Maintenance and renewal of existing sports fields ensure levels of service continue to be met.			

PARKS & GREEN SPACES

You can expect: The Hamilton Gardens programme to be completed as planned

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
Delivery of the four-year Hamilton Gardens development programme.	On track	Hamilton Gardens development programme completed by 2017/18	First themed garden (Tudor Garden) opened February 2015
The estimated number of visitors to the Hamilton Gardens each year.	402,500 (9% increase)	Annual increase in the number of visitors	371,325
What this tells us			
Hamilton Gardens is our biggest tourist attraction and an iconic destination in our city. In 2015/16 visitor numbers to the enclosed area of the Gardens increased by nine per cent compared with 2014/15. As part of the four-year development programme the first themed garden, the Tudor Garden, was opened in February 2015. The remaining themed gardens will be completed in 2017 and 2018 along with the destination playground, new toilet block, carpark extension, Information Centre upgrade and new jetty.			

PARKS AND GREEN SPACES - FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Long Term Plan	Actual	Long Term Plan	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	11,847	19,833	1,769	1,502
Targeted rates	126	614	15,690	13,877
Subsidies and grants for operating purposes	-	263	7	5
Fees and charges	970	2,373	2,166	2,712
Internal charges and overheads recovered	-	781	816	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	286	393	204
Total operating funding	12,943	24,150	20,841	18,300
Applications of operating funding				
Payments to staff & suppliers	9,236	16,698	15,724	16,721
Finance costs	1,600	1,441	1,563	1,074
Internal charges and overheads applied	1,463	781	816	182
Other operating funding applications	98	31	-	-
Total applications of operating funding	12,397	18,951	18,103	17,977
Surplus/(deficit) of operating funding	546	5,199	2,738	323
Sources of capital funding				
Subsidies and grants for capital expenditure	-	481	-	-
Development and financial contributions	493	3,020	1,550	4,135
Increase/(decrease) in debt	1,970	(793)	447	(2,240)
Gross proceeds from the sale of assets	-	1,096	18	13
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	926	1,563	1,937
Total sources of capital funding	2,463	4,730	3,578	3,845
Application of capital funding				
Capital expenditure				
- to meet additional demand	440	2,254	3,040	2,970
- to improve the level of service	1,010	2,988	657	1,636
- to replace existing assets	1,559	2,906	2,274	2,616
Increase/(decrease) in reserves	-	1,442	345	(1,712)
Increase/(decrease) of investments	-	339	-	(1,342)
Total application of capital funding	3,009	9,929	6,316	4,168
Surplus/(deficit) of capital funding	(546)	(5,199)	(2,738)	(323)
Funding balance	-	-	-	-

The 2015 Long Term Plan and 2015 Actuals have been restated due to the introduction of a new activity, Recreation, and changes in other activities.

PLANNING & DEVELOPMENT

Good planning supports sustainable growth and development. It protects Hamilton's natural and built environments and helps maintain quality of life for our city's residents.

We prepare the District Plan and other policies that guide the future development of our city. We are in the final stages of our District Plan review, the key document that defines how and where the city grows and how its natural and physical resources are managed.

We provide planning information and process applications for land use and subdivision consents and work with developers to ensure the city is well designed, safe and successful. Our work also includes monitoring and investigating compliance with resource consent conditions, District Plan, the Prostitution Bylaw and the Gambling Policy.

We issue building consents, inspect buildings under construction and public buildings, and provide advice to help ensure Hamilton's buildings are safe, healthy and durable. We also maintain property information and answer property enquiries.

What we do

- City Planning
- Planning Guidance & Compliance
- Building Control

This includes:

- District Plan
- Resource consents and monitoring
- Building consents and inspections
- Building warrants of fitness
- Property information and advice
- Urban Design and Heritage Panels

How we contribute to the Hamilton Plan

These activities primarily contribute to these Hamilton Plan priorities:

- Hamilton is the third largest city economy in New Zealand
- An active, strong commercial central city and distinctive suburban villages
- Provide access to affordable housing

Effects on the community

How land is used has a major effect on the look and feel of our city and the city environment. City planning supports the growth of the city while ensuring Hamilton's unique environment is protected. Planning guidance activities also protect Hamilton's natural and physical resources and help maintain quality of life for Hamilton residents.

Regulating the building activities in the city enables safe and sustainable housing and commercial solutions in response to Hamilton's growing population.

2015/16 Year In Review

One of the major pieces of work for the Council's Planning Guidance Unit was the granting of consents for Tainui Group Holdings' logistics and inland port development at Ruakura.

Covering some 60 hectares as the first stage, the entire 480 hectare site will also feature the equivalent to more than 52 rugby fields of open space, a light commercial knowledge zone and residential housing. This development will contribute towards economic development through the creation of jobs and industry in the area. Nearby, a Chedworth Properties subdivision consent granted (150 lots) will provide medium-density housing in close proximity to the Ruakura employment area. For the City Planning team, the majority of the appeals to the Proposed District Plan have been settled. This means the plan will become operative and subsequently simplify the planning process for development around the city.

The Ruakura Variation is a proposed addition to the Council's Proposed District Plan and will enable further development in the Ruakura area, including housing, businesses, parks, educational facilities and Tainui Group Holdings' inland port and freight hub.

The Council also completed its Heritage Plan, a strategic document to assist and incentivise the use and retention of the city's history by helping to reduce the burden for owners of listed heritage buildings and to ensure adequate long-term management of the city's heritage building stock. The Council's Building Inspectors have also been equipped with modern digital technology which gives them the ability to capture 'real time' information and improved reporting capability while conducting site inspections. Digitisation of all historical building consents was completed, and those consents are now available through the Council's records management system.

The Council's Eco Design service notched up 10 years free independent advice, on how to best use energy, water and materials on home improvement, new building and renovation projects. This service was highlighted at the national Eco Design Advisor workshop held in April 2016.

PLANNING & DEVELOPMENT

Service Performance Measures

KEY: Target achieved | Target not achieved

We're involved in planning and development to protect Hamilton's unique environment and residents' quality of life as our city grows.

You can expect: An adequate supply of land for housing

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The number of years of residential land supply zoned and ready for development in greenfield areas.	7 years	At least 5 years	8 years
What this tells us			
<p>The Council zones and provides the strategic infrastructure for new areas in the city. While developers provide the infrastructure needed for their development, the Council needs to make sure that there are the right networks to join up with. At 30 June 2016 we have nearly seven years of residential-zoned land that has strategic infrastructure in place and therefore ready for developers to complete their developments and bring them to market for new housing.</p> <p>In December 2014 the Council measured the number of years of residential land supply zoned and ready for development in greenfield areas. This methodology was replicated in June 2016 to produce a comparable figure to that of December 2014.</p>			

You can expect: Planning and building consents to be processed on time

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of non-notified resource consent applications processed within statutory timeframes.	99.2%	100%	99.8%
The percentage of building consents processed within statutory timeframes.	99.6%	100%	99.6%
What this tells us			
<p>The Council has legal timeframes that applications must be processed within.</p> <p>In 2015/16 708 resource consent applications were received by the Council which could be processed to completion without public or limited notification. Of these 708 applications, six were not completed within the legal timeframe due to factors such as negotiations with consultants over consent conditions.</p> <p>In Building Control, 1801 building consent applications were received of which eight were not processed within the legal timeframe. These resulted from resourcing difficulties at periods of higher-than-usual demand.</p>			

PLANNING AND DEVELOPMENT - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Long Term Plan 2015 \$000	Actual 2015 \$000	Long Term Plan 2016 \$000	Actual 2016 \$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	3,865	4,253	449	1,111
Targeted rates	41	5	3,831	1,814
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	1,119	1,809	7,436	9,816
Internal charges and overheads recovered	-	18	-	21
Local authorities fuel tax, fines, infringement fees, and other receipts	-	3	-	12
Total operating funding	5,025	6,088	11,716	12,774
Applications of operating funding				
Payments to staff & suppliers	4,325	5,646	11,383	12,479
Finance costs	7	3	11	6
Internal charges and overheads applied	1,006	18	-	11
Other operating funding applications	-	18	-	-
Total applications of operating funding	5,338	5,685	11,394	12,496
Surplus/(deficit) of operating funding	(313)	403	322	278
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	540	-	-	-
Gross proceeds from the sale of assets	-	205	11	7
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	7	-	2
Total sources of capital funding	540	212	11	9
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	86	159	100	98
- to replace existing assets	148	181	233	189
Increase/(decrease) in reserves	(7)	275	-	-
Increase/(decrease) of investments	-	-	-	-
Total application of capital funding	227	615	333	287
Surplus/(deficit) of capital funding	313	(403)	(322)	(278)
Funding balance	-	-	-	-

The 2015 Long Term Plan and 2015 Actuals have been restated due to the introduction of a new activity, Recreation, and changes in other activities.

RECREATION

We provide a range of quality recreational facilities that are widely accessible and suitable for all ages and abilities.

The Council operates two swimming facilities - Waterworld and Gallagher Aquatic Centre. Waterworld is the largest multi-pool facility in the Waikato region and hosts both local and national competitions. Gallagher Aquatic Centre is a smaller community pool well suited to recreational and leisure swimmers. Council also provides grants to partnership pools including Fairfield High School, University of Waikato, Te Rapa Primary School and Hillcrest Normal School, to increase available pool space and create local swimming facilities for communities to enjoy.

We also own the Te Rapa Sportsdrome, an indoor recreational facility that supports local sports and community use.

Hamilton Zoo is home to more than 600 exotic and native New Zealand animals spread over 21 hectares. The unique experience at Hamilton Zoo allows residents and visitors to enjoy wildlife in a natural setting and encourages support for wildlife conservation and sustainability of natural resources. The Zoo offers education programmes for schools, participates in international breeding programmes for endangered species and breeds native animals for introduction to the wild.

What we do

- Pools
- Hamilton Zoo
- Indoor recreation

This includes:

- Waterworld
- Gallagher Aquatic Centre
- Partner pool funding
- Hamilton Zoo
- Te Rapa Sportsdrome

How we contribute to the Hamilton Plan

Our recreation activities primarily contribute to these Hamilton Plan priorities:

- Waikato is the capital of high performance sport
- An urban garden (Hamilton Zoo)

Effects on the community

We're involved in arts and recreation to support a fun and creative city with quality artistic and recreational experiences.

Arts and recreation facilities offer health, learning, and social and leisure benefits. They are a big part of what makes our city a great place with an attractive lifestyle, especially for families.

2015/16 Year In Review

An exciting new partnership between the Council and the Ministry of Education confirmed this year will lead to the construction of a new indoor recreation centre in Rototuna. The new four-court facility will be built at Rototuna Junior High School by July 2017, with Council contributing \$4.5 million to the build. It will be available for community use during and outside school hours.

Our swimming pools – Waterworld and Gallagher Aquatic Centre – drew over 590,000 visitors, exceeding our annual target by more than 10,000. Council also approved a

multi-million dollar renewal and upgrade of Waterworld, which will be completed in 2016/2017. This will improve the customer experience and enhance Waterworld's ability to host major swimming events. A feature of Waterworld's year was the success of the inaugural Paws in the Pool event, which gave dogs a chance to paddle in the outdoor Lido pool.

Hamilton Zoo notched up a range of highlights, including a record number of visitors, the birth of a baby female chimpanzee, male southern white rhino and spider monkey, and the successful launch of the Zoofari programme. This is a collaboration with The Warehouse which makes zoo visits a reality for children from decile 1 schools. Hamilton Zoo also opened a new Siamang Gibbon exhibit, and joined a growing list of international destinations photographed by Google Trekker.

RECREATION

Service Performance Measures

KEY: Target achieved | Target not achieved

We are involved in recreation facilities to provide opportunities for fun, leisure and learning.

You can expect: Hamilton Zoo to provide unique visitor and learning experiences landscape

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The number of visits to Hamilton Zoo each year.	129,448	At least 120,000	128,519
The number of students participating in Zoo education programmes each year.	8009	At least 8,000	7,890
What this tells us			
<p>We aim to maintain our Zoo visitor numbers through marketing and providing new reasons to visit, such as animal births and new arrivals or improved exhibits. Hamilton Zoo remains a popular visitor attraction.</p> <p>The Zoo provides education programmes that are subsidised by a Learning Experiences Outside The Classroom grant from the Ministry of Education. The Zoo's programmes focus on social science, including the conservation of wildlife and environmental responsibility but they compete for school visits with other local exhibitions and attractions.</p>			

You can expect: Council pools to provide opportunities for recreation, learning and leisure

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The number of visits to Waterworld and Gallagher Aquatic Centre each year	590,216	At least 580,000	640,244
The number of students participating in aquatic education classes at Council pools.	38,307	At least 28,000	49,860
The number of people participating in Learn to Swim classes at Council pools.	62,646	At least 40,000	44,251
What this tells us			
<p>Our pools offer curriculum-based water safety and aquatic education programmes to local schools that don't have their own pools. We also offer swimming lessons for people of all ages and abilities to improve their swimming technique and overall skill level. These programmes and classes remain very popular and contribute to the community's safety, recreation and well-being.</p>			

RECREATION - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Long Term Plan	Actual	Long Term Plan	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	8,333	7,513	603	1,290
Targeted rates	87	-	5,123	10,486
Subsidies and grants for operating purposes	-	318	276	302
Fees and charges	4,985	4,417	4,452	4,371
Internal charges and overheads recovered	-	2	-	2
Local authorities fuel tax, fines, infringement fees, and other receipts	-	32	29	39
Total operating funding	13,405	12,282	10,483	16,490
Applications of operating funding				
Payments to staff & suppliers	10,115	9,961	9,217	14,329
Finance costs	392	315	298	286
Internal charges and overheads applied	2,163	2	-	158
Other operating funding applications	12	38	-	-
Total applications of operating funding	12,682	10,316	9,515	14,773
Surplus/(deficit) of operating funding	723	1,966	968	1,717
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	120	-	-	-
Increase/(decrease) in debt	1,552	(66)	84	(419)
Gross proceeds from the sale of assets	-	575	10	6
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	52	-	1
Total sources of capital funding	1,672	561	94	(412)
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	764	64	15
- to replace existing assets	2,395	1,063	998	1,541
Increase/(decrease) in reserves	-	673	-	-
Increase/(decrease) of investments	-	28	-	(251)
Total application of capital funding	2,395	2,528	1,062	1,305
Surplus/(deficit) of capital funding	(723)	(1,967)	(968)	(1,717)
Funding balance	-	-	-	-

The 2015 Long Term Plan and 2015 Actuals have been restated due to the introduction of a new activity, Recreation, and changes in other activities.

RUBBISH & RECYCLING

We are responsible for the collection, safe disposal and minimisation of household rubbish and recycling. We provide kerbside rubbish and recycling collections for residential properties (excluding inner city apartments).

Our rubbish is disposed of in an out-of-district landfill as the Council no longer operates a landfill locally. We also manage closed landfill sites at Rototuna, Cobham Drive, Willoughby and Horotiu to prevent adverse effects on the environment and public health.

The Council has a legal responsibility to reduce the amount of rubbish going into landfills and to encourage more recycling and reuse. Our resource recovery centres include the Lincoln Street Refuse Transfer Station, Recycling Centre and the Hamilton Organic Centre. The operation of these three facilities is contracted to privately-owned businesses.

What we do

- Rubbish and recycling collection
- Waste minimisation
- Landfill site management

This includes:

- Kerbside rubbish and recycling collections
- Resource recovery centres
- Closed landfill management
- Waste minimisation initiatives

How we contribute to the Hamilton Plan

Rubbish and recycling primarily contributes to this Hamilton Plan priority:

- Providing outstanding infrastructure

Effects on the community

We provide these services to protect people's health and our environment by minimising the production of rubbish and promoting recycling and reuse.

The Council aims to reduce the amount of rubbish produced by residential properties by investigating options to divert recyclable materials from black bags and other rubbish; continuing education programmes; providing grants for promotion of waste minimisation and investigating alternative containers.

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

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

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

2015/16 Year In Review

Hamilton residents send 24,000 tonnes of material to landfill every year. As the city grows, so does the volume of waste produced by its residents. In June, the Council launched its Fight the Landfill campaign which aims to divert waste from landfills and encourage recycling and reuse options. The Fight the Landfill campaign saw the creation of a range of characters to educate the community about items that can be recycled, and therefore avoid being sent to landfill.

Hamilton became the first council in New Zealand to officially support a plastic bag recycling programme which has seen specially designed collection bins placed in a range of local retail outlets. We also began reviewing options for future rubbish and recycling services, increased our focus on illegal dumping occurring in some areas of the city - issuing of infringement notices under the Litter Act - and developed a waste licensing scheme to provide data to assist with delivering on our waste management and minimisation plan objectives.

RUBBISH & RECYCLING

Service Performance Measures

KEY: Target achieved | Target not achieved

We're involved in planning and development to protect Hamilton's unique environment and residents' quality of life as our city grows.

You can expect: Reliable rubbish and recycling collections

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The number of weeks with more than 20 complaints about uncollected kerbside household rubbish and recycling.	1	0	0
The percentage of customer complaints about uncollected kerbside rubbish and recycling resolved within 24 hours.	96%	95%	99%
What this tells us			
<p>We missed our first target due to a large number of excess bags (above the two allowed) not collected during one week in January, resulting in increased customer complaints being received.</p> <p>Making sure our rubbish and recycling collection services are reliable is important. A reliable service stops rubbish becoming a health risk and keeps the streets tidy. For most of the time for most of Hamilton we are achieving this.</p>			

You can expect: The Council to promote and encourage recycling and reuse

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of waste recovered for recycling through the kerbside collection.	28%	At least 30%	29%
What this tells us			
<p>'Fight the Landfill' programme was launched in late 2015/16. The programme aims to encourage wider participation in the current kerbside recycling collection service.</p> <p>Further significant improvements in the percentage of rubbish recovered for recycling are not anticipated to be observed until proposed improvements are implemented, including any future changes to expand the level of service of the kerbside recycling collection.</p>			

RUBBISH AND RECYCLING - FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Long Term Plan	Actual	Long Term Plan	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	5,023	5,955	683	972
Targeted rates	54	40	5,872	10,310
Subsidies and grants for operating purposes	-	-	410	543
Fees and charges	328	401	355	344
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	508	14	20
Total operating funding	5,405	6,904	7,334	12,189
Applications of operating funding				
Payments to staff & suppliers	4,508	5,368	6,854	10,736
Finance costs	168	734	130	770
Internal charges and overheads applied	733	-	-	161
Other operating funding applications	10	12	-	-
Total applications of operating funding	5,419	6,114	6,984	11,667
Surplus/(deficit) of operating funding	(14)	790	350	522
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	1,365	(72)	37	(185)
Gross proceeds from the sale of assets	-	132	7	5
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	4	-	-
Total sources of capital funding	1,365	64	44	(180)
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	491	354	214	185
- to replace existing assets	1,079	624	180	268
Increase/(decrease) in reserves	(219)	(156)	-	-
Increase/(decrease) of investments	-	32	-	(111)
Total application of capital funding	1,351	854	394	342
Surplus/(deficit) of capital funding	14	(790)	(350)	(522)
Funding balance	-	-	-	-

SAFETY

The Council plays a large a role in enhancing public safety and security in a range of areas aimed at enabling growth and making Hamilton a more desirable place to live.

We ensure dogs are registered and controlled and provide education to schools, businesses and community groups about safety around dogs and investigation of offences under the Dog Control Act 1996.

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

Our work also includes partnering with others, such as the Police, on crime prevention initiatives. Some of the services we provide are the City Safety Patrols, CCTV cameras in the central city and a graffiti removal service to proactively investigate and remove tagging from publically visible sites and Council assets.

What we do

- Animal Education and Control
- Environmental Health
- Liquor licensing
- Public Safety

This includes:

- Dog registration
- Investigation of offences under Dog Control Act
- Dog safety education
- Food and liquor licensing
- Public health nuisances
- Noise control
- Contaminated site management and hazardous substances
- Graffiti prevention and removal
- City Safe patrols
- CCTV cameras

How we contribute to the Hamilton Plan

Our safety activities primarily contribute to this Hamilton Plan priority:

- An active, strong commercial central city with distinctive suburban villages.

Effects on the community

We provide these services to contribute to a safe community by minimising risks to public health and working with others to keep our city safe (eg. 30 per cent decrease in reported crime within central Hamilton).

Animal control minimises the danger and nuisance from dogs and contributes to a city where people can enjoy the benefits of dog ownership.

Environmental health services protect public health and safety and our City Safe services respond to public concerns about safety and aim to improve people's perceptions of safety, particularly in Hamilton's central city.

2015/16 Year In Review

Making the city a safer place for residents and visitors was an important focus for the Council in 2015/2016. Animal Control staff were moved to a new roster system which has extended the service's coverage and ensures seven-day-a-week staffing.

A technical innovation saw the introduction of new transferable cages for Animal Control vehicles: the cages are transferable from chassis to chassis which means there are long-term savings in vehicle refits. On 1 March 2016 the new Food Act 2014 commenced, introducing new requirements in relation to compliance monitoring and initiating a transition period for food businesses to comply with the Act. Half of all Hamilton businesses in the Food Safety sector have transitioned across to the new Food Control Plans.

City Safe Operations completed the upgrade of the central city CCTV camera. The Transport Centre and suburban ambassador patrols – undertaken by the City Safe staff – were reviewed and as a result, the ambassador patrols are now being carried out by the higher-qualified Safety Officers. This allowed more hours of delivery targeted at issues and hotspots identified through the new mobile data/incident collection system.

Council has worked with multiple agencies to restore public confidence in the safety of the CBD this year. The Hamilton Central Safety Plan continued to deliver a two-pronged approach of setting the boundaries of acceptable public behaviour and providing help to vulnerable people through The People's Project. Encouragingly, NZ Police's crime statistics to December showed a 30 per cent drop in reported crime in the central city. The Council's Tag Busters mural programme also saw colour and creativity added to a range of city assets, with a particularly striking example adorning the Forest Lake road water reservoir.

Nearly 6,000 graffiti jobs were recorded (a reduction from last year) of which 97 per cent were removed within two days.

SAFETY

Service Performance Measures

KEY: Target achieved | Target not achieved

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

You can expect: The Council to work with others to improve perceptions of safety in the central city

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of central city users surveyed who feel very safe or reasonably safe in the central city during the daytime.	79%	Improvements on the previous result	63% (September 2014)
What this tells us			
The Council is working with a range of partners to improve people's perceptions of safety in the central city during the daytime. This result is a significant improvement and shows that people feel safer in the city centre now than they did nearly two years ago.			

You can expect: A reliable response to requests for graffiti, excessive noise and dog control

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of graffiti removal jobs completed within two working days.	98%	95%	98%
The percentage of complaints about excessive noise responded to within 30 minutes.	97%	95%	96%
The percentage of urgent requests for dog control responded to within 60 minutes	100%	100%	99.7%
What this tells us			
<p>The Council is providing a prompt service to remove tagging from public spaces. Our focus is to remove tagging quickly to make sure that it has minimal impact on the look of our city and to discourage repeat offending.</p> <p>Excessive noise is defined as noise that disturbs someone's peace and comfort. The service has provided a prompt response to complaints about excessive noise.</p> <p>Urgent requests for dog control involve threats to public safety; this includes attacks on people or dogs and other animals and where people are intimidated by a dog's behaviour. Council's responses to urgent dog control incidents met our promise for speed every time.</p>			

SAFETY

You can expect: Premises selling food and liquor to be regularly monitored

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of high risk premises selling food inspected at least once each year for compliance with the current food safety requirements (excluding those premises subject to the new Food Act 2014 regime)	99%	100%	96%
The percentage of high risk premises selling liquor monitored annually	100%	100%	100%
What this tells us			
<p>We proactively monitor all high risk premises selling food and liquor through routine inspections and audits. Premises with a higher risk are inspected more regularly. Under the new Food Act, which commenced on 1 March 2016, high risk food businesses are required to operate under a registered Food Control Plan that identifies food safety risks and what they will do to manage those risks. Food businesses will transition over to this plan over the next three years. In the meantime we continue to inspect and monitor all high risk premises that have not yet transitioned to the plan.</p> <p>By inspecting high risk food premises the Council is helping to ensure that food providers comply with their legal obligations and that food is safe and suitable for human consumption. Of 247 high risk food premises requiring inspection, 245 were inspected and the remaining two premises were rescheduled early in 2016/17 due to owner absence at the time of the original inspection.</p> <p>The Council also protects public health by monitoring and enforcing alcohol licence conditions. By inspecting all high risk premises the Council helps to ensure that the sale, supply and consumption of alcohol is undertaken safely and responsibly and minimising the harm from the abuse of alcohol.</p>			

SAFETY - FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Long Term Plan	Actual	Long Term Plan	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	1,259	1,224	311	443
Targeted rates	13	9	2,695	2,419
Subsidies and grants for operating purposes	106	113	-	9
Fees and charges	7,279	8,557	2,136	2,267
Internal charges and overheads recovered	-	62	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	71	13	53
Total operating funding	8,657	10,036	5,155	5,191
Applications of operating funding				
Payments to staff & suppliers	7,048	9,148	4,925	4,975
Finance costs	46	44	28	27
Internal charges and overheads applied	1,622	62	-	4
Other operating funding applications	3	32	-	-
Total applications of operating funding	8,719	9,286	4,953	5,006
Surplus/(deficit) of operating funding	(62)	750	202	185
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	139	(19)	7	(36)
Gross proceeds from the sale of assets	-	352	4	3
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	12	-	-
Total sources of capital funding	139	345	11	(33)
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	28	314	29	7
- to replace existing assets	48	310	184	167
Increase/(decrease) in reserves	1	463	-	-
Increase/(decrease) of investments	-	8	-	(22)
Total application of capital funding	77	1,095	213	152
Surplus/(deficit) of capital funding	62	(750)	(202)	(185)
Funding balance	-	-	-	-

The 2015 Long Term Plan and 2015 Actuals have been restated due to the introduction of a new activity, Recreation, and changes in other activities.

SEWERAGE

Sewage drains from showers, baths, sinks, washing machines, dishwashers and toilets. Liquid waste from commercial and industrial premises is also treated through the sewerage system.

In Hamilton, sewage is transported through a network of pipes and pump stations to the Sewage Treatment Plant plant at Pukete, where it is treated to a high standard before being discharged into the Waikato River. Solid waste is removed as part of the treatment process and then composted off-site for reuse.

The sewerage network services approximately 50,000 households and 4800 commercial and industrial premises.

What we do

- Sewage collection
- Sewage treatment and disposal

This includes:

- Sewerage Treatment Plant
- Pump stations and pipes

How we contribute to the Hamilton Plan

Our sewerage service primarily contributes to this Hamilton Plan priority:

- Providing outstanding infrastructure

It's a vital tool the Council will use to protect the environment, public health and our sewage infrastructure. The bylaw was developed through the 2015/16, and was proposed by Council to take effect from 15 August 2016.

In July 2015 the Council agreed in principle to support the formation of a Council-Controlled Organisation (CCO) to own and manage sewerage and water infrastructure. This would be in conjunction with Waikato and Waipa district councils if further approved by the Council and subject to public consultation. The three councils have also approved (in June and July 2016) a Record of Agreement that outlines how the CCO would be structured and governed should one be formed.

Effects on the community

We're in the sewage business to provide our city with services that are reliable and protect people's health and our waterways. Sewage services have potential negative environmental effects such as odour, noise and discharges into waterways.

