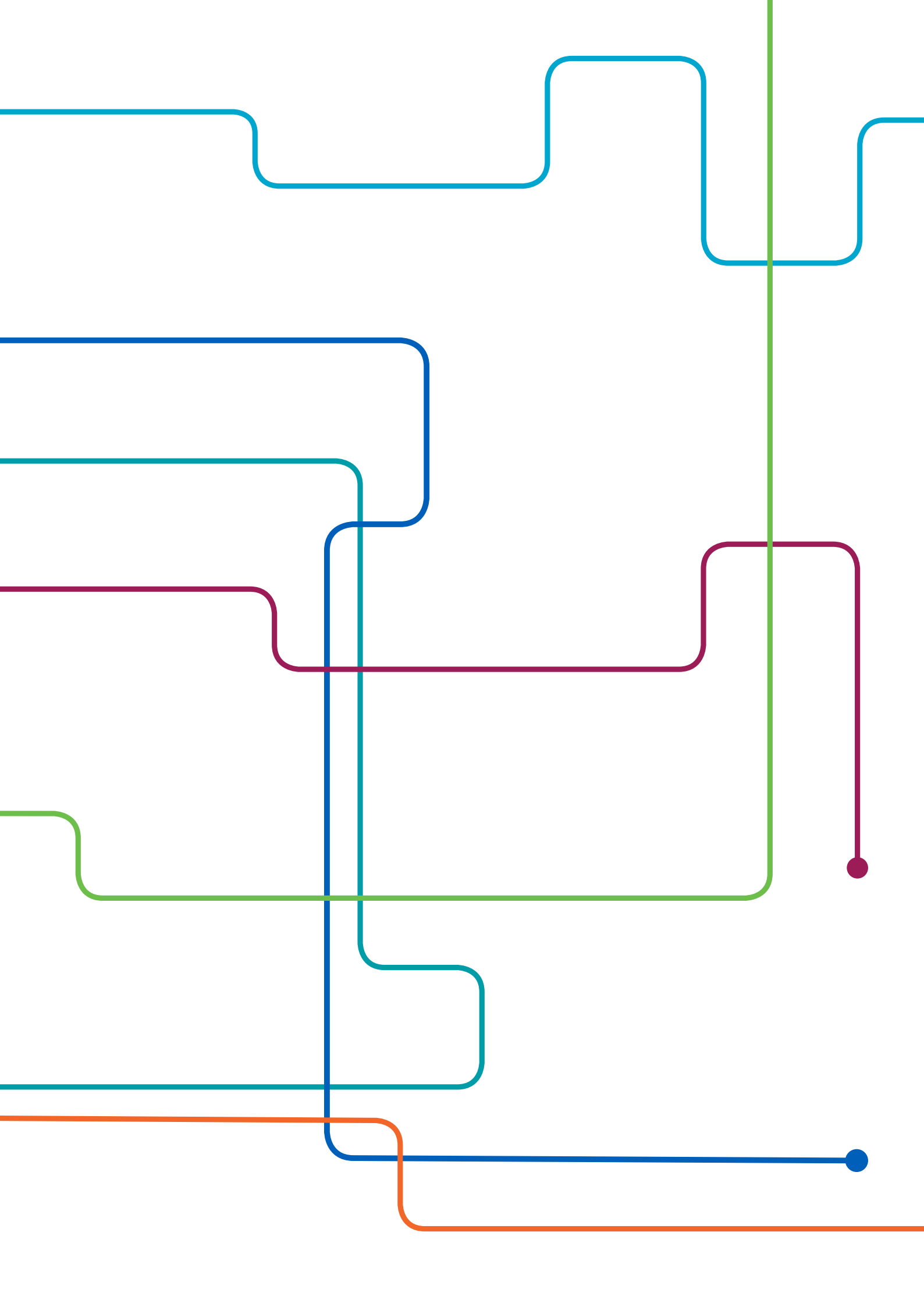


# HAMILTON CITY COUNCIL'S 2016/17 ANNUAL REPORT





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# FROM THE MAYOR AND CHIEF EXECUTIVE



**Welcome to Hamilton City Council's 2016/17 Annual Report. We are pleased to present the results of our performance over the past year.**

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. 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.

Hamilton's growth was a strong theme throughout 2016/17, reflected in a number of our initiatives and projects.

The Council's \$272M pitch to unlock the city's southernmost growth area, Peacocke, received support from the Government's \$1B Housing Infrastructure Fund (HIF) in July. The 10-year interest free fund is available to high growth councils to progress the infrastructure required for new housing. A detailed business case is now underway, which will look at the strategic, economic, commercial, financial and management aspects of developing the Peacocke area. The Council will make a decision on whether to progress further over the coming months as part of its 10-Year Plan discussions.

The Council and the Government signed a Housing Accord in December 2016 as a way to increase housing supply and improve housing affordability in Hamilton. The Accord outlines targets for the number of dwelling and section consents issued in Hamilton for the next three years. The nomination of Special Housing Areas will enable the Council to help increase housing supply and affordability. Special Housing Areas are defined areas of land in the city that are not currently zoned for housing, which the Council can quickly rezone to enable more houses to be built.

The Council delivered \$86.1M in capital projects during 2016/17, including \$43.6M on water, sewerage and stormwater infrastructure and \$23.9M on transport projects. Major water infrastructure projects in 2016/17 that will help cater for growth included completion 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 Puketete. 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.

**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.**

The level of investment needed to provide services and infrastructure to meet the city's growth are significant.

Hamilton's growth was a strong theme throughout 2016/17, reflected in a number of our initiatives and projects.

Partnership funding saw a number of community projects completed or progressed during 2016/17.

The Hamilton Gardens development project is progressing well and thanks to the support of generous donors and funders the external funding target of \$4.8M was reached ahead of schedule. 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.

A new destination playground was opened at Dominion Park in the suburb of Nawton and a new neighbourhood playground at Steele Park in Hamilton East. External funding of \$250,000 was contributed towards the Dominion Park playground.

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. The Council contributed \$4.5M to the build in the 2015/16 year.

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 and the city centre.

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.

Hamilton City Council remains committed to improving the Health, Safety and Wellness of all employees across the whole of Council. Focussing our attention on our Health and Safety Management System we continue to make significant investment in safety design improvements to manage critical risks, including operational sites like Hamilton Zoo, the Stadium and our Water Treatment Plants. We also place high importance on occupational health and the wellbeing of our employees, putting in place initiatives and employee benefits like free health checks and flu vaccinations to promote a healthier workplace. Strong safety leadership demonstrated through all levels of business reinforces our key safety messages down to all teams.

Looking ahead to the coming months, the focus for the Council will be on developing its 2018-28 10-Year Plan, which will set out our priorities and budget for the next decade. The Council will have some tough decisions to make about what to fund, and what not to fund, and how to pay for it. A balance will need to be achieved between funding growth infrastructure such as main roads and pipes, and community infrastructure that enhances liveability such as parks, playgrounds, arts and culture and sporting facilities. We will need the input of Hamiltonians and there will be opportunities to have your say.



**Andrew King**  
Mayor



**Richard Briggs**  
Chief Executive



# THE FINANCIAL STRATEGY

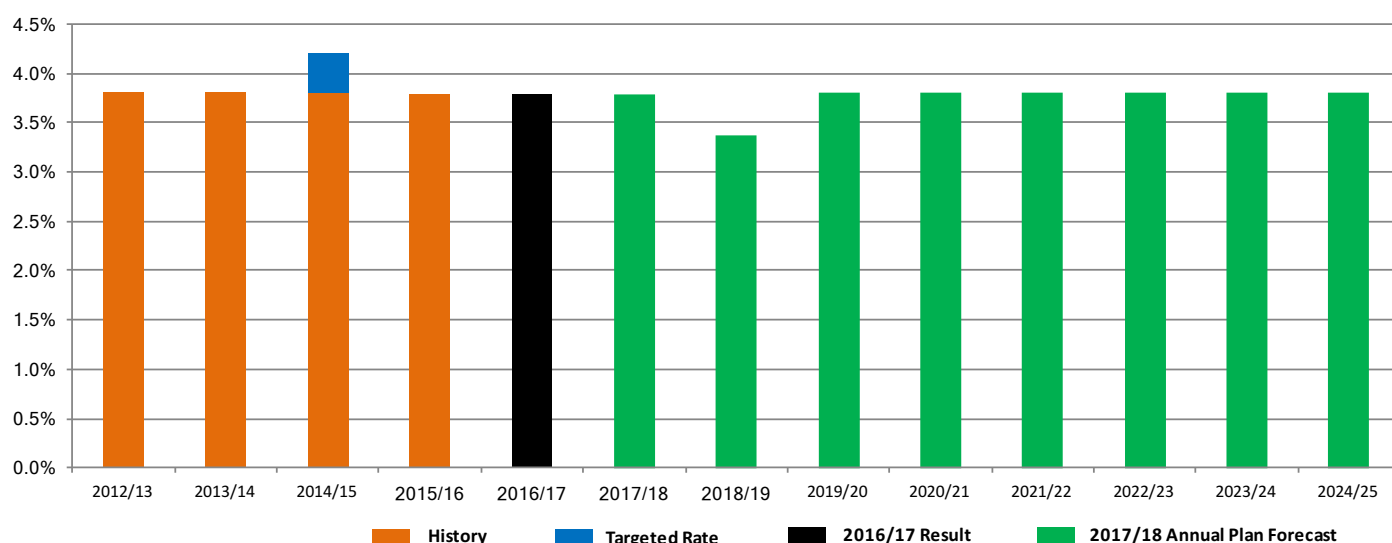
## Our 2015-25 10-Year Plan includes a financial strategy around rates certainty, balancing the books and debt. The financial strategy:

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

### 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. You can see how our balancing the books measure is calculated on page 69. There are other ways to measure operating performance, including the Government’s balanced budget measure, which we report against in the disclosure statement section of this report on page 134.

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.

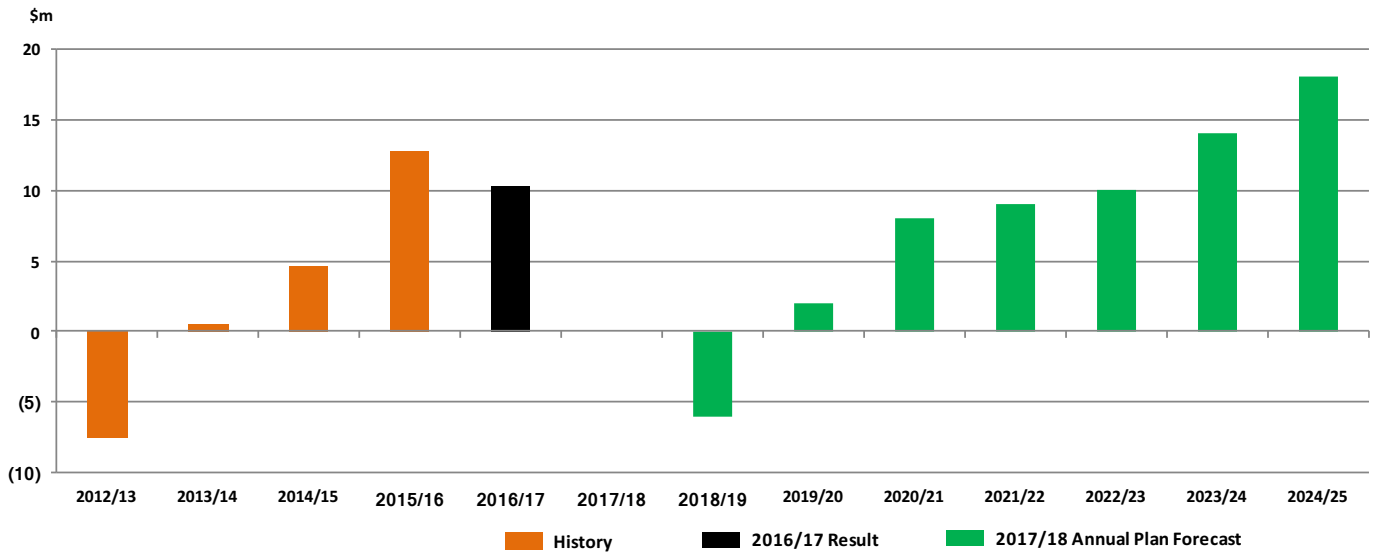
The Council has exceeded its balancing the books target, with an adjusted operating surplus of \$10.3M against a target of \$2.6M. The Government’s balanced budget measure is a deficit of \$5.5M against a budget deficit of \$8.5M. As part of developing our 2018-28 10-Year Plan, we are reviewing our financial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



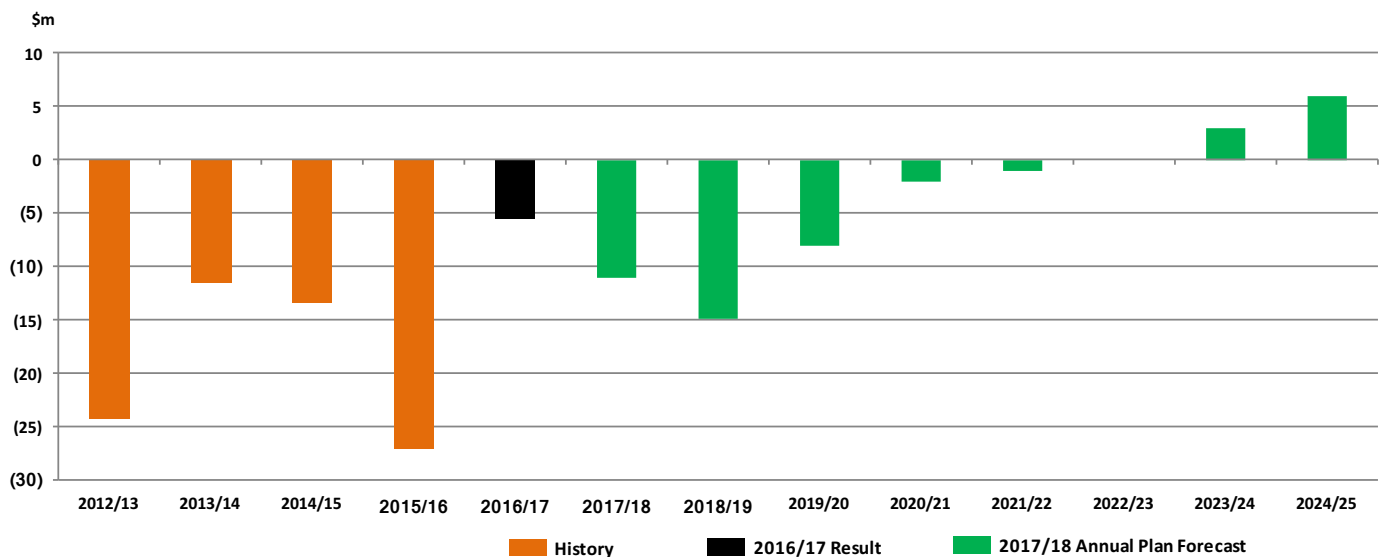
The significant revenue and expenditure variances that contributed to our balancing the books result are:

- 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



### Balanced budget – Government measure



## DEBT

The definition we use for debt is money we owe our lenders, less cash. We refer to this as total overall debt. To see the details of how the total overall debt figure is calculated, see Note 26 to the financial statements on page 113.

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:

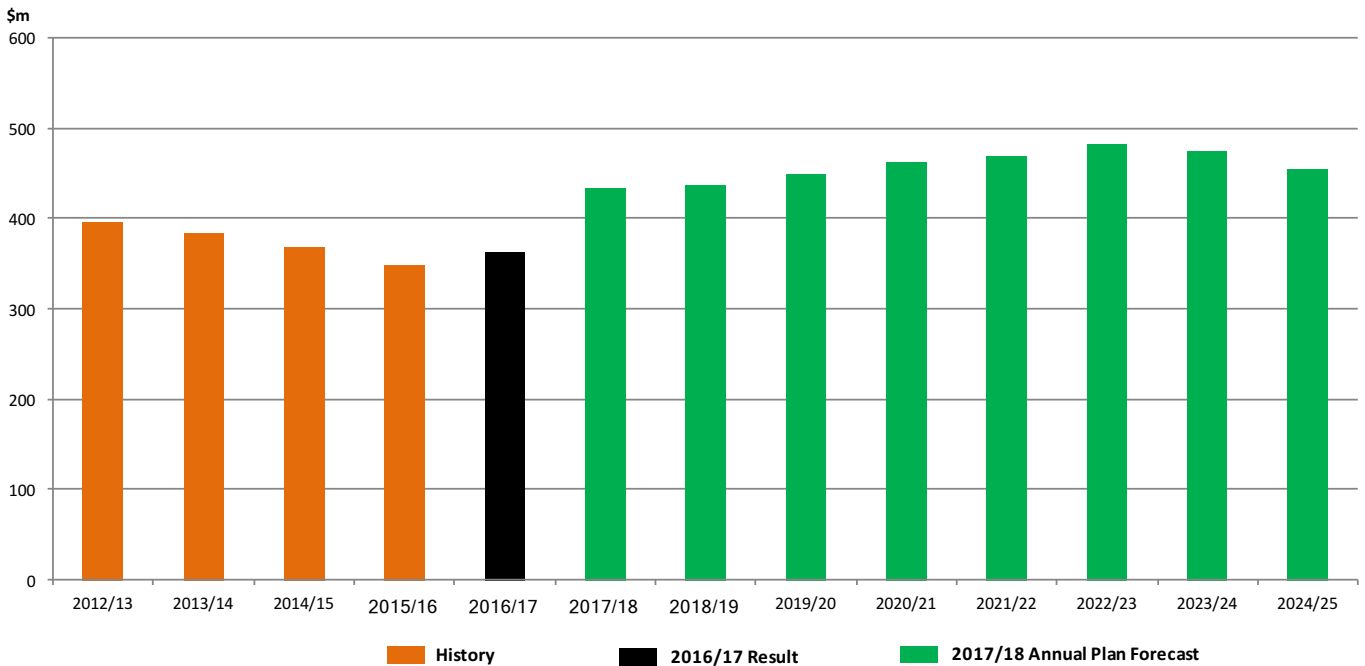
- higher than budgeted revenue from development contributions
- higher than budgeted revenue from user charges, subsidies and grants
- deferral of 30 capital expenditure projects with a value of \$23.9M to the 2017/18 financial year.

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.

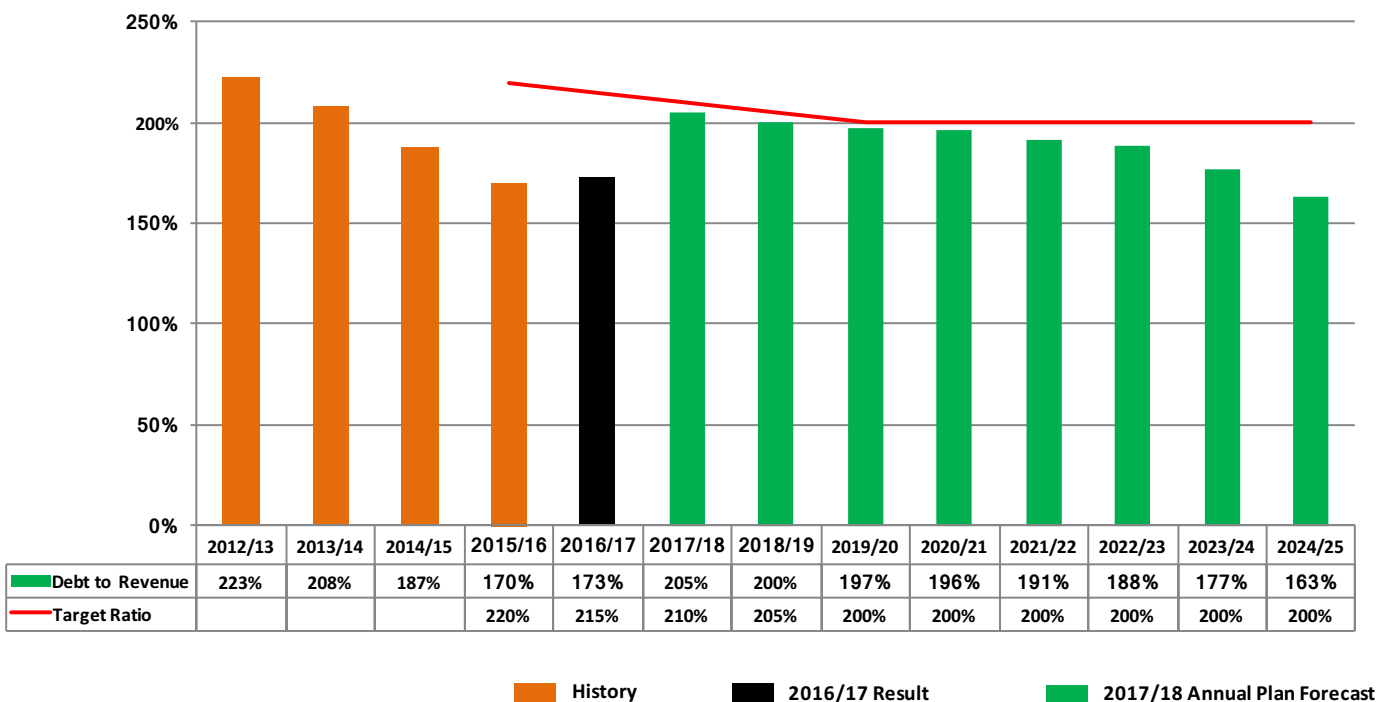
Projects were deferred due to:

- 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**





# 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

## Progress in 2016/17

Throughout the service performance section of this Annual Report we highlight the projects and programmes we have worked on throughout 2016/17. A number of these have contributed towards the achievement of our Hamilton Plan priorities. Key examples include:

- \$66.3M invested in transport, water, sewerage and stormwater infrastructure projects.
- A successful first stage bid for a share of the Government's 10 year interest free \$1B Housing Infrastructure Fund, to complete transport and water infrastructure required for new housing.
- 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.
- The Victoria on the River project taking shape.
- Opening of the Western Rail Trail in April 2017.
- Great progress on the Hamilton Gardens Development Project.
- Completion of the Hamilton East Neighbourhood Plan in September 2016.
- Increasing the city's public green space to 1,149 hectares with the addition of 14.1 hectares in 2016/17.
- Planting of 444 more street trees and over 36,000 native plants, including 12,000 at Waiwhakareke Natural Heritage Park on Arbor Day.
- Two new destination playgrounds (Hamilton Gardens and Dominion Park) and a new neighbourhood playground at Steele Park.
- Signing of the Hamilton Housing Accord in December 2016 as a way to increase housing supply and improve housing affordability in the city.
- Opening of the indoor recreation centre in Rototuna, a joint partnership between the Council and the Ministry of Education.

You can also see how we have performed against our balancing the books priority in the financial strategy section of this report.

For more information about the Hamilton Plan visit [hamilton.govt.nz/hamiltonplan](http://hamilton.govt.nz/hamiltonplan)





**SERVICE  
PERFORMANCE**

# SERVICE PERFORMANCE SUMMARY

This part of the Annual Report covers Council services. Here you can read about how we performed against our service commitments for 2016/17.

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

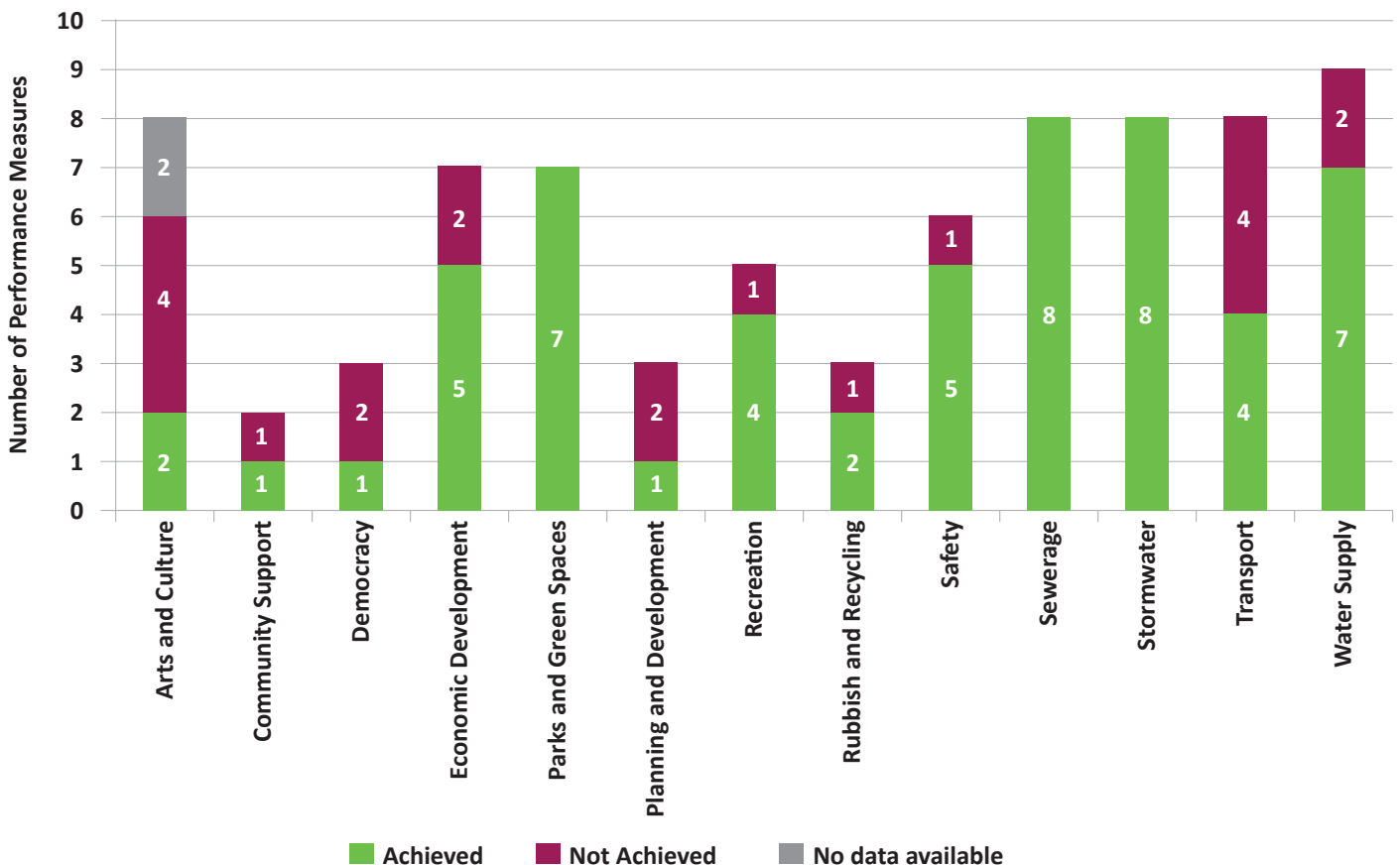
The performance measures and targets are from Year 2 (2016/17) of our 2015-25 10-Year Plan, which you can find at [hamilton.co.nz/10YearPlan](http://hamilton.co.nz/10YearPlan)

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 following sections provide the detail for each of these measures.

Performance measures summary





# ARTS & CULTURE

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

## Our activities:

Libraries,  
Waikato Museum,  
Founders Theatre  
and Arts Promotion

## This includes:

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

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.

We also provide seed funding for public art and liaise with arts groups to build a vibrant arts scene.

Until March 2016, Founders Theatre offered space for live entertainment and civic functions. The theatre was closed due to safety concerns with the flying system. In July 2016, the Council also received independent confirmation that Founders Theatre was an earthquake-prone building. During the extensive public engagement process on the future of Founders Theatre, Momentum Waikato Community Foundation approached the Council with an offer to work collaboratively on a new theatre for the city and region. This was accepted by the Council and work progressed throughout the year.

## 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

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

## 2016/17 YEAR IN REVIEW

Founders Theatre remained closed throughout 2016/17, with only essential maintenance taking place on the site. In July 2016, public consultation on the future of Founders concluded with a total of 2,279 submissions received. Feedback through the public engagement process clearly indicated that Hamilton and Waikato residents valued the need for a performing arts theatre and saw a facility as vitally important community infrastructure.

It was during this time that Momentum Waikato approached the Council with an offer to work on a 'Waikato Regional Theatre' project. Council resolved to accept the proposal by Momentum Waikato to support building of a new performing arts theatre in Hamilton and committed, in principle, a contribution to a maximum of \$30M plus GST towards the new build. Council also committed \$100,000 towards the completion of a concept design, masterplan and business case for the new build theatre. During the year, a Governance Panel was selected to oversee development of the plan and Charcoal Blue, an internationally renowned theatre development consultancy firm, was appointed to develop the concept plan.

The full concept design recommendation, including confirmation of the preferred location, was reported to the Council in August 2017. In September 2017 the Council approved \$250,000 to contribute towards work on the next stage of the design development for the Waikato Regional Theatre. Public engagement will take place in October and November and a funding option is due to be reported back to the Council in December 2017.

The future of the current Founders Theatre remains to be determined. Further details on the costs and logistics of several options (such as re-opening the building for a different use, reinstating Founders or demolishing and returning the site to a reserve) were reported to the Council in September 2017. A consultation plan was approved and the findings and a recommended approach for the future of Founders Theatre will be reported back to the Council in December 2017.

The Central Library in Garden Place was also closed in November 2016 after a detailed seismic assessment revealed the building as earthquake prone. Since that time a reduced central library service has been operating from the pop up library in the council reception lounge. In September, the Council decided to proceed with the earthquake strengthening work, which will bring the Central Library building up to the required standard.

Waikato Museum won the Tourism Award at the annual Hamilton Central Business Awards in July 2016. In addition, the Museum was recognised with a Qualmark Gold Award after assessment in March 2017. The Gold Award recognises tourism businesses of the highest performing sustainable standards in New Zealand across four categories – economic, environment, people and health and safety.

The Ripples sculpture, an iconic piece of Hamilton public art, was restored during the year. Commissioned in 1987, the suspended sculpture, comprising a six metre span of carbon fibre reinforced polyester resin, represents the ripple effects of a falling stone hitting the water. It hangs between the canopy of trees approximately 20 metres in the air, above the riverbank outside Waikato Museum.

In 2016, it was discovered that 29 years of exposure to the elements had corroded Ripples' fibreglass surface, so it was returned to artist Neil Dawson for restoration. The restoration project has future-proofed Ripples for at least another 30 years.



