

# HAMILTON CITY COUNCIL'S 2016/17 ANNUAL REPORT SUMMARY



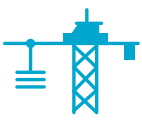
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This is a summary of the Annual Report. It provides a snapshot of our results for 2016/17.

The full document is available at [hamilton.govt.nz/annualreport](http://hamilton.govt.nz/annualreport)

Both documents have been audited by independent auditors.



# THE FINANCIAL STRATEGY

## Our financial results report on the financial strategy set out in year two of our 2015-25 10-Year Plan and the associated 2016/17 Annual Plan. The financial strategy:

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

Against this strategy, we exceeded our balancing the books target, with an adjusted operating surplus of \$10.3M against a target of \$2.6M. The government balanced budget measure, a measure that excludes development contributions, is a deficit of \$5.5M against a budget deficit of \$8.5M.

We ended the financial year with a total overall debt balance of \$362M, \$42M lower than planned. Debt as a percentage of income is 173 per cent, against a target of 198 per cent.

The Council has performed well against its targets and these are positive results, but there are challenges ahead that mean we are taking a fresh look at what it will take to be financially sustainable in the future and how we will measure that.

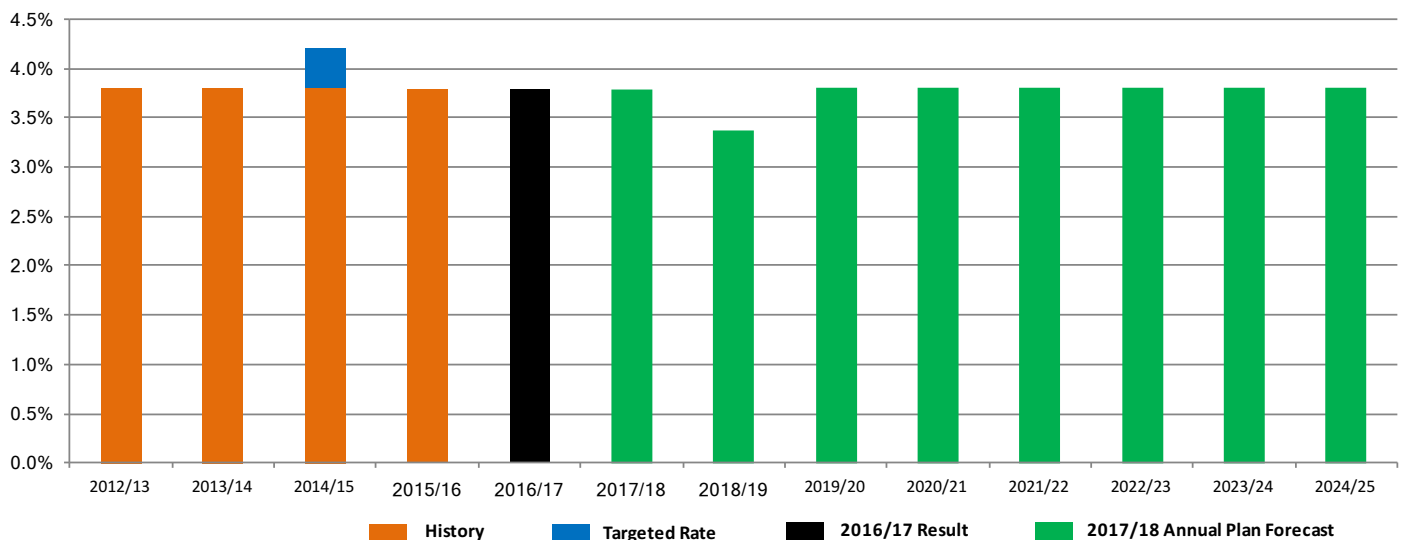
Our existing financial strategy was put in place back in 2012. Since then the Council’s financial position has shown improvement, with reduced debt and reducing operating deficits. However Hamilton’s population and economy have grown faster than anticipated and growth costs and the costs to run the city continue to increase. The level of investment needed to provide services and infrastructure to meet the city’s growth are significant and because of this Council continues to finance its day-to-day activities from borrowing.

It is the right time to review our financial strategy to ensure it is prudent and fit for purpose for the future. The results of this work will flow into our 2018-28 10-Year Plan, which we are working on now.

## RATES

Our 2015-25 10-Year Plan holds total rates rises at 3.8 percent each year for 10 years (excluding the Hamilton Gardens targeted rate), providing certainty for ratepayers and improving the Council’s financial position. Increasing rates at this level has helped us to pay for more of our day-to-day costs through rates and reduced our reliance on borrowing.

### Total rates increases to existing ratepayers



## BALANCING THE BOOKS

Our balancing the books measure is a way of assessing the Council’s operating performance. There are other ways to measure operating performance, including the Government’s balanced budget measure.