The Council manages these effects through compliance with its resource consent conditions, maintaining odour control devices at treatment plants and upgrading or replacing infrastructure as necessary.

2015/16 Year In Review

The Council's investment in core infrastructure included its sewerage system, with the commencement of an \$18.3 million upgrade of the Sewerage Treatment Plant in Pukete. A highly successful campaign – Bin It, Don't Flush It - to raise awareness of the impact of unsuitable items going into the city's sewerage system, was launched in late 2015, and featured prominently in local media. The Trade Waste and Wastewater Bylaw – which outlines what can and cannot be discharged into the city's sewerage system – was also reviewed and revised.

The revised bylaw provides clarity on everyone's responsibilities in using the sewerage system, and provides clear direction to trade waste consent holders and tankered-waste operators on how they will need to manage any discharges to the system.

SEWERAGE

Service Performance Measures

KEY: Target achieved | Target not achieved

We're in the sewerage business to provide our city with reliable services that protect people's health and our waterways.

You can expect: The sewerage system to be adequately designed and maintained

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The number of dry weather sewerage overflows from the Council's sewerage system, per 1000 sewerage connections to the system.	0.1	No more than 5 overflows per 1000 connections	New measure in 2015/16
What this tells us			
This measure provides information on whether the sewerage system is designed to an adequate standard and is being maintained in a way that minimises harm to the community. Overflows are when sewage escapes the sewerage system and enters the environment. In 2015/16 there were five dry weather overflows in a system servicing 54,000 connections.			

You can expect: A quality service

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The total number of complaints received by the Council about any of the following, per 1000 connections to its sewerage system:	10.4	No more than 25 complaints per 1000 connections	New measure in 2015/16
<ul style="list-style-type: none"> Sewerage odour, sewerage system faults or blockages and the Council's response to any of these issues. 			
What this tells us			
The number of complaints provides an indication of the quality of the service provided. This measure also provides data that highlights problems requiring attention, such as the need for maintenance, renewals, upgrades or new infrastructure. In 2015/16 a total of 563 complaints were received for a range of issues.			

You can expect: The sewerage system to be managed in a way that does not unduly impact on the environment

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The Council's compliance with its resource consents for discharge from its sewerage system:	0	No more than 1 abatement notice	0
a) The number of abatement notices.			
b) The number of infringement notices.	0	0 infringement notices	0
c) The number of enforcement orders.	0	0 enforcement orders	0
d) The number of convictions	0	0 convictions	0
What this tells us			
This measure indicates how well we are managing the environmental impacts of the city's sewerage system. It only includes formal actions taken, as they represent incidents that may have the greatest adverse impact on the environment. In 2015/16 there were no such formal actions taken.			
The Council has a resource consent that sets quality standards for the water we discharge from the Sewage Treatment Plant into the Waikato River. Bathing water standards are measured by the presence of <i>E. coli</i> which is removed from sewage by exposing it to ultraviolet (UV) light.			

SEWERAGE

You can expect: A timely response if there is a problem with the sewerage system

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The median response times for the following when the Council attends to sewerage overflows resulting from a blockage or other fault in the Council's sewerage system:			
a) Attendance time: From the time that the Council receives notification to the time that service personnel reach the site.	36 minutes	No more than 60 minutes	New measure in 2015/16
b) Resolution time: From the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault.	1.2 hours	No more than 5 hours	New measure in 2015/16
What this tells us			
This measure shows how quickly we respond when there is a problem with the sewerage system, and how quickly the problem is resolved. Results show that in 2015/16 the Council was able to respond quickly and able to resolve issues quickly, providing a better-than-agreed level of service to reduce the inconvenience to the community.			

SEWERAGE - FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Long Term Plan	Actual	Long Term Plan	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	16,681	16,262	2,110	1,086
Targeted rates	178	817	19,027	16,029
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	3,826	4,101	4,285	4,056
Internal charges and overheads recovered	-	780	1,016	633
Local authorities fuel tax, fines, infringement fees, and other receipts	427	477	355	415
Total operating funding	21,112	22,437	26,793	22,219
Applications of operating funding				
Payments to staff & suppliers	8,351	12,011	12,356	12,182
Finance costs	4,285	3,936	3,457	3,312
Internal charges and overheads applied	1,596	780	1,016	49
Other operating funding applications	266	27	-	-
Total applications of operating funding	14,498	16,754	16,829	15,543
Surplus/(deficit) of operating funding	6,614	5,683	9,964	6,676
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	2,405	4,999	2,877	7,518
Increase/(decrease) in debt	(148)	(1,925)	992	(4,966)
Gross proceeds from the sale of assets	-	952	13	8
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	214	50	332
Total sources of capital funding	2,257	4,240	3,932	2,892
Application of capital funding				
Capital expenditure				
- to meet additional demand	926	196	5,454	2,883
- to improve the level of service	1,801	2,606	1,123	1,895
- to replace existing assets	5,926	6,067	7,319	7,648
Increase/(decrease) in reserves	218	217	-	119
Increase/(decrease) of investments	-	837	-	(2,977)
Total application of capital funding	8,871	9,923	13,896	9,568
Surplus/(deficit) of capital funding	(6,614)	(5,683)	(9,964)	(6,676)
Funding balance	-	-	-	-

STORMWATER

Stormwater is rainwater that flows from surfaces like roofs, footpaths and roads. The stormwater system consists of pipes, channels, treatment devices and open watercourses, which release water into the city's streams, lakes and the Waikato River.

Large amounts of uncontrolled stormwater can lead to flooding and damage to property and can lead to potential health hazards, so it is important that it is managed.

The Council manages stormwater through encouraging stormwater re-use, and ground soakage. Where reuse or soakage is not possible we transfer stormwater away from properties and provide treatment to ensure people and the environment is protected.

What we do

- Stormwater network

This includes:

- Pipes, channels, treatment devices and open watercourses such as streams, rivers and drains.
- Ponds and wetlands

Like the Trade Waste and Wastewater Bylaw, the Stormwater Bylaw provides guidance on what can and can't enter the stormwater system. The Council is also actively developing Integrated Catchment Management Plans – covering water, sewage and stormwater - which outline the infrastructure needed to open up parts of the city for development and growth.

How we contribute to the Hamilton Plan

Stormwater primarily contributes to this Hamilton Plan priority:

- Providing outstanding infrastructure

Effects on the community

We're in the stormwater business to protect people and properties from flooding and to minimise the pollution of waterways.

Council is responsible for identifying flooding hazards within the city. Our piped stormwater network is designed and managed to prevent stormwater flooding on private residential property for a one-in-two year event. Stormwater from larger storm events is managed via overland flowpaths which may be located on private property.

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

2015/16 Year In Review

The adoption of the Council's Stormwater Bylaw in September 2015 sees the introduction of what will be an effective tool to protect urban water quality and address a significant challenge for the Council. Adoption of the bylaw followed a public consultation process and staff reports which noted that Council needs new methods to mitigate the risk of substances being discharged into its stormwater network.

STORMWATER

Service Performance Measures

KEY: Target achieved | Target not achieved

You can expect: The stormwater system to be adequately designed and managed

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
a) The number of flooding events that occur within the city	0	No more than 1 flooding event	0
b) For each flooding event, the number of habitable floors affected per 1000 properties connected to the Council's stormwater system	0	No more than 1 habitable floor affected per 1000 properties	0
What this tells us			
<p>It is important that our stormwater system is reliable and effective in providing an appropriate level of protection from flooding events. It needs to be designed to an adequate standard and operated in a way that minimises harm to the community. Throughout 2015/16 the system was effective in managing stormwater as there were no flooding events within the city.</p> <p>A flooding event means an overflow of stormwater from the Council's stormwater system that enters a habitable floor. A habitable floor refers to a floor of a building (including a basement) but does not include ancillary structures such as stand-alone garden sheds or garages.</p>			

You can expect: The stormwater system to be managed in a way that does not unduly impact on the environment

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The Council's compliance with its resource consents for discharge from its stormwater system:	0	No more than 1 abatement notice	0
a) The number of abatement notices.			
b) The number of infringement notices.	0	0 infringement notices	0
c) The number of enforcement orders.	0	0 enforcement orders	0
d) The number of convictions	0	0 convictions	0
What this tells us			
<p>The Council has a resource consent that requires us to avoid or minimise pollution in the city's waterways. We monitor the quality of stormwater discharge by taking samples from catchment areas across the city.</p> <p>This measure indicates that the Council is employing its processes adequately to manage the environmental impacts of the stormwater system; there were no occasions when the Council breached its resource consent conditions.</p>			

STORMWATER

You can expect: A timely response if there is a flooding event

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The median response time to attend a flooding event, measured from the time that the Council receives notification to the time that service personnel reach the site.	0	No more than 60 minutes	0
What this tells us			
This measure shows how quickly we respond when there is a problem the stormwater system. It measures situations where water from the stormwater system enters a habitable floor of a building. However, there were no flooding events in 2015/16 that required us to respond.			

You can expect: A quality service

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The number of complaints received by the Council about the performance of the stormwater system, per 1000 properties connected to the Council's stormwater system.	0	No more than 10 complaints per 1000 properties	New measure in 2015/16
What this tells us			
The number of complaints received gives us an indication of the quality of service we are providing. It also gives us information about issues with the stormwater system and tells us how satisfied customers are with the way we respond to requests to fix problems. There were no complaints which indicate that the stormwater system was able to manage the stormwater volumes in 2015/16.			

STORMWATER - FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Long Term Plan	Actual	Long Term Plan	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	7,289	3,191	480	241
Targeted rates	78	2	3,941	4,301
Subsidies and grants for operating purposes	-	258	-	-
Fees and charges	26	57	32	175
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	43	249	49
Total operating funding	7,393	3,551	4,702	4,766
Applications of operating funding				
Payments to staff & suppliers	1,337	1,739	2,426	2,711
Finance costs	440	372	462	420
Internal charges and overheads applied	316	-	-	-
Other operating funding applications	27	5	-	-
Total applications of operating funding	2,120	2,116	2,888	3,131
Surplus/(deficit) of operating funding	5,273	1,435	1,814	1,635
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	609	1,027	502	-
Increase/(decrease) in debt	(3,400)	(193)	133	(663)
Gross proceeds from the sale of assets	-	59	3	2
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	77	50	108
Total sources of capital funding	(2,791)	970	688	(553)
Application of capital funding				
Capital expenditure				
- to meet additional demand	878	1,005	1,757	1,550
- to improve the level of service	833	855	7	4
- to replace existing assets	1,039	515	738	637
Increase/(decrease) in reserves	(268)	(54)	-	(711)
Increase/(decrease) of investments	-	84	-	(398)
Total application of capital funding	2,482	2,405	2,502	1,082
Surplus/(deficit) of capital funding	(5,273)	(1,435)	(1,814)	(1,635)
Funding balance	-	-	-	-

TRANSPORT

We provide and manage a safe and efficient transport network for Hamilton which integrates freight, private vehicles, buses, walking and cycling.

We also manage on-street parking, clearways, and Council-owned car parks. Our services include operation and maintenance of the existing network and planning for future development and growth.

We work with the community to promote different modes of travel and influence travel behaviour to manage the city's transport demand and get the most out of our investment in the network.

The Government, through the NZ Transport Agency (NZTA), partners with Council by operating the State Highways that run through Hamilton and co-investing with Council in transport infrastructure and services. The bus service is provided and managed by the Waikato Regional Council through a partnership with the city.

What we do

- Transport network
- Parking management

This includes:

- Roads, footpaths, cycleways and bridges
- Traffic lights, street lights, signs, pedestrian crossings, street furniture, and road safety
- The Transport Centre
- Bus stops and shelters
- Car parks and parking meters

How we contribute to the Hamilton Plan

Our transport services primarily contribute to these Hamilton Plan priorities:

- Providing outstanding infrastructure
- The third city economy in New Zealand
- An active, strong commercial central city with distinctive suburban villages
- An urban garden

Effects on the community

We're in the transportation business to make Hamilton easy to get around by providing a safe, reliable and sustainable transport system that is accessible to everyone.

The city's Access Hamilton Transport Strategy focuses on a balance in the areas of transport planning, infrastructure provision, transport demand management and the ability to respond to a changing environment.

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

2015/16 Year In Review

An award-winning and industry-leading roading network joint venture between Hamilton City Council and its partner company Downer was one of the highlights of the year for the Council's City Infrastructure Group. Downer, representing the Hamilton City Transport Alliance was one of the award winners at the Hirepool Civil Contractors NZ awards, with the collaboration seen as delivering benefits to the city. The Council also launched its new Right Track programme, which aims to improve the behaviour of drivers with a history of traffic infringements and poor driving.

Council also committed funding to a section of Resolution Drive which will see a further collaboration with the NZ Transport Agency to connect the local Council-managed road to the Waikato Expressway. The design of the Western Rail Trail was a crucial piece of work and the second milestone project in the city's Biking Plan.

The programme of installing pedestrian crossings with traffic lights near schools and areas where pedestrians can be at greater risk continued, with these crossings now installed near almost all of the city's primary schools.

TRANSPORT

Service Performance Measures

KEY: Target achieved | Target not achieved

We're in the transport business to make Hamilton easy to get around by providing a safe, reliable and sustainable transport system that is accessible to everyone.

You can expect: A transport network that is safe to use

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The change from the previous financial year in the number of fatalities and serious injuries on Hamilton's local road network.	1 more death or serious injury than the previous year (ie 28) - interim result as at 30 June 2016	2 fewer deaths or serious injuries than the previous year (ie 25)	3 fewer deaths or serious injuries than the previous year (ie 27)
What this tells us			
<p>The 2015/16 data set is not complete. The data is collected externally and the complete data for 2015/16 will not be available until the end of September 2016. It is extremely important that our road network is safe for everyone to use. Road crashes involve many factors. Council has a role to play in many of these factors but does not have ultimate control over them.</p> <p>The number of deaths and serious injuries is rising nationally and that has been reflected in Hamilton City's results. We continue to focus our efforts on activities which aim to reduce the deaths and serious injuries on our network including minor traffic improvements (e.g. intersection upgrades, pedestrian crossing upgrades) along with education programmes in schools and with the wider community.</p>			

You can expect: The Council to invest in making biking safer in the environment

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The change from the previous financial year in the number of deaths and serious injuries involving cyclists on Hamilton's local road network.	2 more deaths and serious injuries involving cyclists (ie 6) - interim result as at 30 June 2016	Decreasing trend	4 deaths and serious injuries involving cyclists
What this tells us			
<p>The 2015/16 data set is not complete. The data is collected externally and the complete data for 2015/16 will not be available until the end of September 2016. In Hamilton, census data between 2006 and 2013 shows an 11 per cent increase in people riding cycles to work.</p> <p>We are working hard to provide improved facilities for people on bikes and have been working closely with NZTA to provide off-road facilities. Road safety education has also been provided to both motorists and people using bikes to increase awareness of each others needs.</p>			

TRANSPORT

You can expect: Roads to be kept in good condition

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The average quality of ride on Hamilton's sealed local road network, measured by smooth travel exposure.	88%	At least 86% Smooth Travel Exposure	88%
What this tells us			
<p>The roughness of roads can impact both on the safety and comfort of road users, as well as on vehicle operating and maintenance costs. Smooth travel exposure (STE) is a system of measurement used to assess the quality of the ride on our city's roads. The higher the STE percentage, the smoother the network.</p> <p>This result tells us that the maintenance of our existing roads and investment in new roads is improving the condition of the network.</p>			

You can expect: Roads to be adequately maintained

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of Hamilton's sealed local road network that is resurfaced each year.	4%	5%	New measure in 2015/16
What this tells us			
<p>This measure provides information on how well we are maintaining our road network and meeting the targets for road resurfacing set in our Asset Management Plan.</p> <p>In 2015/16 it was identified through the latest analysis of our asset condition rating data that more asphalt surfacing was required. Because asphalt costs five times more than chipseal less chipseal surfacing was undertaken to ensure our surfacing programme stayed within budget. This has resulted in a reduced percentage of our sealed local road network being resurfaced this year.</p>			

You can expect: Footpaths to be kept in good condition

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of footpaths within Hamilton that fall within the service standard for the condition of footpaths that is set out in the Council's Asset Management Plan.	98%	97%	New measure in 2015/16
What this tells us			
<p>Footpaths are an important part of a city's infrastructure. Well-maintained footpaths are important for pedestrians' convenience and safety. This result shows a small improvement on 2014/15 suggesting that more footpaths are being maintained to our service standard. The service standard set out in our Asset Management Plan is less than five faults per 100 metres of footpath. Faults are generally tripping hazards.</p>			

You can expect: A timely response to requests for service

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of customer service requests relating to roads and footpaths responded to within five working days.	89%	95%	New measure in 2015/16
What this tells us			
<p>In 2015/16 there were 3471 requests out of 3084 responded to within five working days. In late Spring/early Winter there were a large number of call-outs relating to heavy rain and flooding issues which resulted in some other call-outs being given a lesser priority.</p>			

TRANSPORT

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

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of extra time taken for vehicles to travel key routes in the city during peak travel times.	27%	No more than 50%	New measurement methodology applied in 2015/16
What this tells us			
Off-peak journey times on key routes are not greatly increased when undertaken in peak-time traffic. For example a 10 minute journey can be expected to take only three minutes longer. This is being achieved by continuously monitor the city's main routes, upgrading the traffic signals communication system and proactively monitoring the signals to improve traffic flows. We also work to minimise disruption to the roads at peak times through better scheduling of road works and carefully planned management of events.			

You can expect: Parking in the central city to be managed effectively

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of on-street car parks in central city high demand parking areas that are full between 10am and 4pm on weekdays.	64%	No more than 85%	53% (between 8am and 5pm)
What this tells us			
We are managing parking to ensure that there are enough parks available for shoppers and visitors to the central city, without leaving too many empty parks. This is especially important in areas of high demand: from London Street to Hood Street, and Anglesea Street to the River.			

TRANSPORT- FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Long Term Plan	Actual	Long Term Plan	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	26,312	22,467	1,790	1,837
Targeted rates	5,280	5,020	21,477	21,664
Subsidies and grants for operating purposes	3,669	3,585	4,380	4,130
Fees and charges	4,783	4,286	5,160	6,668
Internal charges and overheads recovered	-	131	-	3
Local authorities fuel tax, fines, infringement fees, and other receipts	4,019	4,050	3,760	3,733
Total operating funding	44,063	39,539	36,567	38,035
Applications of operating funding				
Payments to staff & suppliers	12,907	16,442	19,364	21,302
Finance costs	7,527	6,887	8,080	7,761
Internal charges and overheads applied	3,311	131	-	14
Other operating funding applications	466	352	-	-
Total applications of operating funding	24,211	23,812	27,444	29,077
Surplus/(deficit) of operating funding	19,852	15,727	9,123	8,958
Sources of capital funding				
Subsidies and grants for capital expenditure	10,156	5,232	4,147	5,508
Development and financial contributions	2,317	3,517	2,656	7,960
Increase/(decrease) in debt	(8,532)	(3,376)	2,320	(11,612)
Gross proceeds from the sale of assets	-	2,495	26	18
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	191	-	1,194
Total sources of capital funding	3,941	8,059	9,149	3,068
Application of capital funding				
Capital expenditure				
- to meet additional demand	1,147	3,153	6,344	5,758
- to improve the level of service	13,085	8,046	2,037	4,512
- to replace existing assets	10,276	9,856	10,235	8,748
Increase/(decrease) in reserves	(715)	1,263	(344)	(31)
Increase/(decrease) of investments	-	1,468	-	(6,961)
Total application of capital funding	23,793	23,786	18,272	12,026
Surplus/(deficit) of capital funding	(19,852)	(15,727)	(9,123)	(8,958)
Funding balance	-	-	-	-

WATER SUPPLY

The Council treats, distributes and manages Hamilton's water supply, which all comes from one place – the Waikato River.

We are allowed to draw a set limit of water from the Waikato River into the Water Treatment Plant, where it is treated to provide a high standard of drinking water for residents and businesses.

The water supply network services around 50,000 households and 5500 commercial and industrial premises. Water from the city also supplies approximately 1600 properties in the Waikato area and 100 properties in the Waipa area.

The Council is legally required to ensure water is used sustainably. There are a number of ways we do this, including water restrictions when demand is high, such as in summer, encouraging residents to conserve water as much as possible because it is a precious resource and investment in infrastructure to enhance monitoring and better manage water usage.

What we do

- Water treatment and storage
- Water distribution

This includes:

- Water Treatment Plant
- Water storage reservoirs
- Pump stations, hydrants and pipelines
- Commercial water meters
- Water conservation initiatives

How we contribute to the Hamilton Plan

Water supply primarily contributes to this Hamilton Plan priority:

- Providing outstanding infrastructure

Effects on the community

We're involved in the water business to provide Hamiltonians with a high quality, reliable and sustainable water supply. Having a sufficient amount of good quality drinking water is essential for a healthy community and our economy. The Council also has to ensure that long-term, there will be an adequate supply of water for the city.

As Hamilton's population continues to grow, issues of water availability and conservation are becoming more important. To help manage the demand for water, particularly during the summer months, the Council works with Waikato and Waipa district councils to promote smart water use. For more information, including water alerts, restrictions and water saving tips, go to smartwater.org.nz

There are a number of parties with consent to extract water from the Waikato River. Extracting an excess volume of water from the river can impact the amount of water available from users downstream and the ecology and health of the river. Waikato Regional Council is responsible for managing the amount of water taken from the Waikato River and the Council has a resource consent with a set limit that it can take per day.

Water management practices, which also include the management of stormwater and wastewater, can vary

from Maaori cultural beliefs and practices. For example the mixing of water from different catchments, discharge of treated wastewater into the Waikato River and water supply practices. The Council takes into account Maaori values regarding the extraction and discharge water in all its water management practices and consults with local iwi as part of the resource consent process.

2015/16 Year In Review

Water was an important theme for the Council's City Infrastructure group throughout the year – particularly during summer, when water restrictions were introduced. As staff eyed the long-term impact of climate change and periods of low river level, an innovative Low River Contingency Barge was designed, built and tested. The barge enables the city to maintain water supply during times of low river level.

The barge project earned the organisation a Local Government New Zealand Awards nomination. The city's calculated water loss reduced from 16 per cent to 13 per cent, thanks in large to an increased focus on the issue, increased monitoring of water usage within the network and information on water leaks supplied to the Council by residents.

To support city growth and ensure residents continue to receive a high quality water supply continued investment was made in water infrastructure. This included a \$10.5 million contract awarded in February for the construction of the Rototuna reservoir. This followed a previous \$7.7 million contract award for the construction of the Rototuna bulk main, a 3.5 kilometre twin pipeline which will connect the city's water network to the new reservoir. The project is a vital new asset for the city's water system, and significantly improves fire fighting capacity. The Council also initiated a \$28.7 million upgrade of the Water Treatment Plant, in Melville.

In July 2015 the Council agreed in principle to support the formation of a Council-Controlled Organisation (CCO) to own and manage water and sewerage infrastructure. This would be in conjunction with Waikato and Waipa district councils if further approved by the Council and subject to public consultation. The three councils have also approved in June and July 2016 a Record of Agreement that outlines how the CCO would be structured and governed should one be formed.

WATER SUPPLY

Service Performance Measures

KEY: Target achieved | Target not achieved

We're in the business to provide Hamiltonian's with a safe, high quality, reliable and sustainable supply.

You can expect: Water that is safe to drink

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The extent to which the Council's water supply complies with:			
e) Part 4 of the drinking-water standards (bacteria compliance criteria).	Achieved compliance	Achieved compliance	Achieved compliance
f) Part 5 of the drinking-water standards (protozoal compliance criteria).	Achieved compliance	Achieved compliance	Achieved compliance
What this tells us			
This measure informs ratepayers and consumers on whether the water supplied is safe to drink. The New Zealand Drinking Water Standards, monitored by the Ministry of Health, provide a recognised standard for public safety. Council's drinking water complies with those standards for both the bacteria and protozoa criteria.			

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

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The median response times for the following when the Council attends a call-out in response to a fault or unplanned interruption to its water reticulation system.			
a) Attendance for urgent call-outs - from the time that the Council receives notification to the time that service personnel reach the site.	45 minutes	No more than 60 minutes	New measure for 2015/16
b) Resolution of urgent call-outs - from the time that the Council receives notification to the time that service personnel confirm resolution of the fault or interruption.	2.5 hours	No more than 5 hours	New measure for 2015/16
c) Attendance for non-urgent call-outs - from the time that the Council receives notification to the time that service personnel reach the site.	6.6 days	No more than 5 days	New measure for 2015/16
d) Resolution of non-urgent call-outs - from the time the Council receives notification to the time that service personnel confirm resolution of the fault or interruption.	7 days	No more than 10 days	New measure for 2015/16
What this tells us			
Households and businesses rely heavily on water, so it's important that we provide a timely response when something goes wrong. An urgent call-out is one when no water is being delivered. A non-urgent call-out is where there is still a supply of water. In 2015/16 the Council has responded well to urgent call-outs, resolving problems quickly.			
An increase in reported water leaks in the first quarter of 2016 resulted in an increased workload. Priority was directed to urgent work, with additional resources contracted to manage non-urgent call outs.			

WATER SUPPLY

You can expect: The water network to be well maintained

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The percentage of real water loss from the Council's networked reticulation system.	13% (March 2015 to March 2016)	No more than 16%	Not available. Latest result: 16% in 2012/13
What this tells us			
Water lost from leaking pipes is a key indicator of the performance of our water network. High levels of water loss can show that the network is in poor condition or that it is being operated inefficiently. The 2015/16 result shows that we are losing less water than expected which shows we are improving the condition of the water supply network and retaining more treated water for drinking.			

You can expect: A quality service

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The total number of complaints received by the Council about any of the following, per 1000 connections to the Council's networked reticulation system: <ul style="list-style-type: none"> Drinking water clarity, taste, odour, pressure or flow, continuity of supply; or Council's response to any of these issues. 	2.8	No more than 5 complaints per 1000 connections	New measure for 2015/16
What this tells us			
The number of complaints provides an indication of the quality of the service provided. In 2015/16 a total of 149 complaints were received. This result indicates that the Council is providing a water supply service which is more to the satisfaction of consumers.			