## 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	2016/17 Targets	2016/17 Results	2015/16 Results
The number of physical and online visits to the libraries each year.	1% increase each year	<b>-11.56%</b>	5% decrease
Use of the library collections, both print and electronic.	1% increase each year	<b>-9.87%</b>	5% decrease
The number of people attending events programmes and classes at the libraries.	1% increase each year	<b>-4.47%</b>	4% increase
The ratio of e-Books to print books purchased.	14% e-books	<b>28.24%</b>	18% e-books

### What this tells us

During 2016/17 there were 1,080,830 visits to Council libraries and 1,282,267 items issued. Contributing factors to the decline in physical and online visits and use of the library collections include the closure of the Central Library, limiting access to specialised collections, and the implementation of a new Library Management System during which time all the libraries were closed for two business days. The libraries website and catalogue were also unavailable during this period, with no access to the libraries e-Collections.

The closure of the Central Library has also impacted on the delivery of large events, regular services and adult and children's programmes, many of which have been cancelled pending a return to the Central Library. During quarters 1 and quarter 2 of 2016/17, prior to the Central Library closure, the target was exceeded by 21%.

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

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
The number of visits to the Museum each year.	At least 118,000	<b>136,955</b>	138,067
The number of children and students visiting the Museum for education each year.	At least 8,000	<b>6,986</b>	10,193

### What this tells us

Aligning with the Museum's strategic plan, continuing to improve our lively and changing calendar of exhibitions and programmes has contributed to our visitor numbers for 2016/17. Popular exhibitions included Bob Marley, Te Whaanau Maarama and our blockbuster Permian Monsters. An increase in International visitors was evident over the summer and in June due to the Lions Tour. In 2016/17, our closing time was extended to 5pm, and we ran more than 140 public programmes.

We didn't meet our target for education visits and the result was down on last year. Two blockbuster exhibitions contributed to the good result in 2015/16, whereas there was only one blockbuster exhibition held in 2016/17. We are now utilising a broader range of our exhibitions programmes to draw education visits, rather than relying on our blockbuster exhibitions.

**You can expect:** Theatres to be well used

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
The number of people attending events at Founders Theatre.	At least 70,000	<b>0</b>	34,651
The total number of hire days at Founders Theatre.	At least 180	<b>0</b>	132

#### What this tells us

There were no events held at Founders Theatre during 2016/17, as the theatre was closed on 1 March 2016 and the future of the theatre is still to be determined.

The targets include Founders Theatre and Clarence St Theatre, which was gifted to a community group in June 2015.

## ARTS AND CULTURE - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	1,568	1,320	3,256	3,390
Targeted rates	13,348	14,749	12,669	13,102
Subsidies and grants for operating purposes	38	30	39	-
Fees and charges	1,991	1,547	2,038	1,177
Internal charges and overheads recovered	-	1	-	2
Local authorities fuel tax, fines, infringement fees, and other receipts	31	66	31	92
<b>Total operating funding</b>	<b>16,976</b>	<b>17,713</b>	<b>18,033</b>	<b>17,763</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	13,976	14,678	14,636	13,435
Finance costs	219	202	211	171
Internal charges and overheads applied	-	45	-	8
Other operating funding applications	-	-	-	23
<b>Total applications of operating funding</b>	<b>14,195</b>	<b>14,925</b>	<b>14,847</b>	<b>13,637</b>
<b>Surplus/(deficit) of operating funding</b>	<b>2,781</b>	<b>2,788</b>	<b>3,186</b>	<b>4,126</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	58	(292)	100	543
Gross proceeds from the sale of assets	17	9	18	13
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	3	-	-
<b>Total sources of capital funding</b>	<b>75</b>	<b>(280)</b>	<b>118</b>	<b>556</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	111
- to improve the level of service	157	22	415	46
- to replace existing assets	2,699	2,665	2,889	2,773
Increase/(decrease) in reserves	-	(4)	-	1,191
Increase/(decrease) of investments	-	(175)	-	561
<b>Total application of capital funding</b>	<b>2,856</b>	<b>2,508</b>	<b>3,304</b>	<b>4,682</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(2,781)</b>	<b>(2,788)</b>	<b>(3,186)</b>	<b>(4,126)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>





# 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.**

## **Our activities:**

**Community Development and Emergency Management**

We place special emphasis on connecting with the city's ethnic communities, people with disabilities, youth and older people, 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.

### **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.

## **This includes:**

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

## **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.



# 2016/17 YEAR IN REVIEW



Hamilton's ability to respond in a civil defence emergency was strengthened following an agreement to join forces with Waikato Regional Council.

Hamilton City Council and Waikato Regional Council signed a Service Level Agreement in September for the Waikato group emergency management office to manage and deliver the city's civil defence activity. The agreement allows the two councils to have a more collaborative approach, sharing expertise and resources and increasing the city's ability to build community resilience, educate and respond to civil defence situations.

The Waikato Civil Defence and Emergency Management Group team, including the Hamilton staff, will be relocating to the new Genesis Building in December 2017, which is being constructed to the highest level of building code to be operational after an emergency.

To ensure the Hamilton City Council retains oversight and ensures the performance and delivery of the work plan is on track, there is a comprehensive responsibilities and accountability framework for both organisations in the agreement.

Highlights from the year include over 200 staff attending foundation level Civil Defence Emergency Management (CDEM) training and a further 30 receiving an intermediate level of specialist training. A further highlight has been the CDEM coordinated cross-council responses to significant weather events (Ex Cyclone Cook and Debbie).

The Council's Community Development Team continued to support Hamilton's ethnic communities. Working with the community, two new resources were produced to help migrants and refugees with their transition to life in Hamilton. The Diversity Toolkit and the Pathways to Settlement poster and flyer aim to help organisations and businesses wanting to engage with Hamilton's increasingly diverse communities and involve migrants and refugees in their activities.

Community Development staff supported and contributed to a cross-agency Age Friendly Plan for Hamilton during 2016/17. The plan has a goal to improve facilities and services offered to older people in Hamilton. It is anticipated that this will be completed in early 2018 and Hamilton will be accredited as New Zealand's first Age Friendly City.

The Council has continued to increase knowledge and customer support for disabled residents, through the Disability Policy and Disability Action Plan. This has included hosting the National Blind Games in October 2016, and the development of New Zealand's first "Changing Places" fully accessible public toilets.

The Community Development Team also provided support to other areas of Council business throughout the year, including community engagement projects such as the Council election, Founders Theatre consultation, city safety survey and the award winning 'Bags or Bins' waste review consultation. Community Advisors continue to be an important link to Hamilton's varied communities, and have an understanding of the key issues affecting them.

The Council continues to provide community facilities, and provide annual funding through community grants.

## 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	2016/17 Target	2016/17 Result	2015/16 Result
Hamilton's overall capability for an emergency event, assessed against the Ministry of Civil Defence criteria.	75%	44%	No data

### What this tells us

The target of 75% was based on internal self-assessments only. The 2016/17 assessment was carried out by the Ministry of Civil Defence.

The assessment uses a scale of 0% (unsatisfactory) to 100% (mature) to measure capability. A score of 44% places us in the developing zone. Developing organisations are said to practice traditional civil defence, with a focus on facilities, staffing, equipment and procedures. These organisations comply with the minimum requirements of the Civil Defence Emergency Management Act.

The 2016/17 result sets a baseline to assess the effectiveness of the new service level agreement for the Waikato group emergency management office to manage and deliver the city's civil defence activity. It is the first of what will be annual reviews to measure our progress.

**You can expect:** Council grants to be used effectively.

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The value of services leveraged for every \$1 of community grant funding provided.	\$3 worth of services leveraged for every \$1 provided	\$14.63 per \$1	\$14.21 per \$1

### What this tells us

Through an application process, the Council provides community assistance grants to groups and organisations to deliver services to the community that enhance social well-being. This is a measure of the return on investment for the Council's community grants programme.

In 2016/17 \$1.16M was allocated via the Council's Community Assistance Funding. This contributed to 125 arts, community and environmental projects across the city with a total value of \$16,975,520, meaning \$14.63 was leveraged for every \$1 contributed by the Council.

## COMMUNITY SUPPORT - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	174	292	529	509
Targeted rates	2,894	-	2,726	1,810
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	2,305	1,489	2,471	157
Internal charges and overheads recovered	3	-	3	-
Local authorities fuel tax, fines, infringement fees, and other receipts	1	8	1	8
<b>Total operating funding</b>	<b>5,377</b>	<b>1,789</b>	<b>5,730</b>	<b>2,484</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	5,084	4,897	5,386	4,931
Finance costs	13	(220)	13	12
Internal charges and overheads applied	3	9	3	20
Other operating funding applications	-	-	-	2
<b>Total applications of operating funding</b>	<b>5,100</b>	<b>4,686</b>	<b>5,402</b>	<b>4,965</b>
<b>Surplus/(deficit) of operating funding</b>	<b>277</b>	<b>(2,897)</b>	<b>328</b>	<b>(2,481)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	3	(17)	6	33
Gross proceeds from the sale of assets	7	4,060	7	4
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	(480)	-	-
<b>Total sources of capital funding</b>	<b>10</b>	<b>3,563</b>	<b>13</b>	<b>37</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	37
- to improve the level of service	14	11	38	2
- to replace existing assets	273	128	303	99
Increase/(decrease) in reserves	-	537	-	(2,610)
Increase/(decrease) of investments	-	(10)	-	28
<b>Total application of capital funding</b>	<b>287</b>	<b>666</b>	<b>341</b>	<b>(2,444)</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(277)</b>	<b>2,897</b>	<b>(328)</b>	<b>2,481</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# 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.

## Our activities:

**Governance and Public Affairs, Partnership with Maaori**

This activity includes Council and committee meetings, 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.

## How we contribute to the Hamilton Plan

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

## This includes:

- Council and committee meetings
- Waikato Tainui Hamilton City Council Co-Governance Committee
- Elected members' remuneration
- Elections and referenda
- Civic events
- Partnership with Maaori
- Official information requests

## Effects on the community

We aim 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.



## 2016/17 YEAR IN REVIEW

The Hamilton City Council comprises the Mayor and 12 councillors who represent the citizens of Hamilton. The Council is elected every three years and the election in October 2016 saw Andrew King voted the 35th Mayor of Hamilton, with seven returning councillors and five new councillors.

The Council has three strategic committees which comprise all members of the Council – the Growth & Infrastructure, Community & Services and Finance Committees- as well as other committees which oversee compliance and regulatory matters. Members of the public have an opportunity to present their views on issues being considered at each Council or committee meeting.

Outstanding things are achieved every day in Hamilton, thanks in part to the invaluable work of many dedicated members of our community. Each year the Hamilton Civic Awards aim to recognise those exceptional people in our midst. Civic Awards were presented to 17 local recipients in 2016/17.

The civic award of Freedom Holder of the City is the highest civic honour. Freedom holders are rare awards given to people who have made a significant and sustained contribution to the city. During 2016/17 two Freedom of the City awards were presented to Maaori King, Te Arikinui Kiingi Tuheitia and former Elected Member and Deputy Mayor Gordon Chesterman, who became two of only 10 current Freedom of the City holders.

Kiingi Tuheitia was honoured for his outstanding contribution to Hamilton, Waikato Tainui and Maaori over the decade since his coronation. In his leadership role, Kiingi Tuheitia has made a significant and sustained contribution to Hamilton. Leadership and community service are ever present in Kiingi Tuheitia's contributions.

Gordon Chesterman was honoured for his significant contribution to Hamilton for nearly 40 years, through involvement in Council, health and education, business, and community work.

In 2016/17 the Council hosted more than 30 civic events, including 12 citizenship ceremonies, with 1,537 people becoming citizens of New Zealand.

The Council was also pleased to provide support to Te Runanga o Kirikiriroa Trust, who organised and ran a successful Waitangi Day Celebration event at Western Community Centre.

Hamilton has four international sister cities (Wuxi and Chengdu in the People's Republic of China, Saitama Japan, and Sacramento America). This year, Hamilton hosted international delegations led by Chengdu Mayor Luo Qiang, Chengdu Vice Mayor Zuo Zheng, and Wuxi First Vice Mayor Wang Jinjian. Other notable events included exhibiting Chengdu/Sichuan companies at the 2017 National Fieldays.

Mayor Andrew King also attended the China (Chengdu) Global Innovation and Entrepreneurship Fair (including the Sister City Mayoral Forum) at the invitation of the Chengdu Municipal Government.

## MAAORI AND DECISION-MAKING

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

The Council has partnerships with Maaori organisations which assist us in ensuring Hamilton is a city where people from different cultures work together and respect each other's views, heritage, culture and strengths. 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.

The Council's Amorangi Maaori (Maaori Relationship Manager) continues to provide support and advice to the Council on issues related to Maaori, in particular building stronger relationships with Maaori. Hamilton City Council and Te Arataura, the Executive of Te Whakakitenga o Waikato Incorporated, continue to meet three times per year under a co-governance structure to support and promote better environmental, social, cultural and economic outcomes within Hamilton. The Council aims to continue building positive and stronger relationships between the organisations through collaborative projects with Waikato Tainui.

## 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	2016/17 Target	2016/17 Result	2015/16 Result
The percentage of official information requests responded to within 20 working days.	100%	94.5%	99%
<b>What this tells us</b>			
<p>All requests for information are considered official. By law the Council must reply with its decision on whether to release requested information 'as soon as reasonably practicable'; no later than 20 working days from the date of the request.</p> <p>Out of a total of 217 official information requests received during the year, 205 were completed on time and 12 were completed outside the 20 working day timeframe.</p> <p>An electronic mailbox (officialinfomration@hcc.govt.nz) has been set up to process official information requests from the public in an efficient and effective manner. We continue to post responses to requests, which are of public interest, on the Council's website.</p>			

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The number of complaints about Council withholding information upheld by the Ombudsman.	0 complaints upheld	0 complaints upheld	0 complaints upheld
<b>What this tells us</b>			
<p>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.</p> <p>During 2016/17 there were four complaints made to the Ombudsman about the withholding of information. None of these were upheld.</p>			

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The percentage of Council meeting agendas circulated at least two working days prior to the meeting.	100%	94.3%	99%
<b>What this tells us</b>			
<p>We are required by law to make sure that meeting agendas are made publicly available within certain timeframes.</p> <p>53 agendas were made publicly available during 2016/17. Of these, three included late reports that were not made available to the public at least two clear working days prior to the meeting.</p>			

## DEMOCRACY SERVICES - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	551	437	1,212	1,168
Targeted rates	4,707	4,452	4,729	4,894
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	20	22	228	422
Internal charges and overheads recovered	-	-	-	3
Local authorities fuel tax, fines, infringement fees, and other receipts	-	1	-	13
<b>Total operating funding</b>	<b>5,278</b>	<b>4,912</b>	<b>6,169</b>	<b>6,500</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	5,251	4,879	6,117	6,640
Finance costs	-	3	-	3
Internal charges and overheads applied	-	10	-	29
Other operating funding applications	-	-	-	13
<b>Total applications of operating funding</b>	<b>5,251</b>	<b>4,892</b>	<b>6,117</b>	<b>6,685</b>
<b>Surplus/(deficit) of operating funding</b>	<b>27</b>	<b>20</b>	<b>52</b>	<b>(185)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	-
Gross proceeds from the sale of assets	1	1	1	12
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>12</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	101
- to improve the level of service	7	2	19	23
- to replace existing assets	21	19	34	356
Increase/(decrease) in reserves	-	-	-	(653)
Increase/(decrease) of investments	-	-	-	-
<b>Total application of capital funding</b>	<b>28</b>	<b>21</b>	<b>53</b>	<b>(173)</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(27)</b>	<b>(20)</b>	<b>(52)</b>	<b>185</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



# 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.

## Our activities:

Economic Initiatives, Strategic Property Investment, Claudelands and Stadiums

## This includes:

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

## 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.



## 2016/17 YEAR IN REVIEW

It was a big year for events across all of the Council's event facilities.

At Claudelands, significant exhibition events included consumer shows such as The Waikato Baby Expo, The Craft and Quilt Fair, The Waikato Home and Garden Show, The Waikato A&P Show, The Waikato Show, the Great New Zealand Food Show, The Women's Lifestyle Expo and the weekly Hamilton Farmers Market. Claudelands also hosted a number of school prize-givings and High School and Tertiary graduation ceremonies across the year.

A number of performance (music and theatre) shows entertained ticket buyers with The Wiggles, Disney on Ice, Ultimate Bowie, Menopause the Musical, NZ Symphony Orchestra concerts, Tainui Primary School Kapa Haka competition, The Gruffalo, Grease the Musical, 7 Days Live Comedy Show, Jim Jeffries, Jimmy Barnes, Peppa Pig LIVE!, Pink Floyd Experience and Boney M all taking place at Claudelands.

Over 22,000 people attended sports events matches, watching Waikato Bay of Plenty Magic Netball games in the 2016 Championships and the inaugural 2017 ANZ Premiership Netball Series and the Silver Ferns vs. South Africa match of the SANZEA Quad Series. The venue also held the Hamilton Christmas Trust's Christmas Carols Concert and family fan zone for the Chiefs vs The British and Irish Lions match, which were both free for people to attend.

FMG Stadium Waikato hosted a number of Mitre 10 cup matches, the All Blacks vs Argentina match, the Wellington Phoenix vs Central Coast Mariners, Gallagher Chiefs Super Rugby matches and also the Vodafone Warriors vs. St George Illawara Dragons NRL match. 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.

Seddon Park had a highly successful cricket season, including domestic matches and international test matches Blackcaps vs. Pakistan and one day Internationals against Australia and South Africa. Seddon Park also hosted an additional game of the ANZ Cricket series, relocated from Napier. Attendance across the international games was over 17,000 which was an increase from the 2015/16 season.

As well as public ticketed events and exhibitions, there were also around 550 conferences, meetings and functions at Council's venues which were attended by over 59,000 people.

The Hamilton i-SITE Visitor Information Centre provided travel and event information and booking services to local residents and visitors over 364 days in 2016/17. This included over 42,000 visitors, \$388,000 in event ticket sales and 55 operators registered for annual pay and display advertising.

Two new videos – one economic and one lifestyle – were created by the Council to showcase growth in Hamilton and its unique features. The videos tell the story of how Hamilton is making waves on the national stage as a fast growing city that's one of the most affordable places to live and work. The videos are available to the public or for business use to help tell the city's story and can even be used as part of recruitment on the national or international stage. See: [hamilton.govt.nz/hamiltonstory](http://hamilton.govt.nz/hamiltonstory)

## 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	2016/17 Targets	2016/17 Results	2015/16 Results
The total number of hire days across the Claudelands facilities each year.	At least 510	503	486
The number of people attending events at Claudelands each year.	At least 185,000	310,951	170,034
The total number of hire days across the stadium facilities each year.	At least 420	337	627
The number of people attending events at the stadiums each year.	At least 200,000	201,142	158,457

### What this tells us

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.

The calculation basis for hire days in 2016/17 resulted in inflated target setting expectations. As a result, the number of Claudelands hire days was just below target, and the number of stadia hire days was well below the target set. However, attendance and financial results finished the financial year ahead of target and show higher yielding events did take place, despite not meeting the hire day targets.

We had a large increase in patronage at Claudelands due in part to the hosting of new consumer exhibitions and the weekly Hamilton's Farmer Market relocating to the Claudelands Barn in August 2016. We met our attendance target at Stadia due to a growing business events market and a strong domestic and international cricket and rugby season.

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

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The financial return on the Council's commercial property investments.	7%	8.7%	8.6%

### What this tells us

Keeping properties tenanted is the key to ensuring we are achieving good financial returns on our commercial property investments.

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.

**You can expect:** In-depth economic monitoring.

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
Quarterly and annual economic analysis of Hamilton's economy to be produced.	Quarterly and annual monitoring reports produced	<b>Achieved</b>	Achieved
<b>What this tells us</b>			
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. The reports can be found at <a href="http://hamilton.govt.nz/growth">hamilton.govt.nz/growth</a>			

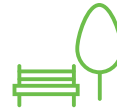
**You can expect:** Growth in the Hamilton and Waikato region visitor economy

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
The percentage of growth in the visitor economy of the Hamilton and Waikato region.	2.8% growth annually	<b>8% growth (year ending June 2016 compared to year ending June 2017)</b>	No data
<b>What this tells us</b>			
<p>This is measured by the Ministry of Business, Innovation and Employment's (MBIE) Monthly Regional Tourism Estimates (MRTes). The MRTes provide an estimate of regional monthly expenditure on tourism from both international and domestic consumers.</p> <p>The Council provides funding to the Hamilton and Waikato Regional Tourism Organisation (RTO), along with six other Waikato councils. Hamilton City Council is the major funder. The RTO also receives funding from the local tourism industry. 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>Tourism spending in the Hamilton and Waikato RTO area for the year ending June 2017 was \$1.442B, up eight per cent on the year ending June 2016.</p> <p>Note: The target for this measure was set based on a different data series that is no longer produced by MBIE.</p>			

## ECONOMIC DEVELOPMENT - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	998	1,222	1,861	1,540
Targeted rates	11,062	11,293	8,551	8,761
Subsidies and grants for operating purposes	-	6	-	-
Fees and charges	9,057	8,921	9,268	8,422
Internal charges and overheads recovered	132	164	135	91
Local authorities fuel tax, fines, infringement fees, and other receipts	550	593	550	3,310
<b>Total operating funding</b>	<b>21,799</b>	<b>22,199</b>	<b>20,365</b>	<b>22,124</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	15,028	14,604	15,330	16,647
Finance costs	5,143	4,951	4,958	3,965
Internal charges and overheads applied	132	271	135	40
Other operating funding applications	-	-	-	55
<b>Total applications of operating funding</b>	<b>20,303</b>	<b>19,826</b>	<b>20,423</b>	<b>20,707</b>
<b>Surplus/(deficit) of operating funding</b>	<b>1,496</b>	<b>2,373</b>	<b>(58)</b>	<b>1,417</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	1,476	(7,387)	2,534	13,730
Gross proceeds from the sale of assets	15	1,966	16	5,801
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	(20)	-	-
<b>Total sources of capital funding</b>	<b>1,491</b>	<b>(5,441)</b>	<b>2,550</b>	<b>19,531</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	18
- to improve the level of service	169	29	388	9
- to replace existing assets	2,818	2,501	2,104	1,782
Increase/(decrease) in reserves	-	(1,170)	-	4,447
Increase/(decrease) of investments	-	(4,428)	-	14,692
<b>Total application of capital funding</b>	<b>2,987</b>	<b>(3,068)</b>	<b>2,492</b>	<b>20,948</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(1,496)</b>	<b>(2,373)</b>	<b>58</b>	<b>(1,417)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# PARKS & GREEN SPACES



One of the great features of Hamilton is its huge range of parks, trees, beautiful gardens and street plantings.

## Our activities:

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

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 complementary walkways and facilities, contribute to people's sense of pride in how Hamilton looks and feels.

## 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 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 cremator unit discharges are managed through soil and water testing, resource consent conditions and regular maintenance.



## 2016/17 YEAR IN REVIEW

The Hamilton Gardens development project is progressing well. The new destination playground was opened in December 2016, the temporary car park extension was completed in June 2016 and work is progressing well on the new gardens.

The external funding target of \$4.8m was reached ahead of schedule in early 2017 due to generous funders and donors. Ratepayers have also made a significant targeted rate contribution over four years totalling \$2.45M. Additional donations are being received for enhancements such as the sculptural elements within each garden.

The upgraded and extended Information Centre and shop are due to be opened in October 2017. The jetty upgrade should be completed in 2017, subject to receiving resource consent. Construction of the four Gardens is expected to be completed in 2017/18 but some plant growth is required before they'll be ready to open. The Concept Garden will be opened in January 2018, the Mansfield in October 2018 and the Picturesque and Surrealist in 2019.

Hamilton Gardens claimed the 'Outstanding Park Award' at the New Zealand Recreation Association conference this year. The judges described it as "an eye-catching and fascinating themed garden that has taken this facility from a local asset to both a national and international tourist attraction with positive economic flow-on for the whole community". It was also recently also given a Qualmark 'Gold Award'. (Qualmark is a tourist industry ranking system).

A further destination playground was opened at Dominion Park in the suburb of Nawton and a new neighbourhood playground at Steele Park in Hamilton East. External funding of \$250,000 was contributed towards the Dominion Park playground.

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.

Hamilton's Embassy Park claimed a New Zealand Institute of Architects Local Award for Urban Design. The park, on Hamilton's Victoria Street, has become one of the city's most colourful and popular public spaces through an ongoing development themed around the Rocky Horror Show. Development of the park was a collaboration between Hamilton City Council, Riff Raff Public Arts Trust, the Hamilton Central Business Association and central city retailers. More developments are planned for Embassy Park in the future.

Restoration of Waiwhakareke Natural Heritage Park continues with 12,000 native plants planted by the community on Arbor Day. This year the park was named a finalist for the Society of Ecological Restoration Australasian awards for Restoration Excellence.



## 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	2016/17 Targets	2016/17 Results	2015/16 Results
The quantity of public green space in the city.	No net loss	14.1 hectares gained	9 hectares gained
The number of street trees in the city.	Annual growth in the number of street trees	444 more trees	514 more trees
The number of native plants planted in Council-owned natural areas each year.	At least 25,000 each year	36,148 plants planted	63,581 plants planted

### What this tells us

One of the priorities in the Hamilton Plan is for the city to be an urban garden. 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.

**You can expect:** Destination playgrounds to be completed as planned.

Measure	2016/17 Target	2016/17 Result	2015/16 Result
Delivery of the destination playgrounds programme – number of new destination playgrounds.	2 new destination playgrounds	Achieved - 2 new destination playgrounds	Achieved – 1 new destination playground

### 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. Destination playgrounds differ from traditional playgrounds, offering creative and unique equipment designed to be fun and challenging. Bright colours, a range of textures and surfaces also feature prominently. 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.



**You can expect:** The Council to invest in sports fields

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The number of hours of play provided per week by the Council's sports fields during winter.	836 hours	<b>836 hours</b>	836 hours
<b>What this tells us</b>			
Maintenance and renewal of our existing sports fields means the Council has retained its sports fields training capacity during 2016/17. More capacity will become available as new facilities are developed in the future. Planning for the development of a new sports park at Rototuna was completed this year. In 2017/18 earthworks will be carried out to create a levelled park that is accessible to the community, with further development scheduled for 2023/24, including sports fields and a car park.			

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

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
Delivery of the four-year Hamilton Gardens development programme.	Hamilton Gardens programme completed by 2017/18	<b>On track</b>	On track
The estimated number of visitors to the Hamilton Gardens each year.	Annual increase in the number of visitors to the Gardens, reaching at least 1.2 million by 2024/25.	<b>Estimated 1,148,613 visitors</b> <b>(13.5% increase on 2015/16)</b>	Estimated 1,012,203 visitors (17% increase on 2014/15)*
<b>What this tells us</b>			
Hamilton Gardens is our biggest tourist attraction and an iconic destination in our city. 2016/17 is the third year of a four-year development programme for the Gardens and we are seeing strong growth in visitor numbers.			
* The results reported in the 2015/16 Annual Report only included visitors to the enclosed area of Hamilton Gardens, however the target of 1.2 million visitors by 2024/25 is for the whole Gardens site. The 2015/16 result has been updated to include the whole Gardens site.			
The visitor numbers to the whole Gardens site is an estimate extrapolated from vehicle counts. The visitor numbers to the enclosed area is a more accurate measure, as it measured by a counter on the entry/exit. Visitor numbers to the enclosed area are also showing a steady increase with 444,394 visitors in 2016/17, up from 407,849 in 2015/16.			

## PARKS AND GREEN SPACES - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	1,769	1,502	3,455	3,328
Targeted rates	15,690	13,877	14,046	14,392
Subsidies and grants for operating purposes	7	5	7	5
Fees and charges	2,166	2,712	2,227	2,958
Internal charges and overheads recovered	816	-	835	1
Local authorities fuel tax, fines, infringement fees, and other receipts	393	204	399	197
<b>Total operating funding</b>	<b>20,841</b>	<b>18,300</b>	<b>20,969</b>	<b>20,881</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	15,724	16,721	16,516	18,100
Finance costs	1,563	1,074	1,595	1,034
Internal charges and overheads applied	816	182	835	39
Other operating funding applications	-	-	-	202
<b>Total applications of operating funding</b>	<b>18,103</b>	<b>17,977</b>	<b>18,946</b>	<b>19,375</b>
<b>Surplus/(deficit) of operating funding</b>	<b>2,738</b>	<b>323</b>	<b>2,023</b>	<b>1,506</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	1,550	4,135	1,473	1,741
Increase/(decrease) in debt	447	(2,240)	814	4,408
Gross proceeds from the sale of assets	18	13	19	14
Lump sum contributions	-	-	-	-
Other dedicated capital funding	1,563	1,937	1,604	1,875
<b>Total sources of capital funding</b>	<b>3,578</b>	<b>3,845</b>	<b>3,910</b>	<b>8,038</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	3,040	2,970	2,874	3,750
- to improve the level of service	657	1,636	921	2,340
- to replace existing assets	2,274	2,616	2,518	2,525
Increase/(decrease) in reserves	345	(1,712)	(380)	(3,165)
Increase/(decrease) of investments	-	(1,342)	-	4,094
<b>Total application of capital funding</b>	<b>6,316</b>	<b>4,168</b>	<b>5,933</b>	<b>9,544</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(2,738)</b>	<b>(323)</b>	<b>(2,023)</b>	<b>(1,506)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



# 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.**

## Our activities:



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

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.

## This includes:

- District Plan administration and Resource Management Act compliance
- Preparing and assessing District Plan changes to grow the city
- Resource consents and monitoring
- Building consents and inspections
- Building warrants of fitness
- Property information and advice
- Urban design and heritage advice and management
- Implementing the Hamilton Housing Accord

### How we contribute to the Hamilton Plan

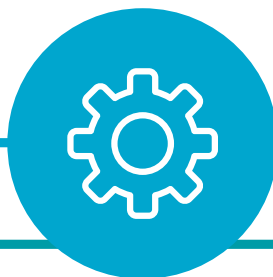
Our Planning and Development activities primarily contribute to these Hamilton Plan priorities:

- Hamilton is the third largest city economy in New Zealand
- An active, strong commercial central city and distinctive suburban villages
- Providing 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.