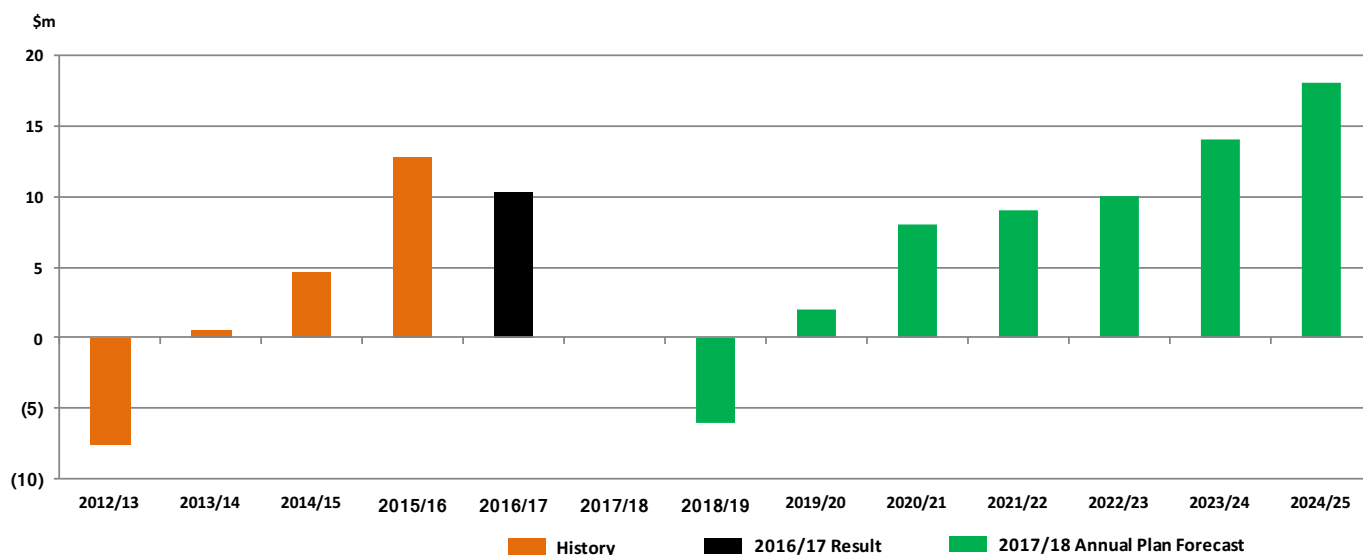
The main difference between the two measures is the Government’s balanced budget measure excludes revenue from development contributions and Hamilton City Council’s measure includes it. This makes the Government’s measure more conservative.

The Council has exceeded its balancing the books target, with an adjusted operating surplus of \$10.3M against a target of \$2.6M. The Government’s balanced budget measure is a deficit of \$5.5M against a budget deficit of \$8.5M. As part of developing our 2018-28 10-Year Plan, we are reviewing our financial strategy, including how we measure our operating performance.

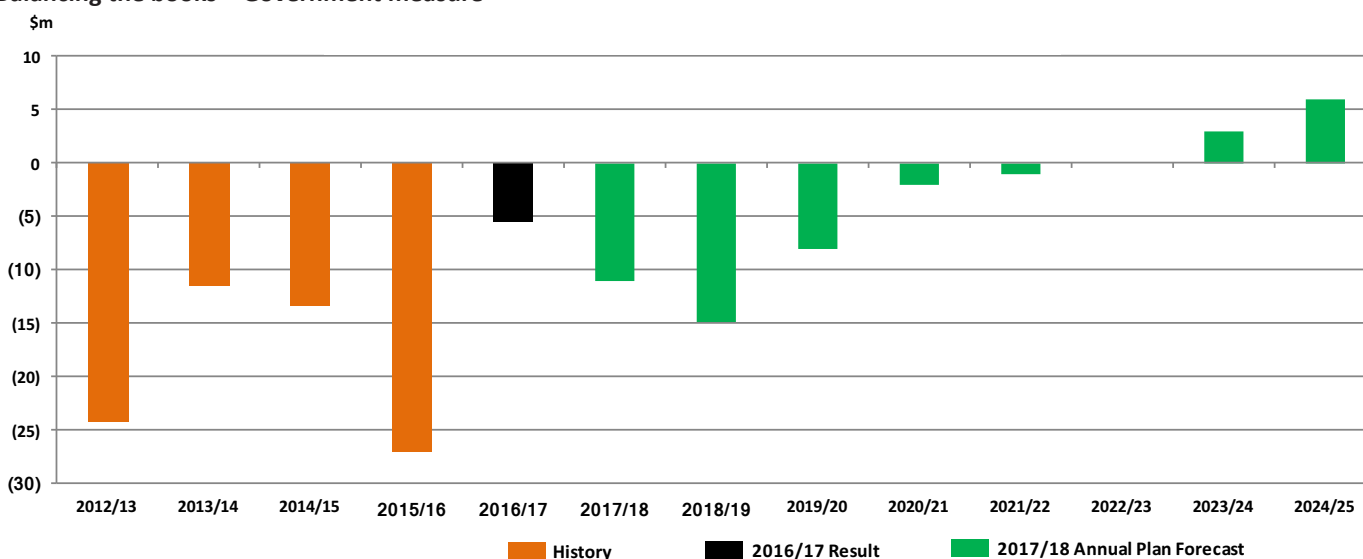
The significant revenue and expenditure variances that contributed to our balancing the books result are:

- Higher than budgeted revenue from fees and charges (\$2M), with the majority of this from building and planning consents due to the high levels of development activity in the city.
- Higher than budgeted revenue from third party capital contributions and New Zealand Transport Agency capital subsidies (\$7.1M)
- Higher than budgeted revenue from development contributions (\$4.8M)
- Lower than budgeted finance costs (\$2M) due to lower debt balance and interest rates
- Higher than budgeted operating expenses (\$8.1M), which includes additional depreciation due to asset revaluations, additional staff remuneration costs and additional expenditure on asset maintenance and service costs.