You can expect: The water supply to be managed so demand does not outstrip the available capacity

Measure	2015/16 Results	2015/16 Targets	2014/15 Results
The average consumption of drinking water per Hamilton resident per day.	378 litres	No more than 400 litres per resident, per day	376 litres per resident, per day
What this tells us			
<p>The demand for water is not exceeding supply or the capacity of the water supply system.</p> <p>By using less water than the capacity of the system, fewer chemicals and less energy are needed to treat and transfer the water, maximising the value of the existing infrastructure and costing less to maintain and operate.</p> <p>Please note that in calculating this performance result, the number of Hamilton residents is based on the resident numbers published from the 2013 census.</p>			

WATER SUPPLY - FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Long Term	Actual	Long Term Plan	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	8,397	8,924	1,778	671
Targeted rates	8,911	7,805	23,311	23,476
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	294	392	173	419
Internal charges and overheads recovered	-	-	-	518
Local authorities fuel tax, fines, infringement fees, and other receipts	-	311	278	336
Total operating funding	17,602	17,432	25,540	25,420
Applications of operating funding				
Payments to staff & suppliers	6,334	7,231	8,698	6,790
Finance costs	3,207	2,951	3,243	3,121
Internal charges and overheads applied	1,275	-	-	428
Other operating funding applications	199	187	-	-
Total applications of operating funding	11,015	10,369	11,941	10,339
Surplus/(deficit) of operating funding	6,587	7,063	13,599	15,081
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	1,968	3,201	1,915	4,626
Increase/(decrease) in debt	9,456	(1,443)	931	(4,657)
Gross proceeds from the sale of assets	-	373	7	5
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	338	50	422
Total sources of capital funding	11,424	2,469	2,903	396
Application of capital funding				
Capital expenditure				
- to meet additional demand	5,771	971	9,393	11,810
- to improve the level of service	7,723	4,180	2,125	3,702
- to replace existing assets	4,462	3,919	4,984	4,756
Increase/(decrease) in reserves	55	(166)	-	(2,000)
Increase/(decrease) of investments	-	628	-	(2,791)
Total application of capital funding	18,011	9,532	16,502	15,477
Surplus/(deficit) of capital funding	(6,587)	(7,063)	(13,599)	(15,081)
Funding balance	-	-	-	-

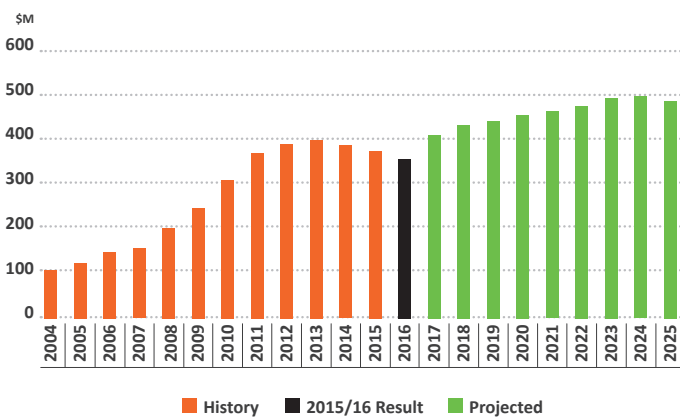
DELIVERING THE FINANCIAL STRATEGY

2015/16 has been another excellent year for Hamilton City Council – the city's finances are in great shape, the Council has performed better than expected against its Financial Strategy and a number of significant projects in the Hamilton Plan have been delivered.

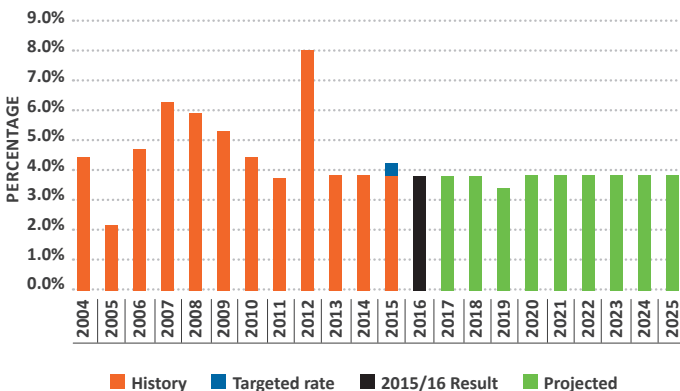
Our Financial Strategy is the key to the Council achieving its goals of managing growth and living within its means. In 2015/16 the Council met its target for balancing the books for the third consecutive year and delivered an adjusted operating surplus of nearly \$13 million (refer page 56).

The Council's overall debt is \$348 million, lower than the projected target of \$407 million. As a result the Council's debt-to-revenue ratio is now 170 per cent - well below the 205 per cent target we had set.

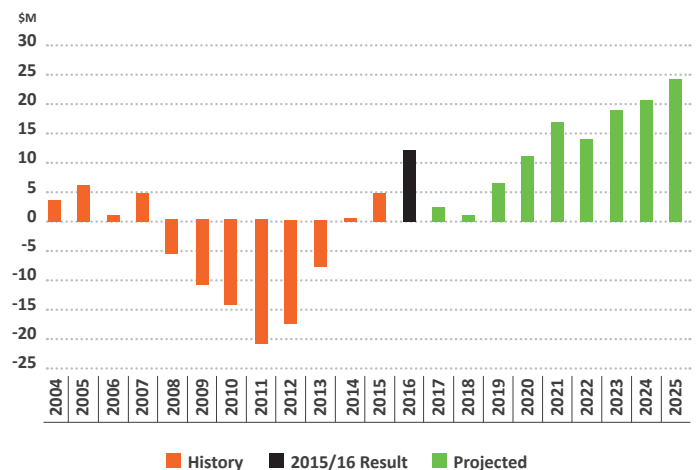
Total Overall Debt



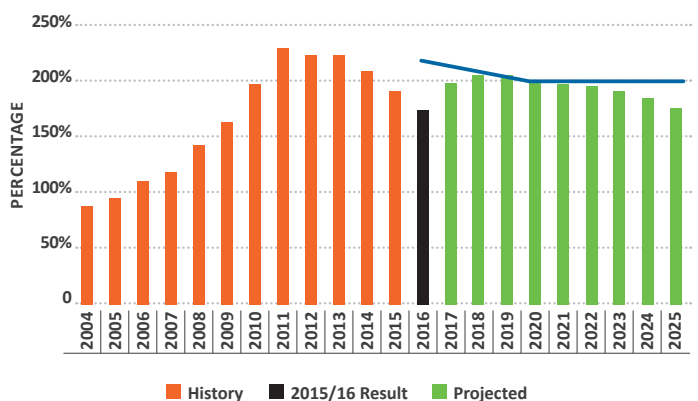
Rates



Balancing the Books



Debt to Revenue Ratio



STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Council			Group	
		Actual 2016	Budget 2016	Actual 2015	Actual 2016	Actual 2015
		\$000	\$000	\$000	\$000	\$000
Revenue						
Rates	3	147,294	146,244	140,375	147,214	140,250
Subsidies and grants	4	10,533	9,257	10,895	10,308	10,895
Development and financial contributions		24,239	9,500	16,069	24,034	16,069
Fees and charges	5	42,807	42,056	41,372	52,889	47,970
Interest revenue	6	2,369	2,000	2,319	2,397	2,534
Other revenue	7	40,932	11,381	26,451	41,004	26,513
Total revenue		268,174	220,438	237,481	277,846	244,231
Expenses						
Personnel costs	9	64,042	66,546	65,943	66,142	67,731
Depreciation and amortisation	22	60,416	58,269	57,278	61,501	58,105
Finance costs	6	21,713	22,647	23,591	22,907	24,596
Other expenses	10	79,357	63,744	65,151	81,746	67,653
Total expenses		225,528	211,206	211,963	232,296	218,085
Operating surplus/(deficit)		42,646	9,232	25,518	45,550	26,146
Gains	8	3,893	-	3,022	4,943	5,020
Losses	8	(35,498)	-	(20,124)	(36,406)	(20,141)
Share of associates' surplus/(deficit)	24	-	-	-	168	85
Surplus/(deficit) before tax		11,041	9,232	8,416	14,255	11,110
Income tax expense	11	-	-	-	146	343
Surplus/(deficit) after tax		11,041	9,232	8,416	14,109	10,767
Other comprehensive revenue and expense						
<i>Items that could be reclassified to surplus/(deficit)</i>						
Financial assets at fair value through other comprehensive revenue and expense	29	(106)	-	-	(106)	-
<i>Items that will not be reclassified to surplus/(deficit)</i>						
Gain on property, plant and equipment revaluations	29	271,509	18,261	36,098	275,498	36,098
Income tax on other comprehensive income		-	-	-	(501)	-
Total other comprehensive revenue and expense		271,403	18,261	36,098	274,891	36,098
Total comprehensive revenue and expense		282,444	27,493	44,514	289,000	46,865
Surplus/(deficit) attributable to:						
Hamilton City Council		11,041	9,232	8,416	14,011	10,767
Non-controlling interest		-	-	-	98	-
Total comprehensive revenue and expense attributable to:						
Hamilton City Council		282,444	27,493	44,514	288,515	46,865
Non-controlling interest		-	-	-	485	-

The accompanying notes form part of these financial statements.
 Explanations of major variances against budget are provided in note 39.

BALANCING THE BOOKS MEASURE FOR THE YEAR ENDED 30 JUNE 2016

Council

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Surplus/(deficit) before tax		11,041	9,232	8,416
Adjustments for balancing the books measure				
Gains	8	3,893	-	3,022
Losses	8	(35,498)	-	(20,124)
Vested assets (included in Other revenue)	7	34,274	8,481	19,824
Ring Road subsidy (included in Subsidies and grants)		852	-	637
Total adjustments		3,521	8,481	3,359
Balancing the books surplus/(deficit)		7,520	751	5,057
Provisions and Impairment*		(6,306)		371
Adjusted balancing the books surplus/(deficit)		12,728	751	4,686

*These adjustments are not included in the 10-Year Plan.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

Council

Group

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Balance at 1 July		2,916,531	2,955,514	2,872,017	2,949,841	2,899,976
Total comprehensive revenue and expense for the year		282,444	27,493	44,514	289,000	46,865
Issue of NZFIW shares		-	-	-	-	3,000
Balance at 30 June	29	3,198,975	2,983,007	2,916,531	3,238,841	2,949,841
<i>Total comprehensive revenue and expense attributable to:</i>						
Hamilton City Council		282,444	27,493	44,514	288,515	46,865
Non-controlling interest		-	-	-	485	-
<i>Transactions with owners of the NZFIW:</i>						
Gain on non-controlling interest through retained equity		-	-	-	-	1,685
Non-controlling interest from issue of NZFIW shares		-	-	-	-	1,315
Total comprehensive revenue and expense		282,444	27,493	44,514	289,000	49,865

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in note 39

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2016	2016	2015	2016	2015
		\$000	\$000	\$000	\$000	\$000
Assets						
Current assets						
Cash and cash equivalents	12	6,964	45,000	57,291	9,080	57,616
Receivables	13	19,646	17,101	19,276	20,485	20,183
Prepayments		1,557	1,663	1,465	1,661	1,606
Inventory	16	142	237	109	486	109
Other financial assets	15	41,090	-	5,010	46,654	11,252
Derivative financial instruments	14	-	-	-	-	-
Non-current assets held for sale	17	-	-	-	-	-
Total current assets		69,399	64,001	83,151	78,366	90,766
Non-current assets						
Property, plant and equipment	20	3,517,156	3,294,067	3,237,606	3,538,272	3,260,646
Intangible assets	21	19,835	19,184	19,726	19,835	19,726
Investment property	23	24,795	24,308	24,139	50,445	39,839
Investment in associates	24	7,430	7,430	7,430	32,203	29,835
Other financial assets	15	24,038	8,280	8,611	21,977	6,125
Investment in subsidiaries	18	8,422	10,150	10,150	-	-
Derivative financial instruments		1,052	-	-	1,052	-
Total non-current assets		3,602,728	3,363,419	3,307,662	3,663,784	3,356,171
Total assets		3,672,127	3,427,420	3,390,813	3,742,150	3,446,937
Liabilities						
Current liabilities						
Payables and deferred revenue	25	37,314	13,621	32,206	38,403	36,334
Provisions	26	2,697	1,724	2,219	2,697	2,219
Employee entitlements	27	6,043	5,013	7,038	6,043	7,038
Borrowings	28	73,400	79,048	56,375	89,778	62,630
Derivative financial instruments	14	41	-	234	41	234
Total current liabilities		119,495	99,406	98,072	136,962	108,455
Non-current liabilities						
Provisions	26	12,559	8,085	8,477	12,748	8,648
Employee entitlements	27	1,068	886	881	1,068	881
Payables and deferred revenue		-	-	-	606	512
Deferred tax liability	11	-	-	-	2,555	1,965
Borrowings	28	291,489	336,036	340,989	300,829	350,772
Derivative financial instruments	14	48,541	-	25,863	48,541	25,863
Total non-current liabilities		353,657	345,007	376,210	366,347	388,641
Total liabilities		473,152	444,413	474,282	503,309	497,096
Net assets		3,198,975	2,983,007	2,916,531	3,238,841	2,949,841
Equity						
Accumulated funds	29	1,642,101	1,609,284	1,611,331	1,660,722	1,626,982
Other reserves	29	1,556,874	1,373,723	1,305,200	1,576,319	1,321,544
Non-controlling interest	29	-	-	-	1,800	1,315
Total equity attributable to Hamilton City Council		3,198,975	2,983,007	2,916,531	3,238,841	2,949,841
Total equity		3,198,975	2,983,007	2,916,531	3,238,841	2,949,841

The accompanying notes form part of these financial statements.
 Explanations of major variances against budget are provided in note 39.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Council			Group	
		Actual 2016	Budget 2016	Actual 2015	Actual 2016	Actual 2015
		\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities						
Cash was provided from:						
Rates revenue		148,749	146,244	140,482	148,668	140,357
Fees, rents and charges		46,735	42,056	43,210	56,569	50,223
Subsidies and grants		11,110	9,257	10,634	10,885	10,634
Other capital contributions		26,594	11,213	19,212	26,389	19,212
Interest received		1,972	2,000	2,133	2,000	2,348
Dividends received		120	143	132	192	185
Sundry revenue		-	1,044	-	263	494
		235,280	211,957	215,803	244,966	223,453
Cash was applied to:						
Payments to employees		65,510	66,546	61,483	67,610	63,257
Payments to suppliers		67,562	61,845	69,583	74,784	72,105
Interest paid		21,036	22,647	23,179	22,218	24,186
Tax payments		-	-	-	376	4
Net GST paid		327	1,900	(1,564)	276	(1,492)
		154,435	152,938	152,681	165,264	158,060
Net cash flow from operating activities	30	80,845	59,019	63,122	79,702	65,393
Cash flows from investing activities						
Cash was provided from:						
Proceeds from reduction in other financial assets		40	-	291	230	291
Proceeds from sale of shares		-	-	-	-	3,000
Proceeds from sale of investment property		1,647	-	17,565	1,647	17,565
Proceeds from sale of property, plant and equipment		4,690	139	8,119	4,692	8,119
		6,377	139	25,975	6,569	28,975
Cash was applied to:						
Acquisition of investments		36,080	-	5,000	36,080	5,602
Purchase of investment property		23	-	-	6,618	14
Purchase of intangible assets		3,187	-	7,895	3,187	7,895
Purchase of property, plant and equipment		65,785	65,646	50,381	66,146	56,186
		105,075	65,646	63,276	112,031	69,697
Net cash flow from investing activities		(98,698)	(65,507)	(37,301)	(105,462)	(40,722)
Cash flows from financing activities						
Cash was provided from:						
Loans raised		5,687	32,913	35,290	15,648	44,822
Finance leases raised		276	-	555	276	555
		5,963	32,913	35,845	15,924	45,377
Cash was applied to:						
Loan repayments		38,000	26,000	47,000	38,263	55,416
Finance lease repayments		437	425	342	437	342
		38,437	26,425	47,342	38,700	55,758
Net cash flow from financing activities		(32,474)	6,488	(11,497)	(22,776)	(10,381)
Net increase/(decrease) in cash held		(50,327)	-	14,324	(48,536)	14,290
Opening cash and cash equivalents balance		57,291	45,000	42,967	57,616	43,326
Closing cash and cash equivalents balance	12	6,964	45,000	57,291	9,080	57,616

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

REPORTING ENTITY

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

The Group consists of the ultimate parent, Council, and its subsidiaries, Hamilton Properties Ltd, Vibrant Hamilton Trust and Innovation Waikato Ltd. The following associate, Waikato Regional Airport Ltd is equity accounted. The Council's subsidiaries and Waikato Regional Airport Ltd are incorporated and domiciled in New Zealand.

The primary objective of the Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, the Council has designated itself and the Group as public benefit entities (PBEs) as defined under New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Council and Group are for the year ended 30 June 2016. The financial statements were authorised for issue by Council on 29 September 2016.

BASIS OF PREPARATION

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

Statement of compliance

The financial statements of the Council and Group have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting statements.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructure assets, investment property and financial instruments (including derivative instruments).

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of the Council and its subsidiaries and associate is New Zealand dollars.

SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, income, and expenses on a line-by-line basis. All significant intragroup balances, transactions, income, and expenses are eliminated on consolidation.

• Subsidiaries

The Council consolidates in the group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly pre-determined by the Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The consideration transferred in an acquisition of a subsidiary reflects the fair value of the assets transferred by the acquirer and liabilities incurred by the acquirer to the former owner.

The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the Council. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

• Associates

The Council's associate is accounted for in the Group financial statements using the equity method. An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

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 Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of

those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the group transacts with an associate, surpluses or deficits are eliminated to the extent of the group's interest in the associate.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

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

Revenue

Revenue is measured at the fair value of consideration received or receivable.

- **Rates revenue**

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

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

Rates remissions are recognised as a reduction of rates revenue when the council has received an application that satisfies its rates remission policy.

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.

- **Infringement fees and fines**

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

- **Other grants received**

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.

- **Interest and dividends**

Interest income is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

- **Development and financial contributions**

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

- **New Zealand Transport Agency roading subsidies**

The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

- **Entrance fees**

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

- **Sales of goods**

Revenue from the sale of goods is recognised when a product is sold to the customer.

- **Vested or donated physical assets**

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The Fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the council expects that it will need to return or pass the asset to another party.

- **Donated and bequeathed financial assets**

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).

Borrowing costs

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

Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date.

The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract, and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the surplus or deficit.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred. When it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised surpluses less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred, plus surpluses less losses, the net amounts are presented as a liability.

Grant expenditure

Non-discretionary grants are grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's decision.

Foreign currency transactions

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

Goods and Services Tax (GST)

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Income tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates (and tax laws) that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, using tax rates that have been enacted or substantially enacted by balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Current tax and deferred tax is recognised against the surplus or deficit for the period, except when it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

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 and group. Each asset type includes all items that are required for the network to function.

Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

- **Additions**

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

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

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

- **Disposals**

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

- **Subsequent costs**

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

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

Revaluation

Land and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially

from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

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

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

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

- **Depreciation**

Depreciation is provided on a straight-line basis 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.

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

Buildings - structure/ fit out/services	10-100 yrs	1% - 10%
Plant and vehicles	3-15 yrs	6.6% - 33.3%
Furniture, fittings and equipment	5-10 yrs	10% - 20%
Library books	8 yrs	7.1%
Zoo animal (acquisition costs)	10 yrs	10%
Improvements – Parks & Gardens	5 – 150 yrs	0.6% - 20%
Roads and traffic network:		
Top surface (seal)	6 - 18 yrs	5.5% - 16.6%
Pavement (base course)	30 - 140 yrs	2% - 4%
Catchpits	70 yrs	2%
Culverts	60 - 80 yrs	1.25% - 1.6%
Footpaths	50 - 70 yrs	1.4% - 2%
Kerbs and traffic islands	70 yrs	1.4%
Signs	12 yrs	8.3%
Street lights	25 yrs	4%
Bridges	150 yrs	0.6%
Traffic signals	15 yrs	6.6%
Barriers	25 - 40 yrs	2.5% - 4%
Bus shelters and parking meters	4 - 10 yrs	10% - 25%
Verge, embankment and retaining walls	60 yrs	1.6%

Wastewater reticulation:		
Pipes	60 - 100 yrs	1% - 1.6%
Manholes	75 yrs	1.3%
Treatment plant	5 - 100 yrs	1% - 20%
Bridges	75 - 100 yrs	1% - 1.3%
Pump stations	15 - 100 yrs	1% - 6.6%
Stormwater system:		
Pipes	100 yrs	1%
Manholes, cesspits	100 yrs	1%
Service connections and outlets	30 - 100 yrs	1% - 3.3%
Water reticulation:		
Pipes	60 - 80 yrs	1.25% - 1.6%
Butterfly valves	50 - 75 yrs	1.3% - 2%
Treatment plant	10 - 120 yrs	0.8% - 10%
Meters	20-75 yrs	1.3% - 5%
Hydrants	50 yrs	2%
Reservoirs	30 - 80 yrs	1.25% - 3.3%
Refuse – Rubbish and Recycling	10 - 100 yrs	1% - 10%

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

Heritage assets are not depreciated due to their extremely long life and heritage value.

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

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

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

Investment properties

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

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

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

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

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

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through 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

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with maintaining computer software are recognised in the surplus or deficit when incurred. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

Amortisation

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

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

Computer Software	3-5 years
Consents & Delegations	10-35 years
Licenses	3-10 years
Models	7-15 years

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use

depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are 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.

Impairment of non-financial assets

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

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

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

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

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

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

Impairment of property, plant, and equipment and intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, and goodwill, are not subject to amortisation and are tested annually for impairment.

Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment 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 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. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

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.

When land held for development and future resale is transferred from investment property/property, plant, and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost. Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Receivables

Receivables are recorded at their face value, less any provision for impairment.

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 with original maturities of three months or less, and bank overdrafts.

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

Other financial assets

Financial assets are initially recognised at fair value plus transactions 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.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Council and group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council and group have transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- Loans and receivables
- Fair value through surplus or deficit
- Fair value through other comprehensive income

- **Loans and receivables**

Loans and receivables are non-derivative financial assets (such as general or community loans, deposits and term deposits) with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense. The loans are subsequently measured at amortised cost using the effective interest method.

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

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

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

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

- **Fair value through other comprehensive revenue and expense**

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

Payables

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

Borrowings

Borrowings are initially recognised at their face value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

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

Employee entitlements

Short-term employee entitlements

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

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

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

Long-term employee entitlements

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

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

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service 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 and hedge accounting

Derivative financial instruments are used to manage exposure to foreign exchange arising from the Council's operational activities and interest rate risks arising from Council's financing activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The Council has elected not to hedge account for these derivative financial instruments.

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

Leases

• Finance leases

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

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

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

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

• Operating leases

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

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the

obligation, and a reliable estimate can be made of the amount of the obligation.

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

Financial guarantee contracts

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

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that the Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

- The present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee; and
- The amount initially recognised less, when appropriate, cumulative amortisation as revenue.

Landfill post-closure costs

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

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

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

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

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

Equity

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

The components of equity are:

- Accumulated funds
- Property revaluation reserves
- Restricted reserves
- Council created reserves; and
- Fair value through other comprehensive revenue and expense reserve

Accumulated funds

Accumulated funds comprise accumulated surpluses over the years.

Property revaluation reserve

Revaluation reserves comprise accumulated revaluation increments/decrements.

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted reserves include those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council 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 restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Council created reserves

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

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.

Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are recorded at the point at which the contingency is evident and if the possibility that they will materialise is not remote.

Contingent assets are disclosed if it is probable that the benefits will be realised.

Statement of cash flows

Cash comprises cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Council invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of Council and cash payments made for goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in debt capital structure of Council.

Budget figures

The budget figures are those approved by the Council in the 2015-2025 10-Year Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Cost allocation

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

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

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers, and floor area.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Infrastructure assets**

Note 20 provides information about the estimates and assumptions applied in determining the fair value of infrastructural assets.

- **Landfill aftercare provision**

Note 26 provides information about the estimates and assumptions surrounding the landfill aftercare provision.

NOTE 2: SUMMARY REVENUE AND EXPENDITURE FOR GROUP OF ACTIVITIES

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Revenue				
Arts and Culture	1,979	2,445	1,979	2,445
Community Support	877	2,641	877	2,641
Democracy Services	23	354	23	354
Economic Development	9,119	11,304	18,871	18,179
Parks and Green Spaces	10,661	8,119	10,661	8,119
Planning and Development	9,849	8,155	9,849	8,155
Recreation	4,720	4,990	4,720	4,990
Rubbish and Recycling	911	909	911	909
Safety	2,331	2,532	2,331	2,532
Sewerage	16,335	12,147	16,335	12,147
Stormwater	7,706	2,848	7,706	2,848
Transportation	49,007	36,685	49,007	36,685
Water Supply	16,172	12,539	16,172	12,539
Total activity revenue	129,690	105,668	139,442	112,543
Less internal revenue	(1,342)	(1,831)	(1,342)	(1,831)
General and transitional rates	139,826	133,644	139,746	133,519
Total revenue	268,174	237,481	277,846	244,231
Expenditure				
Arts and Culture	18,689	17,987	18,689	17,987
Community Support	5,521	5,868	5,521	5,868
Democracy Services	4,984	6,274	4,984	6,274
Economic Development	26,010	31,132	32,778	37,254
Parks and Green Spaces	22,203	21,721	22,203	21,721
Planning and Development	12,937	11,784	12,937	11,784
Recreation	16,643	12,352	16,643	12,352
Rubbish and Recycling	12,338	6,799	12,338	6,799
Safety	5,452	5,606	5,452	5,606
Sewerage	24,758	25,118	24,758	25,118
Stormwater	11,275	7,928	11,275	7,928
Transportation	47,724	43,551	47,724	43,551
Water Supply	18,336	17,674	18,336	17,674
Total activity expenditure	226,870	213,794	233,638	219,916
Less internal expenditure	(1,342)	(1,831)	(1,342)	(1,831)
Total expenditure	225,528	211,963	232,296	218,085

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

The 2015 actuals have been restated to reflect a new activity, Recreation, and movement of cost centres within activities.

Revenue reclassified as exchange or non-exchange transactions

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Revenue from exchange transactions				
Fees and user charges	40,551	38,252	50,633	44,850
Rental income	2,256	3,120	2,256	3,120
Subsidies and grants	1,036	1,792	811	1,792
Targeted rates for water supply	7,955	7,330	7,955	7,330
Interest revenue	2,369	2,319	2,397	2,534
Total revenue from exchange transactions	54,167	52,813	64,052	59,626
Revenue from non-exchange transactions				
Development and financial contributions	24,239	16,069	24,034	16,069
Subsidies and grants	9,497	9,103	9,497	9,103
Infringements and fines	1,880	2,374	1,880	2,374
Other revenue	4,778	4,253	4,850	4,315
Rates, excluding targeted rates for water supply	139,339	133,045	139,259	132,920
Vested assets	34,274	19,824	34,274	19,824
Total revenue from non-exchange transactions	214,007	184,668	213,794	184,605
Total revenue	268,174	237,481	277,846	244,231

NOTE 3: RATES

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
General rates	13,475	126,696	13,395	126,571
Targeted rates attributable to activities:				
- Transitional rate	120,065	-	120,065	-
- Metered water supply	8,279	7,693	8,279	7,693
- Access Hamilton	5,011	5,005	5,011	5,005
- Community use	944	1,069	944	1,069
- Business improvement district	280	283	280	283
- Hamilton Gardens	615	607	615	607
Rates penalties	1,029	920	1,029	920
Rates remissions	(1,593)	(936)	(1,593)	(936)
Less: rates charges to Council properties	(487)	(599)	(487)	(599)
Less: metered water charges to Council properties	(324)	(363)	(324)	(363)
Total rates	147,294	140,375	147,214	140,250

Water rates charged on council properties have been restated from expenditure to Rates revenue.

Rates remissions

Rates revenue is shown gross of rates remissions. The Council's rates remission policy allows rates to be remitted on condition of a ratepayer's extreme financial hardship, and land protected for historical or cultural purposes. Commercial and residential properties in rural areas where services are not available are also covered under the rates remission policy.

Rating base information

The rating base information is as at the end of the preceding financial year:

	30 June 2015	30 June 2014
The number of rating units	56,118	55,447
The total capital value of rating units	\$ 26,392,724,150	\$ 25,913,715,550
The total land value of rating units	\$ 10,947,230,650	\$ 10,845,594,050

NOTE 4: SUBSIDIES AND GRANTS

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
New Zealand Transport Agency roading subsidies	9,497	9,103	9,497	9,103
Other grants	1,036	1,792	811	1,792
Total subsidies and grants	10,533	10,895	10,308	10,895

There are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2015 \$nil).