## 2016/17 YEAR IN REVIEW

Hamilton has grown faster than predicted in the past two years. In the next five years the city's population is estimated to continue growing from 161,200 in 2016 to 171,600 in 2021.

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.

In July 2017 the allocation of the \$1B fund was announced and Hamilton, along with Auckland, Waikato, Tauranga and Queenstown all have projects progressing to the next stage of the process. Hamilton's successful project is for the city's southernmost growth cell Peacocke.

The next stage is a detailed business case, due to be completed by the end of 2017, which will look at the strategic, economic, commercial, financial and management aspects of developing the Peacocke growth area. It will thoroughly consider the effect the HIF will have on the Council's books and how the loan could be repaid, including any other, new or revised revenue options.

The timing of this project works in parallel to the Council's next 10-Year Plan for 2018 to 2028. The Council will have some hard decisions to make during their 10-Year Plan discussions about what projects have priority and the balance between funding growth and community infrastructure.

A further initiative to support growth, 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. It includes targets for the number of dwelling and section consents issued in Hamilton for the next three years. The nomination of Special Housing Areas (through a policy) is how the Council is able to help increase housing supply and affordability outlined in the Housing Accord. Special Housing Areas are defined areas of land in the city that are not currently zoned for housing, which the Council can quickly rezone to enable more houses to be built.

On the operational front, managing the challenges that come with a growing city is also part of the job for the Council's Building Unit team, who process building consents to make sure they meet building codes and standards and inspect building work to make sure it is safe and compliant.

The Council's Building Unit retained its Building Consent Authority status and authority to process building consents. Every two years the Council is required to undergo a thorough audit of everything the Building Control Unit does including systems, staff numbers, processes and their ability to meet statutory requirements. In the latest audit, the Council passed with its best result since the Internal Accreditation of New Zealand programme started eight years ago.



## 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	2016/17 Target	2016/17 Result	2015/16 Result
The number of years of residential land supply zoned and ready for development in greenfield areas.	At least 5 years	6.1 years	7 years
<b>What this tells us</b>			
<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.</p> <p>We have at least five years of residential-zoned land in greenfield areas with strategic infrastructure in place and is therefore ready for developers to complete their developments and bring them to market for new housing. The Council is in the process of undertaking new, detailed modelling on residential land supply and demand which will be available in late 2017.</p>			

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

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
The percentage of non-notified resource consent applications processed within statutory timeframes.	100%	99.8%	99.2%
The percentage of building consents processed within statutory timeframes.	100%	99.9%	99.6%
<b>What this tells us</b>			
<p>The Council has legal timeframes that applications must be processed within.</p> <p>In 2016/17 we processed 824 resource consent applications that did not require public or limited notification. Of these applications, two were not completed within the statutory timeframe due to the use of external consultants processing applications on behalf of the Council. The two applications exceeded the timeframes by a small margin and the additional time was to ensure we came to the best environmental outcome for the city.</p> <p>In Building Control, 1,883 building consents were granted within the statutory timeframes. Two consents went over time.</p>			

## PLANNING AND DEVELOPMENT - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	449	1,111	1,006	969
Targeted rates	3,831	1,814	3,926	3,924
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	7,436	9,816	7,610	9,743
Internal charges and overheads recovered	-	21	-	26
Local authorities fuel tax, fines, infringement fees, and other receipts	-	12	-	19
<b>Total operating funding</b>	<b>11,716</b>	<b>12,774</b>	<b>12,542</b>	<b>14,681</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	11,383	12,479	11,866	13,152
Finance costs	11	6	11	6
Internal charges and overheads applied	-	11	-	9
Other operating funding applications	-	-	-	16
<b>Total applications of operating funding</b>	<b>11,394</b>	<b>12,496</b>	<b>11,877</b>	<b>13,183</b>
<b>Surplus/(deficit) of operating funding</b>	<b>322</b>	<b>278</b>	<b>665</b>	<b>1,498</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	-
Gross proceeds from the sale of assets	11	7	12	9
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	2	-	-
<b>Total sources of capital funding</b>	<b>11</b>	<b>9</b>	<b>12</b>	<b>9</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	74
- to improve the level of service	100	98	264	29
- to replace existing assets	233	189	413	372
Increase/(decrease) in reserves	-	-	-	1,032
Increase/(decrease) of investments	-	-	-	-
<b>Total application of capital funding</b>	<b>333</b>	<b>287</b>	<b>677</b>	<b>1,507</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(322)</b>	<b>(278)</b>	<b>(665)</b>	<b>(1,498)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# RECREATION



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

## Our activities:

**Pools,  
Hamilton Zoo  
and Indoor  
Recreation**

## This includes:

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

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. The Council also provides grants to a number of other pools to enable them to open to the public during the summer months. Partnership pools include Hamilton Boys High School, 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.

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.

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

## 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

Our recreation 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.



## 2016/17 YEAR IN REVIEW

Construction of an indoor recreation centre in Rototuna has been a joint partnership between the Council and the Ministry of Education. The new four-court facility, built at Rototuna Junior High School, will be available for school and community use on a booking basis. The Council contributed \$4.5M to the build and a trust has been established with a manager appointed to operate the facility. The centre officially opened in August 2017.

A \$5.1M renewal and upgrade of Waterworld was due to be completed in 2016/17, but further investigations since the original 2015 assessment revealed additional complications and costs. Condition assessments revealed numerous pieces of essential filtration, water supply, pipes and air conditioning equipment have reached the end of their useful lives. Replacement is required for the continued safe operation of the pools. Cosmetic issues relating the facility's flooring (in some places) and ceiling have also been cause for concern.

The total cost of the refurbishment is now \$10.72M and work is scheduled to begin in February 2018. The scale of the work will require a five month closure of the 25m, 50m, toddlers and dive pools. Other parts of the facility will remain available for use.

The Hamilton Zoo Master Plan, an extensive document that explores a range of options to develop the visitor experience at the popular visitor attraction, was signed off by the Council in June after public feedback. The plan sets out a direction of travel for the zoo over the next 10-15 years and among the ideas included are overnight "glamping" experiences and changes which would see more direct interaction between visitors and animals.

The plan is not funded and any projects that stem from it will need to be considered as part of the Council's 2018-28 10-Year Plan discussions. Having a master plan is also vital when seeking external funding, which the Council may do.





## 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.

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
The number of visits to Hamilton Zoo each year.	At least 120,000	132,805	129,448
The number of students participating in Zoo education programmes each year.	At least 8,000	8,135	8,009

### What this tells us

We aim to maintain our Zoo visitor numbers through marketing and providing new reasons to visit, such as animal births, new arrivals, improved exhibits and events. Hamilton Zoo remains a popular visitor attraction.

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.

Every year, Hamilton Zoo welcomes students from schools throughout Waikato and further afield to participate in our education programmes. For many schools though, transport and admission costs have been a barrier.

Thanks to generous support from The Warehouse, and their customers, we are able to offer The Warehouse Zoofari programme. This initiative offers a visit to the zoo, including transport, admission and an education session at no cost for decile 1-3 schools within the Waikato and Coromandel regions. More than \$48,000 was raised through The Warehouse ZOOFARI programme in 2016/17.

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

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
The number of visits to Waterworld and Gallagher Aquatic Centre each year.	At least 580,000	562,429	590,216*
The number of students participating in aquatic education classes at Council pools.	At least 28,000	36,094	38,307
The number of people participating in Learn to Swim classes at Council pools.	At least 40,000	51,396	62,646*

### What this tells us

Errors were found in the way visitor counts were recorded and calculated. This means the targets for visits to Waterworld and Gallagher Aquatic Centre and the number of people participating in Learn to Swim classes were inflated, as were the 2015/16 results. These errors have been corrected for the 2016/17 results.

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. We have made improvements to our service offering that are attracting more people to these classes. The water safety component of aqua education has been suspended as it was not financially sustainable. This will impact on the result in 2017/18 with the number of participants expected to be lower.

\*Due to the calculation error identified, the 2015/16 result is incorrect. The correct data is not available to retrospectively amend this figure.

## RECREATION - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	603	1,290	1,287	1,240
Targeted rates	5,123	10,486	5,004	5,088
Subsidies and grants for operating purposes	276	302	282	296
Fees and charges	4,452	4,371	4,814	4,419
Internal charges and overheads recovered	-	2	-	5
Local authorities fuel tax, fines, infringement fees, and other receipts	29	39	29	45
<b>Total operating funding</b>	<b>10,483</b>	<b>16,490</b>	<b>11,416</b>	<b>11,093</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	9,217	14,329	9,603	10,383
Finance costs	298	286	289	244
Internal charges and overheads applied	-	158	-	5
Other operating funding applications	-	-	-	21
<b>Total applications of operating funding</b>	<b>9,515</b>	<b>14,773</b>	<b>9,892</b>	<b>10,653</b>
<b>Surplus/(deficit) of operating funding</b>	<b>968</b>	<b>1,717</b>	<b>1,524</b>	<b>440</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	84	(419)	144	784
Gross proceeds from the sale of assets	10	6	-	8
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	1	-	-
<b>Total sources of capital funding</b>	<b>94</b>	<b>(412)</b>	<b>144</b>	<b>792</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	65
- to improve the level of service	64	15	191	38
- to replace existing assets	998	1,541	1,477	2,130
Increase/(decrease) in reserves	-	-	-	(1,758)
Increase/(decrease) of investments	-	(251)	-	757
<b>Total application of capital funding</b>	<b>1,062</b>	<b>1,305</b>	<b>1,668</b>	<b>1,232</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(968)</b>	<b>(1,717)</b>	<b>(1,524)</b>	<b>(440)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# 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 activities:

**Rubbish and recycling collection, waste minimisation, landfill site management.**

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.

## How we contribute to the Hamilton Plan

Rubbish and recycling primarily contributes to this Hamilton Plan priority:

- Providing outstanding infrastructure

## This includes:

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

## 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.

## 2016/17 YEAR IN REVIEW

In June 2019, the city's 17-year service contract for rubbish, recycling and refuse transfer station services comes to an end. This provides the Council with the opportunity to review the current service against future needs to determine the best service option. A city-wide 'Bins or Bags' waste review consultation in November 2016 attracted around 2,800 written submissions on a proposal for the biggest change to Hamilton's rubbish and recycling service in almost two decades.

The consultation options for the service included replacing the current black bag collection with separate wheeled bins for rubbish and recycling, while using the existing recycling crates for glass only. A separate food waste collection, using a smaller bin is also proposed as an option.

As part of any new service it is also proposed there would be assisted collections to help physically impaired or elderly residents and special services for intensive housing areas.



The service options proposed are designed to lift Hamilton’s recycling rate from 29 per cent (by weight) to 50 per cent, which under current anticipated growth levels would mean diverting more than 100,000 tonnes of waste from landfill in the 10 years from 2019/20. This in turn would save the city millions of dollars in disposal costs and levies.

Submissions showed overwhelming community support for the presented options in general, with around 84 per cent of respondents backing the improvements.

Once more detailed information has been obtained on potential contractors and other aspects of the waste review this will be put to the Council for a final decision around commencing any new service.

The ‘Bins or Bags’ waste review was named the best Integrated Marketing Campaign in the 2017 Public Relations Institute of New Zealand (PRINZ) Awards. Judges described Hamilton’s consultation project as “an inventive campaign that achieved its objectives in spades,” adding the campaign took the subject of kerbside rubbish and “transformed it into a highly successful community engagement piece”.

## Service performance measures

**KEY:** Target achieved | Target not achieved

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

**You can expect:** Reliable rubbish and recycling collections.

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
The number of weeks with more than 20 complaints about uncollected kerbside household rubbish and recycling.	0 weeks	0 weeks	1 week
The percentage of customer complaints about uncollected kerbside rubbish and recycling resolved within 24 hours.	95%	99%	96%
<b>What this tells us</b>			
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.			

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

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The percentage of waste recovered for recycling through the kerbside collection.	At least 30%	27%	28%
<b>What this tells us</b>			
Significant improvements in the percentage of rubbish recovered for recycling are not anticipated to be observed until proposed service improvements to divert waste from landfill are implemented. Service improvements will be identified in the new kerbside collection and recycling contract which will be considered in 2017/18 and through the continued implementation of the actions identified in Council’s Waste Minimisation and Management Plan.			

## RUBBISH AND RECYCLING - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	683	972	1,381	1,330
Targeted rates	5,872	10,310	5,397	5,627
Subsidies and grants for operating purposes	410	543	420	570
Fees and charges	355	344	363	400
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	14	20	14	14
<b>Total operating funding</b>	<b>7,334</b>	<b>12,189</b>	<b>7,575</b>	<b>7,941</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	6,854	10,736	6,957	6,583
Finance costs	130	770	137	948
Internal charges and overheads applied	-	161	-	1
Other operating funding applications	-	-	-	3
<b>Total applications of operating funding</b>	<b>6,984</b>	<b>11,667</b>	<b>7,094</b>	<b>7,535</b>
<b>Surplus/(deficit) of operating funding</b>	<b>350</b>	<b>522</b>	<b>481</b>	<b>406</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	37	(185)	70	378
Gross proceeds from the sale of assets	7	5	7	5
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding</b>	<b>44</b>	<b>(180)</b>	<b>77</b>	<b>383</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	46
- to improve the level of service	214	185	297	111
- to replace existing assets	180	268	261	273
Increase/(decrease) in reserves	-	-	-	23
Increase/(decrease) of investments	-	(111)	-	336
<b>Total application of capital funding</b>	<b>394</b>	<b>342</b>	<b>558</b>	<b>789</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(350)</b>	<b>(522)</b>	<b>(481)</b>	<b>(406)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# 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.

## Our activities:

Animal  
Education  
and Control,  
Environmental  
Health and 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

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.

## 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.

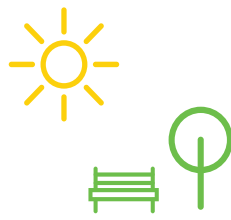
## Effects on the community

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.

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.





## 2016/17 YEAR IN REVIEW

Making the city a safer place for residents and visitors continued to be a significant focus for the Council in 2016/17.

In October 2016 the contracted Safety Officer services were brought in-house. This has resulted in a significant increase in the performance of the services provided at no extra cost. The Council is now able to ensure appropriate training, accountability and oversight for these services. Incident data can be assessed quickly and hotspots dealt with as they arise. Health and safety risks can now be addressed immediately.

The Council continued to work with multiple agencies to enhance public perceptions of safety within the CBD. 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. The target of 80% of people feeling safe or very safe during the day was achieved with the Perceptions of Safety Survey showing 83% of people felt safe or very safe.

The temporary closure of the Waikato SPCA saw Animal Education and Control refurbish its cattery and develop a Memorandum of Understanding (MOU) with the SPCA so we could provide support to the community through the peak cat and kitten season. The SPCA crisis saw an increase of over 600 percent in welfare related requests for service undertaken by Animal Education and Control.

On 1 March 2016 the new Food Act came into force, introducing new requirements in relation to compliance monitoring and requiring a transition period for food businesses to comply with the Act. All applicable food businesses in the food service and food retail sector successfully transitioned to the new Act by 30 June 2017.

The Alcohol Licensing Group successfully introduced a new process whereby applicants for licenses can meet the requirements of the Sale and Supply of Alcohol Act to publically notify of the application through the use of the Hamilton City Council website. The introduction of this process leads to significant cost savings for the applicant, amounting to approximately \$300 per application.

A review of the Tagbusters Team and the way the Council delivers this successful programme saw an increased efficiencies and a substantial increase in effectiveness. The removal of graffiti is now focused on increasing the community's perception of safety. The number of tags removed increased by 15% to 16,365, of which 95.4% were removed within 48 hours.

### 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	2016/17 Target	2016/17 Result	2015/16 Result
The percentage of central city users surveyed who feel very safe or reasonably safe in the central city during the daytime.	Improvement on the previous year's result	83%	79%
<b>What this tells us</b>			
There has been a four per cent improvement in the perception of safety, up from 79 per cent. This in part reflects the changes made by bringing the contracted services in house, allowing a more flexible, professional service to be provided.			

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

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
The percentage of graffiti removal jobs completed within two working days.	95%	95.4%	98%
The percentage of complaints about excessive noise responded to within 30 minutes.	95%	95%	97%
The percentage of urgent requests for dog control responded to within 60 minutes	100%	99.4%	100%

#### What this tells us

The Council is providing a prompt service to remove tagging from public spaces. We aim to remove tagging quickly to enhance people's perception of safety and to discourage repeat offending.

Excessive noise is defined as noise that disturbs someone's peace and comfort. During the year 8,152 complaints were received. The 95% target allows for situations outside of the noise contractor's control.

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. During the second quarter of the year, a job was incorrectly sent to the Animal Education and Control Team as routine instead of urgent, which meant we didn't meet our target of 100 per cent of urgent jobs responded to in 60 minutes.

In 2016/17 Animal Education and Control Officers responded to 6,500 requests for service and undertook 390 proactive urban and park patrols.

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

Measure	2016/17 Targets	2016/17 Results	2015/16 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)	100%	100%	99%
The percentage of high risk premises selling liquor monitored annually	100%	100%	100%

#### What this tells us

During 2017 to 2018 food businesses will continue to transition to the new Food Act 2014 regime, in accordance with a staged implementation period in the Act. All food businesses will be required to operate under a risk-based programme by the end of February 2019. The Council's core functions under the new Act, in addition to providing assistance to food businesses during the transition period, are verification and registration of risk-based measures and monitoring for compliance with the Act.

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. We inspected 44 high risk premises in 2016/17.



## SAFETY - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	311	443	631	608
Targeted rates	2,695	2,419	2,479	2,562
Subsidies and grants for operating purposes	-	9	-	-
Fees and charges	2,136	2,267	2,185	2,242
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	13	53	13	37
<b>Total operating funding</b>	<b>5,155</b>	<b>5,191</b>	<b>5,308</b>	<b>5,449</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	4,925	4,975	5,056	5,433
Finance costs	28	27	27	23
Internal charges and overheads applied	-	4	-	2
Other operating funding applications	-	-	-	5
<b>Total applications of operating funding</b>	<b>4,953</b>	<b>5,006</b>	<b>5,083</b>	<b>5,463</b>
<b>Surplus/(deficit) of operating funding</b>	<b>202</b>	<b>185</b>	<b>225</b>	<b>(14)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	7	(36)	12	67
Gross proceeds from the sale of assets	4	3	4	3
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding</b>	<b>11</b>	<b>(33)</b>	<b>16</b>	<b>70</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	28
- to improve the level of service	29	7	75	8
- to replace existing assets	184	167	166	156
Increase/(decrease) in reserves	-	-	-	(220)
Increase/(decrease) of investments	-	(22)	-	84
<b>Total application of capital funding</b>	<b>213</b>	<b>152</b>	<b>241</b>	<b>56</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(202)</b>	<b>(185)</b>	<b>(225)</b>	<b>14</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# 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.**

## Our activities:

Sewage collection, treatment and disposal

## This includes:

- Sewage Treatment Plant
- Pump stations and pipes
- Trade waste

In Hamilton, sewage is transported through a network of pipes and pump stations to the Sewage Treatment 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 4,800 commercial and industrial premises.

## How we contribute to the Hamilton Plan

Our sewerage service primarily contributes to this Hamilton Plan priority:

- Providing outstanding infrastructure

## 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.

## 2016/17 YEAR IN REVIEW

Hamilton experienced a wet summer with two significant cyclone events in early April resulting in our sewerage systems being placed under significant pressure. Although our resources were stretched, good pre-emptive communication with our residents ensured that issues were addressed promptly and the effects of overflows minimised.

An \$18.3M upgrade of the sewage treatment plant in Pukete commenced in 2016/17. The upgrade will improve our level of compliance with discharge consents and accommodate future city growth.

A number of capital projects were also completed at the treatment plant, including an upgrade to the fire alarm system, renewal of air compressor control systems and pipe upgrades that provided improved control of critical treatment processes.

Over 325 people attended the treatment plant open day held in November. Attendees participated in tours of the plant to get a behind the scenes understanding of what happens to sewage in our city.

## 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	2016/17 Target	2016/17 Result	2015/16 Result
The number of dry weather sewage overflows from the Council's sewerage system, per 1,000 sewerage connections to the system.	No more than 5 overflows per 1,000 connections	<b>0.2 overflows per 1,000 connections</b>	0.1 overflows per 1,000 connections

### 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 2016/17 there were 12 dry weather overflows in a system servicing 56,610 connections. Whilst a number of overflows were due to blockages that were cleared, four were due to either mechanical failure or power outage.

**You can expect:** A quality service.

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The total number of complaints received by the Council about any of the following, per 1,000 connections to its sewerage system: <ul style="list-style-type: none"> <li>Sewerage odour, sewerage system faults or blockages and the Council's response to any of these issues.</li> </ul>	No more than 25 complaints per 1,000 connections	<b>18.4 complaints per 1,000 connections</b>	10.4 complaints per 1,000 connections

### 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 2016/17 a total of 1,039 complaints were received in a system servicing 56,483 connections. Complaints related to a range of issues. In particular there was an increase in complaints during the third and fourth quarters, which is attributable to a high level of rain during February to April 2017 and two significant cyclone events that occurred in early April 2017.



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

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
The Council's compliance with its resource consents for discharge from its sewerage system:	No more than 1 abatement notice	0	0
a) The number of abatement notices			
b) The number of infringement notices	0 infringement notices	0	0
c) The number of enforcement orders	0 enforcement notices	0	0
d) The number of convictions	0 convictions	0	0
What this tells us			
<p>The Council has a resource consent that sets quality standards for the water we discharge from the Sewage Treatment Plant into the Waikato River.</p> <p>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 2016/17 there were no formal actions taken.</p>			

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

Measure	2016/17 Targets	2016/17 Results	2015/16 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:	No more than 60 minutes	57 minutes	36 minutes
a) Attendance time: From the time that the Council receives notification to the time that service personnel reach the site.			
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.	No more than 5 hours	1.8 hours	1.2 hours
What this tells us			
<p>This measure shows how quickly we respond when there is a problem with the sewerage system, and how quickly the problem is resolved.</p> <p>Hamilton experienced an unusually high level of rain fall between February and April 2017, which resulted in our wastewater systems being placed under significant pressure. This meant an increased number of issues being experienced and the Council's resources being stretched. Although results show that there was an increase in the response and resolution times seen compared to 2015/16, we were still able to respond and resolve issues within the target timeframes.</p>			

## SEWERAGE - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	2,110	1,086	4,502	4,337
Targeted rates	19,027	16,029	18,569	19,363
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	4,285	4,056	4,388	4,082
Internal charges and overheads recovered	1,016	633	1,042	1
Local authorities fuel tax, fines, infringement fees, and other receipts	355	415	355	358
<b>Total operating funding</b>	<b>26,793</b>	<b>22,219</b>	<b>28,856</b>	<b>28,141</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	12,356	12,182	12,956	13,313
Finance costs	3,457	3,312	3,701	3,105
Internal charges and overheads applied	1,016	49	1,042	14
Other operating funding applications	-	-	-	120
<b>Total applications of operating funding</b>	<b>16,829</b>	<b>15,543</b>	<b>17,699</b>	<b>16,552</b>
<b>Surplus/(deficit) of operating funding</b>	<b>9,964</b>	<b>6,676</b>	<b>11,157</b>	<b>11,589</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	2,877	7,518	2,733	5,199
Increase/(decrease) in debt	992	(4,966)	1,892	10,250
Gross proceeds from the sale of assets	13	8	13	10
Lump sum contributions	-	-	-	-
Other dedicated capital funding	50	332	51	484
<b>Total sources of capital funding</b>	<b>3,932</b>	<b>2,892</b>	<b>4,689</b>	<b>15,943</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	5,454	2,883	7,906	5,678
- to improve the level of service	1,123	1,895	1,178	970
- to replace existing assets	7,319	7,648	6,896	5,573
Increase/(decrease) in reserves	-	119	(134)	6,311
Increase/(decrease) of investments	-	(2,977)	-	9,000
<b>Total application of capital funding</b>	<b>13,896</b>	<b>9,568</b>	<b>15,846</b>	<b>27,532</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(9,964)</b>	<b>(6,676)</b>	<b>(11,157)</b>	<b>(11,589)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# 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.**

## Our activities:

**Manage and maintain the stormwater network**

## This includes:

- Operation, maintenance, replacement and construction of pipes, channels, treatment devices and open watercourses such as streams, rivers and drains.

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.

## 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 flow paths, 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.

## 2016/17 YEAR IN REVIEW

We continued to work with Waikato Regional Council to meet the conditions of our Comprehensive Stormwater Discharge Consent and have initiated a number of updates to key operational documents that will enable us to continually improve in the stormwater management area.

We experienced unusually high rainfall between February and April 2017, including two cyclone events, resulting in our stormwater systems being placed under significant pressure. Although our resources were stretched, good communication with residents ensured that issues were addressed promptly and no significant flooding that adversely affected public safety was reported.

We continued our programme looking after river and drainage activities during the year. Along with our funding partner Waikato Regional Council, we successfully completed the year's scheduled maintenance programme, which is designed to enhance river management, mitigate erosion, and support riparian plant growth.

In June 2017 the Rotokauri Integrated Catchment Management Plan (ICMP) was finalised and approved by Waikato Regional Council. This ICMP provides a guide for stormwater, wastewater and water management in the Rotokauri catchment and provides a framework to allow property development to occur in a managed way. It also ensures this management fits with long term plans for the area. The ICMP provides targets to inform detailed design for stormwater management within the zoned land (southern area), and indications of major water, stormwater and wastewater infrastructure for the entire growth area within Hamilton.



## Service performance measures

**KEY:** Target achieved | Target not achieved

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

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

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
a) The number of flooding events that occur within the city	No more than 1 flooding event	0	0
b) For each flooding event, the number of habitable floors affected per 1,000 properties connected to the Council's stormwater system	No more than 1 per 1,000 properties	0	0

### What this tells us

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 2016/17 the system was effective in managing stormwater as there were no flooding events within the city.

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.

Despite an unusually high level of rain fall between February and April 2017, including two cyclone events in early April, the Council's stormwater systems performed well. Although there was significant surface water ponding, residents were kept informed of developing situations and Council staff and contractors were mobilised to respond to emerging issues as they arose. As a result, no flooding situations that posed significant risk to people's safety and property occurred.

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

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
The Council's compliance with its resource consents for discharge from its stormwater system:	No more than 1 abatement notice	0	0
a) The number of abatement notices			
b) The number of infringement notices	0 infringement notices	0	0
c) The number of enforcement orders	0 enforcement orders	0	0
d) The number of convictions	0 convictions	0	0

### What this tells us

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.

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.

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

Measure	2016/17 Target	2016/17 Result	2015/16 Result
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.	No more than 60 minutes	0	0
<b>What this tells us</b>			
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 2016/17 that required us to respond.			

**You can expect:** A quality service.

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The number of complaints received by the Council about the performance of the stormwater system, per 1,000 properties connected to the Council's stormwater system.	No more than 10 complaints per 1,000 properties connected	0.1 complaints per 1,000 properties connected	0 complaints per 1,000 properties connected
<b>What this tells us</b>			
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 are 56,483 properties that are serviced by the Council's stormwater system. Throughout the year we received a total of eight complaints related to stormwater. One complaint was related to a private property issue, and three were related to illegal fuel discharge or spills. Remedial actions were taken to mitigate the effects of these incidents.			





## STORMWATER - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	480	241	749	722
Targeted rates	3,941	4,301	2,818	2,917
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	32	175	33	257
Internal charges and overheads recovered	-	-	-	1
Local authorities fuel tax, fines, infringement fees, and other receipts	249	49	254	33
<b>Total operating funding</b>	<b>4,702</b>	<b>4,766</b>	<b>3,854</b>	<b>3,930</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	2,426	2,711	2,516	2,946
Finance costs	462	420	525	418
Internal charges and overheads applied	-	-	-	12
Other operating funding applications	-	-	-	80
<b>Total applications of operating funding</b>	<b>2,888</b>	<b>3,131</b>	<b>3,041</b>	<b>3,456</b>
<b>Surplus/(deficit) of operating funding</b>	<b>1,814</b>	<b>1,635</b>	<b>813</b>	<b>474</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	502	-	477	-
Increase/(decrease) in debt	133	(663)	269	1,455
Gross proceeds from the sale of assets	3	2	3	42
Lump sum contributions	-	-	-	-
Other dedicated capital funding	50	108	51	1,887
<b>Total sources of capital funding</b>	<b>688</b>	<b>(553)</b>	<b>800</b>	<b>3,384</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	1,757	1,550	973	7,906
- to improve the level of service	7	4	19	992
- to replace existing assets	738	637	621	599
Increase/(decrease) in reserves	-	(711)	-	(6,480)
Increase/(decrease) of investments	-	(398)	-	841
<b>Total application of capital funding</b>	<b>2,502</b>	<b>1,082</b>	<b>1,613</b>	<b>3,858</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(1,814)</b>	<b>(1,635)</b>	<b>(813)</b>	<b>(474)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# TRANSPORT



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

## Our activities:

**Our transport network and 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

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 the Council by operating the State Highways that run through Hamilton and co-investing with the Council in transport infrastructure and services. The bus service is provided and managed by the Waikato Regional Council through a partnership with the city.

## How we contribute to the Hamilton Plan

Our transport activities primarily contribute to these Hamilton Plan priorities:

- Providing outstanding infrastructure
- The third city economy in New Zealand

## 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.



## 2016/17 YEAR IN REVIEW

Parking in Hamilton's CBD was made easier this year with the introduction of free parking before 9am and after 3pm, Monday to Saturday. The Council also decided in June to implement a further free parking trial to commence on 1 October 2017, which will include the roll out of new technology. The plan includes free on-street CBD parking for the first two hours and then \$6 per hour for the third and subsequent hours. The effectiveness of the trial will be reviewed before the end of June 2018.

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.

Following a full review of the rate of development in the city and the imminent need to gain access in to the Peacocke area, a decision was made by the Council in July 2016 to not proceed with the proposed roundabout at the intersection of Wairere Drive and Cobham Drive. Instead, work was approved to fast track the design and construction of a grade separated facility at this intersection – which will see the final link in the Ring Road completed. Mindful of the upcoming opportunities that the Government Housing Infrastructure Fund will provide, the design includes consideration of a bridge across the Waikato River to the Peacocke area.