### Balancing the books – Hamilton City Council measure



### Balancing the books – Government measure



## DEBT

The definition we use for debt is money we owe the bank, less cash. We refer to this as total overall debt.

We ended the financial year with a total overall debt balance of \$362M, lower than the projected target of \$404M. The Council's debt is now 173 per cent of revenue against a performance target of 198 per cent.

The main reasons for this favourable result are:

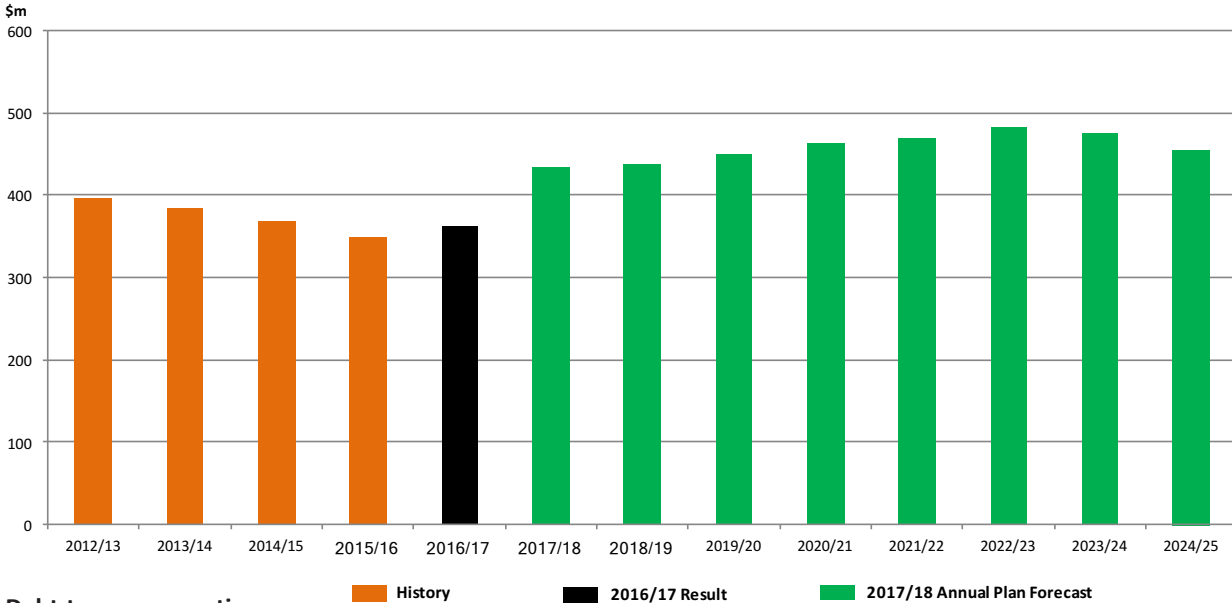
- higher than budgeted revenue from development contributions
- higher than budgeted revenue from user charges, subsidies and grants
- deferral of 30 capital expenditure projects with a value of \$23.9M to the 2017/18 financial year.

Project deferrals have a favourable impact on the Council's financial result. However, it is only a timing impact as the expenditure will still be incurred, but later than was originally planned.

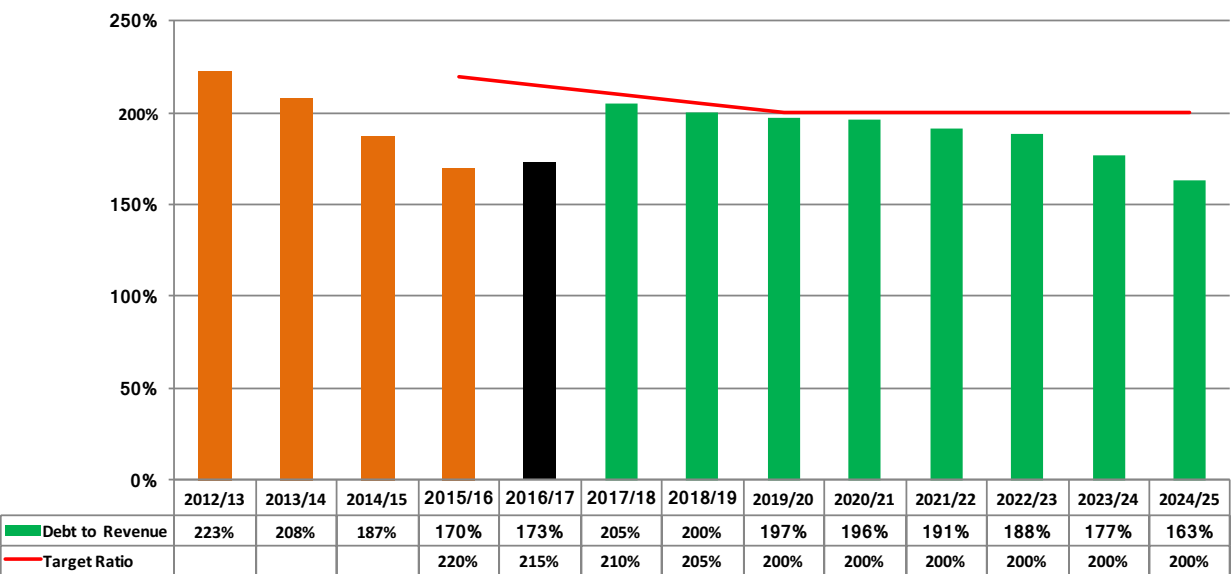
Projects were deferred due to:

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

### Total overall debt

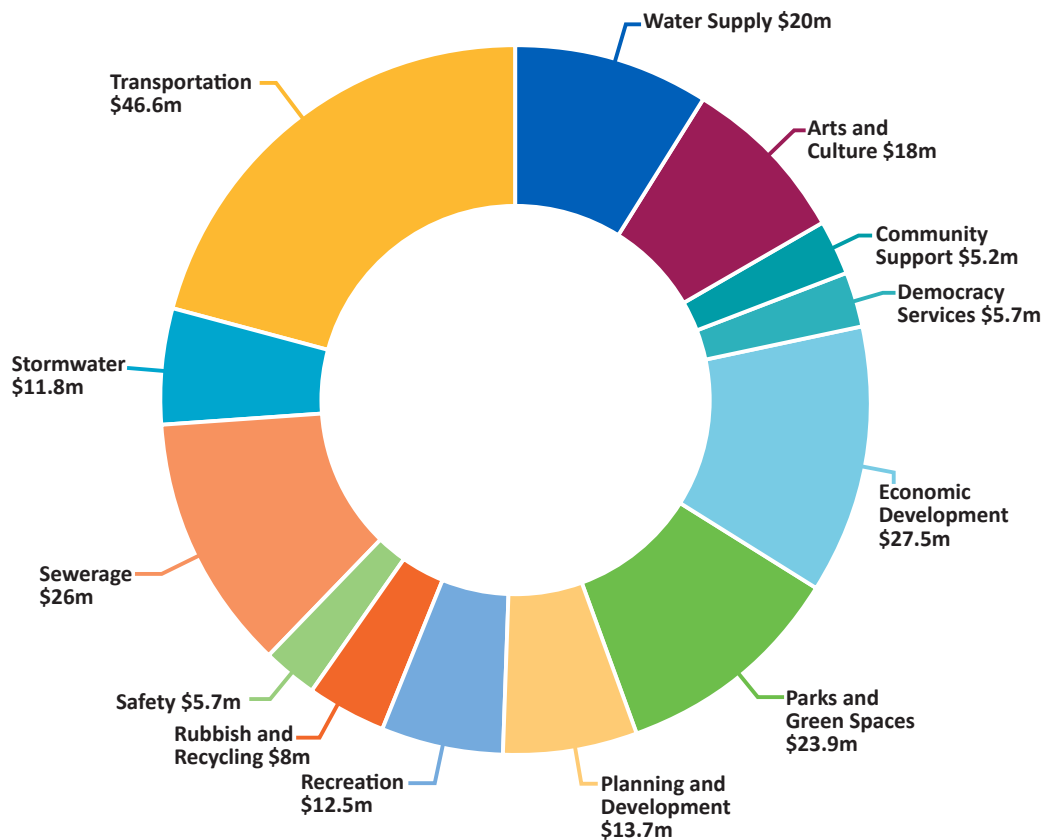


### Debt-to-revenue ratio

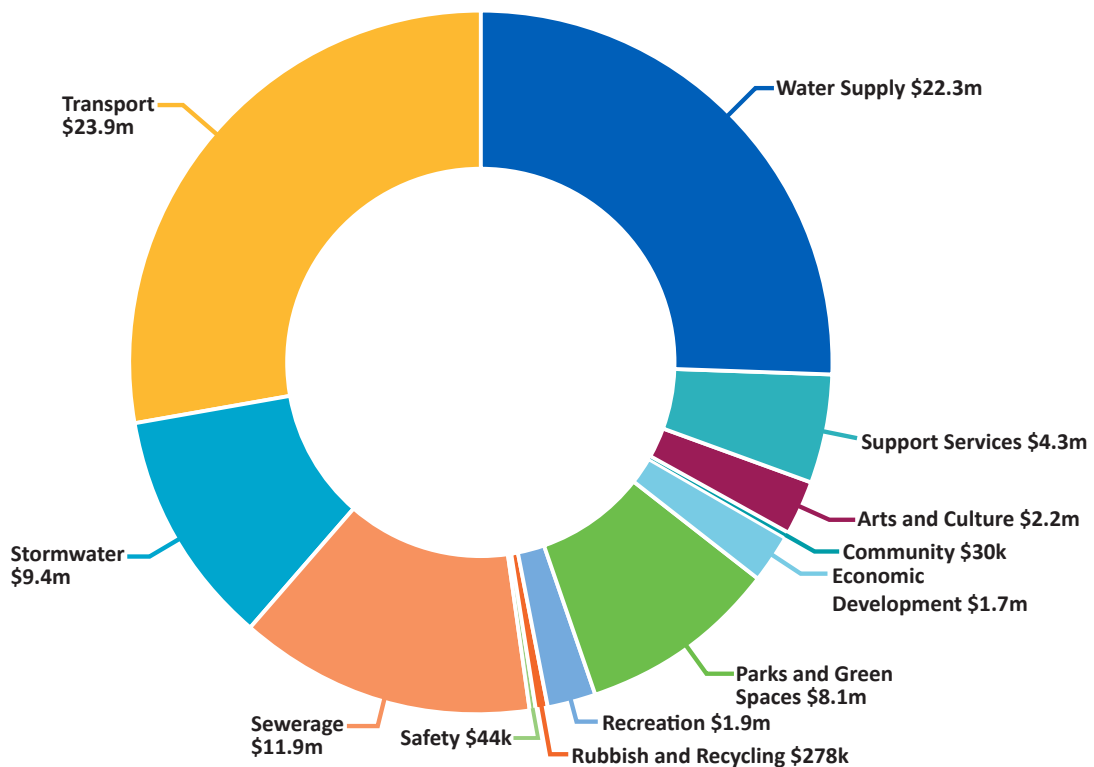


History      2016/17 Result      2017/18 Annual Plan Forecast

## 2016/17 OPERATING EXPENDITURE



## 2016/17 CAPITAL EXPENDITURE



# THE HAMILTON PLAN

**Hamilton is 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 161,000 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](https://hamilton.govt.nz/hamiltonplan)



# HAMILTON PLAN PROGRESS

A number of projects and initiatives in 2016/17 helped to deliver on the Hamilton Plan. Some major projects were delivered through partnerships with community trusts, individuals and the government. Partnerships are an essential part of the Council funding strategy to deliver major projects.



## Victoria on the River

A major project in the Central City Transformation Plan, Victoria on the River, is taking shape. The park will see the old commercial building site and car park opposite Collingwood Street become a terraced park with sweeping views across the Waikato River and connection to the popular riverside path. Significant work is underway to form the terraces and paths, before the more detailed facets of the job are completed later in 2017. Victoria on the River will open in early 2018.



## Major Events

It was a big year for events across all of the Council's premier event facilities. Claudelands, FMG Stadium Waikato and Seddon Park hosted a large range of public ticketed events, as well as around 550 conferences, meetings and functions which were attended by over 59,000 people. For FMG Stadium Waikato the busy year culminated with the Chiefs vs The British and Irish Lions match, attended by over 25,000 patrons, and the venue being announced as the new venue for the New Zealand leg of the HSBC World Rugby Sevens in 2018 and 2019.



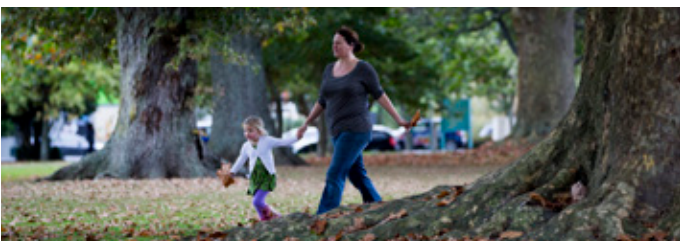