NOTE 5: FEES AND CHARGES

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Building and resource consent charges	9,257	7,737	9,257	7,737
Rental income from investment properties	2,256	3,120	2,256	3,120
Swimming pool revenue	2,678	2,618	2,678	2,618
Parking fees	2,669	3,360	2,669	3,360
Rendering of services	-	-	10,090	6,137
Sale of goods	908	765	908	765
Commission received	1,187	1,183	1,187	1,183
Pensioner housing	1,592	2,230	1,592	2,230
Other rental income	1,548	1,346	1,548	1,346
Trade waste	2,974	3,062	2,974	3,062
Cemetery and crematorium	1,624	1,561	1,624	1,561
Event facilities	4,197	5,952	4,197	5,952
Shared services recoveries	859	713	859	713
Zoo	1,406	1,288	1,406	1,288
Animal control	1,013	995	1,013	995
Other fees and charges	8,639	5,442	8,631	5,903
Total fees and charges	42,807	41,372	52,889	47,970

Revenue for Trade waste in 2015 has been restated to include revenue classified as Other fees and charges.

NOTE 6: INTEREST REVENUE AND FINANCE COSTS

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Interest revenue				
Term deposits	2,003	1,939	2,031	2,154
Community loans	6	19	6	19
Local authority and government bonds	123	361	123	361
Discount unwind on Community loan	237	-	237	-
Total interest revenue	2,369	2,319	2,397	2,534
Finance costs				
Interest on borrowings	20,998	22,913	22,172	23,903
Interest on finance leases	72	66	92	81
Discount unwind on provisions (note 26)	643	612	643	612
Total finance costs	21,713	23,591	22,907	24,596
Net finance costs	19,344	21,272	20,510	22,062

NOTE 7: OTHER REVENUE

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Other revenue				
Vested land and infrastructure from property development	34,274	19,824	34,274	19,824
Traffic and parking infringements	1,880	2,374	1,880	2,374
Petrol tax	988	950	988	950
Bequests and other donations	3,504	2,423	3,504	2,423
Dividends	120	132	190	185
Insurance recoveries:				
- plant and equipment	35	64	35	64
- motor vehicles	-	45	-	45
- other insurance recoveries	54	84	54	84
Miscellaneous revenue	77	555	79	564
Total other revenue	40,932	26,451	41,004	26,513

The Waste minimisation levy is classified as Subsidies and grants (note 4) in 2016 and was classified as Other in 2015.

NOTE 8: GAINS/(LOSSES)

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Gains				
Investment property gain on disposal	128	260	128	260
Property, plant, and equipment gain on disposal (note 20)	42	2,521	42	2,521
Investment property revaluation gain (note 23)	2,754	241	3,541	1,427
Unrealised gain on revaluation of interest rate swaps (note 14)	969	-	969	-
Unrealised gain on other financial assets	-	-	-	318
Realised gain on other financial assets	-	-	263	494
Total gains	3,893	3,022	4,943	5,020
Losses				
Investment property loss on disposal	(601)	-	(601)	-
Property, plant, and equipment loss on disposal (note 20)	(12,496)	(6,033)	(12,916)	(6,050)
Unrealised loss on other financial assets	-	-	(488)	-
Unrealised loss on revaluation of interest rate swaps (note 14)	(22,401)	(14,091)	(22,401)	(14,091)
Total losses	(35,498)	(20,124)	(36,406)	(20,141)
Total net gains/(losses)	(31,605)	(17,102)	(31,463)	(15,121)

NOTE 9: PERSONNEL COSTS

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Salaries and wages	59,146	61,338	61,246	63,126
Defined contribution plan employer contributions *	978	898	978	898
Increase/(decrease) in employee benefit liabilities	995	803	995	803
Total salaries and wages	61,119	63,039	63,219	64,827
ACC Accredited Employers Programme	213	408	213	408
Contract staff	737	676	737	676
Training and development	942	830	942	830
Recruitment costs	379	392	379	392
Other personnel costs	652	598	652	598
Total employee benefit expenses	64,042	65,943	66,142	67,731

*Employer contributions to defined contribution plans include contributions to KiwiSaver.

ACC Accredited Employers Programme, recruitment, contract staff and Other personnel costs, totalling \$2.9m have been re-classified from Other expenses.

NOTE 10: OTHER EXPENSES

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Fees to auditors:				
- Fees to Audit New Zealand for audit of financial statements	199	199	249	252
- Fees to Audit New Zealand for other services*	17	130	17	130
- Fees to Assurance CA firm for the internal audit function	163	253	163	253
- Fees to Assurance firms for the accreditation and safety function	47	-	47	-
General grants	7,067	2,173	7,067	2,173
Contractors	17,882	16,982	17,882	16,982
Insurance premiums	1,669	1,747	1,669	1,747
Consultants	6,111	4,535	6,111	4,535
Legal fees	1,652	1,767	1,652	1,767
Inventory consumption	115	168	115	168
Impairment of receivables (note 13)	(11)	(181)	11	(175)
Impairment of property, plant and equipment (note 20)	36	492	36	492
Impairment of other financial assets (note 15)	353	107	32	107
Impairment of investment in subsidiaries (note 18)	1,728	-	-	-
Operating lease expense	298	327	298	327
Other operating expenses	42,031	36,452	46,397	38,895
Total other expenses	79,357	65,151	81,746	67,653

ACC Accredited Employers Programme, recruitment, contract staff and Other personnel costs, totalling \$2.9m have been re-classified as Personnel costs.

* The fees paid to Audit New Zealand for other services in the year ending 30 June 2016 were for Project Management assurance over projects in the Information Services programme of work.

The fees paid to Audit New Zealand for other services in the year ending 30 June 2015 were for the audit of the Council's 2015-2025 Consultation Document and Long-Term Plan, Long-Term Plan Amendment and other assurance services.

General grants in 2016 include a grant of \$4.5m to the Ministry of Education, and represents Hamilton City Council's contribution to the cost of building the Rototuna Indoor Recreation Centre.

NOTE 11: TAX

Components of tax expense

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Current tax expense	-	-	93	136
Deferred tax expense	-	-	53	207
Tax expense	-	-	146	343

Relationship between tax expense and accounting profit

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Surplus/(deficit) before tax	11,041	8,416	14,255	11,110
Tax at 28%	3,091	2,356	3,991	3,111
Effect of tax exempt income	(2,784)	(2,355)	(3,945)	(2,999)
Taxation loss not recognised	-	(1)	-	-
Equity accounted earnings of associates	-	-	47	24
Deferred tax adjustment	-	-	53	207
Tax expense	-	-	146	343

Movement in deferred tax assets/(liabilities) during the year

	Group				
	PPE	Investment properties	Other provisions	Tax losses	Total
Balance as at 1 July 2014	(1,902)	-	6	138	(1,758)
Acquired balance	-	-	-	-	-
Charged to surplus or deficit	23	(153)	25	(102)	(207)
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2015	(1,879)	(153)	31	36	(1,965)
Acquired balance	-	-	-	-	-
Charged to surplus or deficit	(3)	(65)	4	(25)	(89)
Charged to other comprehensive income	(501)	-	-	-	(501)
Balance at 30 June 2016	(2,383)	(218)	35	11	(2,555)

The parent has not recognised any deferred tax assets or liabilities during the period.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Tax losses - Council	132	132	136	136
Tax losses - Hamilton Properties Limited	-	-	134	134
	132	132	270	270

Under current income tax legislation the tax losses do not expire.

Deferred tax assets have not been recognised in respect of these items, as it is not probable that future taxable profits will be available against which the benefit of the losses can be utilised.

NOTE 12: CASH AND CASH EQUIVALENTS

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Cash at bank and on hand	6,964	1,745	9,080	2,070
Term deposits with maturities of less than three months at acquisition	-	55,546	-	55,546
Total cash and cash equivalents	6,964	57,291	9,080	57,616

Council has a bank overdraft facility of \$500k on the daily trading account that is secured by way of debenture trust deed over general rates. At 30 June 2016 the interest rate on the facility was 1.5 per cent per annum (2015 2.25 per cent per annum).

Council has a bank overdraft facility of \$10k on the direct fees account that is also secured by way of debenture trust deed over general rates. At 30 June 2016 the interest rate was 6.0 per cent per annum (2015 6.0 per cent per annum).
The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value.

Cash, cash equivalents and bank overdraft includes the following for the purposes of the statement of cash flows:

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Cash at bank and on hand	6,964	1,745	9,080	2,070
Term deposits with maturities of less than 3 months at acquisition	-	55,546	-	55,546
Total	6,964	57,291	9,080	57,616

NOTE 13: RECEIVABLES

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Rates receivables	2,928	3,740	2,928	3,740
New Zealand Transport Agency	1,758	2,465	1,758	2,465
Water by meter	2,268	1,953	2,268	1,953
GST refund due	3,729	1,637	3,729	1,637
Sundry debtors	12,057	12,798	12,896	13,705
Gross debtors and other receivables	22,740	22,593	23,579	23,500
Less: Provision for impairment	(3,094)	(3,317)	(3,094)	(3,317)
Total receivables	19,646	19,276	20,485	20,183

Total receivables comprise:

Receivables from non-exchange transactions include outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates	10,541	9,638	10,639	9,638
Receivables from exchange transactions include outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates.	9,105	9,638	9,846	10,545

Fair value

Receivables are generally short-term and non-interest bearing. Therefore, the carrying value of debtors and other receivables approximates their fair value.

Impairment

Council does provide for impairment on overdue rates on Maori freehold land. It has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Council to commence legal proceedings to cover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances.

The ageing profile of receivables at year end is detailed below:

	2016			2015		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Council						
Not past due	15,796	(94)	15,702	13,864	-	13,864
Past due 1-60 days	1,382	(87)	1,295	2,613	-	2,613
Past due 61-120 days	1,009	(172)	837	1,278	-	1,278
Past due > 120 days	4,553	(2,741)	1,812	4,838	(3,317)	1,521
Total	22,740	(3,094)	19,646	22,593	(3,317)	19,276
Group						
Not past due	15,796	(94)	15,702	14,771	-	14,771
Past due 1-60 days	1,382	(87)	1,295	2,613	-	2,613
Past due 61-120 days	1,009	(172)	837	1,278	-	1,278
Past due > 120 days	4,553	(2,741)	1,812	4,838	(3,317)	1,521
Total	22,740	(3,094)	19,646	23,500	(3,317)	20,183

All receivables greater than 30 days in age are considered to be past due.

The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Individual impairment	392	313	392	313
Collective impairment	2,702	3,004	2,702	3,004
Total provision for impairment	3,094	3,317	3,094	3,317

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
0 to 3 months	22	-	22	-
3 to 6 months	50	-	50	-
6 to 9 months	27	-	27	-
9 to 12 months	22	4	22	4
> 12 months	271	309	271	309
Total individual impairment	392	313	392	313

Movements in the provision for impairment of receivables are as follows:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
At 1 July	3,317	5,472	3,317	5,472
Additional provisions made during the year	124	60	124	60
Provisions reversed during the year	(289)	(242)	(289)	(242)
Receivables written off during the period	(58)	(1,973)	(58)	(1,973)
At 30 June	3,094	3,317	3,094	3,317

The Council and group holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

NOTE 14: DERIVATIVE FINANCIAL INSTRUMENTS

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Current asset portion				
Interest rate swaps - held for trading	-	-	-	-
Total	-	-	-	-
Non-current asset portion				
Interest rate swaps - held for trading	1,052	-	1,052	-
Total	1,052	-	1,052	-
Total derivative financial instrument assets	1,052	-	1,052	-
Current liability portion				
Interest rate swaps - held for trading	41	234	41	234
Total	41	234	41	234
Non-current liability portion				
Interest rate swaps - held for trading	48,541	25,863	48,541	25,863
Total derivative financial instrument liabilities	48,541	25,863	48,541	25,863
Total net derivative financial instruments	47,530	26,097	47,530	26,097

Fair value

Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected future cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest yield curves. Most market parameters are implied from instrument prices.

Information about interest rate swaps

The notional principal amounts of outstanding interest rate swap contracts for the Council and group were \$443m (2015 \$420m). This includes \$64.5m (2015 \$81.5m) of forward start swaps, leaving \$378.5m (2015 \$338.5m) in actual committed swaps at 30 June 2016. At 30 June 2016 the fixed interest rates of fair value interest rate swaps ranged from 4.02% to 5.96% (2015 4.09% to 6.45%).

The revaluation of interest rate swaps held by Council shows unrealised mark-to-market revaluation losses for 2016 of \$22.4m (2015 \$14.1m) and gains of \$969k (2015 \$nil) as disclosed in note 8.

The Council and group currently have no fair value hedges.

Information about forward foreign exchange contracts

The Council and group currently have no foreign currency forward exchange contracts.

NOTE 15: OTHER FINANCIAL ASSETS

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Current portion:				
Loans and receivables				
Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months	41,000	5,000	41,000	5,000
Community loans	90	10	90	10
Fair value through surplus/deficit				
Equity securities managed by Gareth Morgan Investments (GMI)	-	-	2,855	3,240
Fixed interest instruments managed by Gareth Morgan Investments (GMI)	-	-	2,709	3,002
Total	41,090	5,010	46,654	11,252
Non-current portion:				
Loans and receivables				
Term deposits with maturities greater than 1 year	3,680	3,600	3,680	3,600
Community loans	15,947	141	15,947	141
Unlisted shares				
Local Authority Shared Services Ltd (LASS)	171	254	171	254
NZ Local Government Funding Agency Ltd (LGFA)	1,866	1,866	1,866	1,866
NZ Local Government Insurance Co Ltd (Civic)	295	244	295	244
NZ Food Innovation Network Ltd (NZFIN)	-	-	18	20
Waikato Innovation Park Ltd (WIPL)	2,079	2,506	-	-
Total	24,038	8,611	21,977	6,125
Total other financial assets	65,128	13,621	68,631	17,377

Fair value

Term deposits

The carrying amount of term deposits approximates their fair value.

Community loans

The fair value of community loans is \$16m (2015 \$151k).

Staples Rodway (SR) was advanced a loan in 2012 in respect of the fit out for the BNZ building they lease from Council. The loan was repaid in March 2015.

The Northern Districts Cricket Association Incorporated (NDC) loan was to enable them to fund their share of the Seddon Park upgrade. The loan is due to be repaid in July 2016.

Accessible Properties Limited (AP) purchased council's housing assets in March 2016. The balance of the settlement (\$18.8m) is due to be repaid on 7 March 2019. The outstanding amount has been recorded as a community loan after discounting back to present value.

Unlisted shares

NZ Local Government Insurance Co Ltd made a net surplus for the year ended 31 December 2015 of \$0.51m (31 December 2014 net deficit \$0.17m). Council has made an adjustment through surplus/(deficit) to reflect its share of the increase in net equity of the company resulting from the surplus for the year.

New Zealand Food Innovation (Waikato) Ltd (NZFIW), Waikato Innovation Park Ltd (WIPL) and Innovation Park Ltd (IWL) became Council Controlled Organisations (CCOs) on 9 October 2013, when Council was gifted the shares in Innovation Waikato Ltd (IWL) by the Katolyst Group. Council has a shareholding in IWL (100%) which is recognised as a subsidiary of Council. Refer note 18, Investment in subsidiaries for further details. IWL has 80.2% shareholding in WIPL, and the balance of 19.8% is owned directly by Council. Council has indirect control of NZFIW, as WIPL holds 70% of NZFIW, and in turn NZFIW holds a 25% shareholding in NZ Food Innovation Network Ltd (NZFIN).

Impairment

An impairment of \$83k was made to Council's investment in Local Authority Shared Services Limited to reflect Council's share of the reduction in LASS's equity resulting from an operating loss for the year ended 30 June 2016.

In 2016 Council impaired the value of WIPL to reflect the current market valuation.

Fair value

Vibrant Hamilton Trust has a portfolio of fixed interest instruments and equity funds managed by Gareth Morgan Investments (GMI). These investments are held for trading and classified as current assets. They are managed as a balanced portfolio to an agreed investment mandate. After initial recognition this category of financial assets are measured at fair value with gains and losses on remeasurement recognised in the surplus/(deficit).

Investments in unlisted shares are initially recognised at cost and subsequently measured at fair value with any movements in fair value recognised directly in other comprehensive income.

The carrying amount of other financial assets approximates their fair value.

The details of unlisted shares are summarised as follows:

	Number of Shares		Council		Group	
		Holding %	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Unlisted Shares						
Local Authority Shared Services Ltd						
- Ordinary	1	7.69	1	1	1	1
- Shared Valuation Data	220,514	13.72	52	77	52	77
- Waikato Regional Transport Model	50,625	37.50	118	176	118	176
NZ Local Government Funding Agency Ltd	1,865,980	8.30	1,866	1,866	1,866	1,866
NZ Local Government Insurance Corporation Ltd	202,729	1.84	295	244	295	244
NZ Food Innovation (Waikato) Ltd- uncalled capital	100	100.00	-	-	-	-
NZ Food Innovation Network Ltd	25	25.00	-	-	17	20
Waikato Innovation Park Ltd	247	19.80	2,079	2,506	-	-
Total unlisted shares			4,411	4,870	2,349	2,384

The weighted average interest rates for financial assets (current and non-current) were as follows:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Loan to Staples Rodway (SR)	0.00%	7.14%	0.00%	7.14%
Loan to Northern Districts Cricket Club (NDC)	5.70%	5.70%	5.70%	5.70%
Loan to Accessible Properties Ltd (AP)	0.00%	-	0.00%	-

Movements in loans are summarised as follows:

	Council and Group (\$000)			
	SR	NDC	AP	Total
2016				
Opening balance	-	151	-	151
Advance of loan	-	(21)	15,947	15,926
Repayment of loan	-	(40)	-	(40)
Closing balance	-	90	15,947	16,037

	Council and Group (\$000)			
	SR	NDC	AP	Total
2015				
Opening balance	261	-	-	261
Advance of loan	-	161	-	161
Repayment of loan	(261)	(10)	-	(271)
Closing balance	-	151	-	151

Movements in unlisted shares are summarised as follows:

	Council (\$000)					Group (\$000)	
	WIPL	LASS	NZLGI	LGFA	Total	NZFIN	Total
2016							
Opening balance	2,506	254	244	1,866	4,870	20	4,890
Impairment of shares (surplus/deficit)	(427)	(83)	51	-	(459)	(3)	(462)
Closing balance	2,079	171	295	1,866	4,411	17	4,428

	Council (\$000)					Group (\$000)	
	WIPL	LASS	NZLGI	LGFA	Total	NZFIN	Total
2015							
Opening balance	2,506	378	227	1,866	4,977	11	4,988
Impairment of shares (surplus/deficit)	-	(124)	17	-	(107)	9	(98)
Closing balance	2,506	254	244	1,866	4,870	20	4,890

NOTE 16: INVENTORY

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Held for distribution inventory:				
Nursery	77	91	77	91
Utilities	65	18	409	18
Total inventory	142	109	486	109

The write-down of inventory during the year was \$nil (2015 \$nil). There have been no reversals of write-downs (2015 \$nil).

No inventory is pledged as security for liabilities (2015 \$nil). However, some inventory is subject to retention of title clauses.

NOTE 17: NON-CURRENT ASSETS HELD FOR SALE

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Non-current assets held for sale are:				
- Land	-	-	-	-
Total non-current assets held for sale	-	-	-	-

There are no properties that meet the criteria required to be presented as held for sale as at 30 June 2016.

There were no properties that met the criteria required to be presented as held for sale as at 30 June 2015.

NOTE 18: INVESTMENT IN SUBSIDIARIES

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Hamilton Properties Ltd (HPL)	1	1	-	-
Vibrant Hamilton Trust (VHT)	-	-	-	-
Innovation Waikato Ltd (IWL)	8,421	10,149	-	-
Total investments in subsidiaries	8,422	10,150	-	-

Council has a 100% shareholding in its subsidiary Hamilton Properties Limited and comprises 1,000 shares. Hamilton Properties Limited remains a non-active company for the year ended 30 June 2016.

The Vibrant Hamilton Trust was incorporated on 24 August 2010 under the Charitable Trust Act 1957. The Trust was established as a Council Controlled Organisation (CCO) as per the requirements under section 64(1) of the Local Government Act 2002 to provide a legal entity which would receive funds from the Waikato Foundation Trust and be empowered to make distributions of income and capital for the charitable purposes authorised in its Trust Deed.

Vibrant Hamilton Trust commenced trading on 31 January 2012, when The Waikato Foundation Trust transferred funds to the Vibrant Hamilton Trust (65%) and the Waikato District Community Wellbeing Trust Board (35%). The Waikato Foundation Trust was subsequently disestablished.

Council has 100% shareholding in its subsidiary Innovation Waikato Ltd (IWL), when 1,247 shares were gifted to Council by the Katolyst Group on 9 October 2013. The Katolyst Group was subsequently disestablished. In 2016 Council impaired the value of IWL to reflect the current market valuation.

Council recognised 100% shareholding in IWL on 9 October 2013 based on the fair value of the IWL Group net equity as at 30 September 2013, \$10.149m (i.e. 80.2% of \$12.655m). Based on using the same fair value of the IWL Group net assets as at 30 September 2013, Council reflected a gain on the shares in WIPL of \$106k, which increased the Council's investment to \$2.506m (i.e. 19.8% of \$12.655m).

Council has utilised the following IWL Group financial results for the year ended 30 June 2016 for the Group consolidation. An adjustment has been made to eliminate intercompany revenue and expenses in the Statement of comprehensive revenue and expense.

Innovation Waikato Limited (Group)	2016	2015
	\$000	\$000
Assets	50,061	39,976
Liabilities	30,648	23,006
Equity	19,413	16,970
Revenue	10,099	7,790
Expenditure	8,945	6,545
Surplus/(deficit) after tax	1,154	1,245
Other comprehensive income	1,288	0
Total comprehensive revenue and expense	2,442	1,245

NOTE 19: INVESTMENTS IN COUNCIL CONTROLLED ORGANISATIONS

Section 4(3) of the Local Government (Financial Reporting) Regulations 2011, requires Council to present a single Council Controlled Organisation (CCO) investment sum in the Statement of financial position. Council has decided to disclose the total CCO investment amount in a note to the financial statements.

The three related entities, NZ Food Innovation (Waikato) Ltd (NZFIW), Waikato Innovation Park Ltd (WIPL) and Innovation Waikato Ltd (IWL) became CCOs of Council on 9 October 2013 when the shares in IWL were gifted to Council by the Katolyst Group. Refer to notes 15 and 18 for further information.

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Investment in subsidiaries				
Hamilton Properties Ltd (HPL)	1	1	-	-
Innovation Waikato Ltd (IWL)	8,421	10,149	-	-
Vibrant Hamilton Trust (VHT)	-	-	-	-
Investment in associates				
Waikato Regional Airport Ltd (WRAL)	7,430	7,430	32,203	29,835
Other financial assets				
Local Authority Shared Services Ltd (LASS)	171	254	171	254
NZ Local Government Insurance Co Ltd (Civic)	295	244	295	244
NZ Local Government Funding Agency Ltd (LGFA)	1,866	1,866	1,866	1,866
NZ Food innovation (Waikato) Ltd (NZFIW)	-	-	-	-
Waikato Innovation Park Ltd (WIPL)	2,079	2,506	-	-
Total investments in Council Controlled Organisations	20,263	22,450	34,535	32,199

NOTE 20: PROPERTY, PLANT AND EQUIPMENT

\$000

	01-Jul-15	01-Jul-15	01-Jul-15	Carrying amount	Cost transfers / reclassifications	Accumulated depreciation transfers / reclassifications	Gain/(loss) on revaluations	Current year additions	Current year vested additions	Change in Work in Progress	Current year disposals at cost	Current year impairment charges or write offs	Current year depreciation	Accumulated depreciation reversed on disposal	Other adjustments	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount
	01-Jul-15	01-Jul-15	01-Jul-15	Carrying amount	Cost transfers / reclassifications	Accumulated depreciation transfers / reclassifications	Gain/(loss) on revaluations	Current year additions	Current year vested additions	Change in Work in Progress	Current year disposals at cost	Current year impairment charges or write offs	Current year depreciation	Accumulated depreciation reversed on disposal	Other adjustments	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount
Operational assets																					
Land	60,431	-	60,431	-	-	-	4,248	1,165	-	26	(13,745)	-	-	-	-	-	52,125	-	52,125	-	52,125
Buildings	263,779	(9,608)	254,171	-	-	-	18,816	4,429	-	(160)	(17,873)	-	(8,750)	1,431	-	-	252,064	(598)	255,742	-	255,742
Land - parks and gardens	317,528	-	317,528	-	-	-	85,912	613	72	(448)	-	-	-	-	-	-	403,677	-	403,677	-	403,677
Improvements - parks and gardens	66,666	(2,844)	63,822	-	-	-	-	5,171	1,613	(11)	(408)	-	(3,000)	50	-	-	73,031	(5,794)	67,614	-	67,614
Plant and equipment	45,451	(27,626)	17,825	-	-	-	-	3,465	-	(1,718)	(1,536)	(35)	(3,058)	1,481	-	-	45,662	(32,083)	33,485	-	33,485
Vehicles	6,818	(3,730)	3,088	-	-	-	-	294	-	241	(170)	-	(386)	141	-	-	7,183	(3,975)	3,208	-	3,208
Library books	21,631	(13,039)	8,592	-	-	-	-	1,169	-	(304)	-	-	(1,113)	-	-	-	22,496	(14,152)	8,344	-	8,344
Zoo animals	1,244	(1,083)	161	-	-	-	-	73	-	(51)	-	-	(31)	-	-	-	1,266	(1,114)	152	-	152
Leasehold Improvements	2,096	(2,052)	44	-	-	-	-	-	-	-	-	-	(6)	-	-	-	2,096	(2,058)	38	-	38
Total operational assets	785,644	(59,982)	725,662	-	-	-	108,976	16,379	1,685	(2,425)	(33,732)	(35)	(16,344)	3,103	-	-	859,600	(56,331)	803,269	(59,774)	824,385
Restricted assets																					
Land	16,246	-	16,246	-	-	-	3,479	175	1,097	-	(126)	-	-	-	-	-	20,871	-	20,871	-	20,871
Heritage assets																					
Museum and library	34,676	-	34,676	-	-	-	-	190	-	25	-	-	-	-	-	-	34,891	-	34,891	-	34,891
Infrastructure assets																					
Land	18,909	-	18,909	-	-	-	2,911	-	-	(103)	-	-	-	-	-	-	21,717	-	21,717	-	21,717
Refuse	55,803	(372)	55,431	-	-	-	-	2,151	-	(1,677)	(57)	-	(220)	53	-	-	56,220	(539)	55,681	-	55,681
Roads and traffic network	748,544	(33,527)	715,017	-	-	-	-	19,605	10,203	(4,673)	(2,246)	-	(17,798)	718	-	-	771,433	(50,607)	720,826	-	720,826
Land under roads	669,840	-	669,840	-	-	-	-	1,202	11,336	(994)	-	-	-	-	-	-	681,384	-	681,384	-	681,384
Stormwater system	373,778	(11,041)	362,737	-	-	-	149,446	3,729	4,715	(2,085)	(57)	-	(7,896)	1	-	-	510,590	(7,895)	510,590	-	510,590
Wastewater system	270,053	(10,931)	259,122	-	-	-	41,197	12,711	3,370	(5,071)	(442)	-	(6,172)	39	-	-	310,887	(6,133)	304,754	-	304,754
Wastewater treatment plant	63,616	(4,648)	58,968	-	-	-	-	3,451	-	918	-	-	(2,525)	-	-	-	67,985	(7,173)	60,812	-	60,812
Water system	269,135	(10,358)	258,777	-	-	-	(34,487)	10,570	1,867	4,643	(118)	-	(4,751)	10	-	-	241,252	(4,741)	236,511	-	236,511
Water treatment station	65,202	(2,981)	62,221	-	-	-	-	4,659	-	601	-	-	(1,631)	-	-	-	70,462	(4,612)	65,850	-	65,850
Total infrastructure assets	2,534,880	(73,858)	2,461,022	-	-	-	159,067	58,078	31,491	(8,441)	(2,920)	-	(40,993)	821	-	-	2,739,825	(81,700)	2,658,125	-	2,658,125
Total property, plant and equipment	3,371,446	(133,840)	3,237,606	-	-	-	271,522	74,822	34,273	(10,841)	(36,778)	(35)	(57,337)	3,924	-	-	3,655,187	(138,031)	3,517,156	(141,474)	3,538,272