The NZ Transport Agency began construction of the Hamilton section of the Waikato Expressway, the Waikato's biggest roading project, in October 2016. The Hamilton section commences at the Lake Road junction with the Ngaruawahia section in the north. It then runs south, to the east of Hamilton, connecting to the existing Tamahere interchange deviation just south of Hillcrest. When complete, the Waikato Expressway will be the key strategic transport corridor for the Waikato region, connecting Auckland to the agricultural and business centres of Waikato and Bay of Plenty.

The NZ Transport Agency also began work on the \$1.4M Cobham Dr pedestrian and biking underpass in May 2017 and was completed in September 2017. The underpass provides a safe link between Hamilton East and Hamilton Gardens, as well as a connection for walkers and bikers into the city. Once complete, the four-metre wide, well-lit and level underpass will be a safe and user-friendly option.



## 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	2016/17 Target	2016/17 Result	2015/16 Result
The change from the previous financial year in the number of deaths and serious injuries on Hamilton's local road network.	Two less deaths or serious injuries than the previous financial year	<b>13 more deaths or serious injuries than in 2015/16*</b>	7 more deaths or serious injuries than in 2014/15**
<b>What this tells us</b>			
Number of fatalities and serious injuries on Hamilton's local road network:			
<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>30</b>	<b>27</b>	<b>34</b>	<b>47 (interim result)</b>
<p>It is extremely important that our road network is safe for everyone to use. Road crashes involve many factors. The 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'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> <p>* Interim result as at 30 June 2017. The data is collected annually by an external party and the full data set is not available until the end of September 2017.</p> <p>** The result reported in the 2015/16 Annual Report was "one more death or serious injury than the previous year (i.e. 28) – interim result as at 30 June 2016". This has now been updated with the final result, published in September 2016.</p>			

**You can expect:** The Council to invest in making biking safer.

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The change from the previous financial year in the number of deaths and serious injuries involving cyclists on Hamilton's roads.	Decreasing trend	<b>2 less deaths and serious injuries than in 2015/16*</b>	2 more deaths and serious injuries than in 2014/15
<b>What this tells us</b>			
Number of deaths and serious injuries on Hamilton's local road network:			
<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>3</b>	<b>4</b>	<b>6</b>	<b>4 (interim result)</b>
<p>We are working hard to provide improved facilities for people on bikes and have been working closely with the NZ Transport Agency to provide off-road facilities. A key project identified in the Biking Plan was completed with the opening of the Western Rail Trail in April 2017; a key step forward in providing safe off-road facilities for people on bikes. Working closely with key partners, road safety education has also been provided to both motorists and people using bikes to increase awareness of each others needs.</p> <p>* Interim result as at 30 June 2017. The data is collected annually by an external party and the full data set is not available until the end of September 2017.</p>			

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

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The average quality of ride on Hamilton's sealed local road network, measured by smooth travel exposure.	At least 86% smooth travel exposure	<b>85%</b>	88%
<b>What this tells us</b>			
<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>STE calculations in the final quarter of the year showed a decrease in the level of smooth travel for high volume roads (over 4000 vehicles) for the area surveyed due to service covers (e.g. manholes) and maintenance repairs.</p>			

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

Measure	2016/17 Target	2016/17 Result	2015/16 Result
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.	97%	<b>96%</b>	98%
<b>What this tells us</b>			
<p>Well-maintained footpaths are important for pedestrians' convenience and safety. 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> <p>We were just under our annual target, as an increase in proactive network inspections and data collection during the final quarter of the year to inform the 2017/18 work programme resulted in a slight increase in identified faults.</p>			

**You can expect:** Roads to be adequately maintained.

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The percentage of Hamilton's sealed local road network that is resurfaced each year.	5.5%	<b>5%</b>	4%
<b>What this tells us</b>			
<p>Improved data collection and asset management practices mean we are gaining a better understanding of the city's road resurfacing requirements. We did not meet our target in 2016/17, however resurfacing was completed only when required, delivering better value for money for ratepayers.</p>			

**You can expect:** A timely response to requests for service.

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The percentage of customer service requests relating to roads and footpaths responded to within five working days.	95%	96%	89%
<b>What this tells us</b>			
In 2016/17, we received 5515 customer service requests compared with 3471 in 2015/16. Of these, 96 per cent were responded to within five days, with an average response time of two days. The majority of the requests in 2016/17 related to street lights, signs and street furniture, street sweeping, footpaths and traffic signals.			

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

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The percentage of extra time taken for vehicles to travel key routes in the city during peak travel times.	No more than 50%	48%	27%
<b>What this tells us</b>			
A result of 48 per cent means we met our target in 2016/17, although the result was not as good as last year. This is due to significant traffic growth, weather conditions and the impact of other activities such as road works. Results also fluctuate on any given week, as traffic congestion varies weekly and daily.			
The data is collected every six months over a one week period in May and November. The data is obtained from five key routes across the city, such as Boundary Rd – Mill Street corridor and the Peachgrove Rd – Hukanui Rd corridor. We are currently planning a technology solution to provide a wider and more robust measure of travel time across the city, which will allow us to monitor trends over a full year.			

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

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The percentage of on-street car parks in central city high demand parking areas that are full between 10am and 4pm on weekdays.	No more than 85%	68%	64%
<b>What this tells us</b>			
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.			
The data is collected six monthly. Moving forward it is expected that this result will change as a result of the free parking trial in the CBD. With the new technology being deployed as part of the changes, we will be able monitor the occupancy levels very closely and provide regular reporting to the Council's Parking Taskforce.			

## TRANSPORT- FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	1,790	1,837	3,868	3,588
Targeted rates	21,477	21,664	20,630	20,618
Subsidies and grants for operating purposes	4,380	4,130	4,380	4,931
Fees and charges	5,160	6,668	5,183	4,970
Internal charges and overheads recovered	-	3	-	71
Local authorities fuel tax, fines, infringement fees, and other receipts	3,760	3,733	3,831	3,375
<b>Total operating funding</b>	<b>36,567</b>	<b>38,035</b>	<b>37,892</b>	<b>37,553</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	19,364	21,302	19,776	21,327
Finance costs	8,080	7,761	8,294	6,991
Internal charges and overheads applied	-	14	-	5
Other operating funding applications	-	-	-	18
<b>Total applications of operating funding</b>	<b>27,444</b>	<b>29,077</b>	<b>28,070</b>	<b>28,341</b>
<b>Surplus/(deficit) of operating funding</b>	<b>9,123</b>	<b>8,958</b>	<b>9,822</b>	<b>9,212</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	4,147	5,508	4,771	8,682
Development and financial contributions	2,656	7,960	2,524	5,690
Increase/(decrease) in debt	2,320	(11,612)	4,242	22,975
Gross proceeds from the sale of assets	26	18	28	596
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	1,194	-	157
<b>Total sources of capital funding</b>	<b>9,149</b>	<b>3,068</b>	<b>11,565</b>	<b>38,100</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	6,344	5,758	6,878	4,494
- to improve the level of service	2,037	4,512	2,227	8,851
- to replace existing assets	10,235	8,748	11,884	11,177
Increase/(decrease) in reserves	(344)	(31)	398	4,172
Increase/(decrease) of investments	-	(6,961)	-	18,618
<b>Total application of capital funding</b>	<b>18,272</b>	<b>12,026</b>	<b>21,387</b>	<b>47,312</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(9,123)</b>	<b>(8,958)</b>	<b>(9,822)</b>	<b>(9,212)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# WATER SUPPLY



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

## Our activities:

### Water treatment, storage and distribution

## This includes:

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

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 5,500 commercial and industrial premises. Water from the city also supplies approximately 1,600 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.

## 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, education material and water saving tips, go to [smartwater.org.nz](http://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 for users downstream and the ecology and health of the river. Waikato Regional Council is responsible for managing the amount of water taken from the Waikato River and 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.



## 2016/17 YEAR IN REVIEW

In 2016/17 we increased our focus on the sustainability and resilience of our water supply. We commenced the initiatives identified in our Water Conservation Demand Management Plan and completed upgrades at the Dinsdale pump station, as well as extending the Dinsdale water management zone to improve our service within that defined area. The establishment of additional zones will continue throughout next year in order to separate the city's water distribution systems into smaller, more manageable areas. Once these zones are created, we will be able to better analyse and predict where water loss is occurring, making it easier to find and fix leaks.

Construction of the new Rototuna reservoir – the largest in the city – continued, with the reservoir commissioned in September. The twin 12-million litre tanks and associated pipelines are a vital part of the infrastructure required to support our rapidly growing city. The reservoir not only helps with supply and pressure in the north of Hamilton, it also connects to the city's ring main system and, if required, can support the supply of water to the rest of the city, alleviating emergency reliance on the city's sole water treatment plant in Peacocke.

Construction of a new dedicated water supply pipeline from the water treatment plant to the Hamilton South Reservoir also began in 2016/17. The \$5.5M project will also improve operation of the water supply network, as well as increasing its storage capacity. The new pipeline will mean water from the treatment plant can be pumped to the reservoir at the same time as the existing pipeline supplies water from the reservoir to homes and businesses.

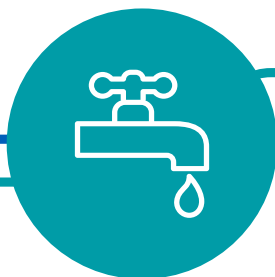
The resilience of the water network was tested in February this year after damage to one of the city's most important water mains. The Eastern Bulk Main supplies around 27,000 homes and runs under the Waikato River from the city's water treatment plant opposite Hamilton Gardens. A substantial section of the riverbank collapsed around the bulk main affecting water supply to the city and causing instability of the critical water supply infrastructure. A concerted water-saving effort from all city residents saw the supply of water maintained until service was fully restored.

Work also continued to consider a new way to more efficiently manage water and wastewater services with Waikato and Waipa District Councils.

In May both Hamilton City Council and Waipa District Council agreed a shared service, non-asset owning waters management company was their preferred model for collaborating with other councils. The decisions follow a number of independent reports which indicate there would be significant non-financial and financial benefits from the councils working together. Waikato District Council has yet to confirm its preferred model.

In September, Hamilton City resolved to join Waipa District Council in publicly consulting on a proposed structure before Christmas, allowing both councils to receive further information to support decision-making around their respective 10-Year Plans. The proposed structure, a Shared Waters Management Company, would see all water assets remaining with each individual council. All major decisions, including decisions on capital project and investment, would continue to be made by elected members.

A decision on whether or not to form a Shared Waters Management Company is due to be made by both councils in December 2017, for inclusion in their respective 2018-28 10-Year Plans.



## Service performance measures

**KEY:** Target achieved | Target not achieved

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

**You can expect:** Water that is safe to drink.

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
The extent to which the Council's water supply complies with:			
a) Part 4 of the drinking-water standards (bacteria compliance criteria).	Achieve compliance	<b>Achieved compliance</b>	Achieved compliance
b) Part 5 of the drinking-water standards (protozoal compliance criteria).	Achieve compliance	<b>Achieved compliance</b>	Achieved compliance
What this tells us			
<p>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. The Council's drinking water complies with those standards for both the bacteria and protozoa criteria. The results for 2016/17 are based on provisional reports, as the final report will not be received until later in 2017.</p>			

**You can expect:** The water network to be well maintained.

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The percentage of real water loss from the Council's networked reticulation system.	No more than 16%	<b>16% (March 2016 – March 2017)</b>	13% (March 2015 to March 2016)
What this tells us			
<p>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. In Hamilton, water loss may also indicate higher than anticipated residential water use or private property leaks.</p> <p>We are investing significantly in network reconfiguration to better understand and identify areas for targeted demand management and leak detection.</p>			

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

Measure	2016/17 Target	2016/17 Result	2015/16 Result
The average consumption of drinking water per Hamilton resident, per day.	No more than 400 litres per resident, per day	<b>331 Litres</b>	378 litres
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>In calculating this performance result, the number of Hamilton residents is based on the Statistics New Zealand population estimate as at 30 June 2016. The 2015/16 result was based on 2013 Census data.</p>			

**You can expect:** A quality service.

Measure	2016/17 Target	2016/17 Result	2015/16 Result
<p>The total number of complaints received by the Council about any of the following, per 1,000 connections to the Council's networked reticulation system:</p> <ul style="list-style-type: none"> <li>• Drinking water clarity, taste, odour, pressure or flow, continuity of supply; or Council's response to any of these issues.</li> </ul>	No more than 5 complaints per 1,000 connections	<b>1.9 complaints per 1,000 connections</b>	2.8 complaints per 1,000 connections

**What this tells us**

The number of complaints provides an indication of the quality of the service provided. In 2016/17 a total of 94 complaints were received, this is a 30% reduction in complaints over last year. The reasons for complaint were no water (57 complaints) and low water pressure (37 complaints).

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

Measure	2016/17 Targets	2016/17 Results	2015/16 Results
<p>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.</p> <p>a) Attendance for urgent call-outs – from the time that the Council receives notification to the time that service personnel reach the site.</p>	No more than 60 minutes	<b>73 minutes</b>	45 minutes
<p>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.</p>	No more than 5 hours	<b>3.15 hours</b>	2.5 hours
<p>c) Attendance for non-urgent call-outs – from the time that the Council receives notification to the time that service personnel reach the site.</p>	No more than 5 days	<b>6.2 days</b>	6.6 days
<p>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.</p>	No more than 10 days	<b>6.8 days</b>	7 days

**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. An increased number of service requests were received in the final quarter of the year as a result of tropical Cyclone Debbie and Cook weather events. These factors, along with having to divert response crews to urgent wastewater and stormwater issues significantly impacted on non-urgent response times and led to the increase in time to attend and resolve non-urgent water matters.

## WATER SUPPLY - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Long Term Plan	Actual	Long Term Plan	Actual
	2016	2016	2017	2017
	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	1,778	671	3,951	3,806
Targeted rates	23,311	23,476	23,541	24,103
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	173	419	177	362
Internal charges and overheads recovered	-	518	-	1
Local authorities fuel tax, fines, infringement fees, and other receipts	278	336	278	281
<b>Total operating funding</b>	<b>25,540</b>	<b>25,420</b>	<b>27,947</b>	<b>28,553</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	8,698	6,790	9,633	9,475
Finance costs	3,243	3,121	3,782	3,194
Internal charges and overheads applied	-	428	-	20
Other operating funding applications	-	-	-	75
<b>Total applications of operating funding</b>	<b>11,941</b>	<b>10,339</b>	<b>13,415</b>	<b>12,764</b>
<b>Surplus/(deficit) of operating funding</b>	<b>13,599</b>	<b>15,081</b>	<b>14,532</b>	<b>15,789</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	1,915	4,626	1,820	3,167
Increase/(decrease) in debt	931	(4,657)	1,933	10,475
Gross proceeds from the sale of assets	7	5	7	5
Lump sum contributions	-	-	-	-
Other dedicated capital funding	50	422	51	410
<b>Total sources of capital funding</b>	<b>2,903</b>	<b>396</b>	<b>3,811</b>	<b>14,057</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	9,393	11,810	11,437	14,033
- to improve the level of service	2,125	3,702	2,052	3,302
- to replace existing assets	4,984	4,756	4,854	5,204
Increase/(decrease) in reserves	-	(2,000)	-	241
Increase/(decrease) of investments	-	(2,791)	-	7,066
<b>Total application of capital funding</b>	<b>16,502</b>	<b>15,477</b>	<b>18,343</b>	<b>29,846</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(13,599)</b>	<b>(15,081)</b>	<b>(14,532)</b>	<b>(15,789)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**FINANCES**

# FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2017

	Note	Council			Group	
		Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
<b>Revenue</b>						
Rates	3	153,696	153,376	147,294	153,593	147,214
Subsidies and grants	4	14,485	10,119	10,533	14,485	10,308
Development and financial contributions		15,797	11,027	24,239	15,797	24,034
Fees and charges	5	35,658	33,620	37,339	44,306	47,421
Interest revenue	6	2,124	2,000	2,369	2,130	2,397
Other revenue	7	37,164	17,896	49,324	40,153	50,446
<b>Total revenue</b>		<b>258,924</b>	<b>228,038</b>	<b>271,098</b>	<b>270,464</b>	<b>281,820</b>
<b>Expenses</b>						
Personnel costs	8	70,672	68,400	64,042	73,119	66,142
Depreciation and amortisation expense	21	61,306	59,412	60,416	62,515	61,501
Finance costs	9	20,114	22,257	21,713	21,381	22,907
Other expenses	10	72,328	66,878	92,454	76,975	95,751
<b>Total expenses</b>		<b>224,420</b>	<b>216,947</b>	<b>238,625</b>	<b>233,990</b>	<b>246,301</b>
<b>Operating surplus/(deficit)</b>		<b>34,504</b>	<b>11,091</b>	<b>32,473</b>	<b>36,474</b>	<b>35,519</b>
Unrealised gain on revaluation of interest rate swaps	16	17,877	-	969	17,877	969
Unrealised loss on revaluation of interest rate swaps	16	(496)	-	(22,401)	(496)	(22,401)
Share of associates' surplus/(deficit)		-	-	-	1,887	168
<b>Surplus/(deficit) before tax</b>		<b>51,885</b>	<b>11,091</b>	<b>11,041</b>	<b>55,742</b>	<b>14,255</b>
Income tax expense	11	-	-	-	520	146
<b>Surplus/(deficit) after tax</b>		<b>51,885</b>	<b>11,091</b>	<b>11,041</b>	<b>55,222</b>	<b>14,109</b>
<b>Other comprehensive revenue and expense</b>						
<i>Items that could be reclassified to surplus/(deficit)</i>						
Financial assets at fair value through other comprehensive revenue and expense	28	2,646	-	(106)	2,646	(106)
<i>Items that will not be reclassified to surplus/(deficit)</i>						
Gain on property, plant and equipment revaluations	28	276,554	22,753	271,509	283,482	275,498
Income tax on other comprehensive income		-	-	-	-	(501)
<b>Total other comprehensive revenue and expense</b>		<b>279,200</b>	<b>22,753</b>	<b>271,403</b>	<b>286,128</b>	<b>274,891</b>
<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>
<b>Surplus/(deficit) attributable to:</b>						
Hamilton City Council		51,885	11,091	11,041	55,082	14,011
Non-controlling interest		-	-	-	140	98
<b>Total comprehensive revenue and expense attributable to:</b>						
Hamilton City Council		331,085	33,844	282,444	341,210	288,515
Non-controlling interest		-	-	-	140	485

The accompanying notes form part of these financial statements.

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

## BALANCING THE BOOKS MEASURE FOR THE YEAR ENDED 30 JUNE 2017

### Council

Note	Actual 2017	Budget 2017	Actual 2016
	\$000	\$000	\$000
Surplus/(deficit) before tax	51,885	11,091	11,041
<b>Adjustments for balancing the books measure</b>			
Gains	20,622	-	3,893
Losses	(2,008)	-	(35,498)
Vested assets (included in Other revenue)	7	22,740	8,531
Ring Road subsidy (included in Subsidies and grants)	240	-	852
<b>Total adjustments</b>	<b>41,594</b>	<b>8,531</b>	<b>3,521</b>
<b>Balancing the books surplus/(deficit)</b>	<b>10,291</b>	<b>2,560</b>	<b>7,520</b>
Provisions and Impairment*	-	-	(5,208)
<b>Adjusted balancing the books surplus/(deficit)</b>	<b>10,291</b>	<b>2,560</b>	<b>12,728</b>

\*These adjustment are in addition to those shown in the 10-Year Plan.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

### Council

### Group

Note	Actual 2017	Budget 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000	\$000
Balance at 1 July	3,198,975	3,098,195	2,916,531	3,238,841	2,949,841
Total comprehensive revenue and expense for the year	331,085	33,844	282,444	341,350	289,000
Issue of NZFIW shares	-	-	-	-	-
<b>Balance at 30 June</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 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
<i>Transactions with owners of the NZFIW:</i>					
Gain on non-controlling interest through retained equity	-	-	-	-	-
Non-controlling interest from issue of NZFIW shares	-	-	-	-	-
<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>

The accompanying notes from part of these financial statements.

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

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	Council			Group	
		Actual 2017	Budget 2017	Actual 2016	Actual 2017	Actual 2016
		\$000	\$000	\$000	\$000	\$000
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	12	27,121	45,000	6,964	28,021	9,080
Receivables	13	17,198	17,614	18,972	18,563	19,811
Prepayments		1,558	1,663	1,557	1,668	1,661
Inventory	14	159	244	142	258	486
Non-current assets held for sale	15	2,079	-	-	-	-
Derivative financial instruments	16	51	-	-	51	-
Other financial assets	17	76,601	107	41,330	82,402	46,894
<b>Total current assets</b>		<b>124,767</b>	<b>64,628</b>	<b>68,965</b>	<b>130,963</b>	<b>77,932</b>
<b>Non-current assets</b>						
Derivative financial instruments	16	506	-	1,052	506	1,052
Other financial assets						
- Investment in CCOs and other similar entities		13,400	15,127	12,833	4,998	2,350
- Other Investments		21,841	20,930	20,061	21,841	20,061
Total other financial assets	17	35,241	36,057	32,894	26,839	22,411
Investment in associates	18	7,430	7,430	7,430	41,016	32,203
Property, plant and equipment	19	3,835,080	3,470,927	3,517,156	3,855,351	3,538,272
Intangible assets	20	21,607	20,520	19,835	21,801	19,835
Investment property	22	22,059	22,478	24,795	48,216	50,445
<b>Total non-current assets</b>		<b>3,921,923</b>	<b>3,557,412</b>	<b>3,603,162</b>	<b>3,993,729</b>	<b>3,664,218</b>
<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>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Payables and deferred revenue	23	30,869	15,017	36,151	31,436	37,240
Derivative financial instruments	16	867	-	41	867	41
Employee entitlements	24	6,706	5,053	6,043	7,041	6,043
Provisions	25	1,350	1,074	2,697	1,350	2,697
Borrowings	26	113,620	73,036	73,536	114,220	89,914
<b>Total current liabilities</b>		<b>153,412</b>	<b>94,180</b>	<b>118,468</b>	<b>154,914</b>	<b>135,935</b>
<b>Non-current liabilities</b>						
Payables and deferred revenue	23	1,250	-	976	1,528	1,582
Derivative financial instruments	16	29,838	40,000	48,541	29,838	48,541
Employee entitlements	24	1,122	886	1,068	1,122	1,068
Provisions	25	14,296	8,072	12,559	14,487	12,748
Deferred tax liability	11	-	-	-	2,640	2,555
Borrowings	26	316,712	346,863	291,540	339,972	300,880
<b>Total non-current liabilities</b>		<b>363,218</b>	<b>395,821</b>	<b>354,684</b>	<b>389,587</b>	<b>367,374</b>
<b>Total liabilities</b>		<b>516,630</b>	<b>490,001</b>	<b>473,152</b>	<b>544,501</b>	<b>503,309</b>
<b>Net assets</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>
<b>Equity</b>						
Accumulated funds	28	1,689,174	1,597,166	1,642,101	1,710,992	1,660,722
Reserves	28	1,840,886	1,534,873	1,556,874	1,867,259	1,576,319
Non-controlling interest	28	-	-	-	1,940	1,800
<b>Total equity attributable to Hamilton City Council</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>
<b>Total equity</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>

The accompanying notes form part of these financial statements.

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



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

Note	Council			Group	
	Actual 2017	Budget 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000	\$000
<b>Cash flows from operating activities</b>					
<b>Cash was provided from:</b>					
Rates revenue	153,283	153,747	148,749	153,180	148,668
Fees, rents and charges	42,237	40,123	46,735	52,380	56,569
Subsidies and grants	13,189	10,119	11,110	13,189	10,885
Other capital contributions	22,765	12,776	26,594	22,765	26,389
Interest received	862	2,000	1,972	868	2,000
Dividends received	104	144	120	133	192
Sundry revenue	1,089	1,069	-	1,320	263
	<b>233,529</b>	<b>219,978</b>	<b>235,280</b>	<b>243,835</b>	<b>244,966</b>
<b>Cash was applied to:</b>					
Payments to employees	70,014	68,500	65,510	72,127	67,610
Payments to suppliers	74,829	65,232	67,562	79,971	74,784
Interest paid	19,042	22,257	21,036	20,316	22,218
Tax payments	-	-	-	178	376
Net GST paid	(934)	1,900	327	(808)	276
	<b>162,951</b>	<b>157,889</b>	<b>154,435</b>	<b>171,784</b>	<b>165,264</b>
<b>Net cash flow from operating activities</b>	<b>31</b>	<b>70,578</b>	<b>80,845</b>	<b>72,051</b>	<b>79,702</b>
<b>Cash flows from investing activities</b>					
<b>Cash was provided from:</b>					
Proceeds from reduction in other financial assets	90	3	40	147	230
Proceeds from sale of shares	-	-	-	-	-
Proceeds from sale of investment property	5,461	-	1,647	5,471	1,647
Proceeds from sale of property, plant and equipment	930	137	4,690	935	4,692
	<b>6,481</b>	<b>140</b>	<b>6,377</b>	<b>6,553</b>	<b>6,569</b>
<b>Cash was applied to:</b>					
Acquisition of investments	35,920	697	36,080	35,920	36,080
Purchase of investment property	-	-	23	407	6,618
Purchase of intangible assets	5,207	-	3,187	5,401	3,187
Purchase of property, plant and equipment	80,874	90,766	65,785	81,178	66,146
	<b>122,001</b>	<b>91,463</b>	<b>105,075</b>	<b>122,906</b>	<b>112,031</b>
<b>Net cash flow from investing activities</b>	<b>(115,520)</b>	<b>(91,323)</b>	<b>(98,698)</b>	<b>(116,353)</b>	<b>(105,462)</b>
<b>Cash flows from financing activities</b>					
<b>Cash was provided from:</b>					
Loans raised	120,000	84,659	5,687	145,262	15,648
Finance leases raised	569	-	276	569	276
	<b>120,569</b>	<b>84,659</b>	<b>5,963</b>	<b>145,831</b>	<b>15,924</b>
<b>Cash was applied to:</b>					
Loan repayments	55,000	55,000	38,000	82,118	38,263
Finance lease repayments	470	425	437	470	437
	<b>55,470</b>	<b>55,425</b>	<b>38,437</b>	<b>82,588</b>	<b>38,700</b>
<b>Net cash flow from financing activities</b>	<b>65,099</b>	<b>29,234</b>	<b>(32,474)</b>	<b>63,243</b>	<b>(22,776)</b>
Net increase/(decrease) in cash held	20,157	-	(50,327)	18,941	(48,536)
Opening cash and cash equivalents balance	6,964	45,000	57,291	9,080	57,616
<b>Closing cash and cash equivalents balance</b>	<b>12</b>	<b>45,000</b>	<b>6,964</b>	<b>28,021</b>	<b>9,080</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Note 1: Statement of accounting policies

### REPORTING ENTITY

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

The Group consists of the ultimate parent, Council, and its subsidiaries, Hamilton Properties Ltd (100% owned), Vibrant Hamilton Trust (100% controlled) and Innovation Waikato Ltd (100% owned). The Council's 50% equity share of its associate Waikato Regional Airport Ltd is equity accounted into the group financial statements.

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

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

The financial statements of the Council and Group are for the year ended 30 June 2017. The financial statements were authorised for issue by Council on 18 October 2017.

### BASIS OF PREPARATION

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

### Statement of compliance

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

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

### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000), other than the remuneration and the severance payment disclosures in note 8, and the related party transaction disclosures in note 29. The remuneration, severance payment, and related party transaction disclosures are rounded to the nearest dollar.

### Other changes in accounting policies

There have been no other changes in accounting policies.

Standards and amendments issued and not yet effective and not early adopted

- **2016 Omnibus Amendments – Service concession assets**

In January 2017, the External Reporting Board (XRB) issued the 2016 Omnibus Amendments to PBE Standards, which incorporates a range of amendments to the PBE Standards. A relevant amendment for the Council is to PBE IPSAS 32 Service Concession Arrangements: Grantor. This amendment requires that service concession assets be grouped with similar property, plant and equipment assets for the purpose of subsequent measurement and disclosure under PBE IPSAS 17 Property, Plant and Equipment

- **Interests in other entities**

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34- 38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6- 8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Council plans to apply the new standards in preparing the 30 June 2020 financial statements. The Council and group have not yet assessed the effects of these new standards.

- **Financial Instruments**

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted.

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council and group have not yet assessed the effects of the new standard.

- **Employee Benefits**

In May 2017, the XRB issues PBE IPSAS 39 Employee Benefits. PBE IPSAS 39 replaces PBE IPSAS 25 Employee Benefits. PBE IPSAS 39 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Council plans to apply this standard in preparing its 30 June 2020 financial statements. The Council and group have not yet assessed the effects of the new standard.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### Basis of consolidation

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

### Foreign currency transactions

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

### Goods and Services Tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

### Budget figures

The budget figures are those approved by the Council in its 2016/17 annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

### Critical accounting estimates and assumptions

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

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

- Estimating the fair value of land, buildings and infrastructure assets – note 19
- Estimating the retirement gratuities obligations – note 24
- Estimating the landfill aftercare provision – note 25

### Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies

- Donated or vested land and buildings with use or return conditions – note 7
- Classification of property – note 19
- Estimating retiring gratuities obligations – note 24

## Note 2: Summary revenue and expenditure for group of activities

### Accounting policy

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

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

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

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

Breakdown of summary revenue and expenditure for group of activities	Council		Group	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Revenue</b>				
Arts and Culture	1,262	1,984	1,262	1,984
Community Support	148	879	148	879
Democracy Services	304	24	304	24
Economic Development	12,312	12,006	23,955	22,808
Parks and Green Spaces	6,796	10,666	6,796	10,666
Planning and Development	9,751	9,852	9,751	9,852
Recreation	4,732	4,723	4,732	4,723
Rubbish and Recycling	960	913	960	913
Safety	2,266	2,332	2,266	2,332
Sewerage	12,742	16,339	12,742	16,339
Stormwater	5,908	7,707	5,908	7,707
Transportation	42,142	49,015	42,142	49,015
Water Supply	6,108	16,174	6,108	16,174
<b>Total activity revenue</b>	<b>105,431</b>	<b>132,614</b>	<b>117,074</b>	<b>143,416</b>
Less internal revenue	(203)	(1,342)	(203)	(1,342)
General and transitional rates	153,696	139,826	153,593	139,746
<b>Total revenue</b>	<b>258,924</b>	<b>271,098</b>	<b>270,464</b>	<b>281,820</b>
<b>Expenditure</b>				
Arts and Culture	18,021	19,752	18,021	19,752
Community Support	5,225	5,831	5,225	5,831
Democracy Services	5,752	5,139	5,752	5,139
Economic Development	27,513	28,030	37,083	35,706
Parks and Green Spaces	23,902	24,847	23,902	24,847
Planning and Development	13,676	13,558	13,676	13,558
Recreation	12,451	17,345	12,451	17,345
Rubbish and Recycling	8,043	12,729	8,043	12,729
Safety	5,693	5,685	5,693	5,685
Sewerage	26,000	25,860	26,000	25,860
Stormwater	11,776	11,486	11,776	11,486
Transportation	46,562	50,873	46,562	50,873
Water Supply	20,009	18,832	20,009	18,832
<b>Total activity expenditure</b>	<b>224,623</b>	<b>239,967</b>	<b>234,193</b>	<b>247,643</b>
Less internal expenditure	(203)	(1,342)	(203)	(1,342)
<b>Total expenditure</b>	<b>224,420</b>	<b>238,625</b>	<b>233,990</b>	<b>246,301</b>

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.