## Indoor Recreation Centre

Construction of an indoor recreation centre in Rototuna has been a joint partnership between the Council and the Ministry of Education. The new \$9.2M four-court facility, built at Rototuna Junior High School, was officially opened by Prime Minister Bill English on 28 August 2017 and will be available for school and community use on a booking basis. The Council contributed \$4.5M to the build in the 2015/16 year.



## Playgrounds

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 addition of the Dominion Park and Hamilton Gardens destination playgrounds in 2016/17 brings the total number of destination playgrounds in the city to seven. A new neighbourhood playground was also opened at Steele Park in Hamilton East.



## Hamilton East Neighbourhood Plan

Signed off by the Council in September 2016, this plan provides direction for the future development of Hamilton East to ensure it is consistent with, and contributes strongly to, the suburb's character and identity.



## Parks and Green Spaces

In 2016/17 we increased the area of public green space in the city, taking Hamilton's total open space to 1,149 hectares. We also increased the number of street trees to 35,327 and planted over 36,000 native plants, including 12,000 at Waiwhakareke Natural Heritage Park on Arbor Day.



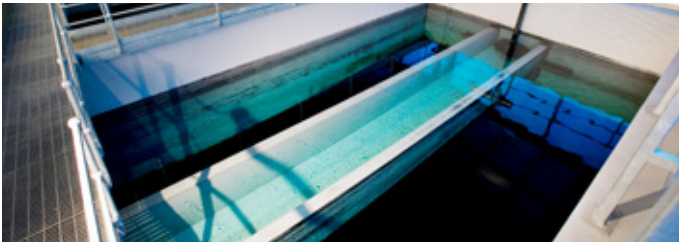


## Roading

The Council spent \$4.2M on roading upgrades and development in the city’s growth areas, as well as \$10.3M looking after existing roads, including road resurfacing and replacing worn out footpaths.

Work was approved to fast track the design and construction of a grade separated facility at the Wairere Dr and Cobham Dr intersection, which will see the final link in the Ring Road completed.

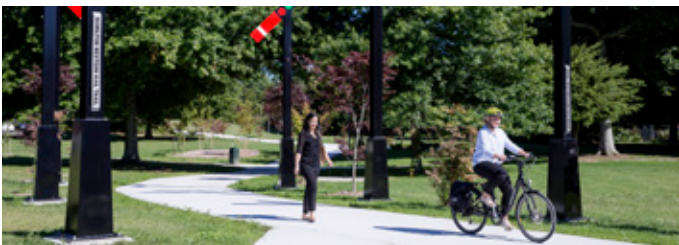
The NZ Transport Agency began construction of the Hamilton section of the Waikato Expressway in October 2016, and the Cobham Dr pedestrian and biking underpass in May 2017.