NOTE 20: PROPERTY, PLANT AND EQUIPMENT

\$000

5000	COUNCIL 2015											GROUP 2015							
												Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount					
	01-Jul-14	01-Jul-14	01-Jul-14	Carrying amount	Cost transfers / reclassifications	Accumulated depreciation transfers / reclassifications	Gain/(loss) on revaluations	Current year additions (Constructed)	Current year additions (Vested)	Change in Work in Progress	Current year disposals at cost	Current year impairment charges or write offs	Current year depreciation	Accumulated depreciation reversed on disposal	Other adjustments	Cost / revaluation	30-Jun-15	30-Jun-15	30-Jun-15
Operational assets																			
Land	55,599	-	55,599		(1,476)	-	6,302	1	-	5	-	-	-	-	-	-	60,431	-	60,431
Buildings	269,464	(30,159)	239,305	(268)	32	27,866	2,683	2,683	-	856	(6,695)	(314)	(9,410)	116	-	-	270,756	(10,045)	260,711
Land - parks and gardens	317,678	-	317,678	-	(3,779)	-	(3,779)	2,320	1,383	(74)	-	-	-	-	-	-	317,528	-	317,528
Improvements - parks and gardens	60,913	(8,587)	52,326	(22)	7	8,551	3,689	924	1,383	1,588	(397)	-	(2,881)	37	-	-	67,249	(2,844)	64,405
Plant and equipment	42,996	(25,467)	17,529	290	(39)	-	1,991	1,991	924	1,404	(1,230)	(236)	(3,034)	1,150	-	-	63,292	(29,550)	33,742
Vehicles	7,004	(3,665)	3,339	-	-	-	-	157	-	69	(412)	-	(396)	331	-	-	6,818	(3,730)	3,088
Library books	20,671	(12,021)	8,650	-	-	-	753	753	-	207	-	-	(1,018)	-	-	-	21,631	(13,039)	8,592
Zoo animals	1,181	(1,064)	117	-	-	-	-	-	-	63	-	-	(19)	-	-	-	1,244	(1,083)	161
Leasehold improvements	2,096	(1,727)	369	-	-	-	-	-	-	-	-	-	(325)	-	-	-	2,096	(2,052)	44
Total operational assets	777,602	(82,690)	694,912	(1,476)	-	38,940	11,594	2,307	4,118	(8,734)	(550)	-	(17,083)	1,634	-	-	811,045	(62,343)	748,702
Restricted assets																			
Land	19,895	-	19,895	(1,075)	-	(3,659)	-	-	1,085	-	-	-	-	-	-	-	16,246	-	16,246
Heritage assets																			
Museum and library	35,082	-	35,082	-	-	(422)	22	22	-	(6)	-	-	-	-	-	-	34,676	-	34,676
Infrastructure assets																			
Land	19,790	-	19,790	-	-	1,332	-	-	-	37	(2,250)	-	-	-	-	-	18,909	-	18,909
Refuse	54,993	(186)	54,807	-	-	-	17	17	-	793	-	-	(186)	-	-	-	55,803	(372)	55,431
Roads and traffic network	731,141	(16,433)	714,708	-	-	-	18,084	4,835	4,835	(4,757)	(759)	-	(17,264)	170	-	-	748,544	(33,527)	715,017
Land under roads	659,771	-	659,771	2,551	-	-	1,124	6,147	6,147	254	(7)	-	1,124	-	-	-	669,840	-	669,840
Stormwater system	369,207	(5,511)	363,696	-	-	-	247	2,765	2,765	1,559	-	-	(5,530)	-	-	-	373,778	(11,041)	362,737
Wastewater system	263,299	(5,486)	257,813	-	-	-	3,121	1,627	3,046	(1,040)	-	-	(5,525)	80	-	-	270,053	(10,931)	259,122
Wastewater treatment plant	61,376	(2,053)	59,323	-	-	-	6,142	-	-	(3,902)	-	-	(2,595)	-	-	-	63,616	(4,648)	58,968
Water system	262,653	(5,128)	257,525	-	-	-	-	-	1,056	4,533	(180)	-	(5,254)	24	-	-	269,135	(10,358)	258,777
Water treatment station	62,642	(1,364)	61,278	-	-	-	3,555	-	-	(995)	-	-	(1,617)	-	-	-	65,202	(2,981)	62,221
Total infrastructure assets	2,484,872	(36,161)	2,448,711	2,551	-	1,332	33,363	16,430	568	(4,236)	(550)	-	(37,971)	274	-	-	2,534,880	(73,858)	2,461,022
Total property, plant and equipment																			
	3,317,451	(118,851)	3,198,600	-	-	36,191	44,979	19,822	4,680	(12,970)	(550)	-	(55,054)	1,908	-	-	3,371,446	(136,201)	3,260,646
																	(1)	(2)	

(1) The Group cost figures include \$25.4m for Innovation Waikato Ltd (Group) - \$7m of buildings, \$583k of parks and gardens improvements, and \$17.8m of plant and equipment.

(1)

(2)

VALUATION

	Most recent estimate of replacement cost	Date of estimate	Previous estimate of replacement cost	Date of estimate
	\$000		\$000	
Roads & footpaths	1,126,803	30 June 2016	1,077,387	30 June 2015
Water				
- Treatment and facilities	101,432	30 June 2016	96,439	30 June 2015
- Other	373,002	30 June 2016	411,807	30 June 2015
Sewerage				
- Treatment and facilities	87,889	30 June 2016	84,125	30 June 2015
- Other	519,098	30 June 2016	452,311	30 June 2015
Stormwater	755,822	30 June 2016	529,235	30 June 2015
Flood protection & control works	-	30 June 2016	-	30 June 2015

Land (operational, restricted, infrastructural and parks and gardens)

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the "unencumbered" land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensively.

The most recent valuation was performed by independent valuers, Lynda McNamara, M.Com (VPM), and Ian Sutherland, BBS (VPM), ANZIV of QV Asset & Advisory, and the valuation was effective as at 30 June 2016.

Buildings (operational)

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- The remaining useful life of assets is estimated.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect fair value.

The most recent valuation was performed by independent valuers, Kees Beentjes BSc, BE (Hons), Asset Management Consultant for SPM Assets Ltd, and reviewed by C Jenkins BE (Civil) (First Class Honours), MIPENZ, MInstD of SPM Assets Ltd, Lynda McNamara, M.Com (VPM) and Ian Sutherland, BBS (VPM), ANZIV of QV Asset & Advisory. The valuation was effective as at 30 June 2016.

Heritage assets

Library Heritage collection (Central Library Reference Collection) is valued at fair value. Major collection items have been valued separately or by formulae based on quantity measurements and determined by details provided by a random cross section sampling methodology.

The most recent valuation for the Library Reference Collection was performed by Pam Plumbly, Rare Book Consultant of Art + Object, The 21st Century Auction House, and James Parkinson, Director of Valuations and Collections Management of Art + Object. The last revaluation was effective as at 1 July 2014.

Museum Heritage Collection is valued at fair value using various methods as follows:

- Reference to observable prices in an active market. Where that market exists for the same or similar asset the market prices are deemed to be fair value. The values ascribed are primarily based on observable prices in both the primary retail market and the secondary auction market.
- If there is no active market, fair value is determined by other market based evidence adjudged by the valuers as active and knowledgeable participants in the market.

When ascribing values, consideration was given to the following:

- Historical and cultural significance recognising that there is a strong trend in sales that reflect this significance
- Comparison with the values ascribed to the value of similar items held in other institutions.
- Recent auction catalogue sales nationally and/or internationally. These values are known by the valuer's attendance at sales as well as by access to numerous auction houses and on line data base records, such as the Australian Art Sales Digest which tracks sales results across all of the major auction houses in Australasia.

The most recent valuation for the Museum Heritage Collection was performed by Ben Plumbly, Director Art of Art + Object, The 21st Century Auction House, and James Parkinson, Director of Valuations and Collections Management of Art + Object. The last revaluation was effective as at 1 July 2014.

Parks and gardens improvements

Parks and gardens improvements are valued at fair value using depreciated replacement cost because no reliable market data is available for such assets.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.

In arriving at the value, it is assumed that modern construction techniques and modern equivalent materials are used, but that the physical asset replaces the asset as it exists.

Where possible, replacement rates have been based on the recent actual construction costs. Where this information wasn't available, rates have been calculated based on those used in the last revaluation adjusted by the appropriate cost adjustment factor, which was calculated based upon the methodology defined in Appendix A of the New Zealand Standards for Conditions of Contract for Buildings and Civil Engineering Construction, NZS 3910.

The default construction date was assumed to be 50% of the Total Useful Life (TUL) – unless it is otherwise stated – and only used where there was no construction date.

Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

The most recent valuation was performed by Mectildah Chikwiri BSc (Computer, Statistics) and Hannah Helleur BSocSc (Hons) of Hamilton City Council and reviewed by B Smith B Com CA of Brian Smith Advisory Services Ltd, and Sarah Seel, Principal Asset Management Consultant, of AECOM New Zealand Ltd. The valuation was effective as at 1 July 2014.

Infrastructural asset classes: water reticulation, wastewater reticulation and pump stations, stormwater, refuse, water and wastewater treatment plants, water reservoirs and roading assets (excluding land)

Water reticulation, wastewater reticulation and pump stations, stormwater, refuse, water and wastewater treatment plants, water reservoirs and roading assets (excluding land) are valued at depreciated replacement cost.

There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- Estimating any obsolescence or surplus capacity of the asset.
- Estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar assets.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions, for example weather patterns, soil types and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then HCC could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk, infrastructural asset lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition-modelling are also carried out regularly as part of asset management planning activities, which provides further assurance over useful life estimates.

The most recent valuation for water reticulation, wastewater reticulation and pump stations and stormwater was performed by Emily Botje, CPeng (Int)., MBA, BTech (Hons), Water Asset Manager of Hamilton City Council and reviewed by B Smith B Com CA of Brian Smith Advisory Services. The valuation was effective 1 July 2015.

The most recent valuation for refuse, water and wastewater treatment plants, and water reservoirs was performed by Sarah Seel, Principal Asset Management Consultant, of AECOM New Zealand Ltd, and the valuation was effective 1 July 2013.

The most recent valuation for roading assets (excluding land) was performed by Robert Berghuis, Senior Plant and Machinery Valuer, of Beca Valuations Ltd (New Zealand), and the valuation was effective as at 1 July 2013.

Disposals

The sale of the Council owned Housing Services Portfolio to another housing services provider was completed in March 2016. Proceeds after costs from this sale have been allocated to the Domain Endowment Fund (\$2.8m) and the balance used to pay off debt. The net loss on disposal of the land and buildings was \$7.5m.

During the year, the land located at 83 Riverlea Road, Hamilton was sold to the Riverlea Theatre & Art Centre Incorporated, which was completed in June 2016. The proceeds from the sale were used to pay off debt, and the net loss on disposal was \$986k.

Operational assets (for buildings, parks and gardens improvements, vehicles and miscellaneous plant & equipment) were replaced during the year due to failure, or obsolescence. The carrying amount of \$1.8m was recognised as a loss on disposal.

Infrastructure assets (for roading, water supply, waste- water and stormwater reticulation) were replaced during the year due to failure, or obsolescence. The carrying amount of \$2.1m was recognised as a loss on disposal.

The net loss on disposal of Property, Plant and Equipment (\$12.5m) has been recognised in the Statement of comprehensive revenue and expense in the line items "Property, plant, and equipment gain on disposal" and "Property, plant, and equipment loss on disposal".

Impairment

Impairment losses totalling \$35k (2015 \$550k) have been recognised for Property, plant and equipment.

This relates items of miscellaneous plant and equipment located at the pools and libraries that have deteriorated to such a stage that their remaining useful life was less than their recorded remaining useful life. This has been recognised in Other expenses in the Statement of comprehensive revenue and expense.

Leasehold improvements

Fit-out improvements are made to buildings which are not owned by Council, but are occupied by Council under lease. The non-removable assets created are depreciated over the life of the lease, while removable assets are recorded as plant and equipment.

Finance leases

The net carrying amount of plant and equipment held under finance leases is \$646k (2015 \$1.6m) and relates to information and communication technology.

Uninsured assets

Since 1 July 2013 Council has insurance cover for material damage for the underground pipe networks, bridges and reservoirs. This is cover in the event of a major incident or disaster. The road network assets remain uninsured.

Restrictions

Land in the "Restricted Asset" category is subject to either restrictions on use, or disposal, or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land under a bequest or donation that restricts the purpose for which the asset can be used)

Work in progress

Property, plant and equipment in the course of construction by class of asset are detailed as follows:

	2016	2015
	\$000	\$000
Operational assets		
- Land	32	6
- Buildings	3,796	3,955
- Land – parks and gardens	22	470
- Improvement – parks and gardens	4,946	4,957
- Plant and equipment	2,223	3,941
- Vehicles	355	114
- Library Books	5	308
- Zoo Animals	12	63
- Leasehold Improvements	-	-
Restricted Assets		
- Land	-	-
Heritage Assets		
- Museum and library	25	-
Infrastructure Assets		
- Land	31	134
- Refuse	273	1,950
- Roads and traffic network	11,948	16,621
- Land under roads	0	994
- Stormwater system	1,073	3,158
- Wastewater system	5,892	10,963
- Wastewater treatment plant	2,767	1,848
- Water system	15,122	10,479
- Water treatment station	3,300	2,699
TOTAL	51,822	62,660

The decrease in value relates to the increasing focus on the management of asset data and the capitalisation of assets.

NOTE 21: 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.

	Council and Group				
	Infrastructural Modelling	Licenses	Computer Software	Consents & Designations	Total
	\$000	\$000	\$000	\$000	\$000
Cost					
Balance as at 1 July 2015	2,635	236	16,277	10,502	29,650
Additions	-	151	2,699	-	2,850
Disposals	-	-	-	-	-
Change in Work in Progress					
- Opening WIP	483	20	2,492	326	3,321
- Closing WIP	2,128	-	1,089	441	3,658
	1,645	(20)	(1,403)	115	337
Balance as at 30 June 2016	4,280	367	17,573	10,617	32,837
Balance as at 1 July 2014	-	162	15,276	6,317	21,755
Additions	2,152	55	4,750	4,611	11,568
Disposals	-	-	-	-	-
Change in Work in Progress					
- Opening WIP	-	1	6,241	752	6,994
- Closing WIP	483	20	2,492	326	3,321
	483	19	(3,749)	(426)	(3,673)
Balance as at 30 June 2015	2,635	236	16,277	10,502	29,650
Accumulated amortisation and impairment					
Balance as at 1 July 2015	(211)	(25)	(6,947)	(2,741)	(9,924)
Amortisation charge	(43)	(48)	(2,612)	(375)	(3,078)
Impairment	-	-	-	-	-
Amortisation reversed on disposal	-	-	-	-	-
Balance as at 30 June 2016	(254)	(73)	(9,559)	(3,116)	(13,002)
Balance as at 1 July 2014	-	(11)	(5,308)	(2,347)	(7,666)
Amortisation charge	(211)	(14)	(1,603)	(394)	(2,222)
Amortisation reversed on disposal	-	-	(36)	-	(36)
Balance as at 30 June 2015	(211)	(25)	(6,947)	(2,741)	(9,924)
Carrying amounts					
Balance as at 1 July 2014	-	151	9,968	3,970	14,089
Balance as at 30 June and 1 July 2015	2,424	211	9,330	7,761	19,726
Balance as at 30 June 2016	4,026	294	8,014	7,501	19,835

Restrictions over title

There are no restrictions over the title of intangible assets. No assets are pledged for security for liabilities.

Impairment

No intangible assets have been impaired (2015 \$nil).

NOTE 22: DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Directly attributable depreciation and amortisation expense by group of activity				
Arts and Culture	2,721	1,396	2,721	1,396
Community Support	807	193	807	193
Economic Development	5,193	2,559	5,193	2,559
Parks and Green Spaces	3,253	2,357	3,253	2,357
Recreation	1,382	642	1,382	642
Rubbish and Recycling	372	292	372	292
Safety	86	51	86	51
Sewerage	9,056	8,312	9,056	8,312
Stormwater	8,013	5,623	8,013	5,623
Transport	18,503	17,935	18,503	17,935
Water Supply	6,660	6,949	6,660	6,949
Total directly attributable depreciation and amortisation by group of activity	56,046	46,309	56,046	46,309
Depreciation and amortisation not directly related to group of activities*	4,370	10,969	5,455	11,796
Total depreciation and amortisation expense	60,416	57,278	61,501	58,105

*Depreciation was charged to Property (support unit) in 2015 and charged to an activity in 2016.

Depreciation actuals for 2015 have been restated due in changes in activities.

NOTE 23: INVESTMENT PROPERTY

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Balance at 1 July	24,139	41,203	39,839	55,703
Additions from acquisitions	-	-	-	-
Additions from subsequent expenditure	22	-	9,185	14
Disposals	(2,120)	(17,305)	(2,120)	(17,305)
Fair value gains/(losses) on valuation (note 8)	2,754	241	3,541	1,427
Balance at 30 June	24,795	24,139	50,445	39,839

The valuation of investment property was performed by R A Smithers an independent valuer from Telfer Young (Waikato) Limited and P A Curnow an independent valuer from Curnow Tizard Limited. Telfer Young (Waikato) Limited and Curnow Tizard Limited are experienced valuers with extensive market knowledge in the types and locations of investment properties owned by the Council.

The fair value of investment property has been determined using the capitalisation of net revenue and discounted cash flow methods. These methods are based upon assumptions including future rental revenue, anticipated maintenance costs, and appropriate discount rates.

Information about revenue and expenses in relation to investment property is detailed below:

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Rental revenue	2,256	3,120	2,256	3,120
Direct operating expenses from investment property generating revenue	1,851	2,172	1,851	2,172

NOTE 24: INVESTMENT IN ASSOCIATES

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Waikato Regional Airport Limited	7,430	7,430	32,203	29,835
Total	7,430	7,430	32,203	29,835

Summarised financial information of associate presented on a gross basis

	2016 \$000	2015 \$000
Assets	82,115	78,543
Liabilities	17,898	18,874
Revenue	8,079	7,765
Surplus/(deficit)	338	169
Group's interest	50.00%	50.00%
Number of shares	2,486,802	2,486,802
Balance date	30 June	30 June

Details of any contingent liabilities arising from the group's involvement in an associate are disclosed separately in note 32.

Waikato Regional Airport Limited is an unlisted company.

NOTE 25: PAYABLES AND DEFERRED REVENUE

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Current portion				
<i>Payables and deferred revenue under exchange transactions</i>				
Trade payables and accrued expenses	31,095	25,492	32,684	29,620
Income in advance	2,874	3,177	2,374	3,177
Amounts due to subsidiaries and associates	-	-	-	-
Amounts due to customers for contract work	1,243	632	1,243	632
Total	35,212	29,301	36,301	33,429
<i>Payables and deferred revenue under non-exchange transactions</i>				
Trade payables and accrued expenses	259	1,250	259	1,250
Income in advance	1,816	1,622	1,816	1,622
Income tax payable	-	-	-	-
Other taxes payable (Fringe benefit tax)	27	33	27	33
Total	2,102	2,905	2,102	2,905
Non-current portion				
<i>Payables and deferred revenue under exchange transactions</i>				
Income in advance	-	-	606	512
Total	-	-	606	512
Total payables and deferred revenue	37,314	32,206	39,009	36,846

Payables are generally non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables approximates their fair value.

NOTE 26: PROVISIONS

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Current portion				
Restructuring provision	96	753	96	753
WorkSafe fine	350	-	350	-
Weathertight homes resolution services claims	970	763	970	763
Landfill aftercare	1,281	703	1,281	703
Total	2,697	2,219	2,697	2,219
Non-current portion				
Landfill aftercare	12,559	8,477	12,559	8,477
Loan repayment provision	-	-	189	171
Total	12,559	8,477	12,748	8,648
Total provisions	15,256	10,696	15,445	10,867

	Council					Group	
	Restructuring	WorkSafe fine	Council Weather-tightness claims	Landfill	Total Council	Loan repayment	Total Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2015							
Balance at 1 July 2014	-	-	1,063	8,746	9,809	-	9,809
Additional provisions made	753	-	100	681	1,534	171	1,705
Amounts used	-	-	(300)	(859)	(1,159)	-	(1,159)
Unused amount reversed	-	-	(100)	-	(100)	-	(100)
Discount unwind (note 6)	-	-	-	612	612	-	612
Balance at 30 June 2015	753	-	763	9,180	10,696	171	10,867
2016							
Balance at 1 July 2015	753	-	763	9,180	10,696	171	10,867
Additional provisions made	-	350	207	5,080	5,637	18	5,655
Amounts used	(605)	-	-	(1,063)	(1,668)	-	(1,668)
Unused amount reversed	(52)	-	-	-	(52)	-	(52)
Discount unwind (note 6)	-	-	-	643	643	-	643
Balance at 30 June 2016	96	350	970	13,840	15,256	189	15,445

Weathertight homes resolution services claims provision

Three claims have been lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2016 (2015 5 claims). These claims relate to weathertightness issues of homes in Hamilton and name the Council as well as other parties. The WHRS is a central government service established under the Weathertightness Homes Resolution Services Act 2006.

Two claims (2015 1 claim) lodged via the court system are outstanding with an estimated liability of \$670k (2015 \$250k).

Total estimated exposure is \$970k (2015 \$763k). This represents an overall increase of \$207k for the year.

Landfill aftercare costs

Council is responsible for four closed landfill sites - Horotiu, Willoughby, Cobham Drive and Rototuna.

Council's aftercare responsibilities include ongoing maintenance and monitoring such as the following:

- treatment and monitoring of leachate
- groundwater and surface monitoring
- gas monitoring and recovery
- implementation of remedial measures such as need for cover and control systems
- ongoing site maintenance for drainage systems, final cover and control.

The cash outflows for the landfills are expected to occur until 2049. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred.

The following significant assumptions have been made in calculating the provision:

- a discount rate of 7.0% (2015 7.0%)
- an inflation rate of 2.8% (2015 3.2%)

Restructuring

In response to the restructuring plan announced by the Chief Executive on 14 May 2015 a provision was established on 30 June 2015 to cover the associated costs. By 30 June 2016 \$657k had been used leaving a balance of \$96k. This will be used to cover the remaining costs of the restructure that will be incurred in 2016-17.

WorkSafe fine

Hamilton City Council has entered a guilty plea in relation to a charge laid by WorkSafe New Zealand over the death of the Zoo Curator at the Hamilton Zoo.

Loan repayment

A subsidiary of Innovation Waikato Limited, New Zealand Food Innovation (Waikato) Limited, entered into a contract to lease a factory and received a loan for equipment. If the lease is not renewed on 1st September 2019, one third of the loan is repayable on that date. A provision has been created, discounted to present value, for one third of the loan.

ACC partnership programme

Council belongs to the ACC Employer Reimbursement Agreement whereby Council accepts the financial responsibility of work related illnesses and accidents of employees. Under this agreement Council is effectively providing accident insurance to employees for work related accidents equal to 80% of the first week of absence from work. No provision has been made for any outstanding liability at balance date as the liability is not material for Council's financial statements based on payments made in prior years.

Council manages its exposure arising from the programme by promoting a safe and healthy working environment by:

- implementing and monitoring health and safety policies
- induction training on health and safety
- actively managing injuries to ensure employees return to work as soon as practical
- recording and monitoring work place injuries and near misses to identify risk areas and implementing mitigating actions
- identification of work place hazards and implementation of appropriate safety procedures

NOTE 27: EMPLOYEE ENTITLEMENTS

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Current portion				
Accrued pay	1,024	1,915	1,024	1,915
Annual leave	4,548	4,560	4,548	4,560
Sick leave	203	214	203	214
Retiring gratuities	268	349	268	349
Total	6,043	7,038	6,043	7,038
Non-current portion				
Retiring gratuities	1,068	881	1,068	881
Total	1,068	881	1,068	881
Total employee entitlements	7,111	7,919	7,111	7,919

Key assumptions in measuring retiring gratuity obligations

The present value of retiring gratuity obligations depends on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Retiring gratuities that are due to be settled beyond 12 months after the end of the financial year 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.

NOTE 28: BORROWINGS

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Current				
Secured loans	73,000	56,000	89,378	62,255
Lease liabilities	400	375	400	375
Total current borrowings	73,400	56,375	89,778	62,630
Non-current				
Secured loans	290,000	340,000	299,340	349,783
Unsecured loans	976	290	976	290
Lease liabilities	513	699	513	699
Total non-current borrowings	291,489	340,989	300,829	350,772
Total borrowings	364,889	397,364	390,607	413,402

Total overall debt

Total overall debt is Council's debt performance measure that was put in place for the 2015-2025 10-Year Plan.

Council restricted reserves and the council cash-backed reserves are held in cash and are not used to reduce external borrowing requirements as they are held for a specific purpose and may be utilised at any time.

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Total borrowings (excluding bank overdraft)	364,889	397,364	390,607	413,402
less: Cash investments (note 12)	(6,964)	(57,291)	(9,080)	(57,616)
less: Term deposits (note 15)	(44,680)	(8,600)	(44,680)	(8,600)
plus: Restricted and cash-backed reserves	34,760	35,783	34,760	35,783
Total overall debt	348,005	367,256	371,607	382,969

Interest terms for secured loans

Council has \$28m of its total debt of \$363m issued at fixed rates of interest (2015 \$40m of \$396m). The remainder of Council's secured loans are issued at floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin for credit risk.

Council uses synthetic instruments (swaps and FRAs) to manage the interest rate risk profile based on independent professional advice (see note 14).

Security

Council's secured loans have been issued in accordance with the Local Government Act 2002.

The loans are secured through the debenture trust deed over all rates, with the exception of \$18m (2015 \$30m) of Commercial Paper that has a maturity of three months or less.

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Unsecured loans

Council has an unsecured loan of \$976k (2015 \$290k) being the NZTA advance funded portion of the Cambridge Road to Cobham Drive section of the Ring Road. The loan is due for repayment at the later of 1 July 2019 or the completion of the works.