Due to the reclassification of Investment property revaluation gains, Investment property gains/losses on disposal, and property plant and equipment gains/losses on disposal, the comparative figures here differ from those published in the 2016 Annual Report.

## Revenue reclassified as exchange or non-exchange transactions

	Council		Group	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Revenue from exchange transactions</b>				
Fees and user charges	35,658	37,339	44,306	47,421
Rental income	3,936	5,468	3,936	5,468
Subsidies and grants	1,161	1,036	1,161	811
Targeted rates for water supply	7,465	7,955	7,465	7,955
Interest revenue	2,124	2,369	2,130	2,397
<b>Total revenue from exchange transactions</b>	<b>50,344</b>	<b>54,167</b>	<b>58,998</b>	<b>64,052</b>
<b>Revenue from non-exchange transactions</b>				
Development and financial contributions	15,797	24,239	15,797	24,034
Subsidies and grants	13,324	9,497	13,324	9,497
Infringements and fines	1,540	1,880	1,540	1,880
Other revenue	8,948	7,702	11,937	8,824
Rates, excluding targeted rates for water supply	146,231	139,339	146,128	139,259
Vested assets	22,740	34,274	22,740	34,274
<b>Total revenue from non-exchange transactions</b>	<b>208,580</b>	<b>216,931</b>	<b>211,466</b>	<b>217,768</b>
<b>Total revenue</b>	<b>258,924</b>	<b>271,098</b>	<b>270,464</b>	<b>281,820</b>

## Note 3: Rates

### Accounting policy

Rates are set annually by a resolution from the 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 in full as at the date when rates assessment notices are sent to ratepayers.

### Rates penalties

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

### 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.

### Metered water rates

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

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
General rates	28,306	13,475	28,203	13,395
Targeted rates attributable to activities:				
- Transitional rate	112,812	120,065	112,812	120,065
- Metered water supply	7,862	8,279	7,862	8,279
- Access Hamilton	5,008	5,011	5,008	5,011
- Community use	974	944	974	944
- Business improvement district	280	280	280	280
- Hamilton Gardens	623	615	623	615
Rates penalties	986	1,029	986	1,029
Rates remissions	(2,359)	(1,593)	(2,359)	(1,593)
Less: rates charges to Council properties	(399)	(487)	(399)	(487)
Less: metered water charges to Council properties	(397)	(324)	(397)	(324)
<b>Total rates</b>	<b>153,696</b>	<b>147,294</b>	<b>153,593</b>	<b>147,214</b>

The metered water charges to Council properties budget of \$371k was classified as other expenses in the 2016/17 Annual Plan and has now been classified as rates.

The Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating Act) 2002 together with any revenue received by the Council from other local authorities for services provided by that Council for which those other local authorities rate. The annual rates income of the Council for the year ended 30 June 2017 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

	Council	
	2017	2016
	\$000	\$000
Rates	153,696	147,294
Lump sum contributions	-	-
<b>Total annual rates income</b>	<b>153,696</b>	<b>147,294</b>



### Explanation of significant variances against budget

	Council	
	Actual 2017	Budget 2017
Rates	153,696	153,376

Rates were \$0.3m favourable to budget. This was driven by:

- additional revenue from penalties and reduced expenditure on remissions;
- off-set by a reduction in metered water sales due to lower demand from high users.

## Note 4: Subsidies and grants

### Accounting policy

#### 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.

#### New Zealand Transport Agency (NZTA) roading subsidies

The Council receives funding assistance from NZTA, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. Reimbursements (e.g. NZTA roading claim payments) are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
New Zealand Transport Agency roading subsidies - capital	8,682	5,508	8,682	5,508
New Zealand Transport Agency roading subsidies - operating	4,642	3,989	4,642	3,989
Other grants	1,161	1,036	1,161	811
<b>Total subsidies and grants</b>	<b>14,485</b>	<b>10,533</b>	<b>14,485</b>	<b>10,308</b>

There are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2016 \$nil).



#### Explanation of significant variances against budget

Subsidies and grants

Council	
Actual	Budget
2017	2017
14,485	10,119

Subsidies and grants were \$4.4m above budget. This was driven by:

- higher capital subsidies received for the Western Rail Trail of \$3.8m, this project was not part of the approved programme.

## Note 5: Fees and charges

### Accounting policy

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

### Building and resource consents

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

### 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.

### Sale of goods

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Fees and charges				
- Building and resource consent charges	9,515	9,571	9,515	9,571
- Swimming pool revenue	2,554	2,678	2,554	2,678
- Trade waste	2,914	3,069	2,914	3,069
- Cemetery and crematorium	1,707	1,624	1,707	1,624
- Event facilities	4,163	4,125	4,163	4,125
Shared services recoveries	907	859	907	859
Zoo	1,528	1,406	1,528	1,406
Animal control	1,016	1,013	1,016	1,013
Other fees and charges	6,549	7,783	6,549	7,775
Sale of goods	527	908	810	908
Parking fees	3,037	3,116	3,037	3,116
Rendering of services	-	-	8,365	10,090
Commission received	1,241	1,187	1,241	1,187
<b>Total fees and charges</b>	<b>35,658</b>	<b>37,339</b>	<b>44,306</b>	<b>47,421</b>



### Explanation of significant variances against budget

#### Fees and charges

Fees and charges were \$2.04m above budget. This was driven by:

- increased activity for Building Control and Planning Guidance contributing \$1.8m

Council	
Actual	Budget
2017	2017
\$000	\$000
35,658	33,620



## Note 6: Interest revenue

### Accounting policy

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Interest revenue</b>				
Term deposits	1,025	2,003	1,031	2,031
Community loans	1	6	1	6
Local authority and government bonds	114	123	114	123
Discount unwind on Community loan (note 17)	984	237	984	237
<b>Total interest revenue</b>	<b>2,124</b>	<b>2,369</b>	<b>2,130</b>	<b>2,397</b>



### Explanation of significant variances against budget

#### Interest revenue

Interest revenue was \$0.1m above budget. This was driven by:

- discount unwind on the Community Loan was not budgeted; and
- decrease in deposits held from budget; and

Council	
Actual	Budget
2017	2017
\$000	\$000
2,124	2,000

## Note 7: Other revenue

### Accounting policy

#### 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.

#### Investment Property and Property, Plant and Equipment, rental revenue

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

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

#### Bequests and other donations

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

#### 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 revenue recognised 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.

### Critical judgements in applying accounting policies

#### Accounting for donated or vested land and buildings with use or return conditions

The Council has received land and buildings from non-exchange transactions that contain use or return conditions. If revenue is not recognised immediately for such assets when received, there is the possibility that a liability would be recognised in perpetuity and no revenue would ever be recognised for the asset received.

The Council considers that an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognise revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached.

	Council		Group	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Other revenue</b>				
Vested land and infrastructure from property development	22,740	34,274	22,740	34,274
Traffic and parking infringements	1,540	1,880	1,540	1,880
Petrol tax	1,058	988	1,058	988
Bequests and other donations	4,858	3,504	4,408	3,504
Rental revenue from investment properties	1,953	2,164	4,634	2,164
Rents - residential	113	1,435	113	1,435
Other rental income	1,870	1,869	1,870	1,869
Dividends	104	120	133	190
Insurance recoveries:				
- plant and equipment	-	35	-	35
- motor vehicles	-	-	-	-
- other insurance recoveries	115	54	115	54
Investment property gain on disposal	87	128	87	128
Property, plant, and equipment gain on disposal (note 19)	19	42	19	42
Investment property revaluation gain (note 22)	2,639	2,754	2,866	3,541
Realised gain on other financial assets	-	-	231	263
Unrealised gain on other financial assets	-	-	295	-
Miscellaneous revenue	68	77	44	79
<b>Total other revenue</b>	<b>37,164</b>	<b>49,324</b>	<b>40,153</b>	<b>50,446</b>



### Explanation of significant variances against budget

#### Other revenue

Other revenue was \$19.3m above budget. This was driven by:

- Revenue from vested assets was higher by \$14.2m, due to Hamilton experiencing high growth.
- Unbudgeted gain of \$2.6m on the revaluation of investments properties.
- Unbudgeted contribution of \$1.6m associated with access and infrastructure rights to enable developers to carry out and complete all necessary infrastructure works.

#### 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	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Not later than one year	1,763	2,203	1,763	2,203
Later than one year and not later than five years	5,102	6,441	5,102	6,441
Later than five years	1,826	2,326	1,826	2,326
<b>Total non-cancellable operating leases</b>	<b>8,691</b>	<b>10,970</b>	<b>8,691</b>	<b>10,970</b>

No contingent rents have been recognised during the period.

Council	
Actual 2017	Budget 2017
\$000	\$000
37,164	17,896

## Note 8: Personnel costs

### Accounting policy

#### Superannuation schemes

##### Defined contribution schemes

Employer contributions to KiwiSaver is accounted for as a defined contribution superannuation scheme and is expensed in the surplus or deficit as incurred.

Employee entitlements for salaries and wages, annual leave and other similar benefit are recognised as an expense and liability when they accrue to employees.

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Salaries and wages	65,470	59,146	67,917	61,246
Defined contribution plan employer contributions (include KiwiSaver)	1,032	978	1,032	978
Increase/(decrease) in employee benefit liabilities	718	995	718	995
<b>Total salaries and wages</b>	<b>67,220</b>	<b>61,119</b>	<b>69,667</b>	<b>63,219</b>
Other employee benefits	3,452	2,923	3,452	2,923
<b>Total personnel costs</b>	<b>70,672</b>	<b>64,042</b>	<b>73,119</b>	<b>66,142</b>

Refer to note 24 for the employee entitlement liability as at 30 June 2017 and 30 June 2016 and note 29 for further information on the remuneration of key management personnel and elected representatives.



#### Explanation of significant variances against budget

Personnel costs

	Council	
	Actual 2017	Budget 2017
	\$000	\$000
Personnel costs	70,672	68,400

Personnel costs were \$2.3m above budget. The main reasons are:

- additional staff being employed at the Zoo
- bringing the City Safe contract in house has resulted in the employment of staff
- unbudgeted expenditure in redundancy costs
- Increase in the annual leave liability

#### Chief Executive remuneration

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$386,448 (2016: \$339,900).

#### Council employee remuneration by band

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

	2017
	No
< \$60,000	708
\$60,000 - \$79,999	207
\$80,000 - \$99,999	121
\$100,000 - \$119,999	51
\$120,000 - \$139,999	31
\$140,000 - \$159,999	10
\$160,000 - \$199,999	6
\$200,000 - \$259,999	7
> \$260,000	2
<b>Total employees</b>	<b>1,143</b>

Total remuneration includes non-financial benefits provided to employees.

At 30 June 2017 there were 5 or fewer employees in the bands \$160,000 - \$179,999, \$180,000 - \$199,999, \$200,000 - \$219,999, \$220,000 - \$239,999 and \$240,000 - \$259,999. Therefore, these have been combined with the next highest band.

At balance date, the Council employed 789 full-time employees (2016 763), with the balance of staff representing 153.19 full-time equivalent employees (2016 162.47). A full-time employee is determined on the basis of a 40 hour working week.

	2016
The total annual remuneration by band for employees as at 30 June:	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
<b>Total employees</b>	<b>1,093</b>

At 30 June 2016 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.

#### Severance payments

For the year ended 30 June 2017 the Council made severance payments to nine employees totalling \$166,626 (2016 seven employees \$147,163). The value of each of the severance payments was \$2,000, \$3,000, \$3,361, \$5,000, \$6,000, \$15,000, \$20,656, \$21,608 and \$90,000. The amounts disclosed above represent any payment made in addition to the terms of the employment contract for each staff member.

## Note 9: Finance costs

### Accounting policy

Interest expense is recognised using the effective interest rate method. Borrowing costs are expensed in the financial year in which they are incurred.

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Interest expense</b>				
Interest on borrowings	10,772	13,681	12,034	14,855
Interest on finance leases	68	72	73	92
Discount unwind on provisions (note 25)	830	643	830	643
<b>Interest derivatives (presented net)</b>				
Interest rate swaps	8,444	7,317	8,444	7,317
<b>Total finance costs</b>	<b>20,114</b>	<b>21,713</b>	<b>21,381</b>	<b>22,907</b>



### Explanation of significant variances against budget

#### Finance costs

Finance costs were \$2.14m favourable to budget. This was driven by:

- lower than budgeted external debt position; and
- lower than budgeted market interest rates.
- offsetting these favourable gains was unbudgeted interest on the Landfill provision.

Council	
Actual 2017	Budget 2017
\$000	\$000
20,114	22,257

## Note 10: Other expenses

### Accounting policy

#### Grant expenditure

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

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

#### Operating leases

An operating lease is a lease that does transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Fees to auditors:				
- fees to Audit New Zealand for audit of financial statements	209	199	266	249
- fees to Audit New Zealand for other services*	-	17	-	17
- fees to Assurance CA firm for the internal	166	163	166	163
- fees to Assurance firms for the accreditation, compliance and safety function	48	47	48	47
General grants	2,859	7,067	2,859	7,067
Contractors	18,410	17,882	18,410	17,882
Insurance premiums	1,545	1,669	1,545	1,669
Consultants and legal fees	8,420	7,763	8,420	7,763
Inventory consumption	426	115	426	115
Impairment of receivables (note 13)	(320)	(11)	(320)	11
Impairment of property, plant and equipment (note 19)	-	36	-	36
Impairment of other financial assets (note 17)	-	353	-	32
Impairment of investment in subsidiaries (note 17)	-	1,728	-	-
Operating lease expense	219	298	219	298
Property, plant, and equipment loss on disposal (note 19)	1,512	13,097	1,770	13,517
Unrealised loss on other financial assets	-	-	-	488
Other operating expenses	38,834	42,031	43,166	46,397
<b>Total other expenses</b>	<b>72,328</b>	<b>92,454</b>	<b>76,975</b>	<b>95,751</b>

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.

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.



#### Explanation of significant variances against budget

Other expenses

	Council	
	Actual 2017	Budget 2017
Other expenses	72,328	66,878

Other expenses were \$5.45m above budget. This was driven by:

- \$1.4m from an unbudgeted loss on the disposal of operational assets.
- \$1.3m increase in contractors' costs principally in the transportation area.
- increases in maintenance costs of \$1.5m across the organisation.

#### 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:

	Group		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Not later than one year	295	306	546	331
Later than one year and not later than five years	445	329	1,433	404
Later than five years	55	118	1,515	252
<b>Total non-cancellable operating leases</b>	<b>795</b>	<b>753</b>	<b>3,494</b>	<b>987</b>

The total minimum future sublease payments expected to be received under subleases at balance date is \$nil (2016: \$nil).

Leases can be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council has the option to purchase the asset at the end of the lease term except where Council is leasing land or buildings.

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

## Note 11: Tax

### Accounting policy

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

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

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

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

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

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

### Components of tax expense

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Current tax expense	-	-	455	93
Deferred tax expense	-	-	65	53
<b>Tax expense</b>	<b>-</b>	<b>-</b>	<b>520</b>	<b>146</b>

### Relationship between tax expense and accounting profit

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Surplus/(deficit) before tax	51,885	11,041	55,742	14,255
Tax at 28%	14,528	3,091	15,608	3,991
Effect of tax exempt income	(14,528)	(2,784)	(15,608)	(3,945)
Taxation loss not recognised	-	-	-	-
Equity accounted earnings of associates	-	-	-	47
Deferred tax adjustment	-	-	520	53
<b>Tax expense</b>	<b>-</b>	<b>-</b>	<b>520</b>	<b>146</b>



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

	PPE	Investment properties	Other provisions	Tax losses	Total
	\$000	\$000	\$000	\$000	\$000
<b>Balance as at 1 July 2015</b>	(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)
<b>Balance at 30 June 2016</b>	<b>(2,383)</b>	<b>(218)</b>	<b>35</b>	<b>11</b>	<b>(2,555)</b>
Acquired balance	-	-	-	-	-
Charged to surplus or deficit	20	(79)	(15)	(11)	(85)
Charged to other comprehensive income	-	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>(2,363)</b>	<b>(297)</b>	<b>20</b>	<b>-</b>	<b>(2,640)</b>

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	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Tax losses - Council	134	132	134	136
Tax losses - Hamilton Properties Limited	-	-	482	134
	<b>134</b>	<b>132</b>	<b>616</b>	<b>270</b>

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

### Accounting policy

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

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Cash at bank and on hand	14,121	6,964	15,021	9,080
Term deposits with maturities of less than three months at acquisition	13,000	-	13,000	-
<b>Total cash and cash equivalents</b>	<b>27,121</b>	<b>6,964</b>	<b>28,021</b>	<b>9,080</b>



### Explanation of significant variances against budget

#### Current assets

Cash and cash equivalents

- All term deposits were classified as cash and cash equivalents in the 2016/17 Annual Plan. Term deposits have now been classified according to their maturity date.

	Council	
	Actual 2017	Budget 2017
	\$000	\$000
Cash and cash equivalents	27,121	45,000

#### Assets recognised in a non-exchange transaction that are subject to restrictions

The Council holds unspent funds, included in cash at bank and investments, of \$43.35m (2016 \$37.49m) that are subject to restrictions. These unspent funds relate to reserves (see note 28) received with restrictions where the spending of the funds is separately monitored. The restrictions generally specify how the funds are required to be spent.

Council has a bank overdraft facility of \$500k on the daily trading account that is secured by way of debenture trust deed over general rates. At 30 June 2017 the interest rate on the overdraft facility was 6 per cent per annum (2016 6 per cent per annum). The credit interest rate on this account was 1 per cent per annum (2016 1.5 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 2017 the interest rate was 6.0 per cent per annum (2016 6.0 per cent per annum).

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Cash at bank and on hand	14,121	6,964	15,021	9,080
Term deposits with maturities of less than 3 months at acquisition	13,000	-	13,000	-
<b>Total</b>	<b>27,121</b>	<b>6,964</b>	<b>28,021</b>	<b>9,080</b>

## Note 13: Receivables

### Accounting policy

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

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Rates receivables	3,139	2,928	3,139	2,928
New Zealand Transport Agency	2,702	1,758	2,702	1,758
Water by meter	2,292	2,268	2,292	2,268
GST refund due	2,928	3,729	2,928	3,729
Sundry debtors	8,788	11,383	10,153	12,222
<b>Gross debtors and other receivables</b>	<b>19,849</b>	<b>22,066</b>	<b>21,214</b>	<b>22,905</b>
Less: provision for uncollectability	(2,651)	(3,094)	(2,651)	(3,094)
<b>Total receivables</b>	<b>17,198</b>	<b>18,972</b>	<b>18,563</b>	<b>19,811</b>

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
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	10,618	9,867	10,618	9,965
Receivables from exchange transactions include outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates.	6,580	9,105	7,945	9,846

### Fair value

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

### Assessment for uncollectability

Council does provide for impairment on overdue rates on 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.

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

	2017			2016		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Council</b>						
Not past due	11,082	(42)	11,040	15,122	(94)	15,028
Past due 1-60 days	3,195	(18)	3,177	1,382	(87)	1,295
Past due 61-120 days	1,069	(13)	1,056	1,009	(172)	837
Past due > 120 days	4,503	(2,578)	1,925	4,553	(2,741)	1,812
<b>Total</b>	<b>19,849</b>	<b>(2,651)</b>	<b>17,198</b>	<b>22,066</b>	<b>(3,094)</b>	<b>18,972</b>
<b>Group</b>						
Not past due	12,052	(42)	12,010	15,122	(94)	15,028
Past due 1-60 days	3,567	(18)	3,549	1,382	(87)	1,295
Past due 61-120 days	1,087	(13)	1,074	1,009	(172)	837
Past due > 120 days	4,508	(2,578)	1,930	4,553	(2,741)	1,812
<b>Total</b>	<b>21,214</b>	<b>(2,651)</b>	<b>18,563</b>	<b>22,066</b>	<b>(3,094)</b>	<b>18,972</b>

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

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Individual provision for uncollectability	357	392	357	392
Collective provision for uncollectability	2,294	2,702	2,294	2,702
<b>Total provision for uncollectability</b>	<b>2,651</b>	<b>3,094</b>	<b>2,651</b>	<b>3,094</b>

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	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Past due 1-60 days	12	16	12	16
Past due 61-120 days	4	27	4	27
Past due > 120 days	341	349	341	349
<b>Total individual provision for impairment</b>	<b>357</b>	<b>392</b>	<b>357</b>	<b>392</b>

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Balance at 1 July	3,094	3,317	3,094	3,317
Additional provisions made during the year	228	124	228	124
Provisions reversed during the year	(653)	(289)	(653)	(289)
Receivables written off during the year	(18)	(58)	(18)	(58)
<b>Balance at 30 June</b>	<b>2,651</b>	<b>3,094</b>	<b>2,651</b>	<b>3,094</b>

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

## Note 14: Inventory

### Accounting policy

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

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

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Held for distribution inventory:				
Nursery	85	77	85	77
Retail	74	47	74	47
Utilities	-	18	99	362
<b>Total inventory</b>	<b>159</b>	<b>142</b>	<b>258</b>	<b>486</b>

The write-down of inventory during the year was \$nil (2016 \$nil). There have been no reversals of write-downs (2016 \$nil).

No inventory is pledged as security for liabilities (2016 \$nil). However, some inventory is subject to retention of title clauses.

## Note 15: Non-current assets held for sale

### Accounting policy

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

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

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

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Non-current assets held for sale are:				
- Other financial assets	2,079	-	-	-
<b>Total non-current assets held for sale</b>	<b>2,079</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Council-owned shares in Waikato Innovation Park Limited (WIPL) has been presented as held for sale following the approval by the Council on 28 July 2016 to sell Council's interest. The Council has approved the sale of the shares, as they will provide no future use to the Council. The completion date of the sale is expected to be by 30 June 2018.

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

## Note 16: Derivative financial instruments

### Accounting policy

Derivative financial instruments are used to manage exposure to interest rate risks arising from Council's financing activities.

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

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

	Council		Group	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Current asset portion</b>				
Interest rate swaps	51	-	51	-
<b>Total current asset portion</b>	<b>51</b>	<b>-</b>	<b>51</b>	<b>-</b>
<b>Non-current asset portion</b>				
Interest rate swaps	506	1,052	506	1,052
<b>Total non-current asset portion</b>	<b>506</b>	<b>1,052</b>	<b>506</b>	<b>1,052</b>
<b>Total derivative financial instrument assets</b>	<b>557</b>	<b>1,052</b>	<b>557</b>	<b>1,052</b>
<b>Current liability portion</b>				
Interest rate swaps	867	41	867	41
<b>Total current liability portion</b>	<b>867</b>	<b>41</b>	<b>867</b>	<b>41</b>
<b>Non-current liability portion</b>				
Interest rate swaps	29,838	48,541	29,838	48,541
<b>Total derivative financial instrument liabilities</b>	<b>30,705</b>	<b>48,582</b>	<b>30,705</b>	<b>48,582</b>

### Information about interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for the Council and group was \$426m (2016 \$443m). This includes \$59.5m (2016 \$64.5m) of forward start swaps, leaving \$366.5m (2016 \$378.5m) in actual committed swaps at 30 June 2017. At 30 June 2017 the fixed interest rates of fair value interest rate swaps ranged from 4.02% to 5.96% (2016 4.02% to 5.96%).

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.

### Fair value

#### Interest rate swaps

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

Sensitivity analysis in relation to the swaps has been completed, and is included at note 32.

## Note 17: Other financial assets

### Accounting policy

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

### Term deposits and community loans (loans and receivables)

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

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

At year-end, the assets are assessed for indicators of impairment. Impairment is established when there is evidence 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 in payments are indicators that the asset is impaired. If assets are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

### Shares in subsidiaries

The 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 predetermined 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.

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

### Unlisted shares

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

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

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

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

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Current portion</b>				
<b>Loans and receivables</b>				
Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months	76,040	41,000	76,040	41,000
- Interest accrual	561	235	561	235
Community loans	-	90	-	90
- Interest accrual	-	5	-	5
<b>Fair value through surplus/deficit</b>				
Equity securities managed by Gareth Morgan Investments (GMI)	-	-	2,664	2,855
Fixed interest instruments managed by Gareth Morgan Investments (GMI)	-	-	3,137	2,709
<b>Total current portion</b>	<b>76,601</b>	<b>41,330</b>	<b>82,402</b>	<b>46,894</b>
<b>Non-current portion</b>				
<b>Investment in CCOs and similar entities</b>				
Shares in subsidiaries	8,422	8,422	-	-
Waikato Local Authority Shared Services Ltd (WLASS)	196	171	196	171
NZ Local Government Funding Agency Ltd (LGFA)	4,472	1,866	4,472	1,866
Civic Financial Services Ltd (Civic)	310	295	310	295
NZ Food Innovation Network Ltd (NZFIN)	-	-	20	18
Waikato Innovation Park Ltd (WIPL)	-	2,079	-	-
	13,400	12,833	4,998	2,350
<b>Other Investments</b>				
Term deposits with maturities greater than 1 year	4,560	3,680	4,560	3,680
- Interest accrual	350	434	350	434
Community loans	16,931	15,947	16,931	15,947
	21,841	20,061	21,841	20,061
<b>Total non-current portion</b>	<b>35,241</b>	<b>32,894</b>	<b>26,839</b>	<b>22,411</b>
<b>Total other financial assets</b>	<b>111,842</b>	<b>74,224</b>	<b>109,241</b>	<b>69,305</b>





## Explanation of significant variances against budget

	Council	
	Actual 2017 \$000	Budget 2017 \$000

### Current assets

Other financial assets

- To take advantage of favourable market conditions, borrowings maturing before 30 June 2018 were prefunded, and put on term deposit

76,601 107

### Fair value

#### Term deposits

The carrying amount of term deposits approximates their fair value.

#### Community loans

The fair value of community loans is \$16.9m (2016 \$15.9m). Fair value has been determined using cash flows discounted at a rate of 6% (2016 6%).

#### Share in subsidiaries

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.

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).

#### Unlisted shares

Civic Financial Services Ltd (changed on 1 March 2017 from NZ Local Government Insurance Co Ltd) made a net surplus for the year ended 31 December 2016 of \$0.97m (31 December 2015 net surplus \$2.78m). 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. 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).

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 IWL Group financial results for the year ended 30 June 2017 for the Group consolidation. An adjustment has been made to eliminate intercompany revenue and expenses in the Statement of comprehensive revenue and expense.

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

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

#### Impairment

A fair value gain of \$25k (2016 (\$83k)) was made to Council's investment in Waikato Local Authority Shared Services Limited to reflect Council's share of the increase in WLASS's equity resulting from an operating profit for the year ended 30 June 2017.

Movements in the carrying value of community loans are as follows:

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
At 1 July	16,037	151	16,037	151
Amount of new loans during the year		15,710	-	15,710
Fair value adjustment on initial recognition			-	-
Loans repaid during the year (principal and interest)	(90)	(40)	(90)	(40)
Impairment loss recognised during the year		(21)	-	(21)
Unwind of discount and interest charged	984	237	984	237
<b>At 30 June</b>	<b>16,931</b>	<b>16,037</b>	<b>16,931</b>	<b>16,037</b>

The Council's community loan scheme is designed to help not-for-profit organisations in the Hamilton community to develop or improve new or existing facilities and other major projects. Only organisations with the ability to repay are granted loans.

The fair value of loans at initial recognition has been determined using cash flows discounted at a rate based on the loan recipient's assessed financial risk factors.

Shares in subsidiaries

Breakdown of shares in subsidiaries and further information is as follows:

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Hamilton Properties Ltd (HPL)	1	1	-	-
Vibrant Hamilton Trust (VHT)	-	-	-	-
Innovation Waikato Ltd (IWL)	8,421	8,421	-	-
<b>Total investments in subsidiaries</b>	<b>8,422</b>	<b>8,422</b>	<b>-</b>	<b>-</b>

Principal activity

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 2017.

The Vibrant Hamilton Trust was established as a Council Controlled Organisation (CCO) 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.

The principal 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 Waikato Innovation Park complex, and Spray dryer facility are the tools utilised to help achieve this purpose.

## Note 18: Investment in associates

### Accounting Policy

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 Council's associate investment is accounted for in the group financial statements using the equity method. The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.

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

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

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

### Breakdown of investment in associate and further information

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Waikato Regional Airport Limited	7,430	7,430	41,016	32,203
<b>Total</b>	<b>7,430</b>	<b>7,430</b>	<b>41,016</b>	<b>32,203</b>

### Summarised financial information of associate presented on a gross basis

	2017	2016
	\$000	\$000
Assets	102,941	82,115
Liabilities	20,909	17,898
Revenue	15,118	8,079
Surplus/(deficit)	3,770	338
Group's interest	50.0%	50.0%

Details of any contingent liabilities arising from the group's involvement in an associate are disclosed separately in note 27.

## Note 19: Policy

### Property, plant and equipment

#### Accounting policy

Property, plant and equipment consist of:

- **Operational assets**

These include land, buildings, landfill post-closure, library books, plant and equipment and motor vehicles.

- **Restricted assets**

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

- **Infrastructure assets**

Infrastructure assets are the fixed utility systems owned by the Council. Each asset type includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

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.

- **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.

- **Heritage assets**

Heritage assets are museum collections and library collections (New Zealand Room).

#### Revaluation

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

Revaluations movements are accounted for on a class-of-asset basis.