## Water Infrastructure

We spent \$43.6M across the city’s water supply, sewerage and stormwater activities in 2016/17, to look after existing assets and provide new infrastructure to meet Hamilton’s future growth.

Major projects in 2016/17 included the continued construction of the \$21M Rototuna water reservoir – the largest in the city; construction of a \$5.5M dedicated water supply pipeline from the Water Treatment Plant to the Hamilton South Reservoir and commencement of an \$18.3M upgrade of the sewerage treatment plant in Pukete.



## Western Rail Trail

The opening of the Western Rail Trail was celebrated in April 2017. Jointly funded by the Council, NZ Transport Agency and the Urban Cycleways Programme, the multi-million dollar 2.7km shared pathway is one of the key projects in the city’s Biking Plan. Within days of opening there were hundreds of users daily utilising this off-road link between Hamilton’s south western suburbs of Glenview, Melville, and Deanwell, with Hamilton Girls’ High School, the Wintec City Campus and the city centre.



## Housing Infrastructure Fund

In October 2016, the Ministry of Business, Innovation and Employment announced a new \$1B Housing Infrastructure Fund (HIF) available for high-growth councils, including Hamilton. These councils were invited to apply for a share of the 10 year interest free fund to bring forward the transport and water infrastructure required for new housing.

Hamilton was selected alongside four other areas to go to the next stage of the process to obtain a portion of the fund for vital strategic infrastructure to enable more houses to be built.

Work now is now progressing on a detailed business case with a special focus on how this will impact the city’s finances.



## Hamilton Gardens Development

The Hamilton Gardens development project is progressing well and the external funding target of \$4.8M was reached ahead of schedule, thanks to the support of generous donors and funders. The new destination playground and temporary carpark extension were completed and work is progressing on the new gardens. We are seeing strong growth in visitor numbers, with an estimated 1,148,613 visitors in 2016/17, a 13.5% increase on last year. Hamilton Gardens claimed the ‘Outstanding Park Award’ at the New Zealand Recreation Association conference and was also recently given a tourist industry Qualmark Gold Award.



## Hamilton Housing Accord

The Hamilton Housing Accord was signed between Hamilton City Council and the Government in December 2016, as a way to increase housing supply and improve housing affordability in the city. The Accord is implemented through a Special Housing Areas Policy. Special Housing Areas are areas of land in the city that are not currently zoned for housing that can be put forward for development by landowners or developers for consideration by the Council.

# SERVICE PERFORMANCE SUMMARY

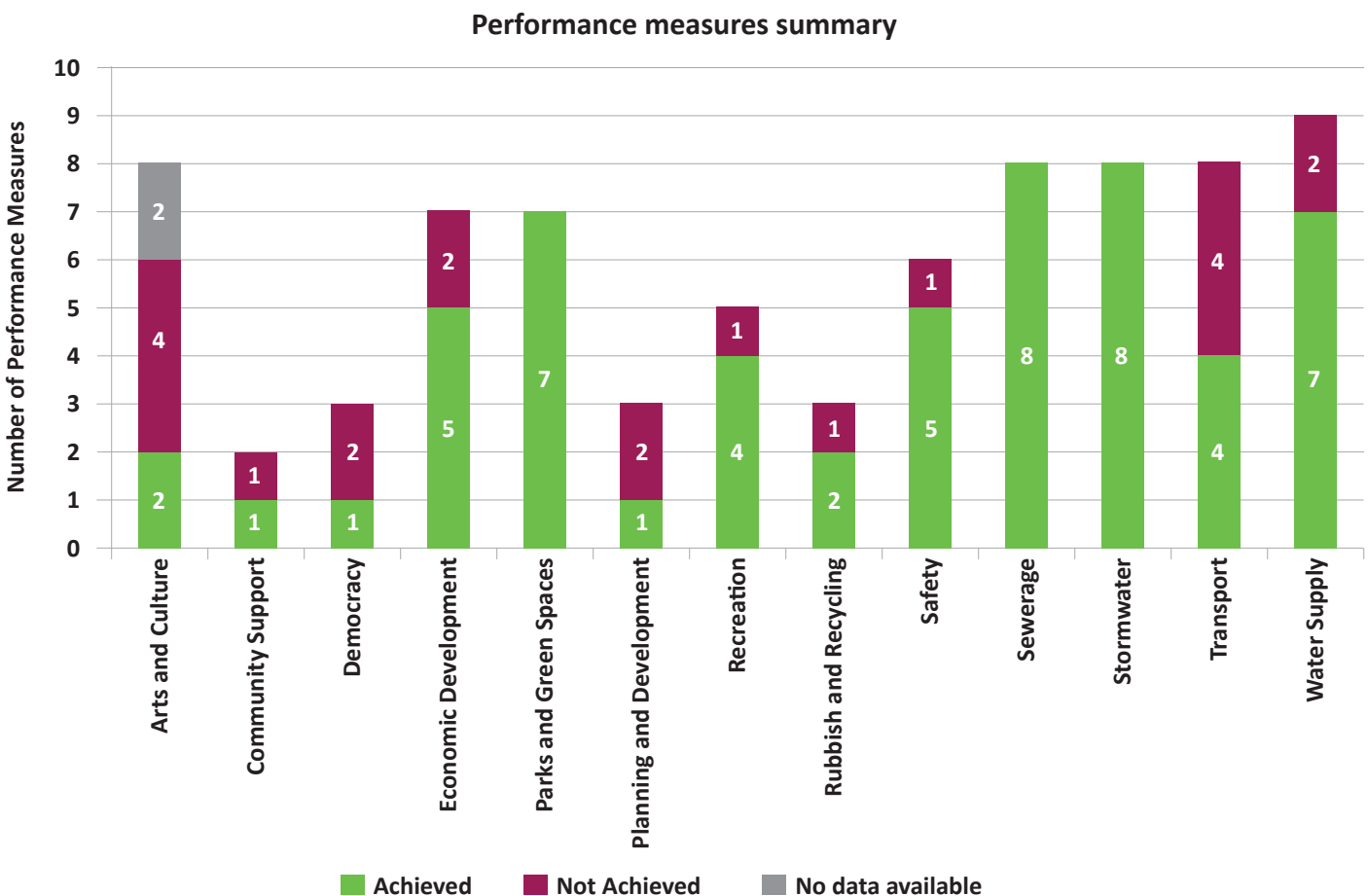
The Council’s business is divided into 13 service groups. Each service group has performance measures that show how well we are delivering our services to the community.