Fair values

The carrying amounts of borrowings repayable within one year approximate their fair value as the effect of discounting is not significant.

Due to interest rates on debt resetting to the market rate every three months, the carrying amounts of the majority of secured loans approximates their fair value. There is a \$10m secured loan that has been issued at a fixed rate and has greater than 12 months to maturity. The fair value of this loan is \$11.32m (2015 \$10.629m). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date of 2.65% (2015 3.84%).

Analysis of lease liabilities

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Total minimum finance lease payments payable:				
Not later than one year	452	440	452	440
Later than one and not later than five years	556	762	556	762
Later than five years	-	-	-	-
Total minimum finance lease payments	1,008	1,202	1,008	1,202
Future finance charges	(95)	(128)	(95)	(128)
Present value of minimum finance lease payments	913	1,074	913	1,074
Present value of minimum finance lease payments payable:				
Not later than one year	400	375	400	375
Later than one and not later than five years	513	699	513	699
Later than five years	-	-	-	-
Total minimum finance lease payments	913	1,074	913	1,074
Current portion	400	375	400	375
Non-current portion	513	699	513	699
Total finance lease liability	913	1,074	913	1,074

Interest rate

The interest rates applying to lease liabilities for 2016 range from 3.14% to 6.68% (2015 range from 3.89% to 7.31%).

Description of material leasing arrangements

Council has entered into finance leases for various plant and equipment. The net carrying amount of leased items within each class of property, plant and equipment is included in the numbers disclosed in note 20.

The finance leases can be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council does have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on Council by any of the finance leasing arrangements.

Internal borrowings

Internal borrowings apply to Council created reserves that are not supported by cash. These are the Reserves Contribution Fund and Rotokauri Land Sale Reserves both of which support the Parks and Green Spaces activity.

The interest earned by these reserves is an internal interest allocation, based on the weighted average cost of borrowing to Council less 0.5%.

During 2015 Council chose to support the Bus Shelter Reserve, Project Watershed Reserve and Waste Minimisation Reserve with cash and as such they are no longer subject to internal borrowings. These reserves support the Solid Waste, Stormwater and Transportation activities.

	Balance 1 July \$000	Repaid \$000	Borrowed \$000	Interest \$000	Balance 30 June \$000
2016					
Parks and Green Spaces	4,940	(2,634)	134	280	2,720
Sewerage	-	-	-	-	-
Stormwater	-	-	-	-	-
Transport	-	-	-	-	-
Total internal borrowings	4,940	(2,634)	134	280	2,720
2015					
Parks and Green Spaces	4,979	(480)	218	223	4,940
Sewerage	508	(508)	-	-	-
Stormwater	480	(480)	-	-	-
Transport	305	(305)	-	-	-
Total internal borrowings	6,272	(1,773)	218	223	4,940

NOTE 29: EQUITY

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Accumulated funds				
Balance 1 July	1,611,331	1,618,890	1,626,982	1,632,122
Surplus/(deficit) for the year	11,041	8,416	14,011	10,767
Transfer from property revaluation reserve on disposal	16,406	2,318	16,406	2,318
Transfers from restricted and Council created reserves	9,664	1,725	9,664	1,725
Transfers to restricted and Council created reserves	(6,327)	(20,018)	(6,327)	(20,018)
Gain on Non Controlling Interest	-	-	-	1,685
Transfer to asset revaluation reserve	(14)	-	(14)	(1,617)
Balance at 30 June	1,642,101	1,611,331	1,660,722	1,626,982
Restricted and Council created reserves				
Balance at 1 July	40,817	22,524	40,817	22,524
Transfers from accumulated funds	6,327	20,018	6,327	20,018
Transfers to accumulated funds	(9,664)	(1,725)	(9,664)	(1,725)
Balance at 30 June	37,480	40,817	37,480	40,817
Revaluation reserve				
Balance at 1 July	1,264,383	1,230,603	1,280,727	1,245,330
Transfer to accumulated funds on disposal of assets	(16,406)	(2,318)	(16,406)	(2,318)
Impairment	-	(95)	-	(95)
Revaluation gains/(losses) - property, plant and equipment	271,523	36,193	274,624	36,193
Revaluation gains/(losses) - share of associates' reserves	-	-	-	-
Other movements	-	-	-	1,617
Revaluation gains/(losses) - shareholdings	(106)	-	(106)	-
Balance at 30 June	1,519,394	1,264,383	1,538,839	1,280,727
Property revaluation reserves for each class consist of:				
Operational assets				
Buildings	110,623	97,021	112,823	97,021
Plant and equipment	-	-	2,907	2,006
Heritage assets	11,284	11,284	11,284	11,284
Land	32,135	37,593	32,135	37,593
Parks and gardens improvement	21,170	21,178	21,170	21,178
Parks and gardens land	256,825	170,912	256,825	170,912
Restricted assets				
Land	10,088	6,686	10,088	6,686
Infrastructure assets				
Land	16,220	13,309	16,220	13,309
Refuse	39,419	39,461	39,419	39,461
Roads and streets	306,545	307,538	306,545	307,538
Stormwater	372,782	223,353	372,782	223,353
Wastewater	201,338	160,450	201,338	160,450
Wastewater treatment station	12,582	12,582	12,582	12,582
Water treatment station	10,627	10,627	10,627	10,627
Water Supply	117,756	152,283	117,756	152,283
Total	1,519,394	1,264,277	1,524,501	1,266,283
Fair value through other comprehensive revenue and expense reserve				
Balance at 1 July	106	106	14,444	14,444
Net change in fair value	(106)	-	(106)	-
Balance at 30 June	-	106	14,338	14,444
Total reserves	1,556,874	1,305,200	1,576,319	1,321,544
Non controlling interest	-	-	1,800	1,315
Total equity	3,198,975	2,916,531	3,238,841	2,949,841

Information about reserve funds held for a specific purpose is provided below:

Reserve	Activities to which the reserve relates	Balance 1 July \$000	Transfers into fund \$000	Transfers out of fund \$000	Balance 30 June \$000
2016					
Cemetery plot maintenance in perpetuity reserve	Cemeteries and Crematorium	1,701	97	(94)	1,704
Domain Endowment Fund	Parks and Green Spaces and Stormwater	1,778	659	(97)	2,340
Municipal Endowment Fund	Strategic property investment	27,000	1,422	-	28,422
Waikato Art Gallery Endowment reserve	Arts promotion	9	-	-	9
Dame Hilda Ross Children's Library	Libraries	1	-	(1)	-
Memorial Fund					
Roman Catholic Schools Library Fund	Libraries	2	-	(2)	-
Total restricted reserves - 2016		30,491	2,178	(194)	32,475
Bus shelter reserve	Travel demand management	337	185	(216)	306
Project Watershed operating reserve	Parks and Green Spaces and Stormwater	953	378	(362)	969
Hamilton Gardens reserve	Parks and Green Spaces	468	2,470	(2,255)	683
Housing upgrade reserve	Housing	3,420	141	(3,561)	-
Rotokauri land sale reserve	Strategic property investment	2,274	125	(2,399)	-
Reserves contribution fund	Strategic property investment	2,666	289	(235)	2,720
Waste minimisation reserve	Waste minimisation	208	561	(442)	327
Total Council created reserves - 2016		10,326	4,149	(9,470)	5,005
Total restricted and Council created reserves - 2016		40,817	6,327	(9,664)	37,480
2015					
Cemetery plot maintenance in perpetuity	Cemeteries and Crematorium	1,695	87	(81)	1,701
Domain Endowment Fund	Parks and Green Spaces and Stormwater	1,778	-	-	1,778
Municipal Endowment Fund	Strategic property investment	9,435	17,565	-	27,000
Waikato Art Gallery Endowment reserve	Arts promotion	9	-	-	9
Dame Hilda Ross Children's Library	Libraries	1	-	-	1
Memorial Fund					
Roman Catholic Schools Library Fund	Libraries	2	-	-	2
Total restricted reserves - 2015		12,920	17,652	(81)	30,491
Bus shelter reserve	Travel demand management	305	69	(37)	337
Project Watershed operating reserve	Parks and Green Spaces and Stormwater	960	564	(571)	953
Hamilton Gardens reserve	Parks and Green Spaces	-	609	(141)	468
Housing upgrade reserve	Housing	3,332	164	(76)	3,420
Rotokauri land sale reserve	Strategic property investment	2,167	107	-	2,274
Reserves contribution fund	Strategic property investment	2,332	334	-	2,666
Waste minimisation reserve	Waste minimisation	508	519	(819)	208
Total Council created reserves - 2015		9,604	2,366	(1,644)	10,326
Total restricted and Council created reserves - 2015		22,524	20,018	(1,725)	40,817

Purpose of each reserve fund:

Restricted reserves 2016

Cemetery plot maintenance in perpetuity reserve - To maintain and provide for improvements to the cemeteries.

Domain endowment fund reserve - Established by the Hamilton Domain Endowment Act 1979 to provide a capital endowment fund for domain land for investment in property. Rental income and interest earned from domain endowment land is used to fund parks and reserves operating costs.

Municipal Endowment Fund - To provide a capital fund for Crown endowment land vested in the council for investment in property. Rental income and interest earned from the land and property may be used for council purposes to offset rates.

Waikato Art Gallery Endowment reserve - To provide funds for the acquisition of works of art for the Waikato Museum of Art and History.

Dame Hilda Ross Children's Library Memorial Fund - To manage a bequest by Dame Hilda Ross given for the purpose of extending the children's collection in the Dame Hilda Ross Memorial Arts Centre (Children's Library). Only the interest from the fund may be used for purchases.

Roman Catholic Schools Library Fund - To manage a bequest made for the purpose of extending the children's collection in the Children's Library. The interest income from the fund may be used for children's book collection purchases.

Council Created Reserves 2016

Bus shelter reserve - To manage the income generated from advertising in bus shelters to provide, maintain and enhance passenger infrastructure.

Project Watershed operating reserve - To fund works relating to river flood protection and erosion control (Project Watershed). Waikato Regional Council is the funding agency and Hamilton City Council carries out agreed works within the city boundary.

Hamilton Gardens reserve - To provide funds for the development of Hamilton Gardens. Funds are being sourced from a target rate over a four year period starting 2014/15.

Housing upgrade reserve - To assist in improving council owned housing. There is no specific plan to use this reserve for the coming ten years while the council considers its future role in this activity.

Rotokauri land sale reserve - To manage funds derived from the sale of land in Foreman Road. These funds are for a purchase of land reserves in the Rotokauri growth cell.

Reserves contribution fund - This fund receives contributions from Council policy on levying sub-dividers and developers for provision of reserves. Payment may be in kind (land) or a pro rata levy on the value of the development. The balance of the fund is used for the purchase of land for reserves (or the development of same). Reserve contributions were levied on sub-divisions approved prior to the advent of development contributions for reserves which came into effect on 1 July 2006.

Waste minimisation reserve - To encourage a reduction in the amount of waste generated and disposed of in New Zealand, and to lessen the environmental harm of waste. The reserve was created in 2009 as a result of the Waste Minimisation Act 2008. Funding is distributed to local authorities by the Ministry of Environment and expenditure includes grants to others, waste minimisation initiative operating expenses and recycling contract.

Reserves closed in 2016

Restricted reserves

- Dame Hilda Ross Children's Library Memorial Fund
- Roman Catholic Schools Library Fund

Council created reserves

- Housing upgrade reserve

NOTE 30: RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Net surplus/(deficit) after tax	11,041	8,416	14,109	10,767
Add/(less) non-cash items:				
Depreciation and amortisation	60,416	57,278	61,501	58,105
(Gains)/losses in fair value of bank borrowings	-	-	-	-
(Gains)/losses in fair value of interest rate swaps	21,432	14,091	21,432	14,091
(Gains)/losses in fair value of investment properties	(2,754)	(241)	(3,541)	(1,427)
(Gains)/losses unrealised on fair value of other financial assets	-	-	488	(318)
Impairment of other financial assets	2,096	107	64	107
Share of associates (surplus)/deficit	-	-	(168)	(94)
Income tax expense recognised in surplus/deficit	-	-	(89)	207
Reclassification of WIP to operating expenditure	1,682	913	1,682	913
Vested assets	(34,274)	(19,824)	(34,274)	(19,824)
Total non-cash items	48,598	52,324	47,095	51,760
Add/(less) items classified as investing or financing activities:				
Change in capital expenditure accruals	(122)	(191)	(122)	(2,846)
Change in loan repayment provision	-	-	-	(171)
(Gains)/losses on disposal of property, plant and equipment	12,454	3,512	12,874	3,529
(Gains)/losses on disposal of investment property	473	(260)	473	(260)
(Gains)/losses on disposal of investment in associate	-	-	-	-
Impairment of property, plant and equipment	36	492	36	492
Total items classified as investing or financing activities	12,841	3,553	13,261	744
Add/(less) movements in working capital:				
Trade debtors and other receivables	(369)	(2,175)	(310)	(2,706)
Inventory	(33)	57	(377)	57
Prepayments	(92)	(154)	(54)	(213)
Trade creditors and other payables	5,107	(588)	2,208	3,124
Employee entitlements	(809)	803	(809)	803
Provisions	4,561	886	4,579	1,057
Total movements in working capital	8,365	(1,171)	5,237	2,122
Net cash inflow from operating activities	80,845	63,122	79,702	65,393

NOTE 31: CAPITAL COMMITMENTS AND OPERATING LEASES

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Capital commitments				
Property, plant and equipment	53,712	32,978	53,806	38,621
Total capital commitments	53,712	32,978	53,806	38,621

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Capital commitments by asset class				
Buildings	80	226	174	5,869
Improvements - parks and gardens	996	484	996	484
Leasehold improvements	98	228	98	228
Museum and library	1,942	79	1,942	79
Plant and equipment	604	941	604	941
Refuse	3	11	3	11
Roads and traffic network	26,278	28,249	26,278	28,249
Stormwater system	542	176	542	176
Wastewater system	509	313	509	313
Wastewater treatment plant	485	586	485	586
Water system	22,100	1,360	22,100	1,360
Water treatment station	75	325	75	325
	53,712	32,978	53,806	38,621

Operating leases as lessee

Council leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 or 48 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Not later than one year	306	248	331	273
Later than one year and not later than five years	329	416	404	491
Later than five years	118	192	252	326
Total non-cancellable operating leases	753	856	987	1,090

The total minimum future sublease payments expected to be received under subleases at balance date is \$nil (2015 \$nil). Leases can be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council has the option to purchase the asset at the end of the lease term except where Council is leasing land or buildings. There are no restrictions placed on Council by any of the leasing arrangements.

Operating leases as lessor

Investment property is leased under operating leases.

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Not later than one year	2,203	2,053	2,203	2,053
Later than one year and not later than five years	6,441	5,782	6,441	5,782
Later than five years	2,326	2,420	2,326	2,420
Total non-cancellable operating leases	10,970	10,255	10,970	10,255

No contingent rents have been recognised during the period.

NOTE 32: CONTINGENCIES

Contingent liabilities

Financial guarantees

Council is at times requested to act as guarantor to loans raised by community organisations and sports clubs to construct facilities on Council reserve land. These structures form part of the reserve but are not included in the fixed asset figures. No provision has been made because Council do not consider it likely that these loans will require settlement. Council's potential liability under the guarantees is as follows:

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Lending institution:				
Bank of New Zealand	275	290	275	290
Total loans guaranteed	275	290	275	290

Insurance and liability claims

Council was involved as defendant in various public liability and professional indemnity claims as at 30 June 2015. Council's potential liability, if at all, would be its insurance excess. Council has also estimated its other liability claims.

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Insurance claim excess	-	-	-	-
Other liability claims	259	859	259	859
Total insurance and liability claims	259	859	259	859

Unquantified claims

The Council is also exposed to potential future claims which have not yet been advised until the statutory limitation period expires. The amount of potential future claims are not able to be reliably measured and is therefore unquantifiable.

The Supreme Court decision in October 2012 on Council's liability for non-residential buildings may affect the liability of the Council for weathertightness claims for non-residential buildings. The impact of the decision is yet to be quantified by the Council.

Weathertight homes resolution services and court claims

A provision for potential liability for three claims (2015 5 claims) that are outstanding with the Weathertight Homes Resolution Service, and two claims (2015 1 claim) lodged via the court system have been made per note 26. There may be further claims in future but these are unable to be quantified at this point in time.

Uncalled capital

Council has contingent liabilities in respect of uncalled capital for the entities as follows:

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Uncalled capital				
Innovation Waikato Ltd	3	3	3	3
New Zealand Local Government Funding Agency Ltd	1,866	1,866	1,866	1,866
Waikato Regional Airport Ltd	-	4,800	-	4,800
Total uncalled capital	1,869	6,669	1,869	6,669

Innovation Waikato Ltd

Innovation Waikato Ltd does not have any contingent liabilities or capital commitments as at 30 June 2016 (2015 nil).

New Zealand Local Government Funding Agency Ltd

Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

Council is one of 30 local authority shareholders and 8 local authority guarantors of the LGFA. The LGFA has uncalled capital of \$20m of which Council's share is \$1.9m as at 30 June 2016 (2015 \$1.9m). At 30 June 2016, LGFA had total borrowings of \$6.2b (2015 \$5b) for which Council is a guarantor along with other shareholders and guarantors.

Financial reporting standards require Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable value for the guarantee, and therefore has not recognised a liability.

The Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- Council is not aware of any local authority debt default events in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligation if further funds were required.
- LGFA has a credit rating of AA+.

Waikato Regional Airport Ltd

Waikato Regional Airport Ltd has repurchased all 939,334 shares of uncalled capital from the shareholders.

There are no contingent liabilities arising from Council's involvement in its associates for 2016 (2015 \$nil).

Contingent assets

WEL Energy Trust

Council is a 63% capital beneficiary of the WEL Energy Trust. The life of the Trust ends in 2073 unless terminated earlier if its purpose is completed. Given the uncertainties surrounding the life of the Trust, Council is unable to accurately establish the appropriate value of its 63 per cent share.

NOTE 33: RELATED PARTY TRANSACTIONS

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Council and group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities, and are on normal terms and conditions for such group transactions.

Key management personnel compensation

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates, use of Council facilities, etc).

	2016	2015
	\$	\$
<i>Councillors</i>		
Remuneration	1,066	1,061
Full-time equivalent members	13	13
<i>Senior Management Team including the Chief Executive</i>		
Remuneration	2,121	2,122
Full-time equivalent members	7.15	9
Total key management personnel remuneration	3,187	3,183
Total full-time equivalent personnel	20.15	22

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

Key management personnel include the Mayor, Councillors, Chief Executive and other members of the senior management team.

No provision has been required, or any expense recognised for impairment of receivables for any loans or other receivables to related parties.

NOTE 34: REMUNERATION

Elected members

Elected members received the the following remuneration:

	Council		Group	
	2016	2015	2016	2015
	\$	\$	\$	\$
Mayor				
Julie Hardaker				
Salary	151,137	146,756	151,137	146,756
Vehicle	2,929	2,929	2,929	2,929
Councillors				
Gordon Chesterman	86,750	86,748	86,750	86,748
Margaret Forsyth	76,340	76,338	76,340	76,338
Martin Gallagher	76,340	76,338	76,340	76,338
Karina Green	69,000	69,000	69,000	69,000
Andrew King	76,340	76,338	76,340	76,338
Dave Macpherson	69,400	69,398	69,400	69,398
Garry Mallett	75,900	75,900	75,900	75,900
Angela O'Leary	83,280	83,278	83,280	83,278
Rob Pascoe	83,280	83,278	83,280	83,278
Leo Tooman	76,340	76,338	76,340	76,338
Ewan Wilson	69,400	69,398	69,400	69,398
Philip Yeung	69,400	69,398	69,400	69,398
Total Elected Members' remuneration	1,065,836	1,061,435	1,065,836	1,061,435

The remuneration received by elected members for 2016 totalled \$1.07m. This amount was within the allowable remuneration pool determined by the Remuneration Authority for the year ended 30 June 2016. It is noted that elected members did not receive fees for attending resource consent hearings for 2016.

The remuneration received by elected members for 2015 totalled \$1.06m. This amount was within the allowable remuneration pool determined by the Remuneration Authority for the year ended 30 June 2015. It is noted that elected members did not receive fees for attending resource consent hearings for 2015.

Chief Executive

The Chief Executive received the following remuneration:

	2016	2015
	\$	\$
Richard Briggs		
Salary	330,000	228,462
Superannuation contribution	9,900	4,960
Barry Harris		
Salary	-	113,348
Vehicle	-	5,195
Superannuation contribution	-	2,699
Total Chief Executive's remuneration	339,900	354,664

Council employees

The total annual remuneration by band for employees as at 30 June:

	2016
	No
< \$60,000	689
\$60,000 - \$79,999	201
\$80,000 - \$99,999	111
\$100,000 - \$119,999	41
\$120,000 - \$139,999	28
\$140,000 - \$159,999	10
\$160,000 - \$239,999	8
> \$240,000	5
Total employees	1,093

Total remuneration includes non-financial benefits provided to employees.

At 30 June there were 5 or fewer employees in the bands \$160,000 - \$179,999 and \$180,000 - \$199,999, therefore the numbers for those bands have been combined with the next highest band of \$160,000 - \$239,999.

At balance date, the Council employed 763 full-time employees (2015 724), with the balance of staff representing 162.47 full-time equivalent employees (2015 177.26). A full-time employee is determined on the basis of a 40 hour working week.

The total annual remuneration by band for employees as at 30 June:

	2015
	No
< \$60,000	718
\$60,000 - \$79,999	190
\$80,000 - \$99,999	96
\$100,000 - \$119,999	50
\$120,000 - \$139,999	22
\$140,000 - \$159,999	12
\$160,000 - \$219,999	7
> \$220,000	5
Total employees	1,100

NOTE 35: SEVERANCE PAYMENTS

For the year ended 30 June 2016 the Council made severance payments to seven employees totalling \$147,163 (2015 eight employees \$63,532). The value of each of the severance payments was \$2,380, \$7,244, \$11,667, \$16,000, \$32,500, \$35,000 and \$42,372. The amounts disclosed above represent any payment made in addition to the terms of the employment contract for each staff member.

NOTE 36: EVENTS AFTER BALANCE DATE

There have been no events after balance date.

NOTE 37: FINANCIAL INSTRUMENTS

Financial Instrument Categories

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
FINANCIAL ASSETS				
Fair value through surplus/deficit - held for trading				
Equity securities	-	-	2,855	3,240
Fixed interest instruments	-	-	2,709	3,002
Derivative financial instrument assets (note 14)	1,052	-	1,052	-
Total fair value through surplus/deficit - held for trading	1,052	-	6,616	6,242
Loans and receivables				
Cash and cash equivalents	6,964	57,291	9,080	57,616
Debtors and other receivables	19,646	19,276	20,485	20,183
Other financial assets:				
- community loans	16,037	151	16,037	151
- term deposits	44,680	8,600	44,680	8,600
Total loans and receivables	87,327	85,318	90,282	86,550
Fair value through other comprehensive revenue and expense				
Other financial assets:				
- Unlisted shares	4,411	4,870	2,350	2,384
Total fair value through other comprehensive income	4,411	4,870	2,350	2,384
FINANCIAL LIABILITIES				
Fair value through surplus or deficit				
Derivative financial instrument liabilities (note 14)	48,582	26,097	48,582	26,097
Total fair value through surplus or deficit	48,582	26,097	48,582	26,097
Financial liabilities at amortised cost				
Creditors and other payables (note 25)	37,314	32,206	39,009	36,846
Borrowings: (note 28)				
- bank overdraft	-	-	-	-
- secured loans	363,000	396,000	388,718	412,038
Total financial liabilities at amortised cost	400,314	428,206	427,727	448,884

Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

	Valuation Technique			
	Total \$000	Quoted market price \$000	Observable inputs \$000	Significant non-observable inputs \$000
30 June 2016 - Council				
Financial assets				
Shares (note 15)	4,411	-	-	4,411
Derivative financial instrument assets (note 14)	1,052	-	1,052	-
Financial liabilities				
Derivative financial instrument liabilities (note 14)	48,582	-	48,582	-
30 June 2016- Group				
Financial assets				
Shares	2,350	-	-	2,350
Equity securities	2,855	2,855	-	-
Fixed interest instruments	2,709	2,709	-	-
Derivative financial instrument assets (note 14)	1,052	-	1,052	-
Financial liabilities				
Derivative financial instrument liabilities (note 14)	48,582	-	48,582	-

Valuation Technique			
Total	Quoted market price	Observable inputs	Significant non-observable inputs
\$000	\$000	\$000	\$000

30 June 2015 - Council

Financial assets

Shares	4,870	-	-	4,870
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Financial liabilities

Derivative financial instrument liabilities (note 14)	26,097	-	26,097	-
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30 June 2015 - Group

Financial assets

Shares	2,384	-	-	2,384
Equity securities	3,240	3,240	-	-
Fixed interest instruments	3,002	3,002	-	-

Financial liabilities

Derivative financial instrument liabilities (note 14)	26,097	-	26,097	-
---	--------	---	--------	---

There were no transfers between the different levels of the fair value hierarchy.

Valuation techniques with significant non-observable inputs (level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Balance at 1 July	4,870	4,977	2,384	2,482
Gain and (losses) recognised in the surplus or deficit	(459)	(107)	(34)	(98)
Gain and (losses) recognised in other comprehensive revenue and expense	-	-	-	-
Purchases	-	-	-	-
Sales	-	-	-	-
Consolidation elimination- Waikato Innovation Park Ltd	-	-	-	-
Transfers into level 3	-	-	-	-
Transfers out of level 3	-	-	-	-
Balance at 30 June	4,411	4,870	2,350	2,384

Changing a valuation assumption to a reasonably possible assumption would not significantly change fair value.

Financial instrument risks

The Council's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. Council has policies to manage risks associated with financial instruments and seeks to minimise exposure from its treasury activities. Council has established Council approved investment and liability management policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

• Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Equity securities price risk arises on listed equity investments, which relate to Vibrant Hamilton Trust and are classified as financial assets held at fair value through surplus/deficit. This price risk arises due to market movements in listed shares.

• Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council uses foreign currency forward exchange contracts to manage foreign currency exposure. Council's policy is that foreign currency exposure of amounts greater than \$25k are to be covered by way of forward exchange contracts. Council is exposed to foreign currency movements through the Vibrant Hamilton Trust investment portfolio to the extent that \$1.7m of the total equity securities of \$2.85m are not hedged (2015 \$1.8m out of total equity securities of \$3.2m).

• Interest rate risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates expose Council to fair value interest rate risk. Council's Investment and Liability Management policy outlines the level of borrowing that is to be secured using fixed interest rate instruments.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowing and Investments issued at variable interest rates expose Council to cash flow interest rate risk.

Council manages its cash flow interest rate risk on borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the effect of converting borrowings at floating rates and swaps them into fixed rates that are known and therefore assist with forecasting future interest costs. Under the interest rate swaps, Council agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

The council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in note 32.

Credit risk is the risk that a third party will default on its obligation to Council, causing Council to incur a loss. Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover debts from ratepayers.

Council invests funds in short term deposits with registered banks and has loaned funds to the Northern Districts Cricket Association. The Vibrant Hamilton Trust is consolidated into Council's Group financial statements and also includes cash and fixed interest securities that are a credit risk.