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

#### Additions

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

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

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 group 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.

#### Disposals

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

## Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, 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:

<b>Buildings</b>	10-100 yrs	1%-10%
<b>Plant and vehicles</b>	3-15 yrs	6.6%-33.3%
<b>Furniture, fittings and equipment</b>	5-10 yrs	10%-20%
<b>Library books</b>	8 yrs	12.5%
<b>Zoo animal</b> (acquisition costs)	10 yrs	10%
<b>Improvements – Parks &amp; Gardens</b>	5 – 50 yrs	2%- 20%
<b>Roads and traffic network:</b>		
Top surface (seal)	6- 18 yrs	5.5%- 16.6%
Pavement (basecourse)	30- 140 yrs	2%- 4%
Catchpits	70 yrs	2%
Culverts	60- 80 yrs	1.25%- 1.6%
Footpaths	50- 70 yrs	1.4%- 2%
Kerbs and traffic islands	70 yrs	1.4%
Signs	12 yrs	8.3%
Street lights	25 yrs	4%
Bridges	150 yrs	0.6%
Traffic signals	15 yrs	6.6%
Barriers	25- 40 yrs	2.5%- 4%
Bus shelters and parking meters	4- 10 yrs	10%- 25%
Verge, embankment and retaining walls	60 yrs	1.6%
<b>Wastewater reticulation:</b>		
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%
<b>Stormwater system:</b>		
Pipes	100 yrs	1%
Manholes, cesspits	100 yrs	1%
Service connections and outlets	30- 100 yrs	1%- 3.3%
<b>Water reticulation:</b>		
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 yrs	5%
Hydrants	50 yrs	2%
Reservoirs	30- 80 yrs	1.25%- 3.3%
<b>Refuse – rubbish and recycling</b>	10– 100 yrs	1%- 10%

The residual value and useful life of an asset is reviewed and adjusted if applicable, at each balance date.

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

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

### Impairment of property, plant and equipment

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

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

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

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

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

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

### Value in use for non-cash-generating assets

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

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

### Value in use cash-generating assets

Cash generating assets are those assets held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

## Critical accounting estimates and assumptions

### Estimating the fair value of land, buildings and infrastructure

The most recent valuation of land and buildings was performed by independent registered valuers C. Beentjes BSc. BE(Hons) Asset Management Consultant of SPM Assets Limited and Andrew Parkyn, SPINZ, ANZIV of QV Asset & Advisory. The valuation is effective as at 30 June 2017.

### 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.

Where there is a designation against the land or the use of the land is restricted because of reserve or endowment status, the valuation approach reflects the restriction in use. Such land is valued based on rural land value plus a location adjustment to reflect different zoning, which are based on the valuer's judgement.

Restrictions on the Council's ability to sell land would normally impair the value of the land because the Council has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

### Buildings (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 used in the 30 June 2017 valuation include:

- The assessment of unit rates is based on the asset component being replaced with the least cost alternative modern equivalent asset providing the same service potential
- The asset is assumed to be replaced with the least cost alternative modern equivalent asset providing the same service potential
- Base lives vary by component and are based on the NAMS Building Component guidelines, IIMM valuation manual or on experience.
- Depreciation was applied to depreciable assets on a straight-line basis over the assessed total economic life of the asset.

Non-specialised buildings (for example, residential and office buildings) are valued at fair value using market-based evidence. Significant assumptions in the 30 June 2017 valuation include market rents and capitalisation rates.

- Market rents range from \$30 to \$300 per square metre.

- Capitalisation rates are market-based rates and range from 5% to 12%

### 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:

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

When ascribing values, consideration was given to the following:

- Historical and cultural significance recognising that there is a strong trend in sales that reflect this significance
- Comparison with the values ascribed to the value of similar items held in other institutions.
- Recent auction catalogue sales nationally and/or internationally. These values are known by the valuers 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: sewerage, water, drainage and roads**

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 Kevin Dunn, Associate – Asset Management, of Beca Valuations Ltd (New Zealand), and the valuation was effective as at 1 July 2016.

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

- The replacement costs where appropriate reflect optimisation due to over-design or surplus capacity.
- Estimating the replacement cost of the asset. The replacement cost is based on recent construction contracts in the region for modern equivalent assets, from which unit rates are determined.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example weather patterns, soil

types and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, 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.

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

- For the small number of assets that had no recorded construction date a default construction date of half the life or a date relative to the other dates for like assets, has been assigned.
- When valuing the top surface, that is the surface treatment currently on the top of the road pavement, the following key assumptions have been made:
  - o Treatment lengths carrying >10,000 vehicle per day were assumed to be resurfaced with AC at the end of their theoretical life;
  - o 1st coats have been valued with a zero rate as the cost is included in the pavement renewal treatment included in the basecourse valuation.
- When valuing the carparks, replacement costs for flexible pavement layers are assumed to match the similar layers for Treatment Lengths with life cycles aligning to Pavement Use 3 category roads due to traffic inflow and outflow commodity parking restriction and turnaround times. It is also assumed concrete car parks are 200mm deep with steel mesh reinforcement.

#### **Classification of property**

The Council owns a number of rental properties not held for generating a profit from renting. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives. The properties are therefore accounted for as property, plant, and equipment rather than as investment property.

#### **Disposals**

The net loss on disposal of Property, Plant and Equipment (\$1.51m (2016 \$13.09m)) has been recognised in the Statement of comprehensive revenue and expense in the line item 'Other Expenses'.

**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).



**NOTE 19: PROPERTY, PLANT AND EQUIPMENT**

**GROUP 2017**

**COUNCIL 2017**

	1-Jul-16		1-Jul-16		Carrying amount	Cost 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 depreciation	Accumulated depreciation reversed on disposal	Other adjustments	30-Jun-17		30-Jun-17		
	Cost / valuation	Accumulated depreciation & impairment charges	Carrying amount	Impairment charges											Cost / valuation	Accumulated depreciation & impairment charges	Carrying amount	Cost / valuation	Accumulated depreciation & impairment charges
<b>Operational assets</b>																			
Land	52,125	-	52,125	-	14,915	1,030	3	(32)	-	(789)	(9,503)	-	-	-	68,041	-	68,041	-	
Buildings	252,064	-	252,064	351	23,087	6,020	-	(1,870)	-	(17)	(789)	59	-	-	269,419	-	273,378	(771)	
Land - parks and gardens	403,677	-	403,677	-	182,084	342	-	(17)	-	-	-	-	-	-	586,086	-	586,086	-	
Improvements - parks and gardens	73,031	(5,794)	67,237	(351)	-	5,704	-	1,305	(374)	(3,163)	(3,163)	106	-	-	79,315	(8,851)	70,464	(8,851)	
Plant and equipment	43,398	(27,631)	15,767	-	-	2,866	-	685	(466)	(2,277)	(2,277)	448	-	-	17,023	(29,460)	33,335	(33,322)	
Finance leases	2,264	(1,607)	657	-	-	361	-	(6)	-	(369)	(369)	-	-	-	2,619	(1,976)	643	(1,976)	
Vehicles	7,183	(3,975)	3,208	-	-	761	-	160	(233)	(449)	(449)	187	-	(46)	7,825	(4,237)	3,588	(4,237)	
Library books	22,496	(14,152)	8,344	-	-	841	-	28	(1,176)	(1,176)	-	-	-	-	23,365	(15,328)	8,037	(15,328)	
Zoo animals	1,266	(1,114)	152	-	-	19	-	(12)	-	(29)	(29)	-	-	-	130	(1,143)	130	(1,143)	
Leasehold improvements	2,096	(2,058)	38	-	-	-	-	(6)	-	(6)	-	-	-	-	32	(2,064)	32	(2,064)	
<b>Total operational assets</b>	<b>859,600</b>	<b>(56,331)</b>	<b>803,269</b>	-	<b>220,086</b>	<b>17,944</b>	<b>3</b>	<b>2,41</b>	<b>(1,862)</b>	<b>(16,972)</b>	<b>800</b>	<b>-</b>	<b>(46)</b>	<b>1,086,522</b>	<b>(63,059)</b>	<b>1,023,463</b>	<b>1,111,426</b>	<b>(67,692)</b>	<b>1,043,734</b>
<b>Restricted assets</b>																			
Land	20,871	-	20,871	-	2,528	6,854	215	-	-	(365)	-	-	-	-	30,103	-	30,103	-	30,103
<b>Heritage assets</b>																			
Museum and library	34,891	-	34,891	-	-	117	-	(14)	-	-	-	-	-	-	34,994	-	34,994	-	34,994
<b>Infrastructure assets</b>																			
Land	21,717	-	21,717	-	6,195	46	-	29	-	-	-	-	-	-	27,987	-	27,987	-	27,987
Refuse	56,220	(539)	55,681	-	-	265	-	(45)	-	(246)	-	-	-	-	55,655	(785)	55,655	(785)	55,655
Roads and traffic network	771,433	(50,607)	720,826	-	47,741	21,462	6,245	(1,848)	-	(17,028)	-	-	-	-	794,426	(17,028)	777,398	(17,028)	777,398
Land under roads	681,384	-	681,384	-	-	(111)	8,872	182	(3)	-	(212)	-	-	-	690,112	-	690,112	-	690,112
Stormwater system	518,485	(7,895)	510,590	-	-	558	2,758	1,091	(163)	(8,110)	(8,110)	7	-	-	506,731	(15,998)	506,731	(15,998)	506,731
Wastewater system	310,887	(6,133)	304,754	-	-	1,978	2,657	2,635	(405)	(6,389)	(6,389)	28	-	(80)	305,177	(12,494)	305,177	(12,494)	305,177
Wastewater treatment plant	67,985	(7,173)	60,812	-	-	4,408	-	(2,421)	-	(2,346)	-	-	-	-	60,453	(9,519)	60,453	(9,519)	60,453
Water system	241,252	(4,741)	236,511	-	-	2,715	1,910	17,388	(131)	(4,927)	(4,927)	9	-	-	253,476	(6,348)	253,476	(6,348)	253,476
Water treatment station	70,462	(4,612)	65,850	-	-	6,096	80	(760)	-	(1,736)	-	-	-	-	69,531	(6,348)	69,531	(6,348)	69,531
<b>Total infrastructure assets</b>	<b>2,739,825</b>	<b>(81,700)</b>	<b>2,658,125</b>	-	<b>53,936</b>	<b>37,417</b>	<b>22,522</b>	<b>16,251</b>	<b>(702)</b>	<b>(40,782)</b>	<b>44</b>	<b>(292)</b>	<b>2,818,351</b>	<b>(71,831)</b>	<b>2,746,520</b>	<b>2,818,351</b>	<b>(71,831)</b>	<b>2,746,520</b>	
<b>Total property, plant and equipment</b>	<b>3,655,187</b>	<b>(138,031)</b>	<b>3,517,156</b>	-	<b>276,550</b>	<b>62,332</b>	<b>22,740</b>	<b>16,478</b>	<b>(2,929)</b>	<b>(57,754)</b>	<b>844</b>	<b>(338)</b>	<b>3,969,970</b>	<b>(134,890)</b>	<b>3,835,080</b>	<b>3,994,874</b>	<b>(139,523)</b>	<b>3,855,351</b>	

(1) The Group cost figures includes \$24.9m for Innovation Waikato Ltd (Group) - \$4.7m of buildings and \$20.2m of plant and equipment.

(2) The Group accumulated depreciation figures include \$4.6m for Innovation Waikato Ltd (Group) - \$771k for buildings and \$3.9m for plant and equipment.

## NOTE 19: PROPERTY, PLANT AND EQUIPMENT

## COUNCIL 2016 GROUP 2016

	1-Jul-15					1-Jul-15					30-Jun-16					30-Jun-16				
	Cost/valuation	Accumulated depreciation & impairment	Carrying amount	Gain/(loss) on revaluations	Additions	Current year vested additions	Change in Work in Progress	Current year disposals at cost	Current year impairment charges or write offs	Accumulated depreciation reversed	Other adjustments	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount			
<b>Operational assets</b>																				
Land	60,431	-	60,431	4,248	1,165	-	(13,745)	-	-	-	-	52,125	-	52,125	-	-	52,125			
Buildings	317,779	(9,608)	254,171	18,816	4,429	-	(17,873)	-	1,431	-	-	252,064	(598)	255,742	(598)	-	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	(408)	(35)	50	-	-	73,031	(5,794)	67,237	(5,794)	-	67,237			
Plant and equipment	45,451	(27,626)	17,825	-	3,465	(1,718)	(1,536)	(35)	1,481	-	-	45,662	(29,238)	16,424	(29,238)	-	16,424			
Vehicles	6,818	(3,730)	3,088	-	294	-	(170)	-	141	-	-	7,183	(3,975)	3,208	(3,975)	-	3,208			
Library books	21,631	(13,039)	8,592	-	1,169	-	(1,113)	-	-	-	-	22,496	(14,152)	8,344	(14,152)	-	8,344			
Zoo animals	1,244	(1,083)	161	-	73	-	(31)	-	-	-	-	1,266	(1,114)	152	(1,114)	-	152			
Leasehold Improvements	2,096	(2,052)	44	-	-	-	-	-	(6)	-	-	2,096	(2,058)	38	(2,058)	-	38			
<b>Total operational assets</b>	<b>785,644</b>	<b>(59,982)</b>	<b>725,662</b>	<b>108,976</b>	<b>16,379</b>	<b>1,685</b>	<b>(33,732)</b>	<b>(35)</b>	<b>3,103</b>	<b>-</b>	<b>859,600</b>	<b>(56,331)</b>	<b>803,269</b>	<b>(59,774)</b>	<b>824,385</b>	<b>(59,774)</b>	<b>824,385</b>			
<b>Restricted assets</b>																				
Land	16,246	-	16,246	3,479	175	-	(126)	-	-	-	-	20,871	-	20,871	-	-	20,871			
<b>Heritage assets</b>																				
Museum and library	34,676	-	34,676	-	190	-	-	-	-	-	-	34,891	-	34,891	-	-	34,891			
<b>Infrastructure assets</b>																				
Land	18,909	-	18,909	2,911	-	-	(103)	-	-	-	-	21,717	-	21,717	-	-	21,717			
Refuse	55,803	(372)	55,431	-	2,151	-	(57)	-	53	-	-	56,220	(539)	55,681	(539)	-	55,681			
Roads and traffic network	748,544	(33,527)	715,017	-	19,605	10,203	(2,246)	-	718	-	-	771,433	(50,607)	720,826	(50,607)	-	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	(57)	-	1	-	-	518,485	(7,895)	510,590	(7,895)	-	510,590			
Wastewater system	270,053	(10,931)	259,122	41,197	12,711	3,370	(442)	-	39	-	-	310,887	(6,133)	304,754	(6,133)	-	304,754			
Wastewater treatment plant	63,616	(4,648)	58,968	-	3,451	918	-	-	-	-	-	67,985	(7,173)	60,812	(7,173)	-	60,812			
Water system	269,135	(10,358)	258,777	(34,487)	10,570	1,867	(118)	-	10	-	-	241,252	(4,741)	236,511	(4,741)	-	236,511			
Water treatment station	65,202	(2,981)	62,221	-	4,659	-	-	-	-	-	-	70,462	(4,612)	65,850	(4,612)	-	65,850			
<b>Total infrastructure assets</b>	<b>2,534,880</b>	<b>(73,858)</b>	<b>2,461,022</b>	<b>159,067</b>	<b>58,078</b>	<b>31,491</b>	<b>(2,920)</b>	<b>-</b>	<b>821</b>	<b>-</b>	<b>2,739,825</b>	<b>(81,700)</b>	<b>2,658,125</b>	<b>(81,700)</b>	<b>2,739,825</b>	<b>(81,700)</b>	<b>2,658,125</b>			
<b>Total property, plant and</b>	<b>3,371,446</b>	<b>(133,840)</b>	<b>3,237,606</b>	<b>271,522</b>	<b>74,822</b>	<b>34,273</b>	<b>(36,778)</b>	<b>(35)</b>	<b>3,924</b>	<b>-</b>	<b>3,655,187</b>	<b>(138,031)</b>	<b>3,517,156</b>	<b>(141,474)</b>	<b>3,679,746</b>	<b>(141,474)</b>	<b>3,538,272</b>			

(1) The Group cost figures includes \$24.6m for Innovation Waikato Ltd (Group) - \$4.3m of buildings; \$377k of parks and gardens improvements, and \$19.9m of plant and equipment.

(2) The Group accumulated depreciation figures include \$3.4m for Innovation Waikato Ltd (Group) - \$598k for buildings and \$2.8m for plant and equipment.

## Work in progress

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

	Council	
	2017	2016
	\$000	\$000
<b>Operational assets</b>		
Land	-	32
Buildings	1,926	3,796
Land - parks and gardens	4	22
Improvements - parks and gardens	6,251	4,946
Plant and equipment	2,903	2,217
Finance leases	-	6
Vehicles	514	355
Library books	33	5
Zoo animals	-	12
Leasehold improvements	-	-
<b>Restricted assets</b>		
Land	-	-
<b>Heritage assets</b>		
Museum and library	11	25
<b>Infrastructure assets</b>		
Land	60	31
Refuse	228	273
Roads and traffic network	10,100	11,948
Land under roads	183	-
Stormwater system	2,164	1,073
Wastewater system	8,527	5,892
Wastewater treatment plant	345	2,767
Water system	32,511	15,122
Water treatment station	2,540	3,300
<b>Total work in progress</b>	<b>68,300</b>	<b>51,822</b>

## Capital commitments

The amount of contractual commitments for acquisition of property, plant and equipment is:

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Capital commitments by asset class</b>				
Land	295	-	295	-
Buildings	640	80	640	174
Improvements - parks and gardens	6,445	996	6,445	996
Plant and equipment	547	604	547	604
Leasehold improvements	260	98	260	98
Museum and library	1,174	1,942	1,174	1,942
Refuse	-	3	-	3
Roads and traffic network	54,937	26,278	54,937	26,278
Stormwater system	365	542	365	542
Wastewater system	4,203	509	4,203	509
Wastewater treatment plant	1,188	485	1,188	485
Water system	18,208	22,100	18,208	22,100
Water treatment station	106	75	106	75
<b>Total capital commitments</b>	<b>88,368</b>	<b>53,712</b>	<b>88,368</b>	<b>53,806</b>

## Note 20: 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.

### Accounting policy

#### Software acquisition and development

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

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

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

#### Amortisation

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

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

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

	Council					Group	
	Infrastructural modelling	Licenses	Computer software	Consents & designations	Total	Intangibles	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cost</b>							
Balance as at 1 July 2016	4,280	367	17,573	10,617	32,837	-	32,837
Additions	281	17	1,158	3,040	4,496	2	4,498
Disposals	-	-	-	-	-	-	-
Work in Progress (WIP)							
- Opening WIP	2,128	-	1,089	441	3,658	-	3,658
- Closing WIP	818	-	982	2,569	4,369	192	4,561
Change in WIP	(1,310)	-	(107)	2,128	711	192	903
Balance as at 30 June 2017	<b>3,251</b>	<b>384</b>	<b>18,624</b>	<b>15,785</b>	<b>38,044</b>	<b>194</b>	<b>38,238</b>
Balance as at 1 July 2015	2,635	236	16,277	10,502	29,650	-	29,650
Additions	-	151	2,699	-	2,850	-	2,850
Disposals	-	-	-	-	-	-	-
Work in Progress (WIP)							
- Opening WIP	483	20	2,492	326	3,321	-	3,321
- Closing WIP	2,128	-	1,089	441	3,658	-	3,658
Change in WIP	1,645	(20)	(1,403)	115	337	-	337
Balance as at 30 June 2016	<b>4,280</b>	<b>367</b>	<b>17,573</b>	<b>10,617</b>	<b>32,837</b>	-	<b>32,837</b>
<b>Accumulated amortisation and impairment</b>							
Balance as at 1 July 2016	(254)	(73)	(9,559)	(3,116)	(13,002)	-	(13,002)
Amortisation charge	(160)	-	(2,683)	(592)	(3,435)	-	(3,435)
Impairment	-	-	-	-	-	-	-
Amortisation reversed on disposal	-	-	-	-	-	-	-
Balance as at 30 June 2017	<b>(414)</b>	<b>(73)</b>	<b>(12,242)</b>	<b>(3,708)</b>	<b>(16,437)</b>	-	<b>(16,437)</b>
Balance as at 1 July 2015	(211)	(25)	(6,947)	(2,741)	(9,924)	-	(9,924)
Amortisation charge	(43)	(48)	(2,612)	(375)	(3,078)	-	(3,078)
Amortisation reversed on disposal	-	-	-	-	-	-	-
Balance as at 30 June 2016	<b>(254)</b>	<b>(73)</b>	<b>(9,559)</b>	<b>(3,116)</b>	<b>(13,002)</b>	-	<b>(13,002)</b>
<b>Carrying amounts</b>							
Balance as at 1 July 2015	2,424	211	9,330	7,761	19,726	-	19,726
Balance as at 30 June and 1 July 2016	4,026	294	8,014	7,501	19,835	-	19,835
Balance as at 30 June 2017	<b>2,837</b>	<b>311</b>	<b>6,382</b>	<b>12,077</b>	<b>21,607</b>	<b>194</b>	<b>21,801</b>

#### 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 (2016 \$nil).

## Note 21: Depreciation and amortisation expense by group of activity

### Accounting policy

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

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Directly attributable depreciation and amortisation expense by group of activity</b>				
Arts and Culture	3,553	2,721	3,553	2,721
Community Support	173	807	173	807
Economic Development	5,173	5,193	5,173	5,193
Parks and Green Spaces	3,745	3,253	3,745	3,253
Recreation	1,454	1,382	1,454	1,382
Rubbish and Recycling	395	372	395	372
Safety	80	86	80	86
Sewerage	9,115	9,056	9,115	9,056
Stormwater	8,232	8,013	8,232	8,013
Transport	17,707	18,503	17,707	18,503
Water Supply	6,968	6,660	6,968	6,660
<b>Total directly attributable depreciation and amortisation by group of activity</b>	<b>56,595</b>	<b>56,046</b>	<b>56,595</b>	<b>56,046</b>
Depreciation and amortisation not directly related to group of activities	4,711	4,370	5,920	5,455
<b>Total depreciation and amortisation expense</b>	<b>61,306</b>	<b>60,416</b>	<b>62,515</b>	<b>61,501</b>



### Explanation of significant variances against budget

Depreciation and amortisation

	Council	
	Actual 2017	Budget 2017
	\$000	\$000
Depreciation and amortisation	61,306	59,412

Depreciation and amortisation was \$1.9m above budget. This is attributable to:

- Revaluation of the transportation assets (effective from 1 July 2016), resulted in the value increasing greater than had been anticipated when the budget was set
- The useful lives of Council's operational buildings were reassessed in June 2016 which resulted in a depreciation increase. This reassessment occurred after the budget had been set.

## Note 22: Investment property

### Accounting policy

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. These assets consist of investment properties owned by the Council, funded either from Corporate Funds, the Domain Endowment Fund or the Municipal Endowment Fund.

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

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

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Balance at 1 July</b>	24,795	24,139	50,445	39,839
Additions from acquisitions	-	-	-	-
Additions from subsequent expenditure	-	22	407	9,185
Disposals	(5,375)	(2,120)	(5,502)	(2,120)
Fair value gains/(losses) on valuation (note 7)	2,639	2,754	2,866	3,541
<b>Balance at 30 June</b>	<b>22,059</b>	<b>24,795</b>	<b>48,216</b>	<b>50,445</b>

The valuation of Council's 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 group investment property (apart from investment property under construction discussed below) was also independently fair valued as at 30 June 2017. The valuation was performed by Seagar & Partners Limited, registered valuers and property consultants.

The group numbers include costs totalling \$407k in relation to investment property under construction (WIP) at balance date. These costs have not been fair valued as they cannot be reliably determined, but are expected to be fair valued upon completion.

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	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Rental revenue	1,953	2,256	4,634	2,256
Direct operating expenses from investment property generating revenue	792	1,851	792	1,851

## Note 23: Payables and deferred revenue

### Accounting policy

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Current portion</b>				
<i>Payables and deferred revenue under exchange transactions</i>				
Trade payables and accrued expenses	24,337	29,932	25,100	31,521
Income in advance	3,043	2,874	2,693	2,374
Amounts due to subsidiaries and associates	-	-	-	-
Amounts due to customers for contract work	1,573	1,243	1,573	1,243
<b>Total</b>	<b>28,953</b>	<b>34,049</b>	<b>29,366</b>	<b>35,138</b>
<i>Payables and deferred revenue under non-exchange transactions</i>				
Trade payables and accrued expenses	122	259	122	259
Income in advance	1,770	1,816	1,770	1,816
Income tax payable	-	-	154	-
Other taxes payable (Fringe benefit tax)	24	27	24	27
<b>Total</b>	<b>1,916</b>	<b>2,102</b>	<b>2,070</b>	<b>2,102</b>
<b>Non-current portion</b>				
<i>Payables and deferred revenue under exchange transactions</i>				
Income in advance	-	-	278	606
<b>Total</b>	<b>-</b>	<b>-</b>	<b>278</b>	<b>606</b>
<i>Payables and deferred revenue under non-exchange transactions</i>				
Trade payables - NZTA	1,250	976	1,250	976
<b>Total</b>	<b>1,250</b>	<b>976</b>	<b>1,250</b>	<b>976</b>
<b>Total payables and deferred revenue</b>	<b>32,119</b>	<b>37,127</b>	<b>32,964</b>	<b>38,822</b>

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

### Trade payables - NZTA

Council has payables of \$1.25m (2016 \$0.98m) being the NZTA advance funded portion of the Cambridge Road to Cobham Drive section of the Ring Road. The payable is due to be settled at the later of 1 July 2019 or the completion of the works. This payable was classified as borrowings in 2015/16.

## Note 24: Employee entitlements

### Accounting policy

#### Short-term employee entitlements

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

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

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

#### Long-term employee entitlements

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

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

#### Presentation of employee entitlements

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

### Critical accounting estimates and assumptions

#### Estimating retiring gratuities obligations

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

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns. A weighted average discount rate of 2.97% (2016: 2.34%) and an inflation factor of 1.9% (2016: 1.9%) were used.

	Council		Group	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Current portion</b>				
Accrued pay	1,289	1,024	1,434	1,024
Annual leave	4,921	4,548	5,111	4,548
Sick leave	267	203	267	203
Retiring gratuities	229	268	229	268
<b>Total current portion</b>	<b>6,706</b>	<b>6,043</b>	<b>7,041</b>	<b>6,043</b>
<b>Non-current portion</b>				
Retiring gratuities	1,122	1,068	1,122	1,068
<b>Total non-current portion</b>	<b>1,122</b>	<b>1,068</b>	<b>1,122</b>	<b>1,068</b>
<b>Total employee entitlements</b>	<b>7,828</b>	<b>7,111</b>	<b>8,163</b>	<b>7,111</b>



## Note 25: Provisions

### Accounting policy

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost in surplus or deficit (see note 9).

### Significant judgements and estimates

The present value of these cash flows is calculated using a discount rate of 6.0% (2016: 7.0%)

The present value of these cash flows is calculated using an inflation rate of 2.8% (2016: 2.8%)

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Current portion</b>				
Restructuring provision	156	96	156	96
WorkSafe fine	-	350	-	350
Weathertight homes resolution services claims	-	970	-	970
Landfill aftercare	1,194	1,281	1,194	1,281
<b>Total</b>	<b>1,350</b>	<b>2,697</b>	<b>1,350</b>	<b>2,697</b>
<b>Non-current portion</b>				
Weathertight homes resolution services claims	1,105	-	1,105	-
Landfill aftercare	13,191	12,559	13,191	12,559
Loan repayment provision	-	-	191	189
<b>Total</b>	<b>14,296</b>	<b>12,559</b>	<b>14,487</b>	<b>12,748</b>
<b>Total provisions</b>	<b>15,646</b>	<b>15,256</b>	<b>15,837</b>	<b>15,445</b>

### Restructuring

The final costs of the Chief Executive's restructuring plan (announced on 14 May 2015) were incurred in 2016-17.

A new provision of \$156k relates to restructuring in Corporate Services (announced on 18 November 2016) and Community Support (announced on 5 April 2017).

### WorkSafe fine

Hamilton City Council 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.

### Weathertight homes resolution services claims provision

Seven claims have been lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2017 (2016 3 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. It also offers a funding assistance package (FAP) to eligible homeowners. This sees the Council contribution capped at 25% of eligible costs if the homeowner elects to use the FAP scheme.

Four claims (2016 two claims) lodged via the court system are outstanding with an estimated liability of \$601k (2016 \$670k).

Total estimated exposure is \$1,105k (2016 \$970k). This represents an overall increase of \$135k 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.

### 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

### 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.

	Council					Group	
	Restructuring	WorkSafe fine	Weather-tightness claims	Landfill	Total	Loan repayment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2016</b>							
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)
Reversal of previously recognised provisions	(52)	-	-	-	(52)	-	(52)
Discount unwind (note 9)	-	-	-	643	643	-	643
<b>Balance at 30 June 2016</b>	<b>96</b>	<b>350</b>	<b>970</b>	<b>13,840</b>	<b>15,256</b>	<b>189</b>	<b>15,445</b>
<b>2017</b>							
Balance at 1 July 2016	96	350	970	13,840	15,256	189	15,445
Additional provisions made	156	-	605	-	761	2	763
Amounts used	(96)	(129)	(470)	(966)	(1,661)	-	(1,661)
Reversal of previously recognised provisions	-	(221)	-	681	460	-	460
Discount unwind (note 9)	-	-	-	830	830	-	830
<b>Balance at 30 June 2017</b>	<b>156</b>	<b>-</b>	<b>1,105</b>	<b>14,385</b>	<b>15,646</b>	<b>191</b>	<b>15,837</b>

## Note 26: Borrowings

### Accounting Policy

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

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

### Finance Leases

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

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

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

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the 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.

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Current</b>				
Secured loans	113,000	73,000	113,600	89,378
- Interest accrual	209	136	209	136
Lease liabilities	411	400	411	400
<b>Total current borrowings</b>	<b>113,620</b>	<b>73,536</b>	<b>114,220</b>	<b>89,914</b>
<b>Non-current</b>				
Secured loans	315,000	290,000	338,260	299,340
- Interest accrual	1,112	1,027	1,112	1,027
Lease liabilities	600	513	600	513
<b>Total non-current borrowings</b>	<b>316,712</b>	<b>291,540</b>	<b>339,972</b>	<b>300,880</b>
<b>Total borrowings</b>	<b>430,332</b>	<b>365,076</b>	<b>454,192</b>	<b>390,794</b>



### Explanation of significant variances against budget

#### Current and non-current liabilities

Total borrowings

- Opening Balance of Annual Plan borrowings budget was \$25.2m higher than actual.
- There were new borrowings of \$120m in 2016/17, versus a budget of \$84.7 – an increase of \$35.3m.
- Included in the amount for new borrowings is \$80m of prefunding to take advantage of favourable market conditions

#### 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	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Total borrowings (excluding bank overdraft)	430,332	365,076	454,192	390,794
less: Cash investments (note 12)	(27,121)	(6,964)	(28,021)	(9,080)
less: Term deposits (note 17)	(81,511)	(45,349)	(81,511)	(45,349)
plus: Restricted and cash-backed reserves	40,473	34,760	40,473	34,760
<b>Total overall debt</b>	<b>362,173</b>	<b>347,523</b>	<b>385,133</b>	<b>371,125</b>

#### Interest terms for secured loans

Council has \$28m of its total debt of \$428m issued at fixed rates of interest (2016 \$28m of \$363m). 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.

## 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 (2016: \$18m) of Commercial Paper that has a maturity of three months or less.

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

## Fair values

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

Due to interest rates on debt resetting to the market rate every three months, the carrying amounts of the majority of secured loans approximates their fair value. There is a \$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 \$10.80m (2016 \$11.32m). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date of 3.26% (2016 2.65%).

## Analysis of lease liabilities

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Total minimum finance lease payments payable:</b>				
Not later than one year	460	452	460	452
Later than one and not later than five years	640	556	640	556
Later than five years	-	-	-	-
<b>Total minimum finance lease payments</b>	<b>1,100</b>	<b>1,008</b>	<b>1,100</b>	<b>1,008</b>
Future finance charges	(89)	(95)	(89)	(95)
<b>Present value of minimum finance lease payments</b>	<b>1,011</b>	<b>913</b>	<b>1,011</b>	<b>913</b>
<b>Present value of minimum finance lease payments payable:</b>				
Not later than one year	411	400	411	400
Later than one and not later than five years	600	513	600	513
Later than five years	-	-	-	-
<b>Total minimum finance lease payments</b>	<b>1,011</b>	<b>913</b>	<b>1,011</b>	<b>913</b>
Current portion	411	400	411	400
Non-current portion	600	513	600	513
<b>Total finance lease liability</b>	<b>1,011</b>	<b>913</b>	<b>1,011</b>	<b>913</b>

## Interest rate

The interest rates applying to lease liabilities for 2017 range from 2.84% to 5.75% (2016 range from 3.14% to 6.68%).

## Description of material leasing arrangements

Council has entered into finance leases for various plant and equipment. The net carrying amount of leased items within each class of property, plant and equipment is included in the numbers disclosed in note 19.

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. This only applies to the Reserves Contribution Fund which supports 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%.

	Balance 1 July	Repaid	Borrowed	Interest	Balance 30 June
	\$000	\$000	\$000	\$000	\$000
<b>2017</b>					
Parks and Green Spaces	2,720	-	-	152	2,872
<b>Total internal borrowings</b>	<b>2720</b>	<b>0</b>	<b>0</b>	<b>152</b>	<b>2872</b>

	Balance 1 July	Repaid	Borrowed	Interest	Balance 30 June
	\$000	\$000	\$000	\$000	\$000
<b>2016</b>					
Parks and Green Spaces	4,940	(2,634)	134	280	2,720
<b>Total internal borrowings</b>	<b>4,940</b>	<b>(2,634)</b>	<b>134</b>	<b>280</b>	<b>2,720</b>

## Note 27: Contingencies

### Contingent liabilities

#### Weathertight homes resolution services and court claims

A provision for potential liability for seven claims (2016 three claims) that are outstanding with the Weathertight Homes Resolution Service, and four claims (2016 two claims) lodged via the court system have been made per note 25. There may be further claims in future but these are unable to be quantified at this point in time.

#### Unquantified claims

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including Hamilton City Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, 123 of which are located within Hamilton. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

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.

#### 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	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Financial guarantees (Bank of New Zealand)	251	275	251	275
Legal proceedings				
- Weathertight homes	730	-	730	-
- various legal proceedings	835	259	835	259
<b>Total contingent liabilities</b>	<b>1,816</b>	<b>534</b>	<b>1,816</b>	<b>534</b>

#### Uncalled capital

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Innovation Waikato Ltd	3	3	3	3
New Zealand Local Government Funding Agency Ltd	1,866	1866	1,866	1866
<b>Total uncalled capital</b>	<b>1,869</b>	<b>1,869</b>	<b>1,869</b>	<b>1,869</b>

#### Innovation Waikato Ltd

Innovation Waikato Ltd does not have any contingent liabilities or capital commitments as at 30 June 2017 (2016 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 31 local authority shareholders and 14 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 2017 (2016 \$1.9m). At 30 June 2017, LGFA had total borrowings of \$7.9b (2016 \$6.2b) 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+.

There are no quantifiable contingent liabilities arising from Council's involvement in its associates for 2017 (2016 \$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 28: Equity

### Accounting Policy

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

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

### 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.

### Revaluation Reserves

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

### Fair value through other comprehensive revenue and expense reserve

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Accumulated funds</b>				
Balance 1 July	1,642,101	1,611,331	1,660,722	1,626,982
Surplus/(deficit) for the year	51,885	11,041	55,082	14,011
Transfer from property revaluation reserve on disposal	1,053	16,406	1,053	16,406
Transfers from restricted and Council created reserves	2,765	9,664	2,765	9,664
Transfers to restricted and Council created reserves	(8,630)	(6,327)	(8,630)	(6,327)
Gain on Non Controlling Interest	-	-	-	-
Transfer to asset revaluation reserve	-	(14)	-	(14)
<b>Balance at 30 June</b>	<b>1,689,174</b>	<b>1,642,101</b>	<b>1,710,992</b>	<b>1,660,722</b>
<b>Restricted and Council created reserves</b>				
Balance at 1 July	37,480	40,817	37,480	40,817
Transfers from accumulated funds	8,630	6,327	8,630	6,327
Transfers to accumulated funds	(2,765)	(9,664)	(2,765)	(9,664)
<b>Balance at 30 June</b>	<b>43,345</b>	<b>37,480</b>	<b>43,345</b>	<b>37,480</b>
<b>Revaluation reserve</b>				
Balance at 1 July	1,519,394	1,264,383	1,538,839	1,280,727
Transfer to accumulated funds on disposal of assets	(1,053)	(16,406)	(1,053)	(16,406)
Impairment	-	-	-	-
Revaluation gains/(losses) - property, plant and equipment	276,554	271,523	283,482	274,624
Revaluation gains/(losses) - share of associates' reserves	-	-	-	-
Other movements	-	-	-	-
Revaluation gains/(losses) - shareholdings	2,646	(106)	2,646	(106)
<b>Balance at 30 June</b>	<b>1,797,541</b>	<b>1,519,394</b>	<b>1,823,914</b>	<b>1,538,839</b>
<b>Property revaluation reserves for each class consist of:</b>				
<b>Operational assets</b>				
Buildings	133,376	110,623	142,504	112,823
Plant and equipment	-	-	2,907	2,907
Heritage assets	11,284	11,284	11,284	11,284
Land	47,050	32,135	47,050	32,135
Parks and gardens improvement	21,087	21,170	21,087	21,170
Parks and gardens land	438,909	256,825	438,909	256,825
<b>Restricted assets</b>				
Land	12,378	10,088	12,378	10,088
<b>Infrastructure assets</b>				
Land	22,415	16,220	22,415	16,220
Refuse	39,419	39,419	39,419	39,419
Roads and traffic network	354,286	306,545	354,286	306,545
Stormwater	372,684	372,782	372,684	372,782
Wastewater system	201,069	201,338	201,069	201,338
Wastewater treatment plant	12,582	12,582	12,582	12,582
Water treatment station	10,627	10,627	10,627	10,627
Water system	117,729	117,756	117,729	117,756
<b>Total</b>	<b>1,794,895</b>	<b>1,519,394</b>	<b>1,806,930</b>	<b>1,524,501</b>
<b>Fair value through other comprehensive revenue and expense reserve</b>				
Balance at 1 July	-	106	14,338	14,444
Net change in fair value	2,646	(106)	2,646	(106)
<b>Balance at 30 June</b>	<b>2,646</b>	<b>-</b>	<b>16,984</b>	<b>14,338</b>
<b>Total reserves</b>	<b>1,840,886</b>	<b>1,556,874</b>	<b>1,867,259</b>	<b>1,576,319</b>
Non controlling interest	-	-	1,940	1,800
<b>Total equity</b>	<b>3,530,060</b>	<b>3,198,975</b>	<b>3,580,191</b>	<b>3,238,841</b>

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

Reserve	Activities to which the reserve relates	Balance 1 July	Transfers into fund	Transfers out of fund	Balance 30 June
		\$000	\$000	\$000	\$000
<b>2017</b>					
Cemetery plot maintenance in perpetuity reserve	Cemeteries and Crematorium	1,704	97	-	1,801
Domain Endowment Fund	Parks and Green Spaces and Stormwater	2,340	5,177	-	7,517
Municipal Endowment Fund	Strategic property investment	28,422	217	-	28,639
Waikato Art Gallery Endowment reserve	Arts promotion	9	1	-	10
<b>Total restricted reserves - 2017</b>		<b>32,475</b>	<b>5,492</b>	<b>-</b>	<b>37,967</b>
Bus shelter reserve	Travel demand management	306	77	(97)	286
Project Watershed operating reserve	Parks and Green Spaces and Stormwater	969	54	(173)	850
Hamilton Gardens reserve	Parks and Green Spaces	683	2,263	(2,090)	856
Reserves contribution fund	Strategic property investment	2,720	152	-	2,872
Waste minimisation reserve	Waste minimisation	327	592	(405)	514
<b>Total Council created reserves - 2017</b>		<b>5,005</b>	<b>3,138</b>	<b>(2,765)</b>	<b>5,378</b>
<b>Total restricted and Council created reserves - 2017</b>		<b>37,480</b>	<b>8,630</b>	<b>(2,765)</b>	<b>43,345</b>

Reserve	Activities to which the reserve relates	Balance 1 July	Transfers into fund	Transfers out of fund	Balance 30 June
		\$000	\$000	\$000	\$000
<b>2016</b>					
Cemetery plot maintenance in perpetuity	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 Memorial Fund	Libraries	1	-	(1)	-
Roman Catholic Schools Library Fund	Libraries	2	-	(2)	-
<b>Total restricted reserves - 2016</b>		<b>30,491</b>	<b>2,178</b>	<b>(194)</b>	<b>32,475</b>
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
<b>Total Council created reserves - 2016</b>		<b>10,326</b>	<b>4,149</b>	<b>(9,470)</b>	<b>5,005</b>
<b>Total restricted and Council created reserves - 2016</b>		<b>40,817</b>	<b>6,327</b>	<b>(9,664)</b>	<b>37,480</b>

**Purpose of each reserve fund:**

**Restricted reserves**

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

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

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

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

**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

**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

#### Restricted reserves

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

#### Council created reserves

- Housing upgrade reserve
- Rotokauri land sale reserve

### 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 29: 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).

	2017	2016
	\$	\$
<i>Councillors</i>		
Remuneration	1,090	1,066
Full-time equivalent members	13	13
<i>Senior Management Team including the Chief Executive</i>		
Remuneration	1,915	2,121
Full-time equivalent members	7	7.15
<b>Total key management personnel remuneration</b>	<b>3,005</b>	<b>3,187</b>
<b>Total full-time equivalent personnel</b>	<b>20</b>	<b>20.15</b>

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.

### Elected representatives' remuneration

Elected members received the following remuneration:

	Council		Group	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Mayor</b>				
Julie Hardaker				
Remuneration	47,190	151,137	47,190	151,137
Vehicle	976	2,929	976	2,929
Andrew King				
Remuneration	107,736	-	107,736	-
<b>Councillors</b>				
Gordon Chesterman	28,088	86,750	28,088	86,750
Margaret Forsyth	23,820	76,340	23,820	76,340
Martin Gallagher	85,380	76,340	85,380	76,340
Karina Green	21,231	69,000	21,231	69,000
Andrew King	23,820	76,340	23,820	76,340
Dave Macpherson	78,950	69,400	78,950	69,400
Garry Mallett	80,649	75,900	80,649	75,900
Angela O'Leary	83,281	83,280	83,281	83,280
Rob Pascoe	79,017	83,280	79,017	83,280
Leo Tooman	76,851	76,340	76,851	76,340
Ewan Wilson	21,655	69,400	21,655	69,400
Philip Yeung	74,686	69,400	74,686	69,400
Mark Bunting	48,767	-	48,767	-
James Casson	48,767	-	48,767	-
Siggi Henry	48,767	-	48,767	-
Paula Southgate	57,295	-	57,295	-
Geoff Taylor	53,031	-	53,031	-
<b>Total elected representatives' remuneration</b>	<b>1,089,957</b>	<b>1,065,836</b>	<b>1,089,957</b>	<b>1,065,836</b>

## Note 30: Events after balance date

Council resolved at a meeting on 21 September 2017 to:

1. Dissolve its wholly owned subsidiary Hamilton Properties Limited.
2. Sell the shares in Waikato Innovation Park Limited and establish a new Council Controlled Organisation, Waikato Innovation Growth Limited.

## Note 31: Reconciliation of net surplus / (deficit) after tax to net cash flow from operating activities

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Net surplus/(deficit) after tax</b>	<b>51,885</b>	<b>11,041</b>	<b>55,222</b>	<b>14,109</b>
<b>Add/(less) non-cash items:</b>				
Depreciation and amortisation	61,306	60,416	62,515	61,501
(Gains)/losses in fair value of bank borrowings	-	-	-	-
(Gains)/losses in fair value of interest rate swaps	(17,381)	21,432	(17,381)	21,432
(Gains)/losses in fair value of investment properties	(2,639)	(2,754)	(2,866)	(3,541)
(Gains)/losses unrealised on fair value of other financial assets	-	-	(294)	488
Impairment of other financial assets	-	2,096	(2)	64
Share of associates (surplus)/deficit	-	-	(1,885)	(168)
Income tax expense recognised in surplus/deficit	-	-	520	(89)
Reclassification of WIP to operating expenditure	635	1,682	635	1,682
Vested assets	(22,740)	(34,274)	(22,740)	(34,274)
<b>Total non-cash items</b>	<b>19,181</b>	<b>48,598</b>	<b>18,502</b>	<b>47,095</b>
<b>Add/(less) items classified as investing or financing activities:</b>				
Change in capital expenditure accruals	(1,312)	(122)	(1,312)	(122)
Change in loan repayment provision	-	-	-	-
(Gains)/losses on disposal of property, plant and equipment	1,493	12,454	1,750	12,874
(Gains)/losses on disposal of investment property	(87)	473	(87)	473
(Gains)/losses on disposal of investment in associate	-	-	-	-
Impairment of property, plant and equipment	-	36	-	36
<b>Total items classified as investing or financing activities</b>	<b>94</b>	<b>12,841</b>	<b>351</b>	<b>13,261</b>
<b>Add/(less) movements in working capital:</b>				
Trade debtors and other receivables	1,536	(369)	906	(310)
Inventory	(17)	(33)	228	(377)
Prepayments	(1)	(92)	(8)	(54)
Trade creditors and other payables	(3,208)	5,107	(4,592)	2,208
Employee entitlements	718	(809)	1,052	(809)
Provisions	390	4,561	390	4,579
<b>Total movements in working capital</b>	<b>(582)</b>	<b>8,365</b>	<b>(2,024)</b>	<b>5,237</b>
<b>Net cash inflow from operating activities</b>	<b>70,578</b>	<b>80,845</b>	<b>72,051</b>	<b>79,702</b>

## Note 32: Financial instruments

### Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	Council		Group	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>FINANCIAL ASSETS</b>				
<b>Fair value through surplus or deficit</b>				
Equity securities	-	-	2,664	2,855
Fixed interest instruments	-	-	3,137	2,709
Derivative financial instrument assets (note 16)	557	1,052	557	1,052
<b>Total fair value through surplus or deficit</b>	<b>557</b>	<b>1,052</b>	<b>6,358</b>	<b>6,616</b>
<b>Loans and receivables</b>				
Cash and cash equivalents	27,121	6,964	28,021	9,080
Receivables	17,198	18,972	18,563	19,811
Other financial assets:				
- community loans	16,931	16,037	16,931	16,037
- term deposits	80,600	44,680	80,600	44,680
<b>Total loans and receivables</b>	<b>141,850</b>	<b>86,653</b>	<b>144,115</b>	<b>89,608</b>
<b>Fair value through other comprehensive revenue and expense</b>				
Other financial assets:				
- Unlisted shares	7,057	4,411	4,998	2,350
<b>Total fair value through other comprehensive revenue and expense</b>	<b>7,057</b>	<b>4,411</b>	<b>4,998</b>	<b>2,350</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Fair value through surplus or deficit</b>				
Derivative financial instrument liabilities (note 16)	30,705	48,582	30,705	48,582
<b>Total fair value through surplus or deficit</b>	<b>30,705</b>	<b>48,582</b>	<b>30,705</b>	<b>48,582</b>
<b>Financial liabilities at amortised cost</b>				
Creditors and other payables (note 23)	27,306	32,437	28,223	34,026
Borrowings: (note 26)				
- bank overdraft	-	-	-	-
- secured loans	428,000	363,000	451,860	388,718
<b>Total financial liabilities at amortised cost</b>	<b>455,306</b>	<b>395,437</b>	<b>480,083</b>	<b>422,744</b>

### Fair value hierarchy

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

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

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

	Valuation technique			
	Total	Quoted market price	Observable inputs	Significant non-observable
	\$000	\$000	\$000	\$000
<b>30 June 2017 - Council</b>				
<b>Financial assets</b>				
Shares (note 17)	7,057	-	-	7,057
Derivative financial instrument assets (note 16)	557	-	557	-
<b>Financial liabilities</b>				
Derivative financial instrument liabilities (note 16)	30,705	-	30,705	-
<b>30 June 2017- Group</b>				
<b>Financial assets</b>				
Shares (note 17)	4,998	-	-	4,998
Equity securities	2,664	2,664	-	-
Fixed interest instruments	3,137	3,137	-	-
Derivative financial instrument assets (note 16)	557	-	557	-
<b>Financial liabilities</b>				
Derivative financial instrument liabilities (note 16)	30,705	-	30,705	-

	Valuation technique			
	Total	Quoted market price	Observable inputs	Significant non-observable
	\$000	\$000	\$000	\$000
<b>30 June 2016 - Council</b>				
<b>Financial assets</b>				
Shares (note 17)	4,411	-	-	4,411
Derivative financial instrument assets (note 16)	1,052	-	1,052	-
<b>Financial liabilities</b>				
Derivative financial instrument liabilities (note 16)	48,582	-	48,582	-
<b>30 June 2016 - Group</b>				
<b>Financial assets</b>				
Shares (note 17)	2,350	-	-	2,350
Equity securities	2,855	2,855	-	-
Fixed interest instruments	2,709	2,709	-	-
Derivative financial instrument assets (note 16)	1,052	-	1,052	-
<b>Financial liabilities</b>				
Derivative financial instrument liabilities (note 16)	48,582	-	48,582	-

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	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Balance at 1 July</b>	4,411	4,870	2,350	2,384
Gain and (losses) recognised in the surplus or deficit	-	-	-	-
Gain and (losses) recognised in other comprehensive revenue and expense	2,646	(459)	2,646	(34)
Purchases	-	-	-	-
Sales	-	-	-	-
Transfers into level 3	-	-	-	-
Transfers out of level 3	-	-	-	-
<b>Balance at 30 June</b>	<b>7,057</b>	<b>4,411</b>	<b>4,996</b>	<b>2,350</b>

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

### Financial instrument risks

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

#### Market risk

##### · Price risk

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

##### · Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council uses foreign currency forward exchange contracts to manage foreign currency exposure. Council's policy is that foreign currency exposure of amounts greater than \$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 \$3.12m of the total equity securities of \$3.13m are not hedged (2016 \$1.7m out of total equity securities of \$2.85m).

##### · 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 27.

Credit risk is the risk that a third party will default on its obligation to Council, causing Council to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits, which gives rise to credit risk. The council also provides a financial guarantee, which gives rise to credit risk.

Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover debt from ratepayers.

The Council's Investment and Liability Management policy limits the amount of credit exposure to any one financial institution or organisation.

### Maximum exposure to credit risk

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

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Cash and cash equivalents	27,121	6,964	28,021	9,080
Debtors and other receivables	17,198	18,972	18,563	19,811
Equity securities	-	-	2,664	2,855
Fixed interest instruments	-	-	3,137	2,709
Community and related party loans	16,931	16,037	16,931	16,037
Term deposits	80,600	44,680	80,600	44,680
Financial guarantees	251	275	251	275
<b>Total credit risk</b>	<b>142,101</b>	<b>86,928</b>	<b>150,167</b>	<b>95,447</b>

### Credit quality of financial assets

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

	Rating	Council		Group	
		2017	2016	2017	2016
		\$000	\$000	\$000	\$000
<b>Counterparties with credit ratings</b>					
Cash and cash equivalents	AA-	27,121	6,964	28,021	9,080
	A+	-	-	-	-
Term deposits	AA+	5,600	3,680	5,600	3,680
	AA-	75,000	35,000	75,000	35,000
	A+	-	6,000	-	6,000
Fixed interest instruments	AAA	-	-	682	636
	AA+	-	-	46	74
	AA	-	-	26	35
	AA-	-	-	609	545
	A+	-	-	158	140
	A	-	-	95	166
	A-	-	-	202	173
	BBB+	-	-	432	414
	BBB	-	-	155	101
	BBB-	-	-	49	30
	BB+	-	-	4	11
	B	-	-	12	-
<b>Total fixed interest instruments</b>		-	-	<b>2,470</b>	<b>2,325</b>

	Council		Group	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
<b>Counterparties without credit ratings</b>				
Fixed interest instruments				
- existing counterparty with no defaults in the past	-	-	127	384
Community and related party loans and mortgages				
- existing counterparty with no defaults in the past	16,931	16,037	16,931	16,037
<b>Total community and related party loans and mortgages</b>	<b>16,931</b>	<b>16,037</b>	<b>16,931</b>	<b>16,037</b>

## Liquidity risk

### Management of 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 (2016 \$500k). There are no restrictions on the use of this facility. Council also has \$470m (2016 \$405m) of committed borrowing facilities, with available headroom of \$148.4m (2016 \$88.9m) 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 27.

### Contractual maturity analysis of financial liabilities, excluding financial derivatives

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

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000
<b>Council 2017</b>					
Creditors and other payables	27,306	27,306	26,056	1,250	-
Secured loans	428,000	479,260	123,085	194,640	161,535
Finance leases	1,011	1,100	460	640	-
Financial guarantees	251	251	251	-	-
<b>Total</b>	<b>456,568</b>	<b>507,917</b>	<b>149,852</b>	<b>196,530</b>	<b>161,535</b>

<b>Group 2017</b>					
Creditors and other payables	28,223	28,223	26,973	1,250	-
Secured loans	451,860	507,057	124,283	221,239	161,535
Finance leases	1,011	1,100	460	640	-
Financial guarantees	251	251	251	-	-
<b>Total</b>	<b>481,345</b>	<b>536,631</b>	<b>151,967</b>	<b>223,129</b>	<b>161,535</b>

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000
<b>Council 2016</b>					
Creditors and other payables	32,437	32,437	32,437	-	-
Secured loans	363,000	395,114	82,905	269,848	42,361
Finance leases	913	1,008	452	556	-
Financial guarantees	275	275	275	-	-
<b>Total</b>	<b>396,625</b>	<b>428,834</b>	<b>116,069</b>	<b>270,404</b>	<b>42,361</b>
<b>Group 2016</b>					
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	-	-
<b>Total</b>	<b>428,915</b>	<b>463,126</b>	<b>140,035</b>	<b>280,730</b>	<b>42,361</b>



### Contractual maturity analysis of derivative financial instrument liabilities

The table below analyses the Council and group's derivative financial instrument liabilities into those that are settled on a net basis and those that will be settled on a gross basis into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
<b>Council and group 2017</b>	\$000	\$000	\$000	\$000	\$000
Net settled derivatives	30,705	60,666	8,469	29,018	23,179
<b>Total</b>	<b>30,705</b>	<b>60,666</b>	<b>8,469</b>	<b>29,018</b>	<b>23,179</b>

### Council and group 2016

Net settled derivatives	48,582	61,653	8,184	27,934	25,535
<b>Total</b>	<b>48,582</b>	<b>61,653</b>	<b>8,184</b>	<b>27,934</b>	<b>25,535</b>

### 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
<b>Council 2017</b>	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	27,121	27,158	27,158	-	-
Receivables	17,198	17,198	17,198	-	-
Community and related party loans	16,931	18,800	-	18,800	-
Other financial assets:					
- Term deposits	80,600	82,452	77,292	2,814	2,346
<b>Total</b>	<b>141,850</b>	<b>145,608</b>	<b>121,648</b>	<b>21,614</b>	<b>2,346</b>

### Group 2017

Cash and cash equivalents	28,021	28,021	28,021	-	-
Debtors and other receivables	18,563	18,563	18,563	-	-
Community and related party loans	16,931	18,800	-	18,800	-
Other financial assets:					
- Term deposits	80,600	82,452	77,292	2,814	2,346
<b>Total</b>	<b>144,115</b>	<b>147,836</b>	<b>123,876</b>	<b>21,614</b>	<b>2,346</b>

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
<b>Council 2016</b>	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	6,964	6,964	6,964	-	-
Debtors and other receivables	18,972	18,972	18,972	-	-
Community and related party loans	16,037	18,890	90	18,800	-
Other financial assets:					
- Term deposits	44,680	46,391	42,424	3,545	422
<b>Total</b>	<b>86,653</b>	<b>91,217</b>	<b>68,450</b>	<b>22,345</b>	<b>422</b>

### Group 2016

Cash and cash equivalents	9,080	9,080	9,080	-	-
Debtors and other receivables	19,811	19,811	19,811	-	-
Community and related party loans	16,037	18,890	90	18,800	-
Other financial assets:					
- Term deposits	44,680	46,391	42,424	3,545	422
<b>Total</b>	<b>89,608</b>	<b>94,172</b>	<b>71,405</b>	<b>22,345</b>	<b>422</b>

## Sensitivity analysis

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

Council	2017				2016			
	-100bps		+100bps		-100bps		+100bps	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Interest rate risk</b>								
<b>Financial assets</b>								
Cash and cash equivalents	(271)	-	271	-	(70)	-	70	-
<b>Financial liabilities</b>								
Borrowings - secured loans	1,375	-	(1,375)	-	845	-	(845)	-
Derivative financial instruments	(20,031)	-	18,393	-	(24,809)	-	21,959	-
<b>Total sensitivity</b>	<b>(18,927)</b>	<b>-</b>	<b>17,289</b>	<b>-</b>	<b>(24,034)</b>	<b>-</b>	<b>21,184</b>	<b>-</b>

Group	2017				2016			
	-100bps		+100bps		-100bps		+100bps	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Interest rate risk</b>								
<b>Financial assets</b>								
Cash and cash equivalents	(280)	-	280	-	(91)	-	(91)	-
<b>Financial liabilities</b>								
Borrowings - secured loans	1,614	-	(1,614)	-	1,102	-	(1,102)	-
Derivative financial instruments	(20,031)	-	18,393	-	(24,809)	-	21,959	-
<b>Total sensitivity</b>	<b>(18,698)</b>	<b>-</b>	<b>17,060</b>	<b>-</b>	<b>(23,798)</b>	<b>-</b>	<b>20,766</b>	<b>-</b>

### 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	2017				2016			
	-10%		+10%		-10%		+10%	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Foreign exchange risk</b>								
<b>Financial assets</b>								
Equity securities	(312)	-	312	-	(172)	-	172	-
<b>Total</b>	<b>(312)</b>	<b>-</b>	<b>312</b>	<b>-</b>	<b>(172)</b>	<b>-</b>	<b>172</b>	<b>-</b>

Group	2017				2016			
	-10%		+10%		-10%		+10%	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Equity price risk</b>								
<b>Financial assets</b>								
Equity securities	-	(314)	-	314	-	(285)	-	285
<b>Total</b>	<b>-</b>	<b>(314)</b>	<b>-</b>	<b>314</b>	<b>-</b>	<b>(285)</b>	<b>-</b>	<b>285</b>

### 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 33: Adjustments to the comparative year financial statements

The Council and group has adjusted the comparative year financial statements for the year ended 30 June 2016 due to reclassification adjustments. The adjustments are shown in the table below:

Council	Note	Actual 2016		
		Before adjustments \$000	Reclassification adjustments \$000	After adjustments \$000
<b>Revenue</b>				
<b>Fees and charges</b>				
- Building and resource consent charges	a.	9,257	314	9,571
- Trade waste	a.	2,974	95	3,069
- Event facilities	b.	4,197	(72)	4,125
Other fees and charges	a.	8,639	(856)	7,783
Parking fees	a.	2,669	447	3,116
Rental revenue from investment properties	b.	2,256	(2,256)	-
Pensioner housing	b.	1,592	(1,592)	-
Other rental income	b.	1,548	(1,548)	-
<b>Total fees and charges</b>		<b>33,132</b>	<b>(5,468)</b>	<b>27,664</b>
<b>Gains</b>				
Investment property gain on disposal	c.	128	(128)	-
Property, plant, and equipment gain on disposal	c.	42	(42)	-
Investment property revaluation gain	c.	2,754	(2,754)	-
<b>Total gains</b>		<b>2,924</b>	<b>(2,924)</b>	<b>-</b>
<b>Other revenue</b>				
Rental revenue from investment properties	b.		2,164	2,164
Rents - Residential	b.		1,435	1,435
Other rental income	b.		1,869	1,869
Investment property gain on disposal	c.		128	128
Property, plant, and equipment gain on disposal	c.		42	42
Investment property revaluation gain	c.		2,754	2,754
<b>Total other revenue</b>		<b>-</b>	<b>8,392</b>	<b>8,392</b>
<b>Expenses</b>				
<b>Losses</b>				
Investment property loss on disposal	d.	601	(601)	-
Property, plant, and equipment loss on disposal	d.	12,496	(12,496)	-
<b>Total losses</b>		<b>13,097</b>	<b>(13,097)</b>	<b>-</b>
<b>Other expenses</b>				
Consultants	e.	6,111	(6,111)	-
Legal fees	e.	1,652	(1,652)	-
Consultants and legal fees	e.		7,763	7,763
Property, plant, and equipment loss on disposal	d.		13,097	13,097
<b>Total other expenses</b>		<b>7,763</b>	<b>13,097</b>	<b>20,860</b>
<b>Non-current liabilities</b>				
Borrowings	f.	976	(976)	-
Trade payables - NZTA	f.		976	976
<b>Total non-current liabilities</b>		<b>976</b>	<b>-</b>	<b>976</b>

### Explanatory notes

#### Reclassification adjustments for the Council and group

- Revenue from other fees and charges \$856k (group \$856k) has been reclassified to other categories within fees and charges.
- Rental income from investment properties, rents - residential and other rental income totalling \$5.4m (group \$5.4m) have been reclassified from fees and charges to other revenue.
- Gains of \$2.9m (group \$2.9m) have been reclassified from gains to other revenue.
- Loss on disposal of investment property and property, plant and equipment have been reclassified from losses to other expenses.
- Consultants and legal fees have been aggregated as one figure.
- A trade payable due to NZTA has been reclassified from borrowings to trade payables - NZTA.

Council	Note	Budget 2017		
		Before adjustments	Reclassification adjustments	After adjustments
		\$000	\$000	\$000
<b>Revenue</b>				
Rates	g.	153,747	(371)	153,376
Revenue from activities	h.	40,023	(40,023)	-
Fees and charges	h.		33,620	33,620
Other revenue	h.	11,493	6,403	17,896
<b>Expenses</b>				
Other expenses	g.	67,249	(371)	66,878

#### Explanatory notes

##### Reclassification budget adjustments

- g. For the Council, the budget for metered water charges to Council properties has been reclassified as Rates.  
h. For the Council, the budget for revenue from activities has been reclassified as Fees and charges and other revenue.

## Local government disclosures

#### Rating base information

The council's rating base information relating to preceding financial years is:

	30 June 2016	30 June 2015
The number of rating units	57,180	56,118
The total capital value of rating units	\$ 32,642,267,500	\$ 26,392,724,150
The total land value of rating units	\$ 14,470,656,800	\$ 10,947,230,650

#### Insurance of assets

The following information relates to the insurance of Council assets as at 30 June.

	Council	
	2017 \$000	2016 \$000
The values listed are the declared values Council has provided to its Insurance broker.		
<b>Material Damage</b> 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.	938,806	819,036
<b>Fine Arts</b> This cover is for the declared values of art, artefacts and declared outdoor sculptures owned by Council.	38,711	36,211
<b>Commercial Motor Vehicles</b> Motor insurance up to the declared value of each individual vehicle.	12,455	11,930
<b>Infrastructure</b> 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.	1,755,450	1,402,834
<b>Boiler Explosion</b> 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.	890	1,106
<b>Contract Works</b> 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.	8,000	3,000
<b>Business Interruption</b> \$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.	81,453	79,200

# COUNCIL FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

	Annual Plan 2016 \$000	Actual 2016 \$000	Annual Plan 2017 \$000	Actual 2017 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties (1)	13,265	12,424	138,708	26,534
Targeted rates (2)	132,979	134,870	15,039	127,162
Subsidies and grants for operating purposes	5,110	5,025	5,443	5,803
Fees and charges	39,570	42,807	37,619	39,611
Interest and dividends from investments	2,143	2,489	2,144	2,228
Local authorities fuel tax, fines, infringement fees, and other receipts	3,530	3,040	3,573	5,554
<b>Total operating funding</b>	<b>196,597</b>	<b>200,655</b>	<b>202,526</b>	<b>206,892</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	130,291	141,283	135,749	142,367
Finance costs	22,647	21,713	22,257	20,114
Other operating funding applications	-	-	-	634
<b>Total applications of operating funding</b>	<b>152,938</b>	<b>162,996</b>	<b>158,006</b>	<b>163,115</b>
<b>Surplus/(deficit) of operating funding</b>	<b>43,659</b>	<b>37,659</b>	<b>44,520</b>	<b>43,777</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	4,147	5,508	4,676	8,682
Development and financial contributions	9,500	24,239	11,027	15,797
Increase/(decrease) in debt	6,488	(32,474)	29,237	65,098
Gross proceeds from the sale of assets	139	6,103	137	6,522
Lump sum contributions	-	-	-	-
Other dedicated capital funding	1,713	3,499	1,749	4,813
<b>Total sources of capital funding</b>	<b>21,987</b>	<b>6,875</b>	<b>46,826</b>	<b>100,912</b>
<b>Application of capital funding</b>				
Capital expenditure				
- to meet additional demand	25,988	24,971	40,572	36,341
- to improve the level of service	6,703	12,118	12,529	16,721
- to replace existing assets	32,955	31,883	37,665	33,019
Increase/(decrease) in reserves	-	(4,972)	(117)	2,531
Increase/(decrease) of investments	-	(19,466)	697	56,077
<b>Total application of capital funding</b>	<b>65,646</b>	<b>44,534</b>	<b>91,346</b>	<b>144,689</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(43,659)</b>	<b>(37,659)</b>	<b>(44,520)</b>	<b>(43,777)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(1) Until Hamilton City Council fully transitions to a capital value rating system, the land value portion of the general rate is reported in the general rates line and the capital value portion of the general rate is reported as part of the targeted rates line, along with the Hamilton Gardens targeted rate.

(2) The split of the general and targeted rate was incorrectly reported in the 2016/17 Annual Plan. Regulations prescribe that we report against the approved Annual Plan.

# DISCLOSURE STATEMENT

## Annual report disclosure statement for year ended 30 June 2017

### 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.

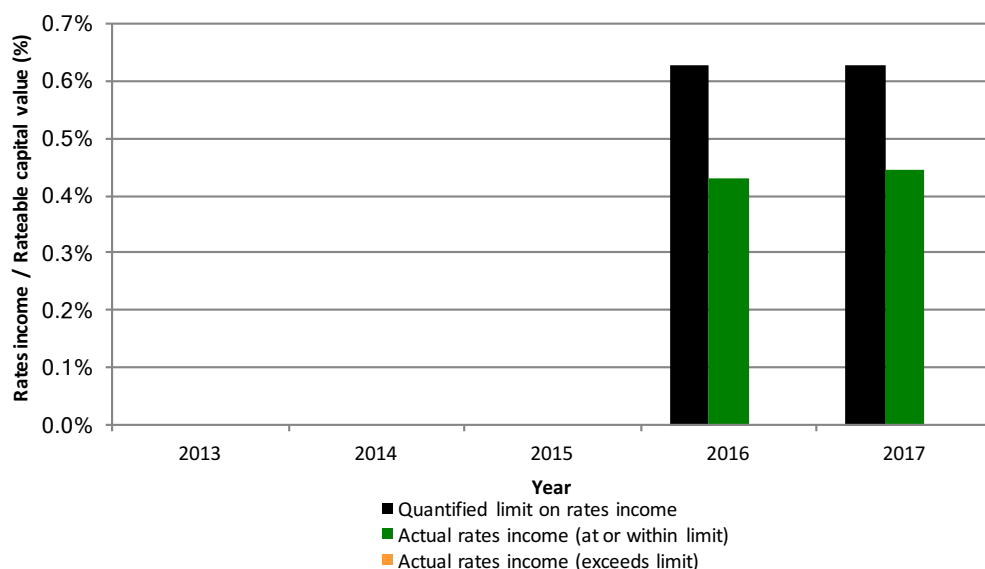
### Rates affordability benchmark

The council meets the rates affordability benchmark if-

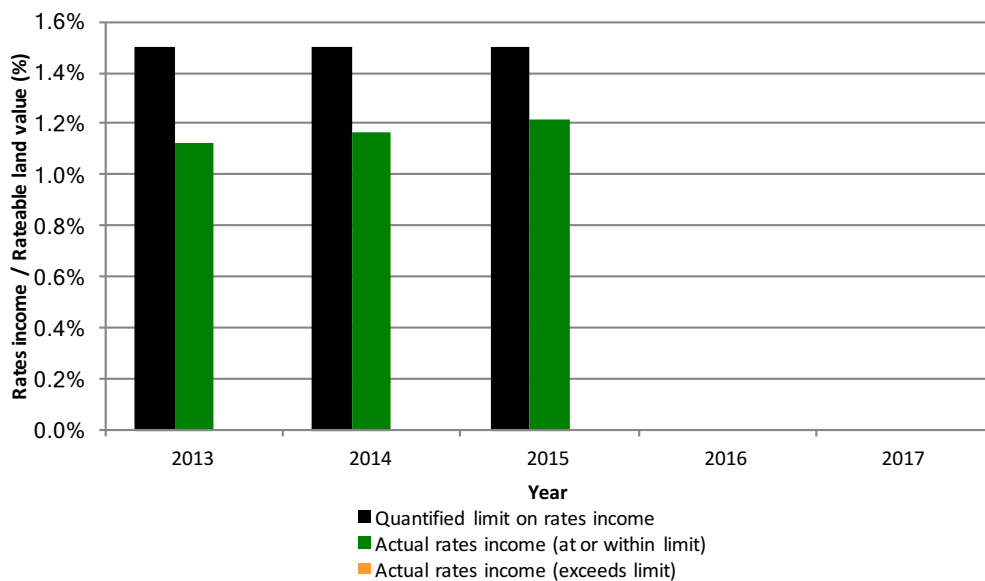
- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

### 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.

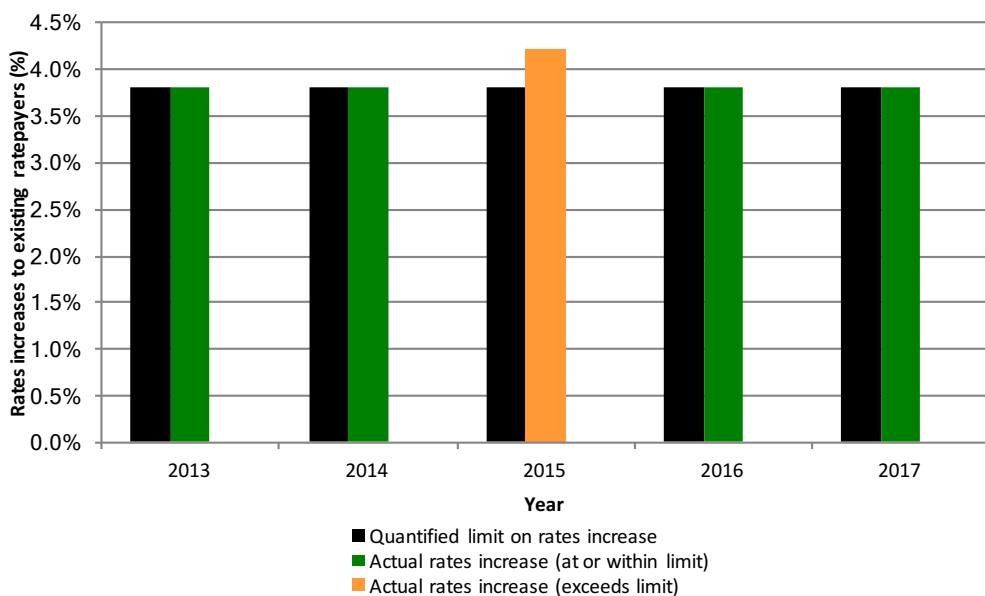


The following graph shows Council’s quantified limit on rates prior to the 2016 year. The limit was that rates will not exceed 1.5% of the city’s rateable land value. With Council now in the process of transitioning the basis of rates collection from land to capital value, this measure has now been discontinued in favour of the rateable capital value limit (above).



### Rates (increases) affordability

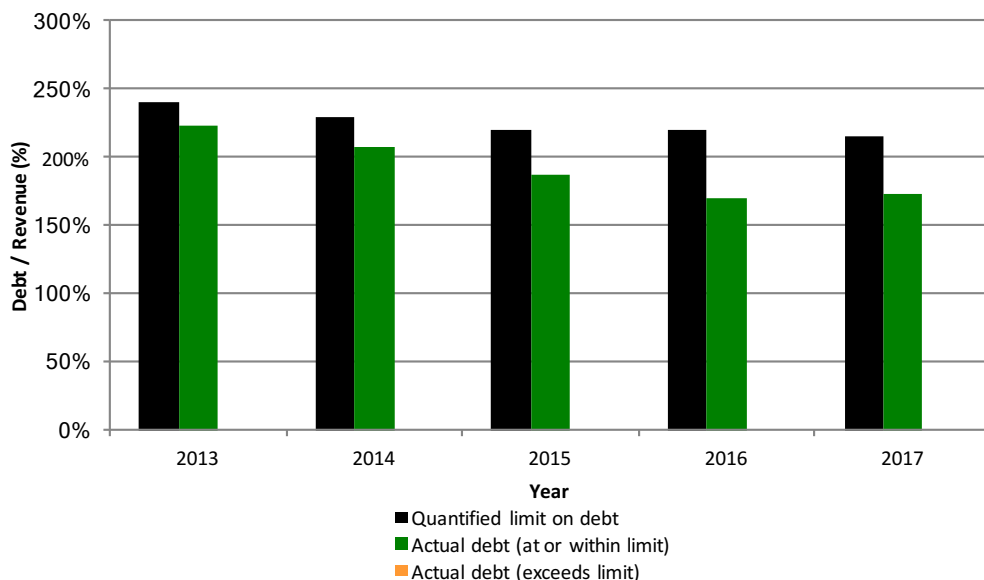
The following graph compares the Council’s actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Council’s long-term plan. The quantified limit is that rates increases to existing ratepayers will not exceed 3.8%.



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.

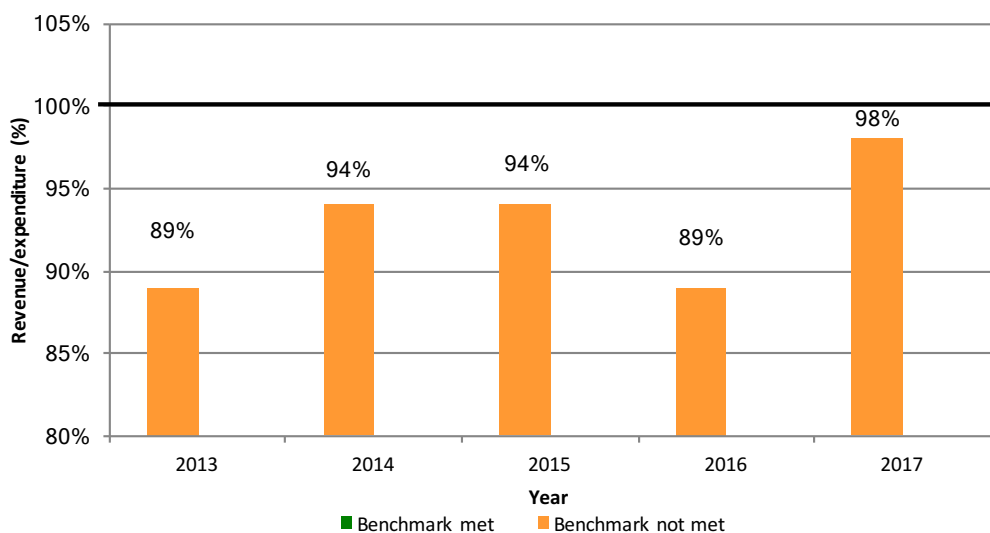
## Debt affordability benchmark

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.



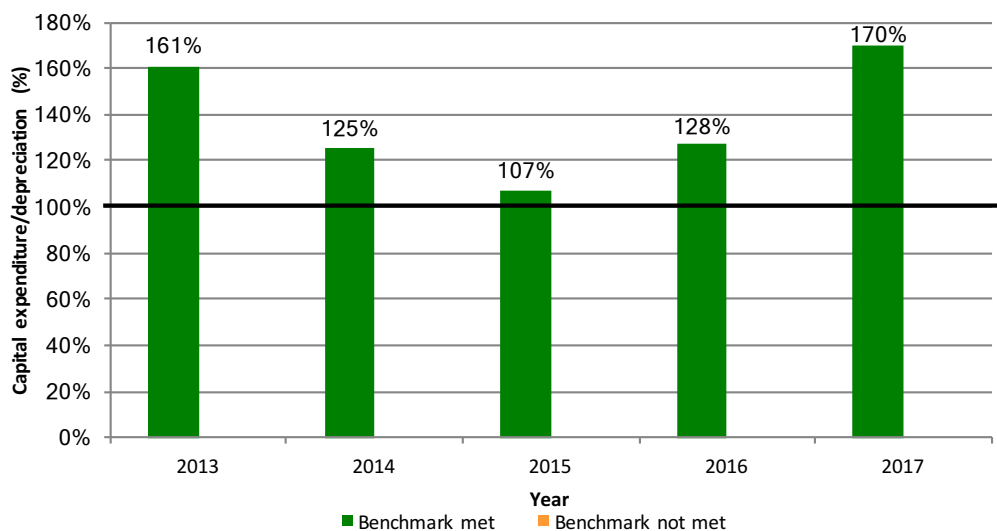
This benchmark is similar to Council’s own “Balancing the Books” measure that was introduced prior to the Local Government (Financial Reporting) Regulations. Council does meet its own measure that it believes is more relevant to a growing city. There are four main differences between the measures:

- 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.



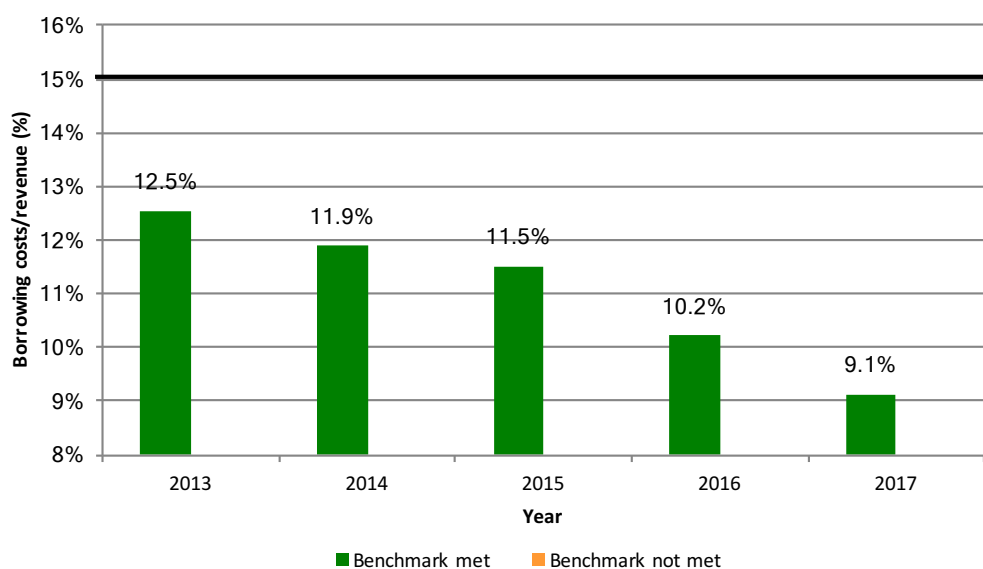
## Essential services benchmark

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.



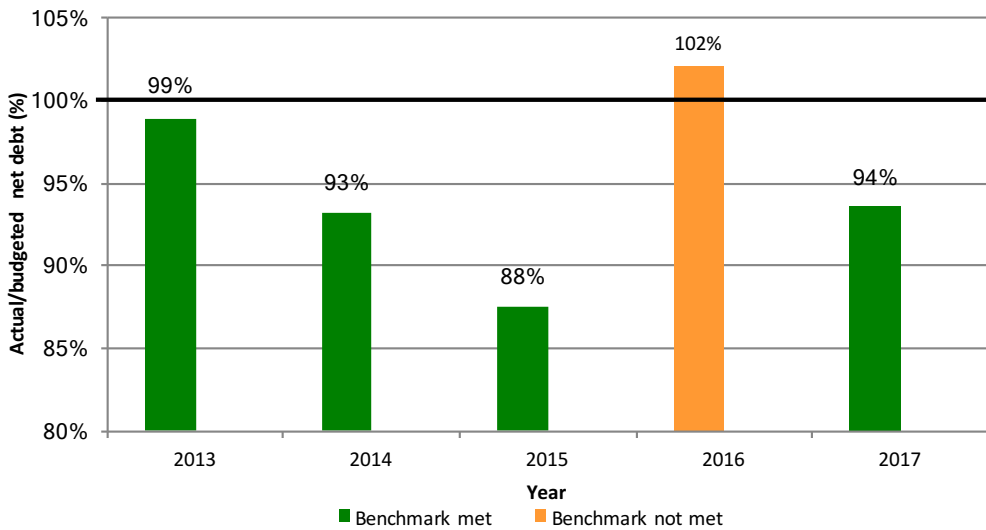
## Debt servicing benchmark

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.



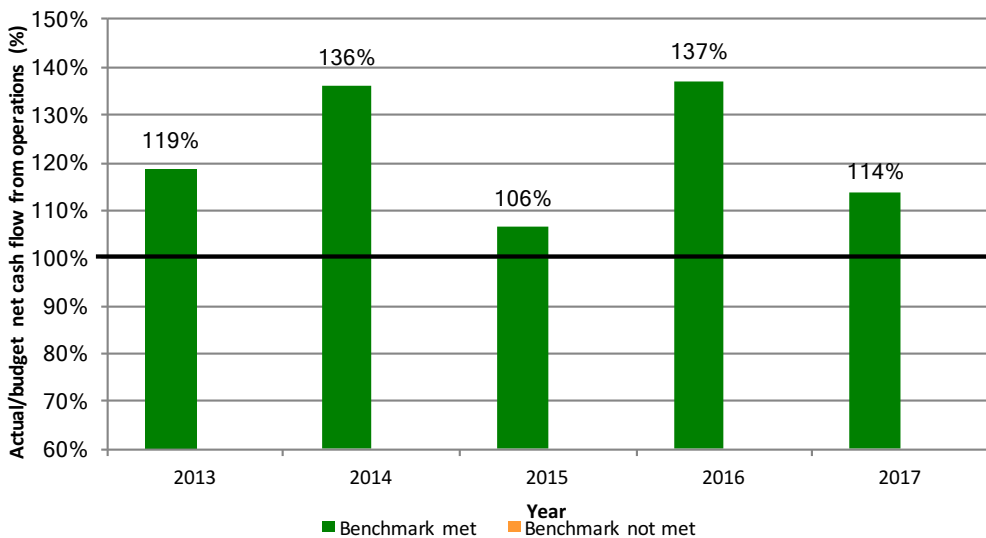
## Debt control benchmark

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 2016-17 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.

## Waikato Local Authority Shared Services Limited (WLASS)

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 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.
- There are four major initiatives operating under the WLASS umbrella, plus a support role for the collaborative work streams of the Waikato Mayoral Forum. The four major initiatives are:
  - o Shared Valuation Data Service (SVDS);
  - o Waikato Regional Transportation Model (WRTM);
  - o Joint Procurement Initiatives; and
  - o Waikato Regional Aerial Photography Service (WRAPS)
- Three new activities transferred into WLASS, effective from 1 July 2016. They are:
  - o Waikato Building Consent Group (WBCG);
  - o Road Asset Technical Accord (RATA); and
  - o Future Proof
- Additional opportunities for shared services being developed include a shared regional GIS data portal, on-line Land Information Memorandums, on-line credit card payment facilities, on-line service for building consents, and energy audits to investigate energy efficiency opportunities.

## Key performance targets

Performance targets are specified in the WCLASS Statement of Intent for 2016-17 and are summarised with the actual results below:

Performance Targets	Actual Outcome
Procurement: Joint procurement initiatives for goods and services for WCLASS 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 WCLASS 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 work streams to the Mayoral Forum.	Partly Achieved
Shared Valuation Data Services (SVDS): The SVDS is reliable, well maintained and available to all users.	Achieved
Insurance: Achieve the relevant Insurance KPI's in Appendix 4 of Insurance Brokerage contract with AON.	N/A
RATA: All stakeholders are kept informed about RATA's projects and achievements.	Achieved
RATA: Sub-regional data collection contracts deliver good quality data on roading assets.	Achieved
Waikato Regional Transport Model (WRTM): The WRTM is reliable, well maintained and available to all users.	Achieved
Waikato Building Consent Group: Provide strategic direction and actively pursue improvements in Building Control across the Waikato Region - Internal audits completed annually for each group member - Provide group members with a joint quality assurance system that meets statutory compliance - Report at least six monthly to the WCLASS board on the group's activities	Partially Achieved Not Achieved Achieved
Future proof: All stakeholders are kept informed about Future Proof's projects and achievements.	Achieved
Shareholder Survey – Shareholders are satisfied with the performance of WCLASS.	In Progress
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)

<b>Ownership</b>	8.3%
<b>Representation (total members)</b>	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 incidentally 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 2017 will be less than 0.50% higher.	Not achieved
The average margin above LGFA's cost of funds charged to the highest rated participating local authorities for the period to 30 June 2017 will be no more than 0.10%.	Not achieved
LGFA's annual issuance and operating expenses for the period to 30 June 2017 will be less than \$4.80 million.	Achieved
Total lending to participating local authorities at 30 June 2017 will be at least \$7,341 million.	Achieved. Total lending of \$7,736 million
LGFA will demonstrate the savings to council borrowers on a relative basis to other sources of financing achieved in the relevant financial year and compared to previous financial years.	Achieved

## 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 2016-17 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.	Achieved
Independently review and implement the company's Health & Safety framework to align with the requirements of the Health and Safety at Work Act 2015.	Achieved
To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports.	Achieved
Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events).	Achieved
Facilitate noise management meetings each 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 2016/17	Actual Result for 2016/17	Outcome
Earnings before interest, taxation and depreciation	\$2,279,000	\$2,443,000	Achieved
Net surplus/(deficit) after tax	\$(366,000)	(\$305,000)	Achieved
Net surplus after tax to average shareholder funds	-1.00%	-0.42%	Achieved
Net surplus after tax to total assets	0.00%	-0.30%	Not Achieved
Percentage of non-landing charges revenue	76%	81%	Achieved
Net cashflow (operating and investing)	(\$451,000)	(\$884,000)	Not Achieved
Total liabilities/shareholders funds ( debt/equity ratio)	26:74	20:80	Achieved
Interest cover (parent only and calculated on the basis of interest from TPL and revaluations being excluded)	6.56	8.63	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 2016-17 and are summarised with the actual results below:

Performance Targets	Actual Outcome
Trust Deed review to be completed and implemented.	Achieved
Trust membership obligations are fulfilled in accordance with section 5 of the Trust Deed.	Achieved
Trust funds are prudently invested.	Achieved
The Investment portfolio to be monitored to ensure it meets the risk tolerance, investment time zone and drawings requirements of the Trust.	Achieved
Provide funding for projects that support Hamilton City Council's vision and strategic aspirations, in particular, sustainable, well planned projects for the well-being of people and the environment now and in the future.	Achieved
Ensure audit issues raised in the Management Letter are actioned.	Achieved

Vibrant Hamilton Trust made a net surplus of \$211,427 for the year ended 30 June 2017.



## 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:**
  - WIPL will contribute to a successful economic growth strategy, in collaboration with other regional agencies, NZTE and Callaghan Innovation. WIPL will specialise in funding grants from Callaghan Innovation and NZTE, incubation, clustering, and business to business collaboration.

### NZFIW

- 300 days of product development production via the spray dryer contributing \$50m to the regional economy
- Approval of both shareholders is obtained before private investment is agreed or NZFIW commits to the new spray dryer.
- Commitment by private capital to establish increased spray dryer to obtain increased open access space for new customers.
- Resource consents obtained for a new spray dryer facility.

### WIPL – Property (2017-19)

- Existing buildings 98% occupied.
- Ownership of the Waikato Innovation Park remains as it currently is.
- No Additional buildings budgeted.
- Surplus cash to be applied to repayment of bank debt to address the thin Equity/Total Assets ratios.
- All interest and debt covenants are met.

### 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 2016-17 and are summarised with the actual results below:

### Financial Performance Measures:

	Statement of Intent Targets for 2016/17	Actual Result for 2016/17	Outcome
Group earnings before interest, taxation and depreciation	\$3,521,000	\$4,564,000	Achieved
Group cash from operating activities	\$447,000	\$1,556,000	Achieved
Group profit/(loss) after tax and dividends	\$601,000	\$1,054,000	Achieved
Shareholders' funds (including deferred income) /Tangible assets	42%	44%	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 2017, and the results of its operations and cash flows and the service performance achievements for the year ended on that date.



**Andrew King**  
Hamilton Mayor  
18 October 2017



**Richard Briggs**  
Chief Executive  
18 October 2017

## Independent Auditor's Report

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

The Auditor-General is the auditor of Hamilton City Council (the City Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to report on the information in the City Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the City Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the City Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 18 October 2017. This is the date on which we give our report.

### Opinion on the audited information

In our opinion:

- the financial statements on pages 68 to 130:
  - present fairly, in all material respects:
    - the City Council and Group's financial position as at 30 June 2017; and
    - the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity accounting standards;
- the funding impact statement on page 131, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's annual plan;
- the service performance measures on pages 9 to 65:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2017, 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 included in pages 14 to 66, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 14 to 66, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long-term plan.

## **Report on the disclosure requirements**

We report that the City Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 132 to 136, which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council and Group's audited information and, where applicable, the City Council's Long-term plan and annual plans.

## **Basis for opinion on the audited information**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

## **Responsibilities of the Council for the audited information**

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there

is an intention to amalgamate or cease all of the functions of the City Council and the Group or there is no realistic alternative but to do so.

## **Responsibilities of the auditor for the audited information**

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the City Council's annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the service performance measures, as a reasonable basis for assessing the levels of service achieved and reported by the City Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the City Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the City Council and the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Other Information**

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 7 and the “balancing the books measure” on page 69, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independence**

We are independent of the City Council and Group in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of the debenture trust deed reporting certificate, and summary annual report, which are compatible with those independence requirements. Other than these engagements we have no relationship with or interests in the City Council or its subsidiaries and controlled entities.



Leon Pieterse  
Audit New Zealand