The performance measures and targets are from Year 2 (2016/17) of our 2015-25 10-Year Plan, which you can find at [hamilton.co.nz/10YearPlan](http://hamilton.co.nz/10YearPlan)

Of the 77 measures that we use to track performance, the summary graph below shows that:

- we have met the targets for 55 measures
- we have not met the targets for 20 measures; and
- we do not have data available to report against the two measures for Founders Theatre, as the theatre was closed on 1 March 2016 and the future of the theatre is still to be determined.

The full Annual Report provides the detail for each of the measures.



# SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

| Note   | Council          |                  |                  | Group            |                  |
|--|------------------|------------------|------------------|------------------|------------------|
|  | Actual 2017      | Budget 2017      | Actual 2016      | Actual 2017      | Actual 2016      |
|  | \$000            | \$000            | \$000            | \$000            | \$000            |
| <b>FINANCIAL PERFORMANCE TO 30 JUNE</b>  |                  |                  |                  |                  |                  |
| Rates revenue  | 153,696          | 153,376          | 147,294          | 153,593          | 147,214          |
| Other revenue  | 1                | 105,228          | 74,662           | 123,804          | 116,871          |
| <b>Total revenue</b>   | <b>258,924</b>   | <b>228,038</b>   | <b>271,098</b>   | <b>270,464</b>   | <b>281,820</b>   |
| Personnel costs  | 70,672           | 68,400           | 64,042           | 73,119           | 66,142           |
| Depreciation and amortisation  | 2                | 61,306           | 59,412           | 60,416           | 62,515           |
| Finance costs  | 20,114           | 22,257           | 21,713           | 21,381           | 22,907           |
| Other expenses   | 3                | 72,328           | 66,878           | 92,454           | 76,975           |
| <b>Total expenditure</b>   | <b>224,420</b>   | <b>216,947</b>   | <b>238,625</b>   | <b>233,990</b>   | <b>246,301</b>   |
| Surplus/(deficit) before tax   | 34,504           | 11,091           | 32,473           | 36,474           | 35,519           |
| Unrealised gain/(loss) on revaluation of interest rate swaps                   | 17,381           | -                | (21,432)         | 17,381           | (21,432)         |
| Income tax expense   | -                | -                | -                | (520)            | (146)            |
| Share of associates' surplus/(deficit)   | -                | -                | -                | 1,887            | 168              |
| <b>Net surplus/(deficit)</b>   | <b>51,885</b>    | <b>11,091</b>    | <b>11,041</b>    | <b>55,222</b>    | <b>14,109</b>    |
| Other comprehensive revenue and expense  | 51,885           | 11,091           | 11,041           | 55,222           | 14,109           |
| Financial assets at fair value through other comprehensive revenue and expense | 2,646            | -                | (106)            | 2,646            | (106)            |
| Gain/(loss) on property revaluations   | 4                | 276,554          | 22,753           | 271,509          | 283,482          |
| Income tax on other comprehensive income                                       | -                | -                | -                | -                | (501)            |
| <b>Total comprehensive revenue and expense</b>                                 | <b>331,085</b>   | <b>33,844</b>    | <b>282,444</b>   | <b>341,350</b>   | <b>289,000</b>   |
| <i>Total comprehensive revenue and expense attributable to:</i>                |                  |                  |                  |                  |                  |
| Hamilton City Council  | 331,085          | 33,844           | 282,444          | 341,210          | 288,515          |
| Non-controlling interest   | -                | -                | -                | 140              | 485              |
| <b>CHANGES IN EQUITY TO 30 JUNE</b>  |                  |                  |                  |                  |                  |
| Total comprehensive revenue and expense  | 331,085          | 33,844           | 282,444          | 341,350          | 289,000          |
| <b>Total recognised revenues and expenses for the year</b>                     | <b>331,085</b>   | <b>33,844</b>    | <b>282,444</b>   | <b>341,350</b>   | <b>289,000</b>   |
| Equity at the beginning of the year  | 3,198,975        | 3,098,195        | 2,916,531        | 3,238,841        | 2,949,841        |
| <b>Equity at the end of the year</b>   | <b>3,530,060</b> | <b>3,132,039</b> | <b>3,198,975</b> | <b>3,580,191</b> | <b>3,238,841</b> |
| <i>Total Equity at the end of the year attributable to:</i>                    |                  |                  |                  |                  |                  |
| Hamilton City Council  | 3,530,060        | 3,132,039        | 3,198,975        | 3,578,251        | 3,237,041        |
| Non-controlling interest   | -                | -                | -                | 1,940            | 1,800            |
| <b>FINANCIAL POSITION AS AT 30 JUNE</b>  |                  |                  |                  |                  |                  |
| Current assets   | 124,767          | 64,628           | 68,965           | 130,963          | 77,932           |
| Non-current assets   | 3,921,923        | 3,557,412        | 3,603,162        | 3,993,729        | 3,664,218        |
| <b>Total assets</b>  | <b>4,046,690</b> | <b>3,622,040</b> | <b>3,672,127</b> | <b>4,124,692</b> | <b>3,742,150</b> |
| Current liabilities  | 153,412          | 94,180           | 118,468          | 154,914          | 135,935          |
| Non-current liabilities  | 363,218          | 395,821          | 354,684          | 389,587          | 367,374          |
| Equity   | 3,530,060        | 3,132,039        | 3,198,975        | 3,578,251        | 3,237,041        |
| Non-controlling interest   | -                | -                | -                | 1,940            | 1,800            |
| <b>Total equity and liabilities</b>  | <b>4,046,690</b> | <b>3,622,040</b> | <b>3,672,127</b> | <b>4,124,692</b> | <b>3,742,150</b> |
| <b>CASH FLOWS TO 30 JUNE</b>   |                  |                  |                  |                  |                  |
| Opening cash and cash equivalents balance at 1 July                            | 6,964            | 45,000           | 57,291           | 9,080            | 57,616           |
| Net cash inflows/(outflows) from operating activities                          | 70,578           | 62,089           | 80,845           | 72,051           | 79,702           |
| Net cash inflows/(outflows) from investing activities                          | (115,520)        | (91,323)         | (98,698)         | (116,353)        | (105,462)        |
| Net cash inflows/(outflows) from financing activities                          | 65,099           | 29,234           | (32,474)         | 63,243           | (22,776)         |
| <b>Closing cash and cash equivalents balance at 30 June</b>                    | <b>27,121</b>    | <b>45,000</b>    | <b>6,964</b>     | <b>28,021</b>    | <b>9,080</b>     |

## Notes

1. Other revenue has exceeded budget by \$30.6M. This is due to development contributions and vested assets both of which are related to high growth in the city, and higher capital subsidies received for the Western Rail Trail.
2. Depreciation was higher than budget due to an increase in asset values resulting from the re-valuation of Council's transportation assets and buildings.
3. Other expenses were higher than budget due to an increase in contractors' costs principally in the transportation area, increase in maintenance costs across the organisation, and loss on the disposal of operational assets.
4. The gain on revaluations is due to an increase in the value of roads and traffic network assets, land and buildings.

## Accounting policies

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

The group consists of the ultimate parent, Council, and its subsidiaries, Hamilton Properties Limited (100% owned), Vibrant Hamilton Trust (100% controlled) and Innovation Waikato Ltd (100% owned). The associate, Waikato Regional Airport Ltd is equity accounted.

The summary financial statements of the Council are for the year ended 30 June 2017.

Council has designated itself and the Group as a public benefit entity as defined under the PBE International Public Sector Accounting Standards (PBE IPSAS).

These financial statements have been prepared in accordance with Tier 1 PBE accounting statements and generally accepted accounting practice in New Zealand (NZ GAAP).

Council's summary annual report complies with PBE Financial Reporting Standards 43 (FRS43) Summary Financial Statements.

All amounts are shown in New Zealand dollars and are rounded to the nearest thousand dollars (\$000)

## Capital commitments, contingent assets and contingent liabilities

Council has capital contract commitments of \$82.6m (2016 \$53.8m).

Council has one contingent asset, it is a 63% capital beneficiary of the WEL Energy Trust. Given the uncertainty surrounding the life of the Trust, Council is unable to accurately establish the appropriate value of its share.

Contingent liabilities, which are dependent on future events, are \$3.7m (2016 \$2.4m).

## Subsequent events after balance date

There have been no events after balance date.

## Disclaimer

The specific disclosures included in this summary annual report have been extracted from the full annual report and were authorised for issue by the Chief Executive on the 18 October 2017.

This summary can not be expected to provide as complete an understanding as provided by the full annual report of the financial and service performance, financial position and cash flows of Hamilton City Council.

The summary has been examined for consistency with the full annual report and was audited by Audit New Zealand on behalf of the Office of the Auditor-General. The full annual report and summary received an unqualified audit opinion on the 18 October 2017.

The full annual report can be obtained from our website [hamilton.co.nz](http://hamilton.co.nz) or from the Hamilton City Council main office.

## Independent Auditor's Report

### To the readers of Hamilton City Council and group's summary of the annual report for the year ended 30 June 2017

The summary of the annual report was derived from the annual report of the Hamilton City Council (the City Council) for the year ended 30 June 2017.

The summary of the annual report comprises the following summary statements on pages 10 to 12:

- the summary statement of financial position as at 30 June 2017;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2017;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the service performance summary of the City Council.

### Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

### Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

### The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2017 in our auditor's report dated 18 October 2017.

### Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

## **Auditor's responsibility**

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in the City Council.



Leon Pieterse,  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand  
18 October 2017