Maximum exposure to credit risk

Council's maximum exposure to credit risk for each class of financial instrument is as follows:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Cash and cash equivalents	6,964	57,291	9,080	57,616
Debtors and other receivables	19,646	19,276	20,485	20,183
Equity securities	-	-	2,855	3,240
Fixed interest instruments	-	-	2,709	3,002
Community and related party loans	16,037	151	16,037	151
Term deposits	44,680	8,600	44,680	8,600
Financial guarantees	275	290	275	290
Total credit risk	87,602	85,608	96,121	93,082

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates:

		Council		Group	
		2016	2015	2016	2015
Counterparties with credit ratings	Rating	\$000	\$000	\$000	\$000
Cash and cash equivalents	AA-	6,964	52,291	9,080	52,616
	A+	-	5,000	-	5,000
Term deposits	AA+	3,680	3,600	3,680	3,600
	AA-	35,000	5,000	35,000	5,000
	A+	6,000	-	6,000	-
Fixed interest instruments	AAA	-	-	636	645
	AA+	-	-	74	80
	AA	-	-	35	61
	AA-	-	-	545	1,065
	A+	-	-	140	257
	A	-	-	166	242
	A-	-	-	173	181
	BBB+	-	-	414	193
	BBB	-	-	101	66
	BBB-	-	-	30	90
	BB+	-	-	11	-
Total fixed interest instruments		-	-	2,325	2,880

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Counterparties without credit ratings				
Fixed interest instruments				
- existing counterparty with no defaults in the past	-	-	384	122
Community and related party loans and mortgages				
- existing counterparty with no defaults in the past	16,037	151	16,037	151
Total community and related party loans and mortgages	16,037	151	16,037	151

Settlement risk

Liquidity risk

Liquidity risk is the risk that Hamilton City Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Council aims to maintain flexibility in funding by keeping credit lines available.

Council manages its borrowings in accordance with its funding and financial policies, which includes an Investment and Liability Management Policy.

Council has a maximum amount that can be drawn down against its overdraft facility of \$500k (2015 \$500k). There are no restrictions on the use of this facility. Council also has \$405m (2015 \$426m) of committed borrowing facilities, with available headroom of \$88.9m (2015 \$94.1m) at balance date.

The Council is exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 32.

Contractual maturity analysis of financial liabilities

The table below analyses Council's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Carrying Amount	Contractual Cash flows	Less than 1 year	1-5 years	More than 5 years
Council 2016	\$000	\$000	\$000	\$000	\$000
Creditors and other payables	37,314	37,314	37,314	-	-
Secured loans	363,000	395,114	82,905	269,848	42,361
Finance leases	913	1,008	452	556	-
Financial guarantees	275	275	275	-	-
Net settled derivatives	48,582	61,653	8,184	27,934	25,535
Total	450,084	495,364	129,130	298,338	67,896

Group 2016

Creditors and other payables	39,009	39,009	39,009	-	-
Secured loans	388,718	422,834	100,299	280,174	42,361
Finance leases	913	1,008	452	556	-
Financial guarantees	275	275	275	-	-
Net settled derivatives	48,582	61,653	8,184	27,934	25,535
Total	477,497	524,779	148,219	308,664	67,896

	Carrying Amount	Contractual Cash flows	Less than 1 year	1-5 years	More than 5 years
Council 2015	\$000	\$000	\$000	\$000	\$000
Creditors and other payables	32,206	32,206	32,206	-	-
Secured loans	396,000	459,620	92,151	284,540	82,929
Finance leases	1,074	1,202	440	762	-
Financial guarantees	290	290	290	-	-
Net settled derivatives	26,097	36,762	5,417	18,795	12,550
Total	455,667	530,080	130,504	304,097	95,479

Group 2015

Creditors and other payables	36,846	36,846	36,846	-	-
Secured loans	412,038	478,198	99,610	295,659	82,929
Finance leases	1,074	1,202	440	762	-
Financial guarantees	290	290	290	-	-
Net settled derivatives	26,097	36,762	5,417	18,795	12,550
Total	476,345	553,298	142,603	315,216	95,479

Contractual maturity analysis of financial assets

The table below analyses Council's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Carrying Amount	Contractual Cash flows	Less than 1 year	1-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000
Council 2016					
Cash and cash equivalents	6,964	6,964	6,964	-	-
Debtors and other receivables	19,646	19,646	19,646	-	-
Community and related party loans	16,037	18,890	90	18,800	-
Term deposits	44,680	46,391	42,424	3,545	422
Total	87,327	91,891	69,124	22,345	422

Group 2016					
Cash and cash equivalents	9,080	9,080	9,080	-	-
Debtors and other receivables	20,485	20,485	20,485	-	-
Community and related party loans	16,037	18,890	90	18,800	-
Term deposits	44,680	46,391	42,424	3,545	422
Total	90,282	94,846	72,079	22,345	422

	Carrying Amount	Contractual Cash flows	Less than 1 year	1-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000
Council 2015					
Cash and cash equivalents	57,291	57,291	57,291	-	-
Debtors and other receivables	19,276	19,276	19,276	-	-
Community and related party loans	151	179	19	160	-
Term deposits	8,600	9,121	5,134	2,810	1,177
Total	85,318	85,867	81,720	2,970	1,177

Group 2015					
Cash and cash equivalents	57,616	57,616	57,616	-	-
Debtors and other receivables	20,183	20,183	20,183	-	-
Community and related party loans	151	179	19	160	-
Term deposits	8,600	9,121	5,134	2,810	1,177
Total	86,550	87,099	82,952	2,970	1,177

Sensitivity analysis

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on Council's financial instrument exposures at balance date.

	2016				2015			
	-100bps		+100bps		-100bps		+100bps	
Council	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
Interest rate risk								
Financial assets								
Cash and cash equivalents	(70)	-	70	-	(573)	-	573	-
Financial liabilities								
Borrowings - secured loans	845	-	(845)	-	575	-	(575)	-
Derivative financial instruments	(24,809)	-	21,959	-	(19,807)	-	18,346	-
Total sensitivity to interest rate risk	(24,034)	-	21,184	-	(19,805)	-	18,344	-

	2016				2015			
	-100bps		+100bps		-100bps		+100bps	
Group	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
Interest rate risk								
Financial assets								
Cash and cash equivalents	(91)	-	91	-	(576)	-	576	-
Financial liabilities								
Borrowings - secured loans	1,102	-	(1,102)	-	735	-	(735)	-
Derivative financial instruments	(24,809)	-	21,959	-	(19,807)	-	18,346	-
Total sensitivity to interest rate risk	(23,798)	-	20,948	-	(19,648)	-	18,187	-

Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonably possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease of 100bps is equivalent to a decrease in interest rates of 1%. The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of +/- 100bps.

Group	2016				2015			
	-10%		+10%		-10%		+10%	
	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
Foreign exchange risk								
Financial assets								
Equity securities	(172)	-	172	-	(180)	-	180	-
Total	(172)	-	172	-	(180)	-	180	-

Group	2016				2015			
	-10%		+10%		-10%		+10%	
	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
Equity price risk								
Financial assets								
Equity securities	-	(285)	-	285	-	(324)	-	324
Total	-	(285)	-	285	-	(324)	-	324

Explanation of foreign exchange risk sensitivity

The foreign exchange sensitivity is based on a reasonably possible movement in foreign exchange rates, with all other variables held constant, measured as a percentage movement in the foreign exchange rate.

Explanation of equity price risk sensitivity

The sensitivity for equity securities has been calculated based on a -10%/+10% movement in the quoted share price at year end for the listed shares.

NOTE 38: CAPITAL MANAGEMENT

The Council's capital is its equity (or ratepayers' funds), which comprises accumulated funds and reserves. Equity is represented by net assets. The Local Government Act 2002 (the Act) requires Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the cost of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

Hamilton City Council has the following Council created reserves:

- reserves for different areas of benefit;
- trust and bequest reserves; and
- other reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Deductions are made where funds have been used for the purpose they were donated.

Other reserves are created to set aside funding from general rates for future expenditure on specific projects or activities as approved by Council.

Council uses funds from reserves to reduce external borrowing requirements and reduce financing costs. An internal interest rate is paid to all reserves and provision for the repayment of internal borrowing is covered via committed external bank funding facilities.

NOTE 39: EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variances from Council's budget figures in the 2015/16 annual plan are as follows.

Statement of comprehensive revenue and expense

The Council result is a surplus of \$11m which is \$1.8m higher than the budgeted net surplus of \$9.2m.

	Ref	Council		
		Actual	Budget	Variance
		\$000	\$000	\$000
Revenue				
Rates	1	147,294	146,244	1,050
Subsidies and grants	2	10,533	9,257	1,276
Development and financial contributions	3	24,239	9,500	14,739
Fees and charges		42,807	42,056	751
Interest revenue		2,369	2,000	369
Other revenue	4	40,932	11,381	29,551
Total revenue		268,174	220,438	47,736
Expenses				
Personnel costs	5	64,042	66,546	2,504
Depreciation and amortisation	6	60,416	58,269	(2,147)
Finance costs		21,713	22,647	934
Other expenses	7	79,357	63,744	(15,613)
Total expenses		225,528	211,206	(14,322)
Operating surplus/(deficit)		42,646	9,232	33,414
Gains	8	3,893	-	3,893
Losses	9	(35,498)	-	(35,498)
Surplus/(deficit) before tax		11,041	9,232	1,809

Explanations for major variances are as follows:

1. The main contributors to the rates variance were \$508k Council received in revenue from the sale of water to non domestic users and lower rates remissions of \$377k.
2. The subsidies and grants variance was due to higher subsidies from New Zealand Transport Agency for the capital work programme, in particular the Ring Road projects and construction of the Western Rail Trail cycleway.
3. Hamilton is experiencing high growth and this is resulting in higher levels of contributions.
4. The main component of the Other revenue variance is \$25.8m vested assets, which were transferred to Council from sub-divisional growth. Council also received unbudgeted contributions of \$2m from the Ministry of Education for the construction of roading around the new school in Rototuna.
5. The personnel costs variance is mainly due to the number of unfilled positions over the first half of the financial year.
6. Depreciation was higher than budget due to an increase in asset values resulting from the re-valuation of Council's water, sewerage and stormwater networks.
7. The major factors contributing to the Other expenses variance are: grant paid for the Rototuna Indoor Recreation Centre; impairment of financial assets, primarily the valuation of Council's investment in Waikato Innovation Park Limited; increase in the provision for the aftercare liability associated with the closed landfills; reclassification of capital work in progress as operating expenditure; professional and legal fees.
8. The gains variance is due mainly to a \$2.8m increase in the value of Council's investment properties after the annual re-valuation.
9. Unrealised losses on the revaluation of interest rate swaps and a loss on the sale of pensioner housing units are the main contributors to the losses variance.

Statement of changes in equity

An increase in the valuation of water, wastewater and stormwater assets of \$254m is the main contributor to the increase in Equity.

Statement of financial position

Total assets were \$245m higher than budget. This primarily reflects the increased value for the revaluation of the water, wastewater and stormwater assets

Total liabilities were \$59m higher than budget. This was primarily due to a reduction in borrowings, increases in payables and derivative financial instruments (not budgeted).

NOTE 40: INSURANCE OF ASSETS

The following information relates to the insurance of Council assets as at 30 June.

	Council	
	2016	2015
	\$000	\$000
The values listed are the declared values Council has provided to its Insurance broker.		
Material Damage	819,036	894,000
Council's Material Damage cover is based on a Maximum Probable Loss model (MPL) which means that its assets are insured for the value of the largest probable loss that could result from a disaster in Hamilton. Council has insured up to \$300m consisting of two layers; a \$150m primary layer which is shared between the Regional collective and an additional \$150m excess layer which is shared with Waikato Regional Council due to geographic accumulation. A separate policy is in place which is shared by the Regional collective which provides cover of up to \$125m for damage that is caused by fire, or fire following a natural disaster.		
The following categories are in addition to the Material Damage and each is covered with a separate policy.		
Fine Arts	36,211	35,931
This cover is for the declared values of art, artefacts and declared outdoor sculptures owned by Council.		
Commercial Motor Vehicles	11,930	11,290
Motor insurance up to the declared value of each individual vehicle.		
Infrastructure	1,402,834	1,371,280
Based on risk engineering and loss modelling for the Waikato hazardscape a \$100m shared loss limit is in place with the Regional Collective. Insurance is to the level of 40% in anticipation of 60% contribution from central government in a disaster.		
Boiler Explosion	1,106	1,106
Policy covers the damage caused by failure of large boilers. In addition to the material damage cover Council has two policies that relate to Contract works and business interruption.		
Contract Works	3,000	3,000
This policy allows Council to perform small projects relating to new builds, works to existing structures, renovations, maintenance and repair with cover up to \$600k for any one contract.		
Business Interruption	79,200	81,204
\$40.1m of cover provided for loss of rent revenue and receivable. A further \$40m for the increased cost of working at the water treatment plants.		
There are no assets of the local authority that are self-insured.		

COUNCIL - FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Annual Plan	Actual	Annual Plan	Actual
	2015	2015	2016	2016
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	125,457	126,080	13,265	12,424
Targeted rates	15,068	14,658	132,979	134,870
Subsidies and grants for operating purposes	4,426	5,182	5,110	5,025
Fees and charges	37,260	41,372	39,570	42,807
Interest and dividends from investments	1,300	2,451	2,143	2,489
Local authorities fuel tax, fines, infringement fees, and other receipt	4,446	4,203	3,530	3,040
Total operating funding	187,957	193,946	196,597	200,655
Applications of operating funding				
Payments to staff & suppliers	120,822	129,946	130,291	141,283
Finance costs	24,887	23,592	22,647	21,713
Other operating funding applications	1,587	912	-	-
Total applications of operating funding	147,296	154,450	152,938	162,996
Surplus/(deficit) of operating funding	40,661	39,496	43,659	37,659
Sources of capital funding				
Subsidies and grants for capital expenditure	11,157	5,713	4,147	5,508
Development and financial contributions	7,571	16,070	9,500	24,239
Increase/(decrease) in debt	9,445	(11,497)	6,488	(32,474)
Gross proceeds from the sale of assets	108	25,684	139	6,103
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	2,291	1,713	3,499
Total sources of capital funding	28,281	38,261	21,987	6,875
Application of capital funding				
Capital expenditure				
- to meet additional demand	9,162	7,579	25,988	24,971
- to improve the level of service	28,979	21,640	6,703	12,118
- to replace existing assets	29,760	29,057	32,955	31,883
Increase/(decrease) in reserves	62	14,481	-	(4,972)
Increase/(decrease) of investments	979	5,000	-	(19,466)
Total application of capital funding	68,942	77,757	65,646	44,534
Surplus/(deficit) of capital funding	(40,661)	(39,496)	(43,659)	(37,659)
Funding balance	-	-	-	-

Disclosure Statement

Annual report disclosure statement for year ending 30 June 2016

What is the purpose of this statement?

The purpose of this statement is to disclose the council's planned financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. The council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the **regulations**). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

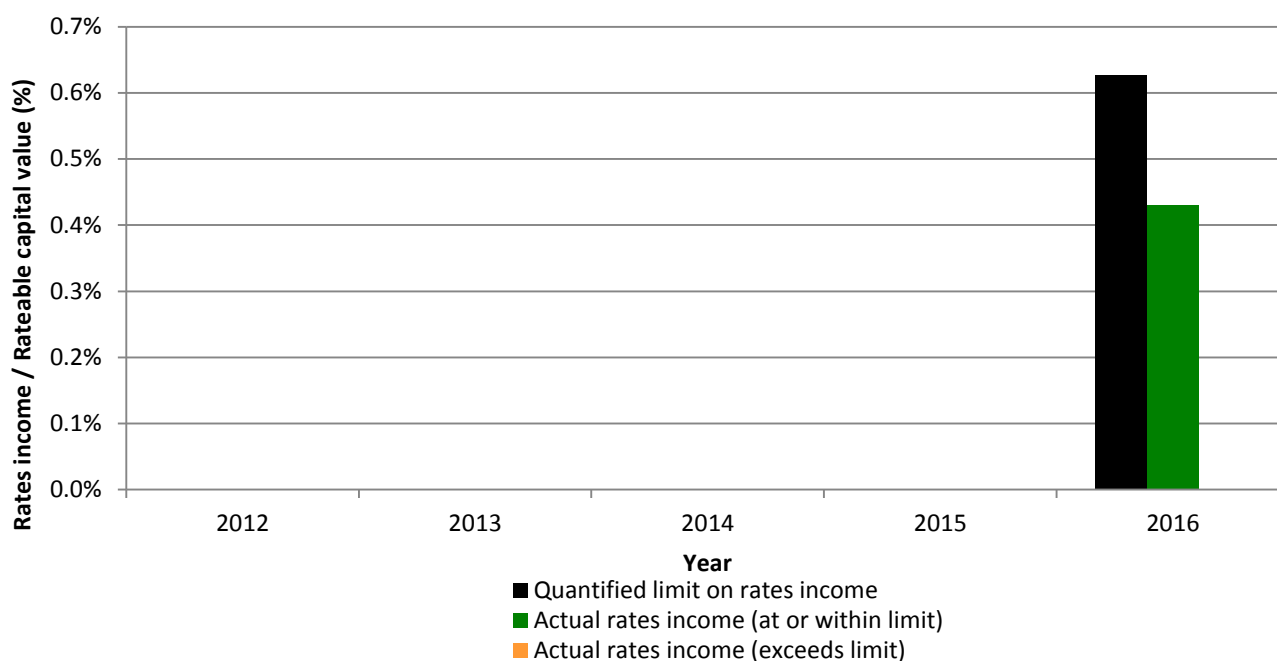
Rates affordability benchmark

The council meets the rates affordability benchmark if -

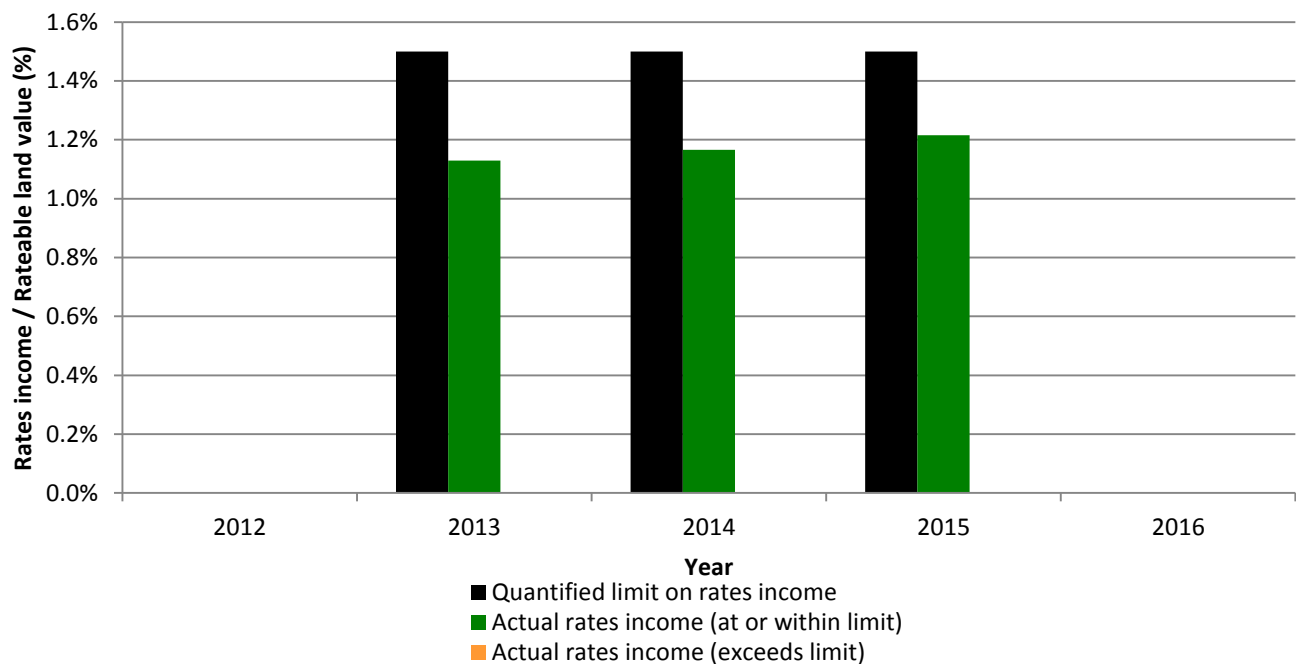
- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

Rates (income) affordability

The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the council's long-term plan. Council has a new quantified limit, starting in 2016, that rates will not exceed 0.627% of the city's rateable capital value.

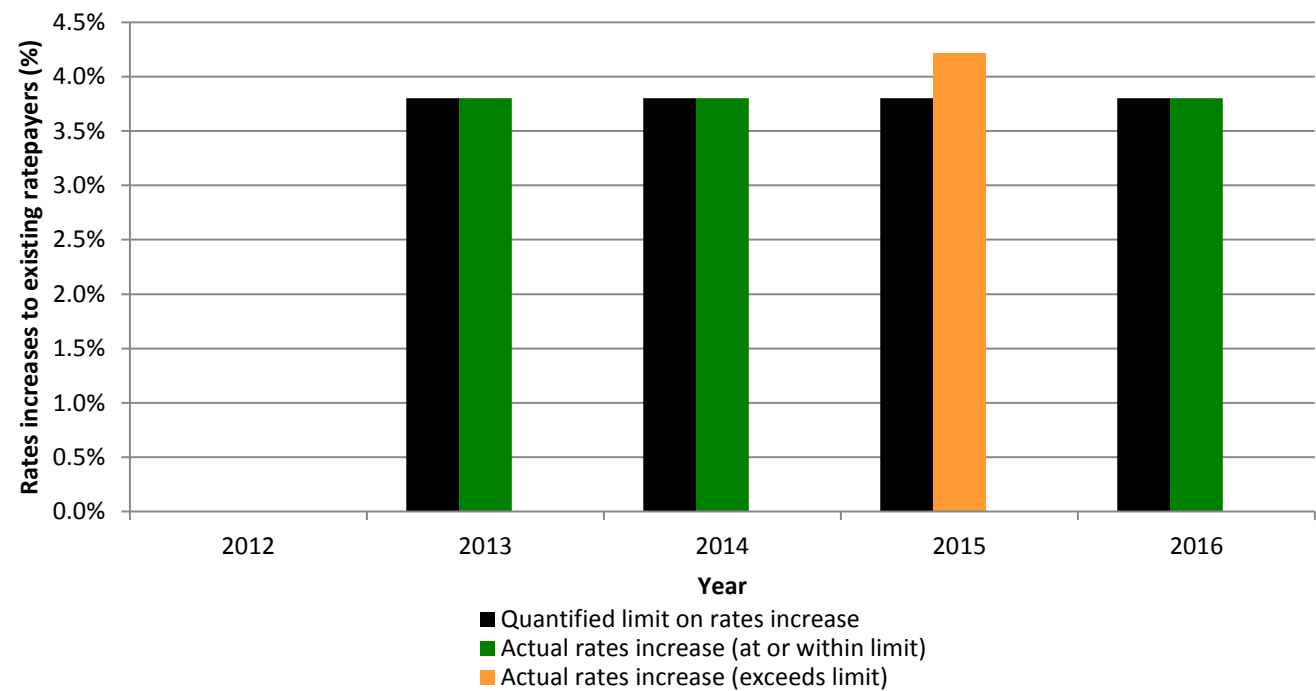


The following graph shows Council's quantified limit on rates prior to the 2016 year. The limit was that rates will not exceed 1.5% of the city's rateable land value. With Council now in the process of transitioning the basis of rates collection from land to capital value, this measure has now been discontinued in favour of the rateable capital value limit (above).



Rates (increases) affordability

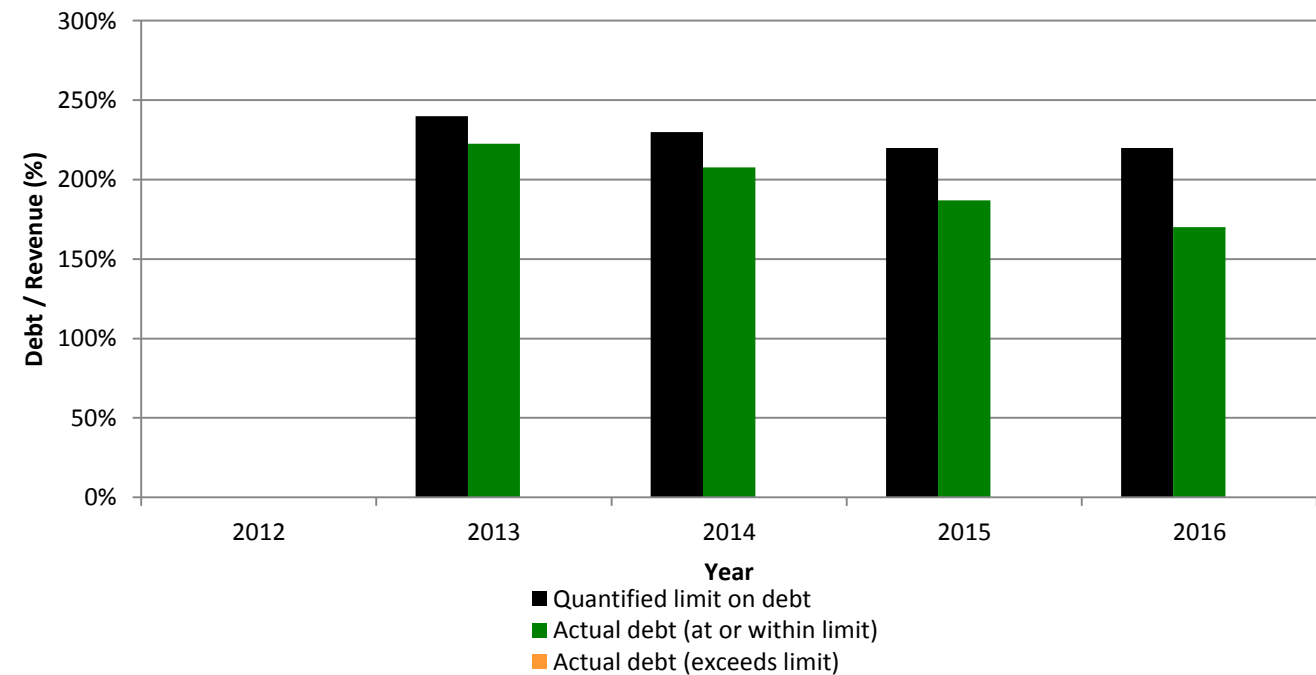
The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the council's long-term plan. The quantified limit is that rates increases to existing ratepayers will not exceed 3.8%.



In 2015 council exceeded the 3.8% limit set in 2012 due to the addition of a targeted rate for the Hamilton Gardens development project. The 2015-25 10-Year Plan has clarified that the limit of 3.8% increase to existing ratepayers excludes the Hamilton Gardens targeted rate.

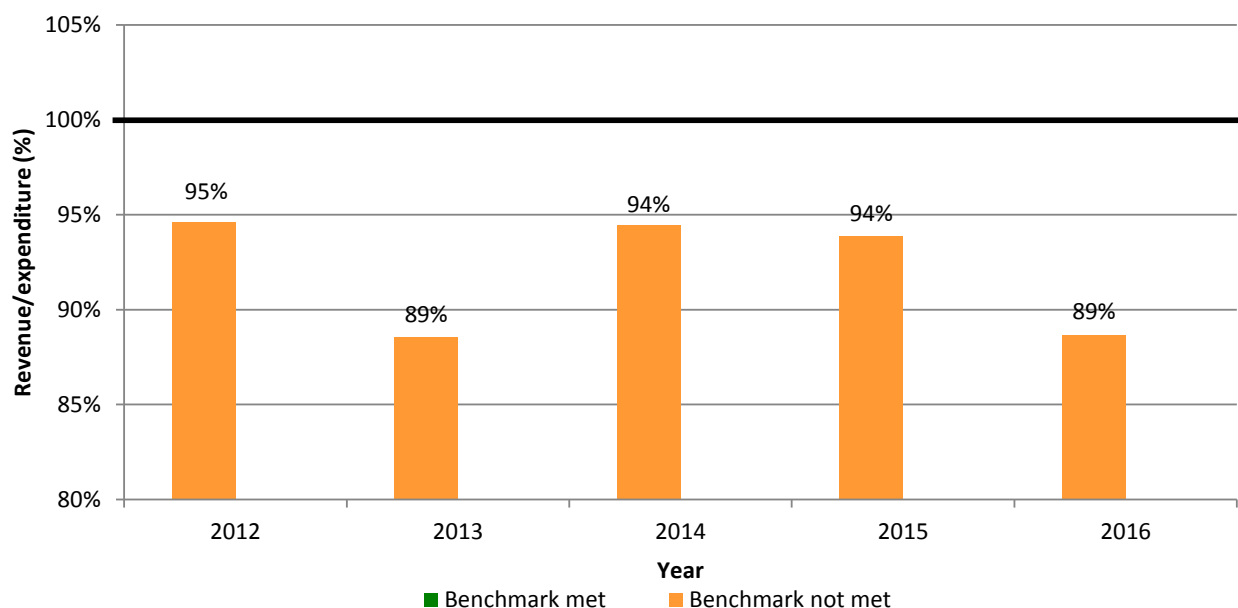
Debt affordability benchmark

The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is that the debt to revenue ratio will be reduced to under 200% by 2020 and thereafter will remain below 200%. Note that prior to the 2015-25 10-Year Plan the target was 200% by the 2019 year.



Balanced budget benchmark

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

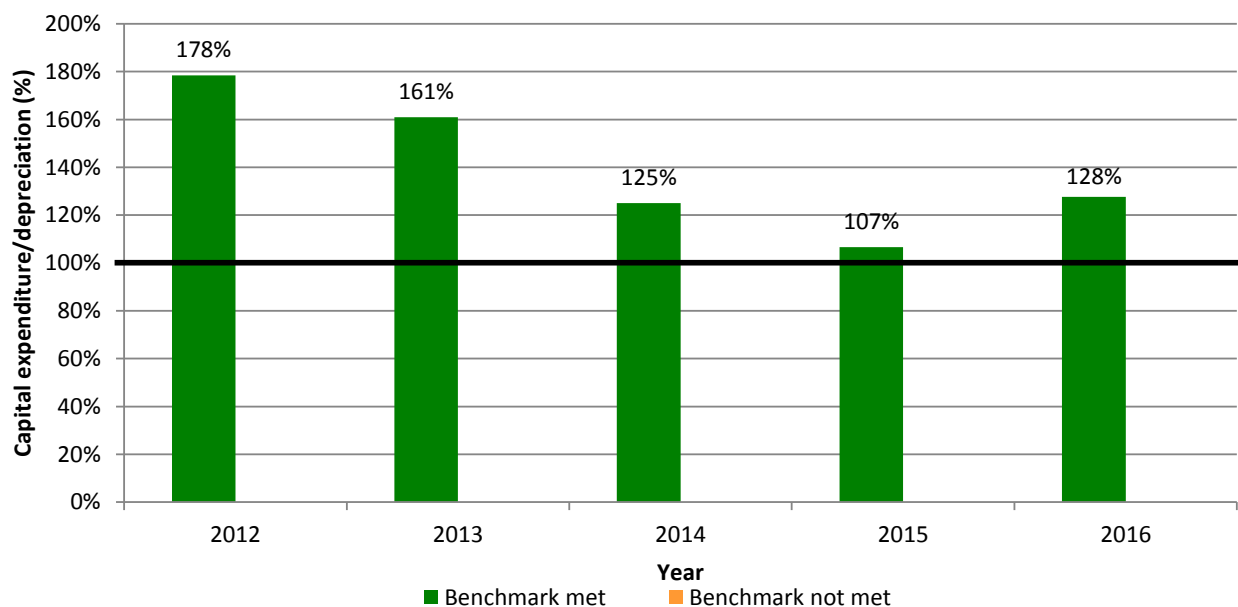


This benchmark is similar to Council's own "Balancing the Books" measure that was introduced prior to the Local Government (Financial Reporting) Regulations. Council does meet its own measure that it believes is more relevant to a growing city. There are four main differences between the measures:

- the above Balanced Budget includes all capital subsidies
- the above Balanced Budget excludes development and financial contributions
- the above Balanced Budget includes gains and losses from disposals of assets, investment property, and associates.
- the above Balanced Budget includes gains and losses from investment property revaluations.

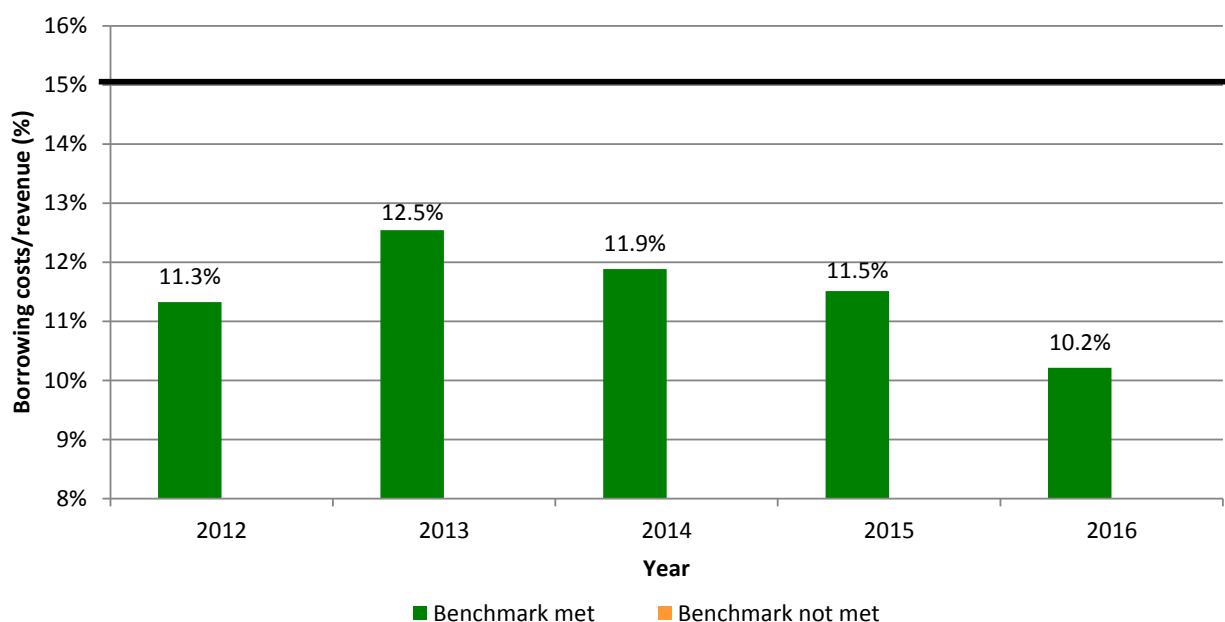
Essential services benchmark

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



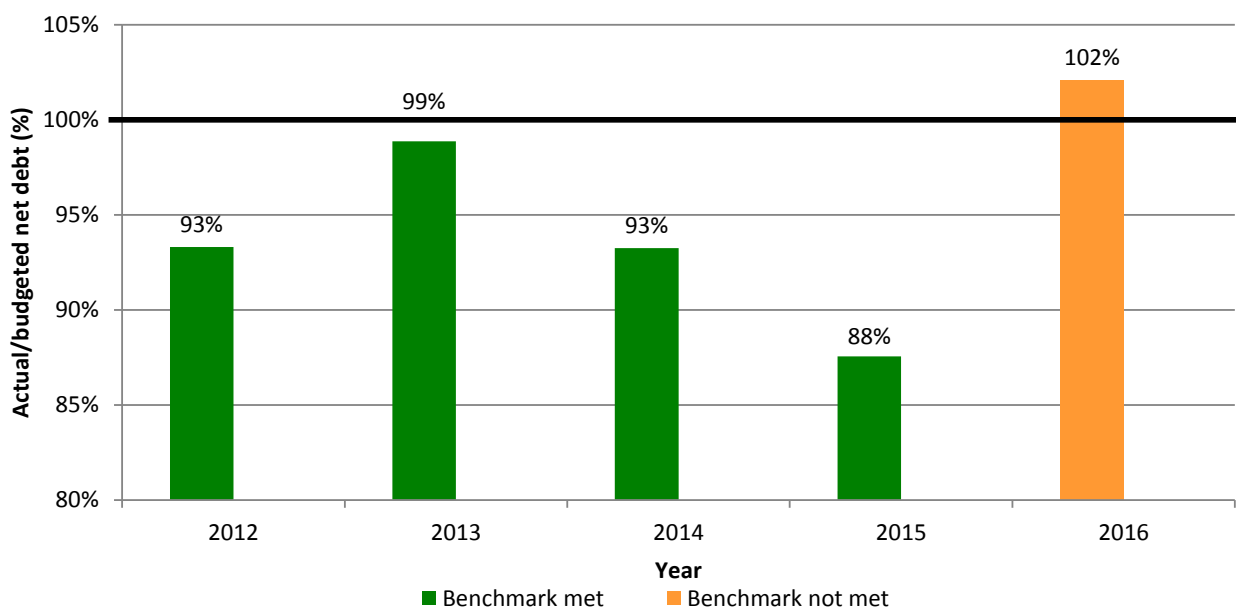
Debt servicing benchmark

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



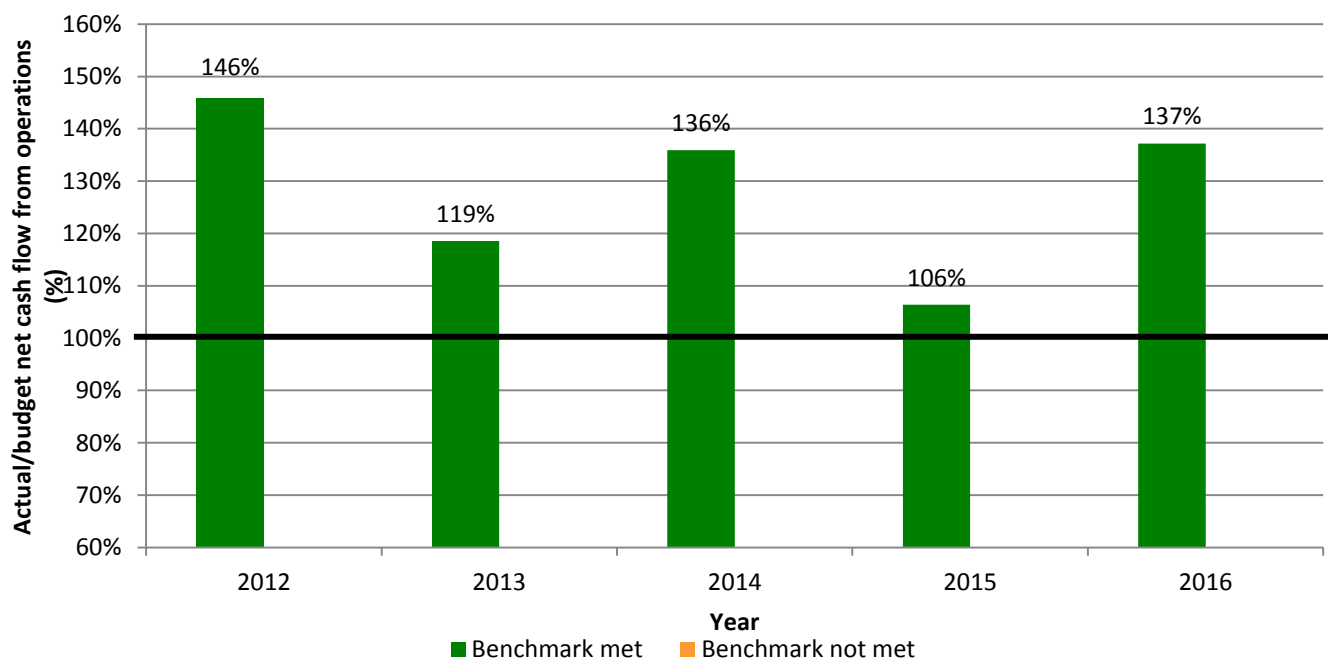
Debt control benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operations control benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



INFORMATION ON COUNCIL CONTROLLED ORGANISATIONS

Hamilton City Council is involved and represented in a number of organisations to assist in meeting its vision for the city. Council Controlled Organisations (CCOs) are any organisation in which one or more local authorities control 50% or more of the voting rights or appoint 50% or more of the directors. Council has an interest in ten CCOs, Hamilton Properties Ltd, Local Authority Shared Services Ltd, New Zealand Local Government Funding Agency Ltd, Waikato Regional Airport Limited and its subsidiaries Hamilton & Waikato Tourism Ltd and Titanium Park Ltd, Vibrant Hamilton Trust, and Innovation Waikato Limited and its subsidiaries Waikato Innovation Park Ltd and New Zealand Food Innovation (Waikato) Limited.

The following tables explain the various organisations significant policies and objectives, nature and scope of activities, key performance targets and outcomes for the 2015-16 year.

It should be noted that the key performance targets disclosed in the tables below for Local Authority Shared Services Limited and New Zealand Local Government Funding Agency Limited may be slightly different compared to the targets disclosed in the Long Term Plan (LTP) 2015-25, as the organisations have either developed additional targets or modified the way in which they present the targets, since the LTP was prepared.

Hamilton Properties Limited (HPL)

Ownership 100%

Representation (total members) 1 (1)

Significant policies and objectives

Council has retained this company with the view to utilising its tax losses in the future.

Nature and scope of activities

This is a non-operating company that is no longer trading.

Key performance targets

Exempt as a CCO for performance monitoring under Section 7 (3-5) LGA 2002 by Council resolution on 6 April 2016.

Local Authority Shared Services Limited (LASS)

Ownership 13.72% SVDS shares, 37.5% WRTM Service shares and 17.8% WRAPS Shares. (This equates to 19.6% of the total weighted value of issued shares).
Balance of shares owned by other Local Authorities. Note Council has only one voting right out of the twelve Local Authorities.

Representation (total members) 1 (12)

Significant policies and objectives

- To make a regional leadership contribution and seek opportunities to operate more efficiently by participating with the region's local authorities on shared services, particularly in respect of information collection and management, with the aim of reducing the cost of those activities, streamlining of work processes and improved level and quality of service.
- Gains have been realised by shareholders in the Shared Valuation Data Service (SVDS), the Waikato Regional Transport Model (WRTM) and through joint procurement contracts.

Nature and scope of activities

- The company is used as an umbrella company to investigate opportunities for future development of shared services. The specific objectives of the company are agreed each year in accordance with the constitution and the Statement of Intent.
- The three major established operations (Shared Valuation Data Service (SVDS), Waikato Regional Transportation Model (WRTM), and the Insurance Advisory Group) continue to deliver value.
- Additional opportunities for shared services being developed include a shared regional GIS data portal, on-line service for building consents, and energy audits to investigate energy efficiency opportunities.

Key performance targets

Performance targets are specified in the LASS Statement of Intent for 2015-16 and are summarised with the actual results below:

Performance Targets	Actual Outcome
Procurement: Joint procurement initiatives for goods and services for LASS councils will be investigated and implemented.	Achieved.
Collaborative Projects: Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.	Achieved.
Existing LASS Contracts: Existing contracts are managed and renegotiated as required.	Achieved.
Cashflow: The company shall maintain a positive cashflow position.	Achieved.
Cost Control: Administration expenditure shall be managed and monitored.	Achieved.
Reporting: Six monthly reports provided to Shareholders.	Achieved.
Waikato Mayoral Forum: The company shall provide administrative support and updates on Mayoral Forum workstreams to the Mayoral Forum.	Achieved.
Shared Valuation Data Services (SVDS): The SVDS is reliable, well maintained and available to all users.	Achieved.
Waikato Regional Transport Model (WRTM): The WRTM is reliable, well maintained and available to all users.	Achieved.
Shareholder Survey – Shareholders are satisfied with the performance of LASS.	Achieved.
Review of Benefits: Shareholders are informed of the benefits being provided to shareholding councils by LASS.	Achieved.

New Zealand Local Government Funding Agency Limited (LGFA)

Ownership 8.3%

Representation (total members) 1 (19)

Significant policies and objectives

- The primary objective of LGFA is to optimise debt funding terms and conditions for participating Councils, including flexible lending terms.
Other objectives include:

- To ensure participating Councils finances are sustainable in the long term.
- To ensure savings in annual interest costs for participating Councils.
- To ensure profits are sufficient to pay a dividend in accordance with the LGFA dividend policy.

Nature and scope of activities

- LGFA raises debt funding either domestically and/or offshore in either NZ dollars or foreign currency and provides debt funding to New Zealand Local Authorities, and may undertake any other activities considered by the Board to be reasonably related or incidental to, or in connection with, that business.
- The LGFA will only lend to local authorities that enter into all the relevant arrangements with it (participating local authorities) and comply with the LGFA's lending policies.

Key performance targets

Performance Targets	Actual Outcome
LGFA's average cost of funds relative to the average cost of funds for New Zealand Government Securities for the period to 30 June 2016 will be less than 0.50% higher.	Result not yet available.
The average margin above LGFA's cost of funds charged to the highest rated participating local authorities for the period to 30 June 2016 will be no more than 0.10%.	Result not yet available.
LGFA's annual issuance and operating expenses for the period to 30 June 2016 will be less than \$5.94 million.	Result not yet available.
Total lending to participating local authorities at 30 June 2016 will be at least \$5,885 million.	Achieved. Total lending of \$6,455 million.
LGFA will demonstrate the savings to council borrowers achieved in the relevant financial year and compared to previous financial years.	Result not yet available.

Waikato Regional Airport Limited (WRAL) and its Subsidiaries, Hamilton & Waikato Tourism Ltd and Titanium Park Ltd

Ownership 50%

Representation (total members) 0 (5)

Significant policies and objectives

- Enabler of air services to the region
- Operate a first class, safe and compliant regional airport
- Strategic positioning of the business to enhance capital value

Nature and scope of activities

- Operate an efficient and compliant airport
- Enhance the traveller experience
- Maintain a viable aeronautical business
- Maximise revenue diversification through non-aeronautical business opportunities
- Ensure appropriate internal and external resource to enable a commercially driven and high performing organisation

Key performance targets

Performance targets are specified in the WRAL Statement of Intent for 2015-16 and are summarised with the actual results below:

Non Financial Performance Measures:

Performance Targets	Actual Outcome
Facilitate Health & Safety meetings every 2 months with representatives from each company department.	Achieved.
Zero Work Safe notifiable accidents/injuries.	Not achieved. There was one notifiable incident.
Commission independent review of the company's Health & Safety framework. Implement recommendations from the independent review to ensure best-practice compliance.	Achieved.
To achieve the Airport Certification Standards as required by the Civil Aviation Authority.	Achieved.
Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events).	Achieved.
Facilitate noise management meetings each 4 months in accordance with the Noise Management Plan.	Achieved.
Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	Achieved.

Financial Performance Measures:

	Statement of Intent Targets for 2015/16	Actual Result for 2015/16	Outcome
Earnings before interest, taxation and depreciation	\$2,061,000	\$2,585,000	Achieved
Net surplus/(deficit) after tax	\$(421,000)	\$336,000	Achieved
Net surplus after tax to average shareholder funds	-1.00%	0.54%	Achieved
Net surplus after tax to total assets	-1.00%	0.41%	Achieved
Percentage of non-landing charges revenue	64.00%	81%	Achieved
Net cashflow (operating and investing)	\$(632,000)	\$2,789,000	Achieved
Total liabilities/shareholders funds (debt/equity ratio)	25:75	21:79	Achieved
Interest cover (parent only and calculated on the basis of interest from TPL and revaluations being excluded)	2.86	5.81	Achieved

Vibrant Hamilton Trust (VHT)

Ownership Incorporated Society and Charitable Trust

Representation (total trustees) 4 (4)

Significant policies and objectives

The Vibrant Hamilton Trust was established as a Council Controlled Organisation as per the requirements under section 64(1) of the Local Government Act 2002 to provide a legal entity which upon incorporation under the Charitable Trusts Act 1957 may receive funds from the Waikato Foundation Trust and be empowered to make distributions of income and capital for the charitable purposes authorised in its Trust Deed.

The Waikato Foundation Trust transferred funds to the Vibrant Hamilton Trust (65%) and the Waikato District Community Wellbeing Trust Board (35%) on 31 January 2012. The Waikato Foundation was subsequently disestablished.

Nature and scope of activities

The Vibrant Hamilton Trust is a Charitable Trust established for the primary reason of grant distribution.

Key performance targets

Performance targets are specified in the VHT Statement of Intent for 2015-16 and are summarised with the actual results below:

Performance Targets	Actual Outcome
Trust membership obligations are fulfilled in accordance with section 5 of the Trust Deed.	Not achieved. Under the current Trust Deed there is a requirement for the Trust to have five Trustees, at present there are four Trustees. The appointment of an additional Trustee was deferred until the matter of the potential changes in the Trust Deed had been resolved. The Council Controlled Organisations subcommittee had the view that there needed to be at least five Trustees. As at the June 2016 meeting the Trust has noted potential candidates.
Trustees' delivery against position description is undertaken annually.	Achieved.
The performance of investments is monitored by receiving and considering portfolio reports and financial information, on at least a quarterly basis as minimum.	Achieved.
The investment mandate is monitored to ensure the investment portfolio reflects the risk tolerance, investment time zone and drawings requirements of the Trust.	Achieved.
The performance of the Portfolio Manager is found satisfactory.	Achieved.
The minimum total annual grant of \$300,000 for 2015/16 is made. (Note:) Any distributions are determined by the Trustees in their sole discretion in accordance with the Trust Deed and the law).	Achieved.

Vibrant Hamilton Trust made a net deficit of \$910,176 for the year ended 30 June 2016.

Innovation Waikato Limited (IWL) and its Subsidiaries, Waikato Innovation Park Limited (WIPL) and New Zealand Food Innovation (Waikato) Limited (NZFIW)

Ownership	100% of IWL and 19.81% of WIPL (direct ownership) IWL owns 80.19% of WIPL, and WIPL owns 100% of NZFIW
Representation (total members)	0 (5)

The 100% shareholding in Innovation Waikato Ltd was gifted by the Katolyst Group to Council on 9 October 2013. The group consists of Innovation Waikato Ltd and its subsidiaries Waikato Innovation Park Ltd and New Zealand Food Innovation (Waikato) Ltd.

Significant policies and objectives

- The core purpose of the Innovation Waikato Ltd Group is to promote research, development, commercialisation and marketing by new and existing entities or individuals of new products, processes, technologies and quality improvements.
- The focus of the Park is on innovation and technology led businesses that enhance New Zealand's competitive advantage and alignment with the region's economic export development strategy in areas such as agriculture, agribusiness, food processing, value add to food products from primary production, horticulture, environmental sustainability, and enabling information and communication technology.
- Key objectives include:
 - 300 days of product development production via the spray dryer contributing \$50m to the regional economy
 - A new \$9million building completed and occupied
 - Existing buildings 98% occupied
 - A major company attracted to the Park and signed Agreement to Lease in place
 - Commitment of capital to fund a new building and enable the repayment of HCC 19% direct shareholding

Nature and scope of activities

- Innovation Waikato Ltd is involved in the business of the development and operation of an Innovation Park in Hamilton, which currently includes two commercially tenanted properties and a pilot spray dryer facility.

Key performance targets

Performance targets are specified in the IWL Group Statement of Intent for 2015-16 and are summarised with the actual results below:

Financial Performance Measures:	Statement of Intent Targets for 2015/16	Actual Result for 2015/16	Outcome
Group earnings before interest, taxation and depreciation	\$3,055,000	\$3,758,000	Achieved
Group cash from operating activities	\$1,423,000	\$1,679,000	Achieved
Group profit/(loss) after tax and dividends	\$670,000	\$902,000	Achieved
Shareholders' funds (including deferred income) /Tangible assets	42%	41%	Not achieved

STATEMENT OF COMPLIANCE

Compliance

The Council of Hamilton City Council confirms that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.

Responsibility

Council and management of Hamilton City Council accept responsibility for the preparation of the financial statements and statement of service performance in accordance with generally accepted accounting practice and New Zealand equivalents to International Financial Reporting Standards.

Council and management of Hamilton City Council considers that the financial statements and statement of service performance have been prepared using appropriate accounting policies, which have been consistently applied and adequately disclosed and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

Council and management of Hamilton City Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non financial reporting.

In the opinion of Council and management of Hamilton City Council, the financial statements fairly reflect the financial position of Council and the group as at 30 June 2016, and the results of its operations and cash flows and the service performance achievements for the year ended on that date.



Julie Hardaker
Hamilton Mayor
29 September 2016



Richard Briggs
Chief Executive
29 September 2016

Independent Auditor's Report

To the readers of Hamilton City Council and group's annual report for the year ended 30 June 2016

The Auditor-General is the auditor of Hamilton City Council (the City Council) and group. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, on her behalf, to:

- audit the information included in the City Council and group's annual report that we are required to audit under the Local Government Act 2002 (the audited information); and
- report on whether the City Council and group has complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report and the Local Government (Financial Reporting and Prudence) Regulations 2014.

Opinion on the audited information

In our opinion:

- the financial statements on pages 55 to 110:
 - present fairly, in all material respects:
 - the City Council and group's financial position as at 30 June 2016; and
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the Public Benefit Entity Reporting Standards;
- the funding impact statement on page 111, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council and group's Long-term plan;
- the statement of service performance on pages 5 to 52:
 - presents fairly, in all material respects, the City Council's levels of service for each group of activities for the year ended 30 June 2016, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities on pages 9 to 53, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council and group's Long-term plan; and
- the funding impact statement for each group of activities on pages 9 to 53, presents fairly, in all material respects, the amount of funds produced from each source of funding and how

the funds were applied as compared to the information included in the City Council and group's Long-term plan.

Compliance with requirements

The City Council and group has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures on pages 9 to 117 which are required by the Local Government (Financial Reporting and Prudence Regulations 2014) which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council and group's audited information.

Our audit was completed on 29 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the audited information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the City Council and group's preparation of the information we audited in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of the disclosures in the information we audited;
- determining the appropriateness of the reported statements of service performance within the City Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the City Council and group complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report, we limited our procedures to making sure the annual report included the required information and identifying material inconsistencies, if any, with the information we audited. We carried out this work in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.


Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the annual report in accordance with the reporting requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out our audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this audit, which includes our report on the Other Requirements, we have carried out assignments in the areas of audit of the debenture trust, summary annual report and other assurance services, which are compatible with those independence requirements. Other than these assignments we have no relationship with or interests in the City Council or any of its subsidiaries.



Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand