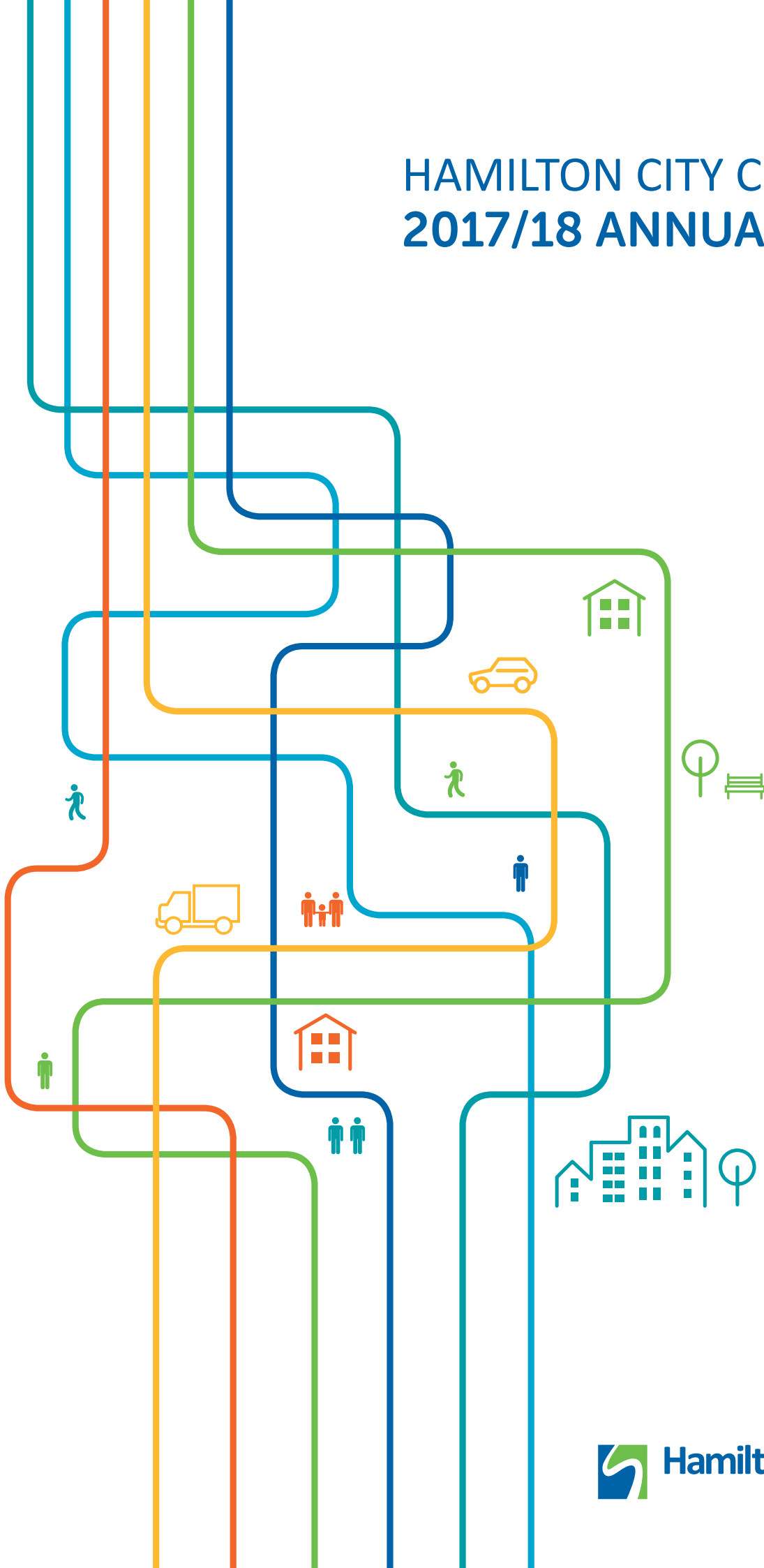
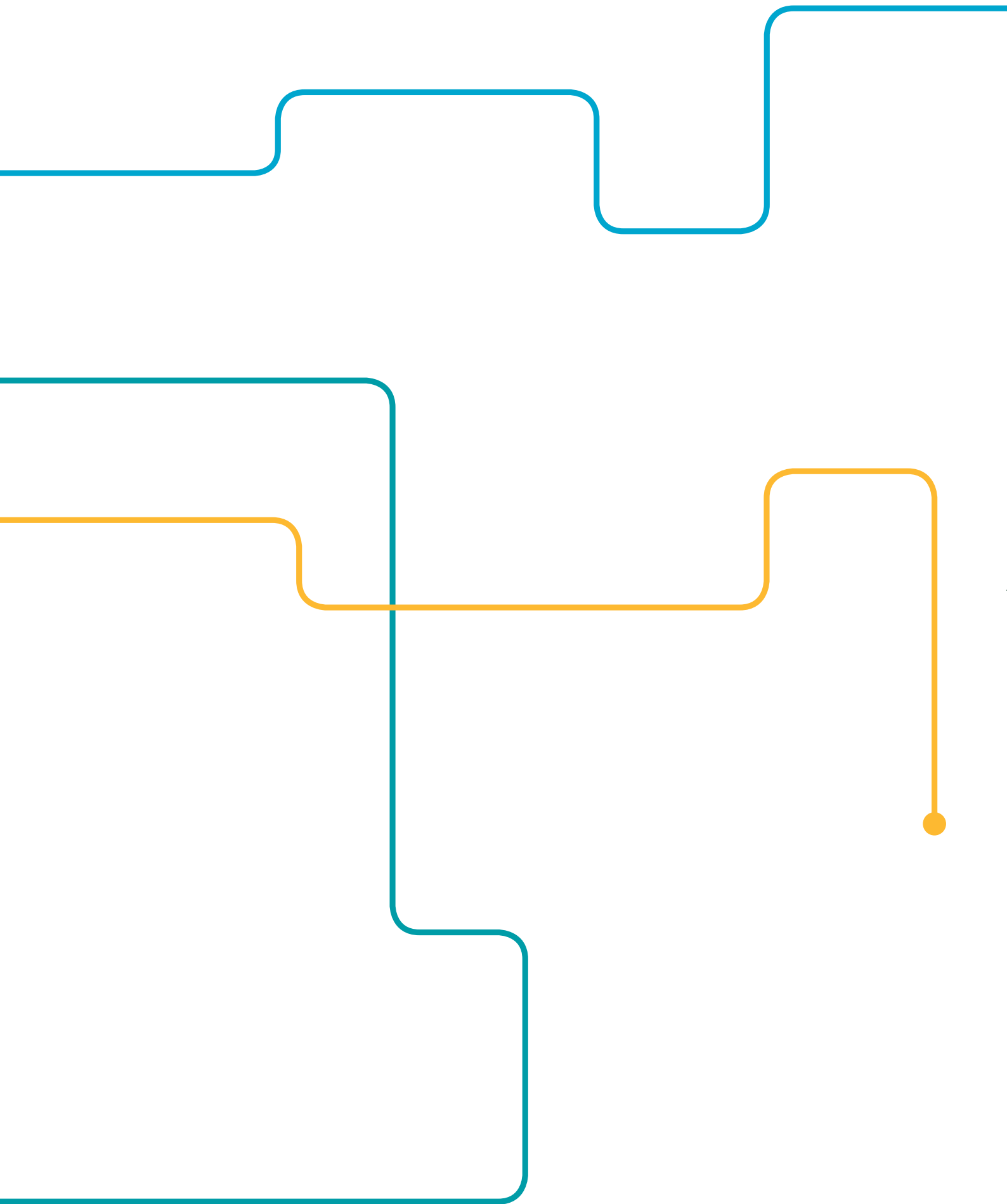


HAMILTON CITY COUNCIL'S 2017/18 ANNUAL REPORT





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FROM THE MAYOR AND CHIEF EXECUTIVE



Welcome to Hamilton City Council's 2017/18 Annual Report. We are pleased to present the results of our performance over the past year.

This Annual Report presents our financial results as measured against the financial strategy set out in year three of our 2015-25 10-Year Plan and the associated 2017/18 Annual Plan. It also shows how we performed in terms of the targets set for our service delivery in the 2015-25 10-Year Plan.

The year that was

2017/18 has seen continued growth in Hamilton. As a Council, we made good progress on delivering our capital works programmes, opening new recreational facilities and enhancing attractions for our community to enjoy.

It has been a good year in terms of financial management and service performance. We have kept within our financial measures set for 2017/18 and achieved good results for most of our targets. Unfortunately, necessary repair work and seismic upgrades meant we had to close the Central Library and some Waterworld facilities during the year and were therefore unable to achieve all our targets for these services. Increases in service requests and resourcing difficulties also affected our ability to achieve some targets. The 2018-28 10-Year Plan includes funding to address many of these issues.

Managing our finances

We exceeded our balancing the books target set in the financial strategy with an adjusted operating surplus of \$20.6M against a target of break even. This surplus is mostly due to higher revenue than expected from development contributions (\$14.7M), user charges (\$4.1M) and capital subsidies for the LED street light upgrade programme of \$4.4M. Against the government balanced budget measure, which excludes development contributions, we achieved a deficit of \$5.0M against a target deficit of \$11.1M.

We ended 2017/18 with a total overall debt balance of \$370M- \$65M lower than planned. We achieved a debt to revenue ratio of 167% against a target of 205%. Debt was lower than the target ratio because of the higher revenue

received and changes to the timing of expenditure related to the capital works programme.

We have performed well against our financial targets. However, we did signal in the 2016/17 Annual Report there were challenges ahead that would require rethinking what it will take to be financially sustainable in the future and how we will measure that. Understanding these challenges and facing them head on has been a big focus for us in 2017/18.

We reviewed the city's financial modelling in late 2016 and early 2017. This initial review identified a significant annual shortfall in everyday revenue of around \$12M, despite the overall financial picture showing a surplus.

In March of 2017, we commissioned a report by international finance experts PWC into the cost of growth for Hamilton and its effects on our financial strategy. This report, and a later PWC review, agreed with our findings and confirmed an average annual shortfall over five years of more than \$10M each year. Interest on this borrowing from 2018 onwards was predicted to cost \$3M annually.

The PWC report recommended a new financial measure which would exclude revenue from development contributions and capital subsidies from everyday revenue. This would more clearly show our everyday operating budget. We adopted this measure as part of developing the 2018-28 10-Year Plan and used it to identify the rates rises needed to address the issue and stop continued and unsustainable borrowing to run the city. The new measure is part of the financial strategy within the 2018-28 10-Year Plan which is focused on delivering what the city needs in a way that is financially sustainable.

More people coming to Hamilton brings a wealth of benefits in terms of greater diversity in our communities and workforce, more opportunities for businesses and for tourism and a consequential boost for our economy

Embracing growth

In 2018/19 we expect to grow by about 1,250 new homes as more people want to live, work, visit and do business here. We see this as an opportunity to be embraced for the long-term prosperity of Hamiltonians.

More people coming to Hamilton brings a wealth of benefits in terms of greater diversity in our communities and workforce, more opportunities for businesses and for tourism and a consequential boost for our economy.

2017/18 saw a continued focus on securing funding for the significant infrastructure investments required to accommodate the expected increases in population and make the most of being a high-growth city. We were successful in our bid to receive funding from the Government's Housing Infrastructure Fund (HIF)- a 10-year interest free fund available to high growth councils to progress infrastructure required for new housing developments.

In securing HIF funding we have been able to access more than \$290M. This includes \$110M of NZ Transport Agency subsidies for the development of the Peacocke suburb in the south of the city to support the demands of future growth.

This represents a significant win in terms of funding support and reduces pressure on existing ratepayers to fund this necessary development.

More housing is also being supported by the Special Housing Areas (SHAs) initiative that allows the rezoning of land for residential development to be fast tracked. Since the first call for expressions of interest in SHAs in September 2017, five proposals have been approved for submission to the Government for review. The proposals represent 2,695 more potential homes in Hamilton.

Growth is not just about new homes, roads and pipes – it's also about providing for our communities and creating spaces and facilities where people can come together and share in the beauty of our city. Victoria on the River park opened in January 2018 and is a fantastic example of how we can enhance our connection to the river and encourage activity in our central city spaces as we grow. This amphitheatre-style park has proven popular with residents and is a finalist for a New Zealand Institute of Architects Award.

We are also thinking about how we can become more efficient in terms of running a growing city and have installed 7,500 more efficient and lower maintenance LED bulbs in residential streets last year. This project will deliver estimated annual cost savings to the city of \$250,000 through lower maintenance and power consumption.



The Hamilton community lost one of its most passionate advocates with the passing of Councillor Philip Yeung in September 2017, after a short battle with cancer. Known for his tireless work and strong connections in the community, his passing was a great loss to the city. Councillor Ryan Hamilton succeeded Councillor Yeung following a by-election in early 2018.

Planning for and responding to growth by delivering the right infrastructure in the right place at the right time is essential to ensuring the needs of our communities are met.

Delivering infrastructure

We have seen good progress on our capital works programme and delivered \$102.1M in capital projects during 2017/18. This included \$39.3M on water, sewerage and stormwater infrastructure, \$31.3M on transport projects and \$21.3M on parks, recreation and visitor attractions.

Planning for and responding to growth by delivering the right infrastructure in the right place at the right time is essential to ensuring the needs of our communities are met. Several core network (transport and three waters) infrastructure projects progressed in 2017/18 that will help us accommodate growth and improve current user experiences. Examples include:

- The completion of the new Cobham Dr underpass in October 2017. This provides walkers and cyclists a safe link between Hamilton East and Hamilton Gardens and to the city centre.
- \$8.3M was spent on roading upgrades and development in growth areas as well as \$9.7M on looking after existing roads, including road resurfacing and replacing worn out footpaths.
- Construction of the \$5.2M Rotokauri watermains.
- \$1.2M out of a total project cost of \$21.2M was spent in 2017/18 to complete the construction of the new Rototuna Reservoir – the largest in the city. The twin 12 million litre tanks and new pipelines are a vital part of infrastructure needed for our rapidly growing city.
- A dedicated water supply pipeline from the Waiora Water Treatment Plant to the Hamilton South Reservoir is now operational. \$2.4M was spent in 2017/18 bringing the total project cost to \$5.5M. This project also improves operation of the city-wide water supply network.
- Construction also began on the Rotokauri Far Western Wastewater Interceptor Extension project. This extension will service the Rotokauri residential stage 1 development.
- \$8.6M went towards increased capacity in the wastewater network to meet growth needs.

There was also a good level of activity last year in terms of enhancing our community infrastructure, open spaces, recreational facilities and attractions. Some highlights from 2017/18 are listed below:

- The Central Library in Garden Place reopened in July 2018 after a seismic upgrade and welcomed over 2,500 people on re-opening day and 8,000 visitors in the first week alone.
- Major refurbishment of the Waterworld complex started with \$6.6M invested in 2017/18.
- \$2.7M was spent on the Hamilton Gardens development programme and physical works for five gardens are now complete. The jetty was upgraded to improve access and safety, while a new Changing Places accessible bathroom was constructed next to the popular Destination Playground.
- A new neighbourhood playground was opened in Te Huia in the northeast as well as a new Destination Playground in Hare Puke Park in Rototuna.
- More than 50,122 native plants were planted in natural areas over 2017/18 by 2,800 volunteers committing over 7,800 volunteer hours.

Our existing facilities continue to be well used and the following show positive results for several of our key community facilities:

- Waikato Museum was the exclusive New Zealand venue to host an international touring exhibition showcasing the inventions and scientific discoveries of Archimedes, the “father of modern science”. This exhibit attracted more than 10,000 visitors to the museum.
- For the first time in recent years, our libraries saw an encouraging increase in the number of both physical and electronic issues. Attendance at library events also went up.
- Our H3 venues hosted 20 conferences, 585 meetings and 102 functions. These were attended by more than 60,000 people.
- In total, more than 321,000 people attended events at Claudelands and 218,000 attended events at our stadiums.

Positive partnerships

The last year saw the benefits of partnering with our communities, local businesses, education providers, philanthropic organisations and other third parties to share costs and deliver community facilities more effectively.

There are many ways we work with our partners, sometimes this involves funding arrangements and support but not always. For example, in May 2018 Hamilton became the first city in New Zealand and the 600th city in the world to join the World Health Organisation's Age Friendly Global Network. This involves commitment from a range of actors across the city to make Hamilton more age-friendly by 2021.

Other ways we have seen successful partnerships in 2017/18 include:

- The opening of The Peak indoor recreation centre in September 2017. This has been a very successful collaboration with the Ministry of Education and Rototuna Junior and Senior High Schools.
- The partnership with Momentum on the Waikato Regional Theatre has continued to take shape and build strength, with the Council confirming its financial commitment to the project in the 2018-28 10-Year Plan.
- FMG Stadium Waikato hosted the HSBC NZ Rugby Sevens in February 2018 in partnership with 37 South, the Council and NZ Rugby. This event was a big success for Hamilton and sold out with 47,000 people attending over both days- reinforcing the city's reputation as a 'can do' city when it comes to major events.
- The Friends of the Gardens continue to provide invaluable support for the Hamilton Gardens through their tireless volunteering and fundraising activities.
- 61 low-decile schools brought more than 2,300 students to the zoo as part of the Warehouse Zoofari programme – contributing to the target for education programmes at the zoo being exceeded in 2017/18 with a 23% increase on the year before.

Our people

The safety and wellness of our staff is an absolute priority.

In the past 12 months our continued focus on process improvements has seen a reduction in incidents resulting in

lost time or requiring medical attention. We have promoted a safe and just environment which provides opportunities for staff to speak up, influence and jointly develop better ways of working together, not just physically but emotionally, mentally and culturally.

In conjunction with wider staff development initiatives, this has been a contributor to a marked improvement in our staff engagement levels; a rating which is significantly better than our benchmarks against other Australasian local government organisations.

We employ more than 1,000 staff, in diverse working environments, and will continue to review and improve our processes to ensure the safety and wellness of all those involved in maintaining and enhancing our city.

Looking ahead

The 2017/18 financial year has been a year in which we made important and prudent financial decisions and ensured we continue to improve the wellbeing of Hamiltonians. We are now turning our sights to delivering our 2018-28 10-Year Plan, a plan which will define the future of our city.

We have committed to delivering our biggest-ever capital programme to provide infrastructure for growth and invest in transport and community infrastructure. At the same time, we have committed to ensuring we maintain our levels of service. We have set some big targets for the year ahead. We will need to be proactive, smart and innovative in the way we operate to ensure we meet the expectations of our community and sustainably manage our finances.

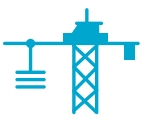
These are exciting and challenging times for Hamilton and we look forward to shaping a city which is more vibrant, attractive and prosperous than ever before.



Andrew King
Mayor



Richard Briggs
Chief Executive



OUR FINANCIAL STRATEGY

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

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

Against this strategy, we exceeded our balancing the books target and ended the financial year with a total overall debt balance \$65M lower than the projected target.

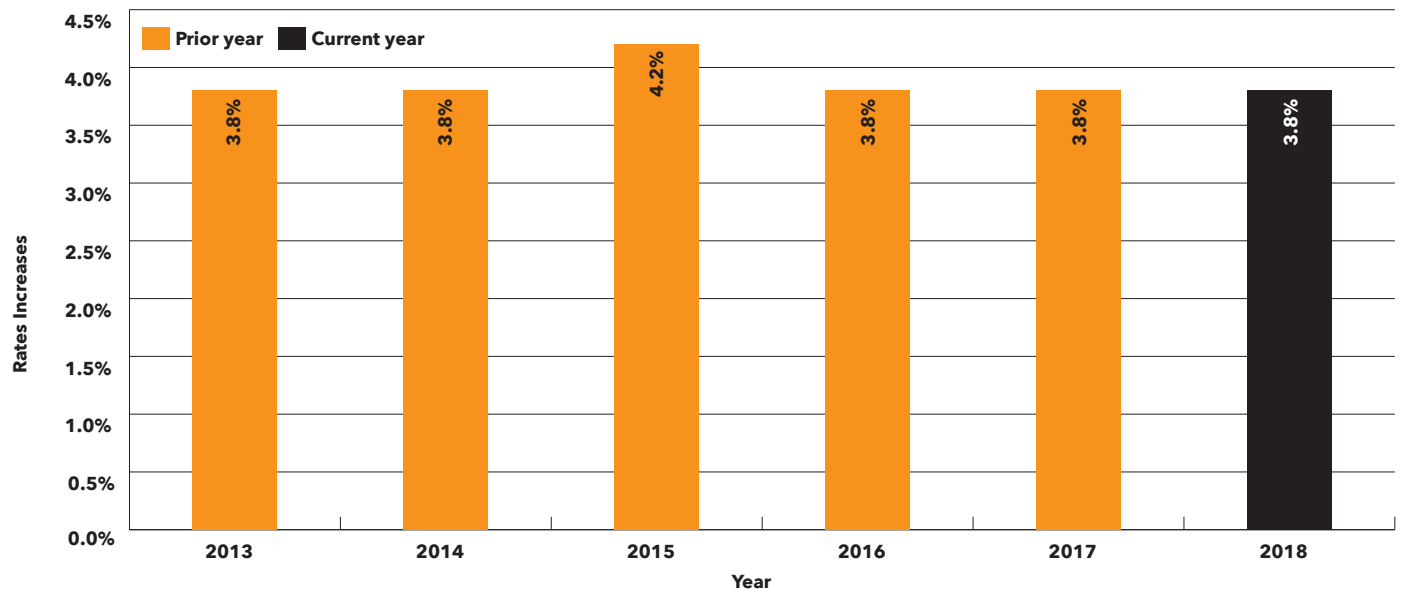
We have performed well against our financial targets. However, recent population growth and that projected in the future emphasises the need to ensure that capital revenue from growth is not paying for our everyday expenses.

Our existing financial strategy was put in place in 2012 and this is the final year it will be reported against. In June 2018 we approved a new 2018-28 10-Year Plan and will report against this from July 2018. The new 10-Year Plan makes significant changes to the measures used and the benchmarks we will report against.

RATES

Our 2015-25 10-Year Plan held total rates rises at 3.8% each year for ten years with the aim of creating better certainty for ratepayers and improving our 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. The rates increase in 2015 was 4.2% due to the introduction of the Hamilton Gardens targeted rate which was on top of the 3.8% increase for that year.

Total rates increases to existing ratepayers



BALANCING THE BOOKS

The balancing the books measure is a way of assessing our operating performance. You can see how our balancing the books measure is calculated on page 72. 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 127.

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



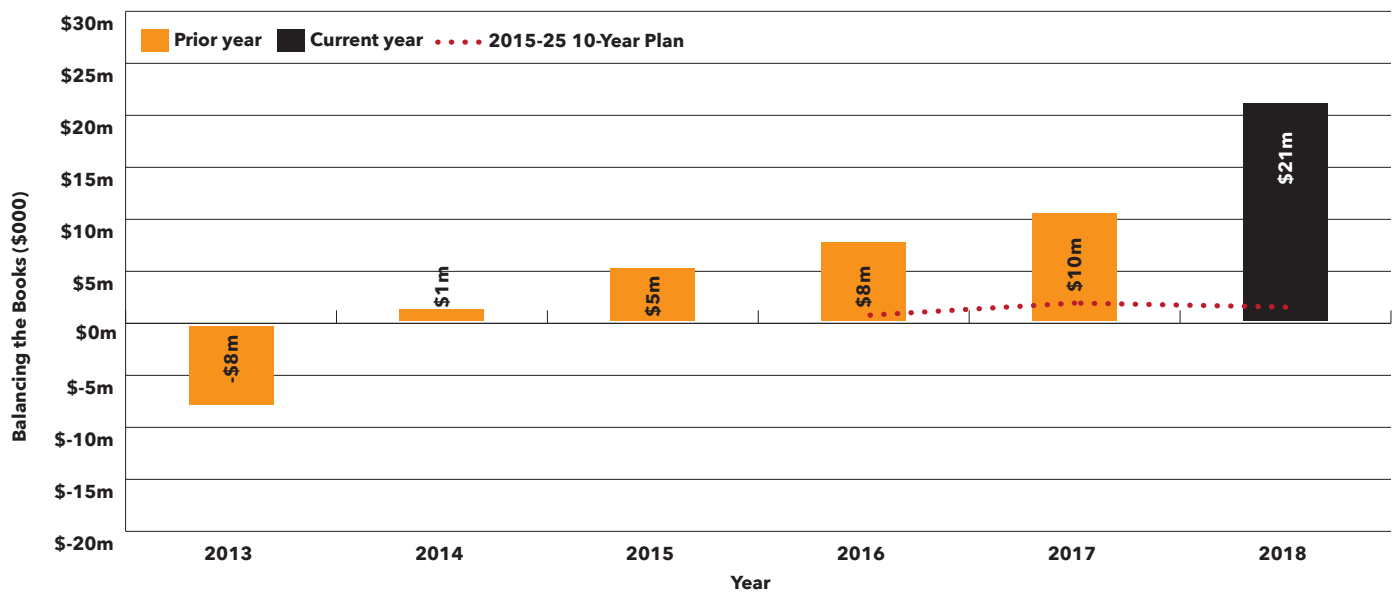
We exceeded our balancing the books target, with an adjusted operating surplus of \$20.6M against a target of breakeven. The Government’s balanced budget measure, a measure that excludes development contributions, is a deficit of \$5.0M against a budget deficit of \$11.1M.

As part of developing our 2018-28 10-Year Plan, we reviewed our financial strategy, including how we measure our operating performance. This will change as of the 2018/19 year.

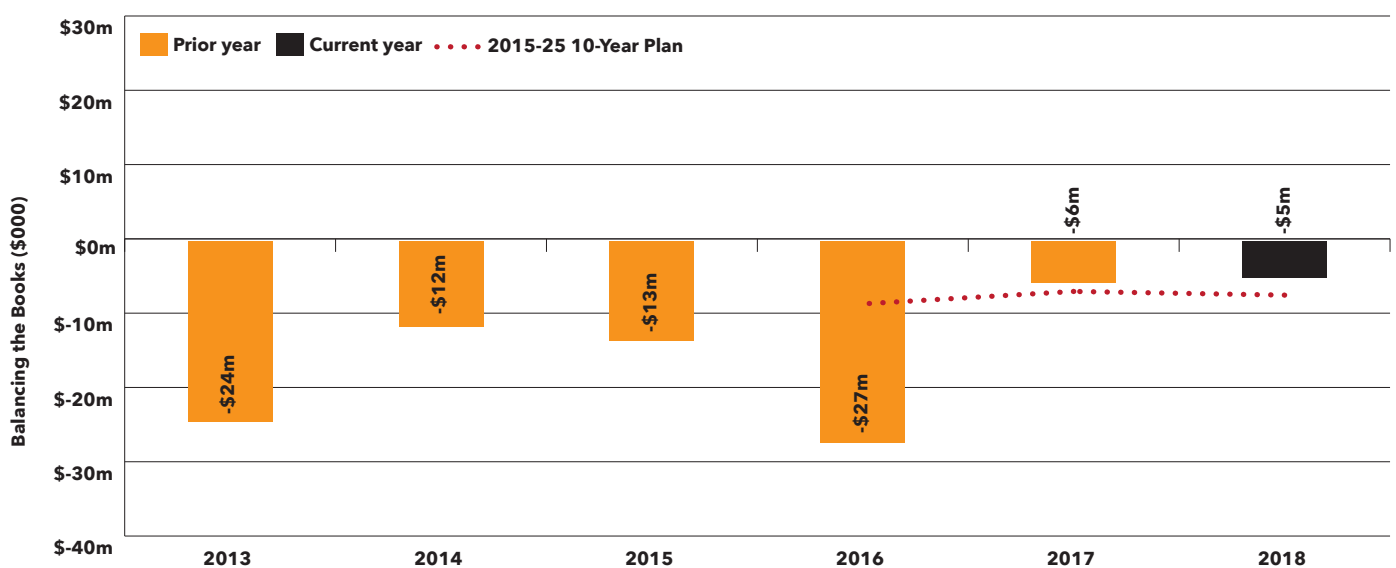
The significant revenue and expenditure variances that contributed to our balancing the books result include:

- higher than budgeted revenue from fees and charges (\$4.1M), from across the organisation due to the high levels of activity in the city
- higher than budgeted revenue from third party capital contributions and New Zealand Transport Agency capital subsidies (\$10.4M)
- higher than budgeted revenue from development contributions (\$14.7M)
- higher than budgeted revenue from vested land and infrastructure from property development (\$33.2M)
- lower than budgeted finance costs and higher interest revenue due to lower debt and interest rates (\$3.0M)
- higher than budgeted operating expenses (\$9.5M), 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



John Ambling

DEBT

The definition we use for debt is money we owe the bank, 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 27 to the financial statements on page 110.

We ended the financial year with a total overall debt balance of \$370M, lower than the projected target of \$435M. Our debt is now 167% of revenue against a performance target of 205%.

The main reasons for this favourable result are:

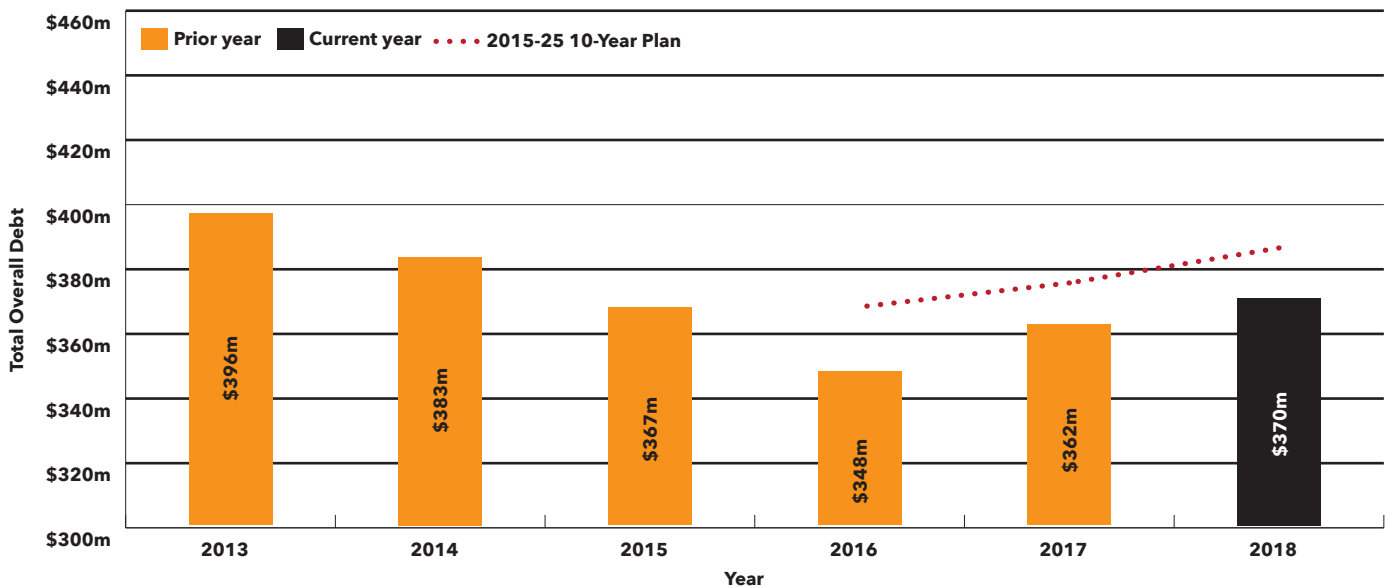
- higher than budgeted revenue from development contributions
- higher than budgeted revenue from user charges, subsidies and grants
- lower than expected cost of 17 capital projects with a value of \$8.8M in the 2017/18 financial year
- deferral of 42 capital expenditure projects with a value of \$32.1M to the 2017/18 financial year.

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

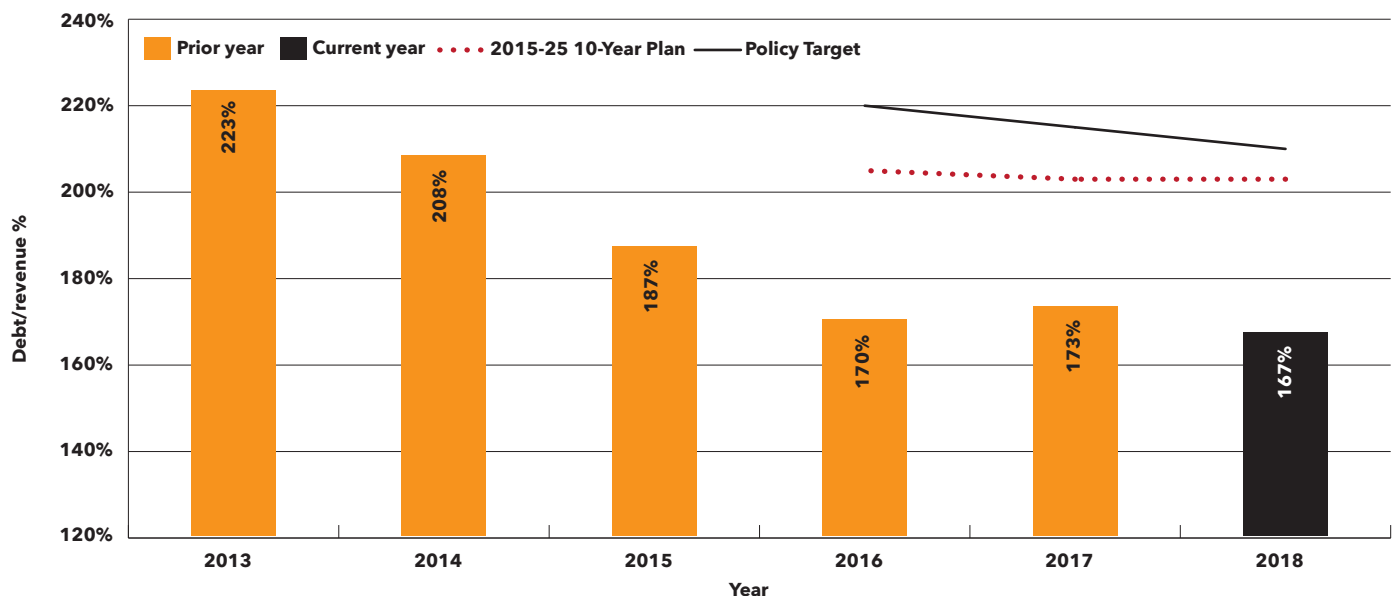
Projects were deferred due to:

- 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 prioritisation.

Total overall debt



Debt-to-revenue ratio



OUR COMMUNITY OUTCOMES

Our strong population growth shows more and more people are recognising our city as a great place to live, work, play and visit. We are embracing this growth and the opportunities it brings and are working to deliver the best outcomes for our communities.

Hamilton's success is reflected in its growing population as more people are attracted by the lifestyle and economic opportunities on offer in our great river city.

Hamilton is already home to around 165,000 people and the city's population is expected to reach more than 187,600 in another ten years. This is both exciting and challenging for the community and for the Council.

The Hamilton Plan represented our Community Outcomes in the 2015-25 10-Year Plan and the vision for Hamilton's future in that plan. The ten priorities were about building a stronger economy and a more attractive city for families and talked about where we wanted to be in the future. These are listed below:

Hamilton Plan Priorities (2015-2017)

- 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

Reviewing our Community Outcomes

Our activities contributed to the Hamilton Plan priorities in various ways. In October 2017 the Council approved a revised set of Community Outcomes as part of agreeing the strategic direction of the 2018-28 10-Year Plan. These revised outcomes are:

Community Outcomes (2017/2018)

A great river city –

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

A city that embraces growth –

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

A council that is best in business –

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

As the new Community Outcomes were agreed in the first half of the 2017/18 year, we are showing not only how our activities contributed to the Hamilton Plan priorities, but also how they give effect to our new Community Outcomes.

In the Service Performance section of this Annual Report we link our activities to the Hamilton Plan priorities and our Community Outcomes and highlight some of the key projects and activities of 2017/18 that have contributed towards achieving these.



SERVICE PERFORMANCE

SERVICE PERFORMANCE SUMMARY

This part of the Annual Report covers the services we provide. Here you can read about how we performed against our service commitments for 2017/18.

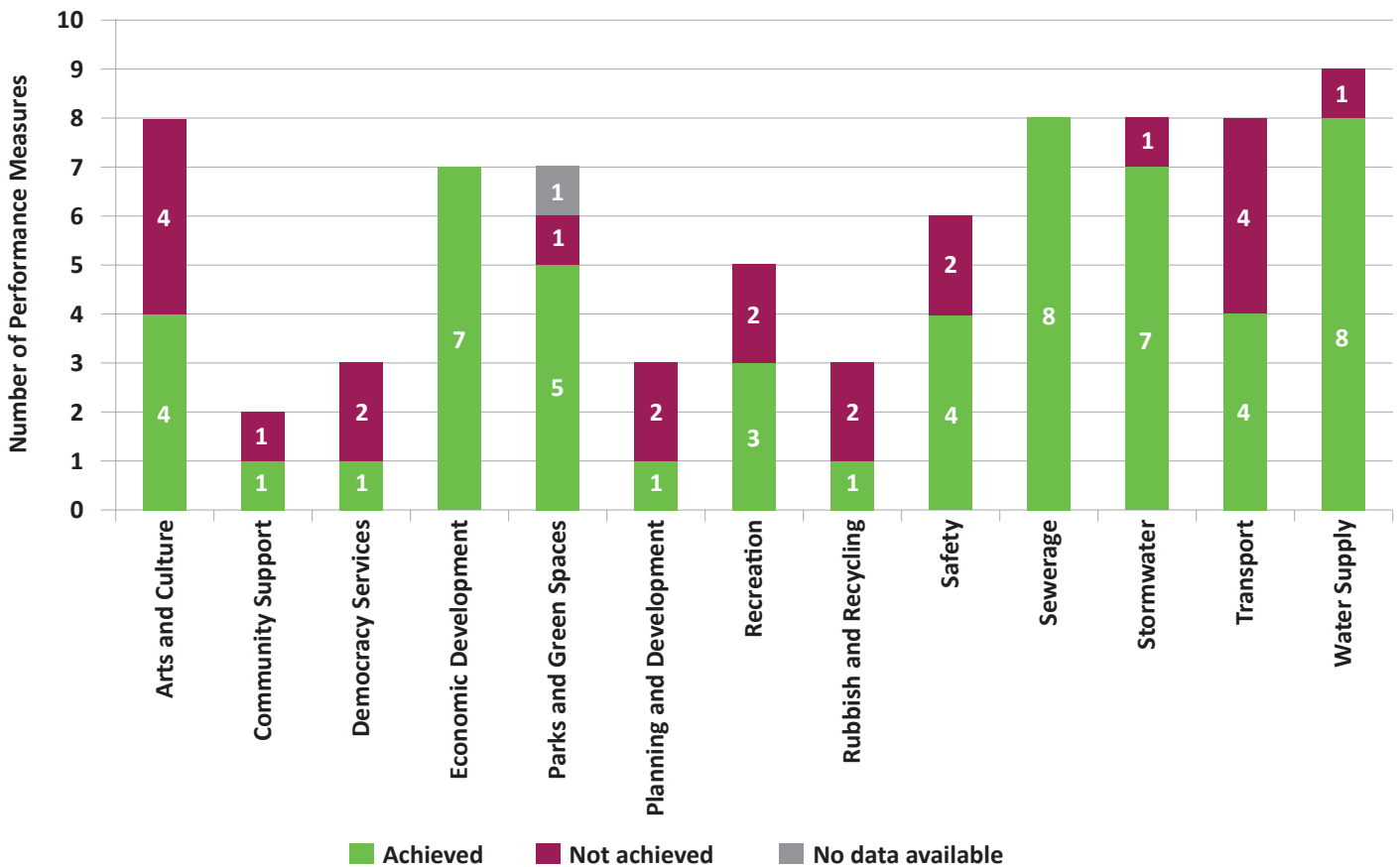
Our 2015-25 10-Year Plan divided the business into 13 activity groups based on the services they provide. Each group has performance measures that show how well we are delivering our services to the community.

The performance measures and targets are from Year 3 (2017/18) of our 2015-25 10-Year Plan, which you can find on our website or through this link: hamilton.govt.nz/former-10-year-plans

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

- we have met the targets for 54 measures
- we have not met the targets for 22 measures
- no data is available for the hours of play provided on sportsfields in winter due to data issues.

Performance measures summary



The following sections provide more detail for each of these activity groups including an overview of the year that has been and a description of what sits behind the results.



ARTS & CULTURE

We are involved in a range of artistic and cultural endeavours that contribute to making Hamilton a desirable place to live.

Our activities:



Hamilton City Libraries consists of a network of six public libraries providing resources and information services. Our libraries are also increasingly becoming community learning spaces or hubs.

Waikato Museum’s exhibitions and activities tell our stories from a regional and global perspective and include visual art, social history, taangata 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 and subsequent confirmation it was an earthquake-prone building. Founders Theatre remained closed throughout 2017/18 with only essential maintenance taking place on the site. The future of Founders remains undecided.

In July, August and September 2017, Momentum Waikato presented the full concept design recommendation including the preferred location on the proposed Waikato Regional Theatre. The new theatre has been approved in the 2018-28 10-Year Plan and is expected to open in 2021. It will be independently owned and operated.

This includes:

- Hamilton City Libraries
- Founders Theatre
- Waikato Museum
- ArtsPost
- Public art support
- Performing arts grants.

How we contribute to achieving our Community Outcomes

Arts and culture activities primarily contribute to our Community Outcome for:

- A great river city.

This activity also gave effect to the Hamilton Plan priority:

- Celebrated for our arts and culture.

Effects on the community

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

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



2017/18 YEAR IN REVIEW

The future of the current Founders Theatre is yet to be decided. Further detail 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- will be reported back to the Council at a later date. This will be in conjunction with progress on the Waikato Regional Theatre project.

At present, there is provision in the first year of the 2018-2028 10-Year Plan for the demolition of Founders Theatre. During the year the valuable Ralph Hotere mural artwork from the foyer area was successfully removed, deconstructed and placed in secure storage at a climate-controlled and insurable location in Hamilton.

Momentum Waikato released further development details on the \$73m Waikato Regional Theatre to be constructed in central Hamilton. Representatives from Momentum Waikato presented concept design and location masterplans and their proposed ongoing ownership and operating model. Unbudgeted funding of \$250,000 was approved in the 2017/18 financial year to contribute towards work on the next stage of the design development.

A build contribution (\$25m across 2018/19 – 2020/2021) and ongoing asset management contribution (\$1.1m a year for 20 years) for the Waikato Regional Theatre was approved in the final 10-Year Plan in June 2018.

The Clarence Street Theatre Trust confirmed it had successfully completed the required earthquake strengthening works at Clarence Street Theatre, which had been gifted to the Trust in June 2015. We contributed \$150,000 to this work which included a contribution towards roof repairs. The Deed of Gift's revocation period ended on 30 June 2018, meaning our rights of revocation have expired and we have no call on the building or Trust. We remain the owner of the land occupied by the Clarence Street Theatre.

The Central Library in Garden Place was reopened in July 2018 after a seismic upgrade. Prior to that time a reduced central library service operated from "Pop Central" library in the Council's Municipal Building reception lounge. More than 2,500 people visited the Central Library on re-opening day and more than 8,000 in the first week.

Hamilton City Libraries launched a Mobile Makerspace lab across the city, which is a mobile technology programme offered within libraries and at community centres. This has been popular with families and provides a space for people to learn through play.

A 'Reading Buddies' programme was piloted in 2017/18 – a partnership with dog trainers where children can read to the dogs. This is designed to raise confidence in children's reading and has proved so popular, the programme is being extended into 2018/19.

We have been talking with Creative Waikato about relocating next to the Central Library in Garden Place and they will be making the move in August. This will provide new and exciting opportunities for us to work collaboratively with them in activating Garden Place and providing even more creative learning events and programmes across the city.

As part of a strategic partnership with Trust Waikato, the Waikato Museum purchased a 9m wide and 2.5m high painting titled Salamanca Road, a vibrant garden scene by renowned New Zealand artist Karl Maughan valued at \$240,000. Trust Waikato donated its art and taonga collection to Hamilton in 2015, and the strategic partnership provides funding to increase the collection and keep or bring significant artworks to the region.

Waikato Museum was the exclusive New Zealand venue to host the international touring exhibition showcasing the inventions and scientific discoveries of Archimedes, the "father of modern science". More than 10,000 visitors of all ages, including school groups from across the Waikato, experienced an enlightening journey through history featuring the machines of the ancient world.

The Excite Science gallery continues to be a popular venue for children and families with 27,818 visitors throughout the year. A new exhibition, 'Inventors and Innovations: Waikato Bright Sparks' opened on the ground floor of the Excite Gallery in June 2018. This exhibition features some of our region's problem-solving success stories, such as Gallagher Industries' electric fence, while examining the common traits of individuals and organisations with a flair for innovation.

The National Contemporary Art Award is one of the most prestigious art awards in New Zealand due to the calibre of judges and artists. Entries closed in May and attracted 331 entries from across the country and overseas, up from 236 in 2017. The National Contemporary Art Award was exhibited and judged in August 2018 and the overall winner was Sarah Ziessen who received \$20,000 from Tompkins Wake and Chow Hill. The Hugo Charitable Trust sponsored the Hugo Award for Runner-Up Kereama Taepa, who received \$5,000, and merit awards went to Natchez Hudson and Martin Awa Clarke Langdon who received \$1,000 each, sponsored by Friends of Waikato Museum and Random Art Group.

Waikato Museum was a finalist in the Service Excellence category of the Westpac Waikato Business Awards in September 2017. It was given a silver rating for its accessibility initiatives in an audit performed by Be. Accessible in April 2018 and retained its Qualmark Gold Sustainable Tourism Award.

Service performance measures

KEY: Target achieved | Target not achieved

We're involved in these activities to support a 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	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The number of physical and online visits to the libraries each year.	1% increase each year	3.56% decrease	11.56% decrease	5% decrease
Use of the library collections, both print and electronic.	1% increase each year	0.76% increase	9.87% decrease	5% decrease
The number of people attending events programmes and classes at the libraries.	1% increase each year	13.04% increase	4.47% decrease	4% increase
The ratio of e-Books to print books purchased.	16% e-books	29.90% e-books	28.24% e-books	18% e-books

What's behind the results

There was a 3.56% reduction in visitation which was due to the Central Library closure over the full year. Despite the reduction in visitation, there was a 0.76% increase in 2017/18 issues with a total of 1,294,714. This is a positive result as library issues have been trending downwards in previous years.

Customers have increased their access to borrowable material made available through the libraries eCollections This is evident in the 37.67% growth in e-issues for 2017/18 on the 2016/17 year.

The 2017/18 end of year total for attendance to events at the library is 33,449. This is a 13.04% increase in attendance on the previous year which saw 28,591 attendees. The number of events being hosted or run by library staff reduced by 7.10% during 2017/18 due to the closure of Central Library and reduced numbers of rostered staffing.

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The number of visits to Waikato Museum each year.	At least 118,000	138,873	136,955	138,067
The number of children and students visiting Waikato Museum for education each year.	At least 8,000	8,444	6,986	10,193

What's behind the results

Visitors to Waikato Museum exceeded expectations by 18%. This is due to the regular refreshment of exhibitions, and the continued success of school holiday and public programmes throughout the year.

The annual result for education programmes was 5.6% above target and a 17% increase on 2016/17. This was in big part due to 'Archimedes', our blockbuster exhibition which had a strong educational component and high appeal to schools.

You can expect: Theatres to be well used

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The number of people attending events at Founders Theatre.	At least 75,000	0	0	34,651
The total number of hire days at Founders Theatre.	At least 190	0	0	132
What's behind the results				
There were no events held at Founders Theatre during 2017/18, as the theatre was closed on 1 March 2016. The future of the theatre is still to be decided.				

ARTS AND CULTURE - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan	Actual	Long Term Plan	Actual
	2017	2017	2018	2018
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	3,256	3,390	5,206	5,023
Targeted rates	12,669	13,102	11,931	12,271
Subsidies and grants for operating purposes	39	-	40	1
Fees and charges	2,038	1,177	2,087	1,167
Internal charges and overheads recovered	-	2	-	1
Local authorities fuel tax, fines, infringement fees, and other receipts	31	92	32	150
Total operating funding	18,033	17,763	19,296	18,613
Applications of operating funding				
Payments to staff & suppliers	14,636	13,435	14,996	13,768
Finance costs	211	171	204	169
Internal charges and overheads applied	-	8	-	12
Other operating funding applications	-	23	-	214
Total applications of operating funding	14,847	13,637	15,200	14,163
Surplus/(deficit) of operating funding	3,186	4,126	4,096	4,450
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	197
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	100	543	133	(121)
Gross proceeds from the sale of assets	18	13	19	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	118	556	152	76
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	111	-	-
- to improve the level of service	415	46	53	125
- to replace existing assets	2,889	2,773	4,195	3,581
Increase/(decrease) in reserves	-	1,191	-	1,045
Increase/(decrease) of investments	-	561	-	(225)
Total application of capital funding	3,304	4,682	4,248	4,526
Surplus/(deficit) of capital funding	(3,186)	(4,126)	(4,096)	(4,450)
Funding balance	-	-	-	-



COMMUNITY SUPPORT

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

Our activities:



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 several 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 achieving our Community Outcomes

Community support activities primarily contribute to our Community Outcome for:

- A great river city.

These activities are about building a strong, resilient and connected community and supported 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 Hamilton can respond to and recover from an emergency or disaster event.



2017/18 YEAR IN REVIEW



In May 2018 Hamilton became the first city in New Zealand and the 600th city in the world to join the WHO Age Friendly Global Network. This was achieved through the development of a community-led Age Friendly Plan, which contains 48 actions to be completed by a range of organisations, businesses and agencies across the city by 2021.

We had an important role in developing the Age Friendly Plan with staff expertise and by committing to several actions in the plan involving transport links, community facilities and libraries services. The Plan has received national and international attention and will form a solid base for building a better city for older residents in the future.

We have continued to increase knowledge and customer support for disabled residents, through the Disability Policy and Disability Action Plan. This has included the development of New Zealand's first Changing Places fully accessible public toilets at the Hamilton Gardens.

The Community Development Team also provided support to other areas of the business throughout the year, including community engagement projects such as the 2018-28 10-Year Plan, Founders Theatre consultation and city safety. Community Advisors continue to be an important link to Hamilton's varied communities and support understanding of the key issues affecting these communities.

A major piece of research occurred alongside the Census to understand the way Hamilton is changing and is used by residents. Community Profiles will be produced in 2018/19 to assist in community decision making and programme planning in the coming years.

We continue to provide community facilities and event resources for the benefit of the city as well as funding to groups and projects through community grants.

The Waikato Civil Defence and Emergency Management (CDEM) team, including Hamilton staff and the City Safe group moved into the newly constructed Genesis building in December 2017. This is a state-of-the-art building designed to the highest levels of the building code and is expected to remain operational after any emergency. The building has several levels of redundancy built in and is also capable of receiving live CCTV feeds from the adjacent City Safe operations.

The purpose-built training rooms within the centre are being utilised for all CDEM training, with an additional 70 staff from the Council being trained in a range of Civil Defence areas in 2017/18. Training was extended to include a workshop with elected officials explaining their roles and responsibilities in an emergency. An alternate Civil Defence Controller was also appointed and successfully completed the week-long National Controllers Course.

We use Ministry of Civil Defence criteria as a benchmark against which to measure our progress and improvement in emergency management. A Ministry of Civil Defence capability assessment was carried out for Hamilton City Council (HCC) for the first time in 2016/17. This set a more accurate baseline than the previous self-assessment on which the 2015-25 10-Year Plan target is based. The overall rating of our CDEM capability was assessed as 56%, which represents a significant improvement of 12% on the previous year's assessment.

While we remain in the 'developing' stage in terms of our CDEM capability we are very close to moving into the 'advancing' stage (scores between 60-80%). The concluding comment from the assessment was that "The HCC CDEM capability is completely different to what it was 12 months ago. There is now confidence that HCC will have an effective CDEM capability response to an event".

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	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
Hamilton's overall capability for an emergency event, assessed against the Ministry of Civil Defence criteria.	75%	56%	44%	No data

What's behind the results

The target of 75% in the 2015-25 10-Year Plan was based on an internal self-assessment using a scale of 0% (unsatisfactory) to 100% (mature) to measure capability. The assessment carried out in 2016/17 was our first external assessment against the Ministry of Civil Defence criteria and created a benchmark against which we could measure our progress and improvement.

Achieving 56% represents a significant improvement over the course of one year and means that, while we remain in the 'developing' stage, we are very close to moving into the 'advancing' stage as an organisation (scores between 60-80%).

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. In moving closer to the 'advancing' stage we are focusing more on building internal capability and practicing comprehensive and coordinated emergency management.

You can expect: Council grants to be used effectively.

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The value of services leveraged for every \$1 of community grant funding provided.	\$3 worth of services leveraged for every \$1 provided	\$14.40 per \$1	\$14.63 per \$1	\$14.21 per \$1

What's behind the results

Through an application process, we provide 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 our community grants programme.

We allocated \$1,160,000 of community grants through the Multi-Year Community Grant (\$868,000) and Single-Year Community Grant (\$292,000) in 2017/18. The total project cost supported was \$16,702,170 meaning each dollar from us was leveraged to deliver \$14.40 of services, projects and events to the community.

COMMUNITY SUPPORT - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan	Actual	Long Term Plan	Actual
	2017	2017	2018	2018
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	529	509	922	1,069
Targeted rates	2,726	1,810	2,521	2,598
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	2,471	157	2,531	159
Internal charges and overheads recovered	3	-	3	-
Local authorities fuel tax, fines, infringement fees, and other receipts	1	8	1	18
Total operating funding	5,730	2,484	5,978	3,844
Applications of operating funding				
Payments to staff & suppliers	5,386	4,931	5,624	4,787
Finance costs	13	12	12	12
Internal charges and overheads applied	3	20	3	18
Other operating funding applications	-	2	-	-
Total applications of operating funding	5,402	4,965	5,639	4,817
Surplus/(deficit) of operating funding	328	(2,481)	339	(973)
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	6	33	8	(7)
Gross proceeds from the sale of assets	7	4	8	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	13	37	16	(7)
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	37	-	-
- to improve the level of service	38	2	5	29
- to replace existing assets	303	99	350	184
Increase/(decrease) in reserves		(2,610)		(1,182)
Increase/(decrease) of investments		28		(11)
Total application of capital funding	341	(2,444)	355	(980)
Surplus/(deficit) of capital funding	(328)	2,481	(339)	973
Funding balance	-	-	-	-

DEMOCRACY SERVICES



Democracy Services is about providing Hamiltonians with open and effective city governance and opportunities to be involved in the decisions we make.

Our activities:

Governance and Public Affairs, Partnership with Maaori

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.

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 our decision-making.

Fostering opportunities for Maaori to be involved is an important part of our role and we have relationships and service contracts with organisations to ensure Maaori views are represented in decisions about the city.

How we contribute to achieving our Community Outcomes

Democracy Services primarily contribute to our Community Outcome of:

- A council that is best in business.

Democracy Services cover the democratic functions and processes that enable and support great governance and decision-making. This service supported all the Hamilton Plan priorities.

Effects on the community

We carry out this activity 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 we act in the best interests of Hamilton residents.

Hamilton's population is becoming increasingly diverse and the city is embracing people from many different ethnic groups and cultural backgrounds. This makes it 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.



2017/18 YEAR IN REVIEW

The Hamilton City Council is made up of 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.

There are three committees which include all elected members – the Growth & Infrastructure, Community & Services and Finance Committees. There are also 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 through the Public Forum.

A great deal of work took place in the Democracy Services sphere in relation to the drafting of the 2018-28 10-Year Plan. Elected members actively engaged with the community and considered public feedback during consultation. Open briefings were held for elected members on key aspects of the 10-Year Plan and over 2,000 submissions from the public were received that informed their final decisions.

In 2017/18 we hosted more than 27 civic events, including 14 citizenship ceremonies, with 1,748 people becoming new citizens. Among these was a special citizenship ceremony welcoming 68 Afghan veteran interpreters and their families to New Zealand.

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 these exceptional people and 17 Civic Awards were presented in 2017/18.

April and May were busy and productive months for the sister city relationship between Hamilton and Chengdu, China. This relationship supports important cultural and commercial links between our cities and presents opportunities to promote our business, tourism and arts and culture endeavours abroad. As part of this, local Hamilton artist Jeremy Shirley was invited to Chengdu in April by the Municipal Government to take part in the Chengdu International Sister Cities Sculptures Creation and Exhibition Program.

A Hamilton delegation was invited (and funded) by the Chengdu Municipal Government to visit Chengdu in May as part of the 2018 Global Innovation and Entrepreneurship Fair. The delegation was led by Deputy Mayor Martin Gallagher and Councillor Rob Pascoe and included leaders from the University of Waikato. Highlights of the visit included the Deputy Mayor speaking at the Innovation Forum for Mayors of International Sister Cities of Chengdu, and attending a soil turning event for the Chengdu Hamilton Luxe Lakes School and Kindergarten project. Construction of these schools is currently underway thanks to a Memorandum of Understanding signed in 2017 between the University of Waikato and the Tianfu New Area.

Also visiting Chengdu in May was Hamilton City Council staff member John Kinghorn who was invited by the Chengdu Municipal Government to take part in the 2018 Summer Programme for Civic Servants from Sister Cities of Chengdu.

Sadly, the last 12 months were marked by the passing of Councillor Philip Yeung in September 2017, after a short battle with an aggressive form of cancer. An immigrant who was born in Hong Kong, Councillor Yeung had a high public profile through his staff role as the Council's Ethnic Community Advisor before his election to the Council in 2013. He was into his second term as an East Ward councillor, known for his hard work, humility and extensive involvement with several community organisations including Free FM, Indigo Trust and New Zealand Ethnic Football Festival Trust.

Councillor Yeung's public memorial service was held at Claudelands – a short distance from Settlement Centre Waikato, where he spent countless hours supporting migrants and refugees. The memorial featured cultural performances in front of an audience of several hundred people, reflecting his importance and mana within many of Hamilton's communities. Councillor Yeung was replaced by Councillor Ryan Hamilton following a by-election in early 2018, and in his first speech in the chamber, Councillor Hamilton paid tribute to Councillor Yeung and his influence in the city.

MAAORI AND DECISION-MAKING

We are committed to meeting our treaty and legislative responsibilities to Maaori.

We acknowledge the role and contribution that Iwi, Hapuu and Maataawaka make towards our great city of Kirikiriroa. Valued support and advice is received from our Iwi, Hapuu and Maataawaka partners and we are committed to working together on the social, cultural, economic and environmental sustainability and wellbeing of the city and its residents.

We also acknowledge the services provided by Te Haa o te Whenua o Kirikiriroa who represent the five hapuu for the greater Hamilton city area and urban Maaori organisation Te Runanga o Kirikiriroa Trust for its services to Maaori and Pasifika in Hamilton city.

Our Amorangi Maaori (Maaori Strategic Relationship Manager) continues to provide internal support and advice on legislative requirements regarding Maaori. We continue to meet three times per year under a co-governance structure with Te Arataura, the Executive of Te Whakakitenga o Waikato Incorporated, to support and promote better environmental, social, cultural and economic outcomes within Hamilton.

Service performance measures

KEY: Target achieved | Target not achieved

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

You can expect: Timely and open access to public information

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The percentage of official information requests responded to within 20 working days.	100%	99.1%	94.5%	99%

All requests for information are considered official. By law we must reply with our decision on whether to release requested information 'as soon as reasonably practicable' and no later than 20 working days from the date of the request.

Out of a total of 221 official information requests received during the year, 219 were completed on time and 2 were completed outside the 20 working day timeframe.

An electronic mailbox (officialinformation@hcc.govt.nz) was 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 our website.

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The number of complaints about Council withholding information upheld by the Ombudsman.	0 complaints upheld	0 complaints upheld	0 complaints upheld	0 complaints upheld

The Local Government Official Information and Meetings Act and the Official Information Act identify certain grounds to be "valid reasons" for withholding information from the public.

During 2017/18 there were no complaints made to the Ombudsman about the withholding of information.

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The percentage of Council meeting agendas circulated at least two working days prior to the meeting.	100%	90.38%	94.3%	99%

We are required by law to make sure that meeting agendas are made publicly available within certain timeframes.

52 agendas were made publicly available during 2017/18. Of these, five included late reports that were not made available to the public at least two clear working days prior to the meeting.

DEMOCRACY SERVICES - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan	Actual	Long Term Plan	Actual
	2017	2017	2018	2018
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	1,212	1,168	1,696	1,638
Targeted rates	4,729	4,894	3,887	4,008
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	228	422	21	45
Internal charges and overheads recovered	-	3	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	13	-	51
Total operating funding	6,169	6,500	5,604	5,742
Applications of operating funding				
Payments to staff & suppliers	6,117	6,640	5,565	5,333
Finance costs	-	3	-	2
Internal charges and overheads applied	-	29	-	70
Other operating funding applications	-	13	-	-
Total applications of operating funding	6,117	6,685	5,565	5,405
Surplus/(deficit) of operating funding	52	(185)	39	337
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	-
Gross proceeds from the sale of assets	1	12	2	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	1	12	2	-
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	101	-	-
- to improve the level of service	19	23	2	17
- to replace existing assets	34	356	39	109
Increase/(decrease) in reserves	-	(653)	-	211
Increase/(decrease) of investments	-	-	-	-
Total application of capital funding	53	(173)	41	337
Surplus/(deficit) of capital funding	(52)	185	(39)	(337)
Funding balance	-	-	-	-

ECONOMIC DEVELOPMENT



We are a key contributor to enhancing Hamilton’s economy and delivering core services and infrastructure that enable business to thrive in our city.

Our activities:

Economic Initiatives, Strategic Property Investment, Claudelands Events Centre, FMG Stadium Waikato, and Seddon Park

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 achieving our Community Outcomes

Economic Development activities primarily contribute to our Community Outcomes for:

- A great river city
- A city that embraces growth.

These activities also contributed to the following 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

We invest 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 our 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 to Hamilton. The events we host 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 a range of economic and social benefits to Hamilton.

Significant events at Claudelands, Seddon Park and FMG Stadium Waikato may have short-term negative environmental and social effects. These include litter, traffic congestion, antisocial behaviour, noise and lighting effects for surrounding residents. We manage these effects in compliance with the District Plan, resource consents and effective asset management planning. This means having effective event management plans in place including monitoring alcohol consumption, traffic and security at and around the event.



2017/18 YEAR IN REVIEW

Our Event Facilities are managed by the H3 Group, a standalone business within the Council. They hosted a wide range of events with a variety of sports events, shows, performances and business events taking place across all our venues.

At Claudelands, performance shows (comedy, music and theatre) entertained ticket buyers throughout the year. Shows included six NZ Symphony Orchestra concerts, The Wiggles 'Wiggle Around NZ', a 7 Days Live broadcast, Rhys Darby's Mystic Time Bird show, The Best Comedy Show on Earth, One Night of Queen, Tommy Emmanuel, The Brickman Wonders of the World, Dr Libby, Paw Patrol Live!, Big Love with Lisa O'Neil, Hamilton Operatic Society's Mary Poppins Theatre show (over 47 days including 16 performance days), Saturday Night Fever, Jimmy Carr, Kevin Bloody Wilson, Sheryl Crow and Melissa Etheridge, Scooby Doo Live Musical, Boyzlife, Jimmy Barnes and The Ten Tenors.

Claudelands also hosted various significant exhibition events including The Flight Centre Travel Show, Te Kohanga Reo Expo, 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, Lorna Jane, Last Season and Spa Sale, a Rug Expo and the popular weekly Hamilton Farmers Market and the Gourmet Garage Food Market.

Community-focused events at Claudelands included school prizegiving events, tertiary institution graduations and events such as the Australasian Rescue Challenge, Mane Event (Armistice Day), The Westpac Waikato Business Excellence Awards, The Brian Perry Waikato Regional Sports Awards, The KuDOS Hamilton Science Excellence Awards, The Hospice Waikato Bucket List Banquet, The National Young Leaders Day plus the Service of Pacific Celebration event for Hamilton's community following the Tonga and Samoa Rugby League World Cup match and the Tainui Waka Kapa Haka Festival and Pasifika by Nature event.

Patrons also attended sports events, watching the New Zealand Marching Championships 2018, a Silver Ferns vs England Roses Netball match and two ANZ Premiership Homes Games for the Waikato Bay of Plenty Magic. Other events included The Shiny Side Up Bike Fest, Heineken Urban Polo on Claudelands Oval, All Ford Day, NZ Targa Rally (overnight stop) plus numerous private celebration events.

FMG Stadium Waikato hosted several ITM Cup matches, Gallagher Chiefs Investec Super Rugby matches and two 2017 Rugby League World Cup matches- Samoa v Tonga and NZ v Tonga in November – drawing more than 44,000 people. The stadium also hosted the HSBC NZ Rugby Sevens in February in partnership with 37 South, the Council and NZ Rugby. This event was a success for Hamilton, selling out with 47,000 attendees across both days and reinforcing the city's reputation as a 'can do' city when it comes to major events. This was the largest single event ever hosted at the stadium and included the use of Mill St Field for additional entertainment and activities along with Fred Jones Park as the warm-up field for the event. A launch party on the eve of the event in Garden Place was also successful.

Seddon Park had a highly successful cricket season, including domestic matches and international Test matches- a Blackcaps vs West Indies Test, Blackcaps vs Pakistan 4th One Day International and the Blackcaps vs England Tri-Series T20. Seddon Park also hosted the White Ferns for training and a match against the West Indies.

As well as public ticketed performance and sports events and exhibitions, there were also 20 conferences, 585 meetings and 102 functions at H3 venues. These were attended by more than 60,000 people.

In total, more than 321,000 people attended events at Claudelands and 218,000 attended events at stadia.

The Hamilton i-SITE Visitor Information Centre provided travel and event information and booking services to residents and visitors over 364 days in 2017/18. This included more than 35,000 visitors, \$374,000 in event ticket sales and 74 operators registered for annual pay and display advertising.

During 2017/18 the Council opted to undertake a review of the Hamilton i-SITE Visitor Information Centre and for staff to investigate potential cost savings. The review findings are due to be reported back to the Council in August 2018.

We provided event sponsorship funding towards five events in 2017/18 – Hamilton Christmas Events, Hamilton Gardens Arts Festival, the NZ Track and Field Championships, Balloons over Waikato and the NZ Marching Championships. This supported the intent of our Event Sponsorship Policy, which is to focus on larger event opportunities where exposure reaches beyond Hamilton, delivers high-profile coverage and attracts visitors to the city.

Throughout the year, elected members have received quality, evidence-based information to support them to make informed, data-driven decisions. Our economic monitoring, analysis and reporting has been made available for the public to use through the quarterly Growth Indicator Reports. Data analysts have supported our organisation, including City Planning, the Building Unit and Customer Services to help monitor and improve processes.

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	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The total number of hire days across the Claudelands facilities each year.	At least 520	575	503	486
The number of people attending events at Claudelands each year.	At least 190,000	321,469	310,951	170,034
The total number of hire days across the stadium facilities each year.	At least 420	479	337	627
The number of people attending events at the stadiums each year.	At least 200,000	218,728	201,142	158,457

What's behind the results

We measure the number of days a venue is hired instead of the number of events to get a more accurate picture of how often our venues are used. Venues have multiple spaces available for hire and can host several 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 each hireable space is booked at a particular venue.

We had a large increase in patronage at both Claudelands and the stadia. This was due to a growing business events market and more diverse quality event content leading to more bookings and more people attending events.

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The financial return on the Council's commercial property investments.	7%	8.7%	8.7%	8.6%

What's behind the results

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 we have achieved better-than-expected investment returns this year.

You can expect: In-depth economic monitoring.

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
Quarterly and annual economic analysis of Hamilton's economy to be produced.	Quarterly and annual monitoring reports produced	Achieved	Achieved	Achieved
What's behind the results				
This analysis provides information data and economic intelligence that informs us about the economic health of the city and supports our business decision-making. The reports can be found at hamiltoninvest.co.nz				

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The percentage of growth in the visitor economy of the Hamilton and Waikato region.	2.8% growth annually	6% growth (year ending June 2017 compared to year ending June 2018)	8% growth (year ending June 2016 compared to year ending June 2017)	No data
What's behind the results				
<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>We provide funding to the Hamilton and Waikato Regional Tourism Organisation (RTO), along with six other Waikato councils. We are the major funder in this group. The RTO also receives funding from the local tourism industry. The core purpose of the RTO is to promote Hamilton and the Waikato region as an appealing destination to international and domestic visitors to generate economic benefits for the region and its communities.</p> <p>Tourism spending in the Hamilton and Waikato RTO area for the year ending June 2018 was \$1,532M, up 6% on the year ending June 2017. This was the 5th highest expenditure in NZ and includes spend by domestic and international visitors.</p> <p><i>Note: The target for this measure was set based on a different data series that is no longer produced by MBIE.</i></p>				

ECONOMIC DEVELOPMENT - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan 2017 \$000	Actual 2017 \$000	Long Term Plan 2018 \$000	Actual 2018 \$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	1861	1,540	2,619	2,575
Targeted rates	8551	8,761	6,890	6,995
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	9,268	8,422	9,493	9,645
Internal charges and overheads recovered	135	91	138	139
Local authorities fuel tax, fines, infringement fees, and other receipts	550	3,310	550	990
Total operating funding	20,365	22,124	19,690	20,344
Applications of operating funding				
Payments to staff & suppliers	15,330	16,647	15,620	19,862
Finance costs	4,958	3,965	4,794	3,905
Internal charges and overheads applied	135	40	138	26
Other operating funding applications	-	55	-	-
Total applications of operating funding	20,423	20,707	20,552	23,793
Surplus/(deficit) of operating funding	(58)	1,417	(862)	(3,449)
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	300
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	2,534	13,730	3,384	(3,061)
Gross proceeds from the sale of assets	16	5,801	17	5
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	2,550	19,531	3,401	(2,756)
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	18	-	-
- to improve the level of service	388	9	27	96
- to replace existing assets	2,104	1,782	2,512	4,269
Increase/(decrease) in reserves	-	4,447	-	(4,684)
Increase/(decrease) of investments	-	14,692	-	(5,886)
Total application of capital funding	2,492	20,948	2,539	(6,205)
Surplus/(deficit) of capital funding	58	(1,417)	862	3,449
Funding balance	-	-	-	-

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 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.

The parks and open spaces, with their complementary walkways and facilities, enable a range of sport and recreation activities as well as contributing to people's sense of pride in how Hamilton looks and feels.

We also provide burial and crematorium services in park-like settings where people can remember loved ones.

How we contribute to achieving our Community Outcomes

Parks and green spaces activities primarily contribute to our Community Outcome for:

- A great river city.

They also supported the following 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.



2017/18 YEAR IN REVIEW

The Hamilton Gardens development project is progressing well. The Destination Playground at the Gardens opened in December 2016 and continues to be very popular with the public. A Changing Places accessible bathroom was completed in early 2018 as a part of the toilet facility next to the playground.

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

The jetty has been upgraded to improve access, safety and, with additional sculptural elements, provides a river 'gateway' to the gardens. The Concept Garden and Braithwaite Court, which features a 'floating' steampunk airship sculpture, were opened in 2017. The physical works for all gardens were completed in June 2018, however three of them will require time for planting growth before they can be opened. Planned opening dates are as follows (specific date and event details to be confirmed):

- Mansfield Garden – October/November 2018
- Picturesque Garden – October 2019 (although some planned events will be able to be held in this Garden prior e.g. the 'Magic Flute' Opera planned as part of February 2019 Arts Festival)
- Surrealist Garden – February 2020.

Further development of Hamilton Gardens has been approved in the 2018-28 10-Year Plan. This includes funding provision for the development of more gardens and associated courts, an upgraded retail and arrival centre and other associated infrastructure such as carparks and public toilets. The capital cost of the project is expected to be around \$27m over 10 years. This is expected to be achieved through a mix of targeted rates and external fundraising.

During the development of the 10-Year Plan the introduction of an entry fee for the inner gardens was proposed. However, in agreeing the final 10-Year Plan it was decided not to charge an entry fee at this stage and Hamilton Gardens remains free for all residents and visitors.

A new neighbourhood playground was opened in Te Huia in the northeast and a new Destination Playground in Hare Puke Park was opened in Rototuna. External funding of \$245,000 from the Vibrant Hamilton Trust and WEL Energy contributed towards the Hare Puke playground. The 2018-28 10-Year Plan includes further funding of \$8.2m (including \$2.7m external funding) towards a range of upgraded neighbourhood playgrounds, and destination play spaces which could incorporate a skatepark. A full play space programme will be developed in consultation with the community.

Victoria on the River park opened in January 2018. The terraced park is a space people can enjoy in the central city with views of the river and various activities including markets, music and exercise classes.

Parts of the river pathway have been closed due to riverbank slips at Kirikiriroa, at the end of London St and at Te Hikuwai in Flagstaff. These are complex slips and detailed geotechnical investigations have been undertaken to ensure effective remediation options. It is expected these slips will be repaired and the pathway sections will be reopened to the public within 6-12 months.

A new wisteria arch was completed at Taitua Arboretum which will provide colour and shade. The arboretum was a gift to the Hamilton City Council by John and Bunny Mortimer in 1997. The arch was funded from a permanent fund the Mortimers established via Momentum Waikato to support the future development of the arboretum. Sadly, John Mortimer died in May 2018 at the age of 94. The 22-hectare arboretum was his life work and is now enjoyed by around 60,000 people every year.

New funding has been allocated in the 2018-28 10-Year Plan for development of a sports park in Rototuna (\$6m over 2018/19 and 2019/20), improvements to some existing sports fields (\$3.2m over 2019/20 and 2021) as well as ongoing renewals and maintenance.



John Mortimer

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	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The quantity of public green space in the city.	No net loss	4.03 hectares gained	14.1 hectares gained	9 hectares gained
The number of street trees in the city.	Annual growth in the number of street trees	420 more 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	50,122 plants planted	36,148 plants planted	63,581 plants planted

What's behind the results

Parks, gardens and trees contribute to a liveable urban environment. Not only do they make a city more attractive, provide spaces for recreation and enjoyment, they also filter pollutants from the air, provide shade, promote ecological diversity, and reduce erosion of soil into our waterways.

In 2017/18 we increased the area of public green space in the city by 4.03 hectares bringing total open space to 1,157ha. 420 new street trees were planted, bringing the total number of street trees to just over 35,500 (based on available data).

The annual target for native plants has been met with 50,122 native plants planted in natural areas over 2017/18 by 2,800 volunteers committing over 7,800 volunteer hours. Of that, 18,000 plants and 1,600 volunteers took part in Arbor Day planting at Waiwhakareke Natural Heritage Park.

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
Delivery of the Destination Playgrounds programme – number of new destination playgrounds.	1 new Destination Playground	Achieved – 1 new Destination Playground	Achieved- 2 new Destination Playgrounds	Achieved – 1 new Destination Playground

What's behind the results

We have continued the implementation of the Playgrounds of the Future Plan that sets a programme for the development of new playgrounds across the city. Destination Playgrounds offer creative unique experiences with a focus on interactive play. The target for 2017/18 was met with the development of Hare Puke Destination Playground in Rototuna and a local neighbourhood playground at Te Huia Park.

In addition to new playgrounds, renewal of existing playground equipment and resurfacing took place at Te Kooti, Flagstaff, Claudelands, Parana and Tauhara parks.

You can expect: The Council to invest in sports fields

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The number of hours of play provided per week by the Council's sports fields during winter.	836 hours	No data	No data	No data
What's behind the results				
<p>The 2015-25 10-Year Plan target was set based on the condition of sports fields and other factors such as field lighting. Seasonal booking information is used to report against this target. There are some limitations to data collection for this activity which this year has led to a result of no data due to lack of confidence in it. This is a focus for improvement.</p> <p>There have been issues with the condition of some sports fields built on peat ground. These fields can be very boggy in winter and hard and dry in summer. To address this, we have invested additional funding in the 2018-28 10-Year Plan towards irrigation and drainage improvements – it is expected that this will result in a higher number of playable hours once improvements have been completed.</p>				

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
Delivery of the four-year Hamilton Gardens development programme.	Hamilton Gardens programme completed by 2017/18	Substantially complete (plant growth required before opening all new gardens)	On track	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.	Estimated 1,118,685 visitors (2.6% decrease on 2016/17)	Estimated 1,148,613 visitors (13.5% increase on 2015/16)	Estimated 1,012,203 visitors (17% increase on 2014/15) ¹
What's behind the results				
<p>The Hamilton Gardens development project is progressing as per the project plan. The physical works for all planned new gardens were completed in June 2018, however three of them will require time for planting growth before they can be opened.</p> <p>Hamilton Gardens is our city's most popular tourist attraction and an iconic destination. There has been strong growth in visitation over the last few years. The total estimated number of visitors to Hamilton Gardens is 1,118,685. This is 29,928 fewer visitors than the previous year (1,148,613). The decline in numbers in quarter three and four have been attributed to external factors such as weather and some public perception that charging had been introduced as a result of preliminary 10-Year Plan discussions.</p> <p>We are continuing to invest in the development of the Hamilton Gardens and this investment, along with forecast growth in international tourism across New Zealand, is likely to see increasing visitation to the Gardens in future years.</p> <p>The visitor numbers to the whole Hamilton Gardens site is an estimate extrapolated from vehicle counts.</p>				

PARKS AND GREEN SPACES - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan	Actual	Long Term Plan	Actual
	2017	2017	2018	2018
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	3,455	3,328	5,113	4,936
Targeted rates	14,046	14,392	12,312	12,538
Subsidies and grants for operating purposes	7	5	7	5
Fees and charges	2,227	2,958	2,298	5,163
Internal charges and overheads recovered	835	1	855	7
Local authorities fuel tax, fines, infringement fees, and other receipts	399	197	405	278
Total operating funding	20,969	20,881	20,990	22,927
Applications of operating funding				
Payments to staff & suppliers	16,516	18,100	17,041	20,893
Finance costs	1,595	1,034	1,667	1,141
Internal charges and overheads applied	835	39	855	17
Other operating funding applications	-	202	-	(104)
Total applications of operating funding	18,946	19,375	19,563	21,947
Surplus/(deficit) of operating funding	2,023	1,506	1,427	980
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	1,785
Development and financial contributions	1,473	1,741	1,492	2,113
Increase/(decrease) in debt	814	4,408	1,174	(983)
Gross proceeds from the sale of assets	19	14	20	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	1,604	1,875	1,646	-
Total sources of capital funding	3,910	8,038	4,332	2,915
Application of capital funding				
Capital expenditure				
- to meet additional demand	2,874	3,750	3,055	4,914
- to improve the level of service	921	2,340	546	4,040
- to replace existing assets	2,518	2,525	2,158	2,790
Increase/(decrease) in reserves	(380)	(3,165)	-	(6,209)
Increase/(decrease) of investments	-	4,094	-	(1,640)
Total application of capital funding	5,933	9,544	5,759	3,895
Surplus/(deficit) of capital funding	(2,023)	(1,506)	(1,427)	(980)
Funding balance	-	-	-	-



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:



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.

We administer and maintain the District Plan- which defines how and where the city grows and how its natural and physical resources are managed- as well as other policies which guide the future development of our city.

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

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

How we contribute to achieving our Community Outcomes

Planning and development activities primarily contribute to our Community Outcome for:

- A city that embraces growth.

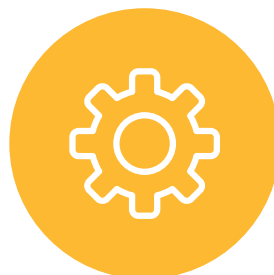
They also supported the following Hamilton Plan priorities:

- 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 our residents.

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



2017/18 YEAR IN REVIEW

Hamilton has continued to experience strong growth. The city's population is estimated to continue growing from 161,200 in 2016 to 171,606 in June 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 loan to bring forward transport and water infrastructure required for new housing.

Hamilton has secured HIF funding worth \$290.4m – comprising \$180.3m of 10-year interest-free loan and \$110.1m of NZ Transport Agency subsidies – for the development of the Peacocke suburb in south Hamilton. The loan and subsidies will enable us to build a new bridge over the Waikato River, other main roads and main water and wastewater systems in Peacocke, which has the capacity for 3,750 homes within the next 10 years and 8,400 across 30 years.

A further initiative to support growth, the Hamilton Housing Accord, was signed with the Government in December 2016. This enables us to apply the provisions of the Housing Accords and Special Housing Areas Act to increase housing supply and improve housing affordability in the city. The Special Housing Areas Policy provides an evaluation framework within which to consider proposals for Special Housing Areas (SHAs). SHAs are defined areas of land (including sites not currently zoned for residential) in the city that can be put forward for housing development for consideration by the Council. This process is to enable more houses to be built.

Since the first call for expressions of interest in SHAs in September 2017, five SHA proposals have been approved for submission to the Government for review. The proposals are for the following SHAs; Te Karearea in Hamilton East (80 homes), Rotokauri North (1,450 homes), Te Rapa (150 homes), Gilbass Avenue near Hamilton Lake (15 homes) and Te Awa Lakes in north Hamilton (1,000 homes). If approved by the Government, developers can submit their resource consents using an accelerated consenting process. Each development will have a detailed agreement with the Council outlining any affordable housing targets and what infrastructure the developer will pay for.

A comprehensive assessment has been done of the available development capacity in the city for residential and business growth over the next 30 years. This was to understand the city's capacity for growth and ensure enough land is provided to meet growing demand. This study was undertaken to meet the requirements of the National Policy Statement on Urban Development Capacity. The results will be used as a new baseline and inform a refined residential land supply measure included in the 2018-2028 10-Year Plan.

On the operational front, managing the challenges that come with a growing city is also part of the job for our building 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.

Every two years we are required to undergo a thorough audit of everything the Building Control Unit does including looking at their systems, staff numbers, processes and their ability to meet statutory requirements. This allows us to maintain accreditation as a Building Consent Authority (BCA). We have recently had our biannual audit under the new BCA accreditation regime and have maintained positive results.



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	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The number of years of residential land supply zoned and ready for development in greenfield areas.	At least five years	6.4 Years	6.1 Years	7 Years
<p>We zone and provide strategic infrastructure for new areas in the city. While developers provide the infrastructure needed for their development, we need to make sure the right networks are there for them to join up with.</p> <p>We have at least six years of residential-zoned land in greenfield areas that have strategic infrastructure in place. This land is ready for developers to complete their developments and bring them to market as new housing. A detailed assessment of residential land supply and demand was carried out in 2017.</p>				

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The percentage of non-notified resource consent applications processed within statutory timeframes.	100%	99.8%	99.8%	99.2%
The percentage of building consents processed within statutory timeframes.	100%	99.2%	99.9%	99.6%
<p>What's behind the results</p> <p>There are legal timeframes which consent applications must be processed within.</p> <p>In 2017/18 we processed 817 resource consent applications that did not require public or limited notification. Of these applications, two were not completed within the statutory timeframe because of resourcing issues and external consultants being used to process applications on our behalf. These two applications exceeded the timeframe by a small margin and the additional time taken was to ensure we came to the best environmental outcome for the city.</p> <p>The Building Control team granted 1,840 building consents within the statutory timeframes. Fifteen consents went over time which was also due to staff resourcing issues as well as an error in the receive date in our online consenting pilot.</p>				

PLANNING AND DEVELOPMENT - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan	Actual	Long Term Plan	Actual
	2017	2017	2018	2018
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	1,006	969	1,364	1,317
Targeted rates	3,926	3,924	3,122	3,218
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	7,610	9,743	7,795	9,636
Internal charges and overheads recovered	-	26	-	8
Local authorities fuel tax, fines, infringement fees, and other receipts	-	19	-	25
Total operating funding	12,542	14,681	12,281	14,204
Applications of operating funding				
Payments to staff & suppliers	11,866	13,152	11,824	12,725
Finance costs	11	6	11	4
Internal charges and overheads applied	-	9	-	9
Other operating funding applications	-	16	-	2
Total applications of operating funding	11,877	13,183	11,835	12,740
Surplus/(deficit) of operating funding	665	1,498	446	1,464
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	-
Gross proceeds from the sale of assets	12	9	12	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	12	9	12	-
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	74	-	-
- to improve the level of service	264	29	34	82
- to replace existing assets	413	372	424	572
Increase/(decrease) in reserves	-	1,032	-	810
Increase/(decrease) of investments	-	-	-	-
Total application of capital funding	677	1,507	458	1,464
Surplus/(deficit) of capital funding	(665)	(1,498)	(446)	(1,464)
Funding balance	-	-	-	-

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 Peak Indoor Recreation Centre

We operate two swimming facilities- Waterworld and Gallagher Aquatic Centre. Waterworld is the largest multi-pool facility in the Waikato and hosts both local and national competitions. Gallagher Aquatic Centre is a smaller community pool, suited to recreational and leisure swimming.

We also provide 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. We do this to increase the pool space available and create local swimming facilities for communities to enjoy.

Hamilton Zoo is home to more than 600 exotic and native New Zealand animals spread across 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 own the Te Rapa Sportsdrome, an indoor recreational facility that supports local sports and community use. We also provide funding to The Peak, a new four-court Indoor Recreation Centre in Rototuna.

How we contribute to achieving our Community Outcomes

Recreation activities primarily contribute to our Community Outcome for:

- A great river city.

They also supported the following Hamilton Plan priorities:

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

Effects on the community

We're involved in providing quality recreation facilities and experiences to support a fun and creative city. Recreation facilities offer health, learning, social and leisure benefits. They are a big part of what makes our city a great place to live, work and play.



2017/18 YEAR IN REVIEW

A new four-court indoor recreation centre, called The Peak, was opened in September 2017 at Rototuna High School. This centre was a joint partnership between the Ministry of Education and the Council and is available to the school and community on a booking basis. We contributed \$4.5m in 2017/18 to the build and fund an annual grant of \$120,000 to the Indoor Recreation Trust towards operating The Peak. Indoor sports clubs utilising The Peak include netball, basketball, futsal, volleyball, cheerleading and inline skating.

Funding of \$10.78m was approved in September 2017 to undertake renewals and upgrade at Waterworld. The work includes pipe work and filtration, heating and ventilation, flooring, lighting, fire compliance work and related electrical work. This has meant a closure of both of the indoor pool halls while the work is undertaken. Learn to Swim numbers have been maintained with classes being held in the Hydrotherapy pool and Gallagher Aquatic Centre. Clubs which normally use the pools have been diverted to the Gallagher Aquatic Centre and Fairfield High school partner pool.

The Hamilton Zoo Master Plan, an extensive document exploring a range of options to develop the visitor experience at the popular visitor attraction, was signed off by the Council in June 2017. The plan sets out a direction of travel for the zoo over the next 10-15 years. While no projects from the Master Plan were specifically funded in 2017/18, there has been greater focus on enhancing the visitor experience and increasing links with Waiwhakareke Natural Heritage Park which is located across the road from the zoo.

The 2018-28 10-Year Plan includes funding of \$760,000 in year 1 to complete pathways and infrastructure so Waiwhakareke can be opened to the public in 2019. The 10-Year Plan also includes the development of a shared entry precinct for the Hamilton Zoo and Waiwhakareke, including a new arrival centre, café and toilet facilities, improved parking and pedestrian links.



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	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The number of visits to Hamilton Zoo each year.	At least 120,000	139,684	132,805	129,448
The number of students participating in Zoo education programmes each year.	At least 8,000	10,024	8,135	8,009

What's behind the results

In 2017/18, visits to the Hamilton Zoo were up 5.2% (139,684) on 2016/17 (132,805), exceeding the annual target of at least 120,000. The five days of Easter weekend and Anzac Day week saw more than 7,200 visitors at the zoo and the annual Family Fun Day event on Easter Friday was attended by 2,517 visitors, up 160% on the previous year.

More value has been added to the zoo experience by increasing the number of keeper talks and animal encounters offered (eg giraffe feeding) at no additional charge. Experiences such as breakfast with the Red Panda and lemur encounters remain popular.

The target for education programmes was exceeded in 2017/18 with a 23% increase on the year before. A closed Facebook group for teachers has been created to promote zoo education services directly to them, and for educators to share their zoo experience. 61 low-decile schools brought over 2,300 students to the zoo as part of the Warehouse Zoofari programme.

The zoo also advertised its education services in the Starters and Strategies publication to coincide with their focus on Conservation Week (October). In quarter four the Zoo Educator engaged with 710 students across 10 schools as part of the Waiwhakareke Arbor day talks.

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The number of visits to Waterworld and Gallagher Aquatic Centre each year.	At least 580,000	474,404	562,429	No data*
The number of students participating in aquatic education classes at Council pools.	At least 28,000	17,893	36,094	38,307
The number of people participating in Learn to Swim classes at Council pools.	At least 40,000	51,508	51,396	No data*

What's behind the results

In February 2018 the 25m and 50m pools at Waterworld closed for refurbishment. As a result, levels of participation at Waterworld are significantly lower than target.

The outdoor Lido pool remained open until June 2018 to increase the pool space available and the Gallagher Aquatic Centre experienced a 29% increase of participation. The Hydrotherapy, Club Aqua and the steam/sauna/spa facilities have maintained steady use during this time.

Changes to Water Safety NZ and their funding support has led to a decrease in the number of aquatic education classes offered. Increased transport costs have also impacted on the number of schools able to attend these classes. Learn to Swim remained a major focus for staff during the refurbishment of Waterworld with staff planning carefully to retain as many students as possible.

This focus is reflected in the achievement of Learn to Swim targets for 2017/18 and will continue in 2018/19.

**Due to a calculation error, these 2015/16 results were incorrect. The correct data is not available to retrospectively amend this figure.*

RECREATION - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan	Actual	Long Term Plan	Actual
	2017	2017	2018	2018
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	1,287	1,240	2,038	1,968
Targeted rates	5,004	5,088	4,668	4,734
Subsidies and grants for operating purposes	282	296	289	180
Fees and charges	4,814	4,419	5,127	4,254
Internal charges and overheads recovered	-	5	-	3
Local authorities fuel tax, fines, infringement fees, and other receipts	29	45	29	60
Total operating funding	11,416	11,093	12,151	11,199
Applications of operating funding				
Payments to staff & suppliers	9,603	10,383	9,932	11,103
Finance costs	289	244	278	242
Internal charges and overheads applied	-	5	-	7
Other operating funding applications	-	21	-	-
Total applications of operating funding	9,892	10,653	10,210	11,352
Surplus/(deficit) of operating funding	1,524	440	1,941	(153)
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	144	784	192	(175)
Gross proceeds from the sale of assets	-	8	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	144	792	192	(175)
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	65	-	-
- to improve the level of service	191	38	22	65
- to replace existing assets	1,477	2,130	2,111	7,989
Increase/(decrease) in reserves	-	(1,758)	-	(8,079)
Increase/(decrease) of investments	-	757	-	(303)
Total application of capital funding	1,668	1,232	2,133	(328)
Surplus/(deficit) of capital funding	(1,524)	(440)	(1,941)	153
Funding balance	-	-	-	-

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.

This includes:

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

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

We have 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 St Refuse Transfer Station and Recycling Centre and the Hamilton Organic Centre. The operation of these two facilities is contracted to privately-owned businesses.

How we contribute to achieving our Community Outcomes

Rubbish and recycling activities primarily contribute to our Community Outcome for:

- A city that embraces growth.

They also contributed to this Hamilton Plan priority:

- Providing outstanding infrastructure.

Effects on the community

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

We aim to reduce the amount of rubbish produced by residential properties and are looking into options to divert recyclable materials from black bags and other rubbish, continuing education programmes, providing grants for the 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 in 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.

2017/18 YEAR IN REVIEW

Hamilton's 2018-2024 Waste Management and Minimisation Plan was adopted in April 2018. The Waste Plan received more than 300 submissions. The majority of these supported the targets, objectives and actions outlined in the draft Waste Plan. The Plan was informed by a detailed Waste Assessment.



The plan sets four targets for 2024:

- 10% reduction in the per capita amount of rubbish to landfill
- 10% increase in the per capita amount of material diverted from landfill
- 25% decrease in the per capita kerbside rubbish to landfill
- 50% increase in the per capita kerbside recycling.

The first year (2018) of the HSBC New Zealand Rugby Sevens event in Hamilton included a strong focus on waste minimisation. Instead of using single use cups, vendors were selling drinks in reusable cups that could be washed and refilled at the venue. In addition, our Fight the Landfill brand characters Sebastian Stubbs and Buzz were onsite at the event encouraging attendees to recycle their cans and bottles.

Our Fight the Landfill website was refreshed in 2018. The updated website has improved navigation (including an enhanced site search function) and usability for the end customer, including forms for reporting of illegal dumping and missed collections.

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	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The number of weeks with more than 20 complaints about uncollected kerbside household rubbish and recycling.	0 weeks	12 weeks	0 weeks	1 week
The percentage of customer complaints about uncollected kerbside rubbish and recycling resolved within 24 hours.	95%	99%	99%	96%

What’s behind the results

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. There have been 761 complaints in relation to non-collection of rubbish and recycling. This is due to resourcing challenges with our contractor, however most complaints are resolved within 24 hours which indicates our contractor is responsive to any complaints received.

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The percentage of waste recovered for recycling through the kerbside collection.	At least 30%	25%	27%	28%

What’s behind the results

The types and volumes of rubbish and recycling collected at the kerbside has changed in relation to consumer behaviour and can result in a lower calculated percentage of waste recovered.

Short term improvements will be made through targeted awareness and education campaigns.

These will be developed in collaboration with the contractor and focus on reducing waste and how households can increase their recycling. Longer term improvements will be achieved through the implementation of actions within the 2018-24 Waste Minimisation Management plan and the 2018-28 10-Year Plan.

RUBBISH AND RECYCLING - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan	Actual	Long Term Plan	Actual
	2017	2017	2018	2018
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	1,381	1,330	3,012	2,908
Targeted rates	5,397	5,627	6,950	7,165
Subsidies and grants for operating purposes	420	570	430	582
Fees and charges	363	400	372	395
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	14	14	14	103
Total operating funding	7,575	7,941	10,778	11,153
Applications of operating funding				
Payments to staff & suppliers	6,957	6,583	10,173	7,511
Finance costs	137	948	147	850
Internal charges and overheads applied	-	1	-	2
Other operating funding applications	-	3	-	-
Total applications of operating funding	7,094	7,535	10,320	8,363
Surplus/(deficit) of operating funding	481	406	458	2,790
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	70	378	103	(84)
Gross proceeds from the sale of assets	7	5	8	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	77	383	111	(84)
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	46	-	-
- to improve the level of service	297	111	241	109
- to replace existing assets	261	273	328	343
Increase/(decrease) in reserves	-	23	-	2,389
Increase/(decrease) of investments	-	336	-	(135)
Total application of capital funding	558	789	569	2,706
Surplus/(deficit) of capital funding	(481)	(406)	(458)	(2,790)
Funding balance	-	-	-	-

SAFETY



We play a big a role in enhancing public safety and security in a range of areas aimed at enabling growth and making Hamilton an even better 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 alcohol licensing
- Public health nuisances
- Noise control
- Contaminated land 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 alcohol, respond to health nuisances and deal with environmental pollution issues such as noise control and contaminated land.

Our work also includes partnering with others, such as 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 publicly visible sites and Council assets.

How we contribute to achieving our Community Outcomes

Safety activities primarily contribute to our Community Outcome for:

- A great river city.

These activities also supported the following 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.

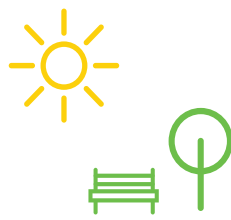
Animal control minimises the danger and nuisance from dogs and contributes to a city where people can enjoy the benefits of having a dog as part of their family.

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 perception of safety, particularly in Hamilton's central city.

2017/18 YEAR IN REVIEW

Making the city a safer place for residents and visitors has continued to be a significant focus for the 2017/18 year as we looked to build on our performance last year.

For animal control services, the 2017/18 year has been more settled with the Hamilton SPCA branch slowly returning to capacity. This has enabled the Animal Education and Control team to focus on our ways of giving back to our "good dog owners", promoting Hamilton Adopt a Dog and encouraging responsible dog ownership. We have organised and been involved in several events including the Santa Parade, Canine Christmas, registration and microchipping amnesty and the Dirty Dog Challenge, where we worked closely with Waikato District Council. The level of compliance with dog registration requirements again exceeded 99% for the year.



On 1 March 2016 the new Food Act came into force. This introduced new requirements in relation to compliance monitoring and a three-year transition period for food businesses to be compliant with the new Act. In Hamilton, 500 food businesses were required to transition to this new system by 30 June 2018. Of these, 98% are now operating under the Food Act 2016. The remaining businesses (approximately 20) are being actively followed up to obtain compliance.

The Alcohol Licensing team extended their monitoring and inspection regime to all 276 licensed premises in the city rather than maintaining a focus on high risk premises alone. During the last 12-months a very successful licensing training seminar was also conducted by our licensing inspector. There is now national interest in expanding this training to other councils.

City Safe has continued to work collaboratively with a wide range of organisations to provide wrap-around support services for members of our at risk community while also having a highly visible presence in the central city to deter anti-social behaviour.

Our central city CCTV network continues to expand and offers an invaluable service in terms of detecting and preventing offending. The initial integration with a range of traffic cameras has also expanded the size and reach of the network and has enhanced the overall capability. This is an essential tool for enhancing perceptions of safety for users of our public spaces.

The apprehension and prosecution of a number of high profile graffiti offenders has been the principal catalyst of a reduction in the number of reported graffiti tags requiring removal. Tagbusters have maintained a 99% achievement of our target to remove graffiti within 48 hours of it being reported. The rapid removal of graffiti tags is key to enhancing the community's perception of safety. Tagbusters have also worked closely with the community to plan for public murals to be painted on two buildings. They have also supported local community 'paint out' days and the successful Boon Festival.

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	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The percentage of central city users surveyed who feel very safe or reasonably safe in the central city during the daytime.	At least 80%	77.2%	83%	79%

What's behind the results

A new plan to support safety in the central city was developed over the past 12 months and was formalised in early 2018 as the Hamilton Central City Safety Strategy 2018-2021. Perceptions of Safety surveying remains an integral part of the new strategy.

The last Perceptions of Safety survey was carried out in August 2018- a bit later than normal. Several consultations and engagement processes were being run as part of the 2018-28 10-Year Plan and in order to avoid 'consultation fatigue' with the community as well as manage staff workloads, the survey was delayed. We do not believe that the comparability of the results of the survey are affected by this delay as it is a subjective rather than quantitative survey.

Overall, the shift of perception has been towards the middle of the spectrum. The results show a drop in those central city users surveyed who feel 'very safe' or 'reasonably safe' in the central city during the daytime, while those feeling 'very unsafe' is at 1.5% (the lowest recorded over the last five years).

The responses given for feeling unsafe centred primarily around the presence of those perceived to be homeless, beggars, vagrants or street people. This group of individuals also represents the most common concern for central city businesses in the survey, however the combined perception of safety during the daytime for these businesses is significantly better this year compared to previous years.

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The percentage of graffiti removal jobs completed within two working days.	95%	99.1%	95.4%	98%
The percentage of complaints about excessive noise responded to within 30 minutes.	95%	96.2%	95%	97%
The percentage of urgent requests for dog control responded to within 60 minutes	100%	99.4%	99.4%	100%

What's behind the results

Prompt response and removal of graffiti tags is recognised as a major deterrent to repeat offending and enhances perceptions of safety in the community. Additionally, a strong partnership approach with Police has resulted in several apprehensions of repeat offenders. Of 2,672 graffiti tags, 2,649 were removed within two working days.

Excessive noise is defined as noise that disturbs someone's peace and comfort. During the year 6,364 noise related complaints were received which was a slight reduction on the previous year. The 95% target is to ensure that there is a timely response by our noise contractors to these complaints.

Urgent requests for dog control involve threats to public safety; this includes attacks on people, dogs or other animals, and where people are intimidated by a dog's behaviour. During the last month of the year, one job was incorrectly identified as routine instead of urgent which resulted in the target of 100% attendance within 60 minutes, not being achieved. The remaining 153 jobs were all attended within the required timeframes during the year.

In 2017/18 Animal Education and Control team responded to 5,768 requests for service and undertook 378 proactive urban and park patrols.

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

Measure	2017/18 Targets	2017/18 Results	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%	100%	99%
The percentage of high risk premises selling alcohol monitored annually	100%	100%	100%	100%

What's behind the results

2017/18 was the second year of the three-year transition period for food businesses to move to the new risk-based approach contained within the new Food Act. Our core functions under the new Act, in addition to assisting food businesses through the transition period, are the verification and registration of risk-based measures and monitoring for compliance with the Act.

This is a time-consuming process and resulted in a greater focus on working with businesses to assist their transition rather than maintaining focus on the previously identified high-risk businesses. By February 2019 there will be no high-risk food businesses left under the Food Hygiene Regulations as they will have all transitioned to the new Food Act.

We also protect public health by monitoring and enforcing alcohol licence conditions. Inspecting all 32 high-risk premises helps to ensure the sale, supply and consumption of alcohol is undertaken safely and responsibly. This aims to minimise harm from the abuse of alcohol. We extended the inspection regime to include inspections of every licensed premise (276 premises) during 2017/18.

SAFETY - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan 2017 \$000	Actual 2017 \$000	Long Term Plan 2018 \$000	Actual 2018 \$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	631	608	947	914
Targeted rates	2,479	2,562	2,182	2,247
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	2,185	2,242	2,238	2,314
Internal charges and overheads recovered	-	-	-	4
Local authorities fuel tax, fines, infringement fees, and other receipts	13	37	13	41
Total operating funding	5,308	5,449	5,380	5,520
Applications of operating funding				
Payments to staff & suppliers	5,056	5,433	5,187	5,647
Finance costs	27	23	26	23
Internal charges and overheads applied	-	2	-	2
Other operating funding applications	-	5	-	-
Total applications of operating funding	5,083	5,463	5,213	5,672
Surplus/(deficit) of operating funding	225	(14)	167	(152)
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	12	67	16	(15)
Gross proceeds from the sale of assets	4	3	5	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	16	70	21	(15)
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	28	-	-
- to improve the level of service	75	8	10	28
- to replace existing assets	166	156	178	229
Increase/(decrease) in reserves	-	(220)	-	(390)
Increase/(decrease) of investments	-	84	-	(34)
Total application of capital funding	241	56	188	(167)
Surplus/(deficit) of capital funding	(225)	14	(167)	152
Funding balance	-	-	-	-



SEWERAGE



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

Our activities:

Sewage collection, conveyance, treatment and discharge, and a sustainable, reliable and cost-effective service

This includes:

- Managing the city's capacity needs
- Providing and managing sewerage network assets
- Operating, maintaining and monitoring the sewerage network and treatment plant
- Responding to customers
- Trade waste management.

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

The Wastewater Treatment Plant currently services approximately 50,000 households and 4,800 commercial and industrial premises.

How we contribute to achieving our Community Outcomes

Sewerage activities primarily contribute to our Community Outcome for:

- A city that embraces growth.

This activity also supported the Hamilton Plan priority:

- Providing outstanding infrastructure.

Effects on the community

We manage the sewerage network to provide the city with services that are reliable and protect people's health and our waterways. If not monitored and managed appropriately, sewerage services have the potential for negative environmental effects such as odour, noise and discharges into waterways.

We manage these potential effects by complying with our resource consent conditions, managing treated sewage discharge quality, maintaining odour control devices at treatment plants and upgrading or replacing infrastructure as necessary.

2017/18 YEAR IN REVIEW

Construction started on the \$7.65m Rotokauri Far Western Wastewater Interceptor Extension project during 2017/18. This project will provide essential sewerage infrastructure necessary to service the Rotokauri residential stage 1 area.

A number of other capital and renewal projects were carried out on the sewerage network this year, including optimisation and upgrade works at various sewerage pump stations to increase capacity and network resilience. We made upgrades to the administration building to improve seismic resilience as well as other major improvements for example, monitoring and control instrumentation upgrades, upgrades to the screening bins, and flowmeter replacement.

An \$18.3m upgrade of the Pukete Wastewater Treatment Plant began in 2016/17 and is ongoing. The upgrade will improve our level of compliance with current discharge consents and be able to accommodate future city growth.

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	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
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	3.0 overflows per 1,000 connections	0.2 overflows per 1,000 connections	0.1 overflows per 1,000 connections

What's behind the results

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 2017/18 there were 172 total dry weather overflows, eight from pumpstations and 164 from the reticulation network. All the pumpstation events resulted from unexpected mechanical, electrical or programming faults at the pumping station which have been addressed to prevent re-occurrence.

The most common reasons for the dry weather overflows from the reticulation network were blockages from fat, foreign materials and damage from tree root intrusion. To ensure the impact of these issues is reduced we have carried out leaflet drops to properties reminding them of what is allowed to be flushed into the network.

You can expect: A quality service.

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
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"> Sewerage odour, sewerage system faults or blockages and the Council's response to any of these issues. 	No more than 25 complaints per 1,000 connections	11.95 complaints per 1,000 connections	18.4 complaints per 1,000 connections	10.4 complaints per 1,000 connections

What's behind the results

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 2017/18 a total of 674 complaints were received, down from 1,039 the previous year. The reduced level of complaints received is due to more stable weather conditions and reduced number of high rain fall events in comparison to 2016/17. Of the 674 complaints, 498 were due to an overflow or blockage.



John Ambling

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The Council's compliance with its resource consents for discharge from its sewerage system:				
a) The number of abatement notices	No more than 1 abatement notice	1	0	0
b) The number of infringement notices	0 infringement notices	0	0	0
c) The number of enforcement orders	0 enforcement notices	0	0	0
d) The number of convictions	0 convictions	0	0	0

What's behind the results

We have a resource consent that sets quality standards for the water we discharge from the Wastewater Treatment Plant into the Waikato River.

This measure indicates how well we are managing the environmental impacts of the city's wastewater system. It only includes formal actions taken, as they represent incidents that may have the greatest adverse impact on the environment.

In 2017/18 there was an abatement notice issued by the Waikato Regional Council in relation to a wastewater discharge event in Malcolm street. The event occurred because of a fault in an underground wastewater pipe. We complied with the conditions of the abatement notice, which was subsequently cancelled by Waikato Regional Council.

Recently a charging document was filed in the Hamilton District Court against Hamilton City Council for an offence against section 15(1)(a) of the Resource Management Act 1991 (RMA). This related to the discharge of untreated wastewater from the wastewater pumpstation in Anzac Parade during the 20th and 21st February 2018. This incident was considered by the Waikato Regional Council's Prosecution Decision Group who agreed that the discharge was sufficient to warrant a prosecution pending an independent legal review.

The legal review carried out found there was sufficient evidence for a charge against the RMA and that it may be in the interests of the public to press for such a charge. No further action has been made at the time of writing this report.

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The median response times for the following when the Council attends to sewage overflows resulting from a blockage or other fault in the Council's sewerage system:				
a) Attendance time: From the time that the Council receives notification to the time that service personnel reach the site.	No more than 60 minutes	43 minutes	57 minutes	36 minutes
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	2.4 hours	1.8 hours	1.2 hours

What's behind the results

This measure shows how quickly we respond when there is a problem with the sewerage system, and how quickly the problem is resolved.

Results show that in comparison to 2016/17, there has been a decrease in the response time for sewerage network issues and an increase in the time required to resolve issues. All results remained within target timeframes ensuring that sewerage network issues were dealt with in a timely manner.

SEWERAGE - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan 2017 \$000	Actual 2017 \$000	Long Term Plan 2018 \$000	Actual 2018 \$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	4,502	4,337	8,842	8,538
Targeted rates	18,569	19,363	21,397	21,997
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	4,388	4,082	4,527	4,716
Internal charges and overheads recovered	1,042	1	1,102	1
Local authorities fuel tax, fines, infringement fees, and other receipts	355	358	356	699
Total operating funding	28,856	28,141	36,224	35,951
Applications of operating funding				
Payments to staff & suppliers	12,956	13,313	13,356	15,554
Finance costs	3,701	3,105	4,074	3,094
Internal charges and overheads applied	1,042	14	1,102	6
Other operating funding applications	-	120	-	-
Total applications of operating funding	17,699	16,552	18,532	18,654
Surplus/(deficit) of operating funding	11,157	11,589	17,692	17,297
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	927
Development and financial contributions	2,733	5,199	2,767	8,700
Increase/(decrease) in debt	1,892	10,250	2,877	(2,285)
Gross proceeds from the sale of assets	13	10	14	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	51	484	53	-
Total sources of capital funding	4,689	15,943	5,711	7,342
Application of capital funding				
Capital expenditure				
- to meet additional demand	7,906	5,678	14,598	11,233
- to improve the level of service	1,178	970	1,359	1,248
- to replace existing assets	6,896	5,573	7,446	6,035
Increase/(decrease) in reserves	(134)	6,311	-	9,729
Increase/(decrease) of investments	-	9,000	-	(3,606)
Total application of capital funding	15,846	27,532	23,403	24,639
Surplus/(deficit) of capital funding	(11,157)	(11,589)	(17,692)	(17,297)
Funding balance	-	-	-	-

STORMWATER



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

Our activities:

Stormwater detention and treatment, stormwater conveyance, stream management.

This includes:

Operation, maintenance, replacement and construction of:

- Stormwater treatment and detention devices
- Stormwater culverts, channels and pipelines
- Flood hazard mapping
- Maintenance of open water courses, pipes, streams and rivers.

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

We manage stormwater through encouraging stormwater re-use which is the collection, treatment, storage and use of stormwater run-off and ground soakage, which is the process of encouraging stormwater to soak into the ground via specially designed soakage devices. Where reuse or soakage is not possible we transfer stormwater away from properties and in many cases, provide treatment to ensure people and the environment are protected.

How we contribute to achieving our Community Outcomes

Stormwater activities primarily contribute to our Community Outcome for:

- A city that embraces growth.
- They also supported the following Hamilton Plan priority:
- Providing outstanding infrastructure

Effects on the community

We are 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.



2017/18 YEAR IN REVIEW

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

We have also developed a set of guidelines and a best practice methodology for hand clearing stream channels and open drains. This will assist us in being able to undertake work in a manner that meets the environmental and microbiological expectations of the Resource Management Act.

Throughout 2017/18 we have continued our Project Watershed programme looking after river and drainage activities. 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. We have undertaken initial erosion remediation and protection works in the Te Awa O Katapaki stormwater catchment and this work will continue during 2018/19.

We have an Integrated Catchment Management Plan (ICMP) programme which provides a guide for stormwater, wastewater and water management in a catchment and provides a framework to allow property development to occur in a managed way.

The Rotokauri ICMP is currently being implemented and guiding development for water, wastewater and stormwater in the area. The Mangaheka ICMP has completed targeted consultation and is under review by Waikato Regional Council and the Mangakotukutuku ICMP has been scoped and is now underway.

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	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
a) The number of flooding events that occur within the city	No more than 1 flooding event	1	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	0.02	0	0

What's behind the results

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. There was only one flooding event within the city and this affected one property.

A flooding event means an overflow of stormwater from our 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.

Throughout the year there were several significant rainfall events. However, the impact of these events was minimised through proactive preventative maintenance and cross-organisational collaboration with City Waters, City Delivery, and the Infrastructure Alliance.

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The Council's compliance with its resource consents for discharge from its stormwater system:				
a) The number of abatement notices	No more than 1 abatement notice	0	0	0
b) The number of infringement notices	0 infringement notices	0	0	0
c) The number of enforcement orders	0 enforcement orders	0	0	0
d) The number of convictions	0 convictions	0	0	0

What's behind the results

We have 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 we are employing our processes adequately to manage the environmental impacts of the stormwater system. There were no enforcement actions initiated in 2017/18 by Waikato Regional Council in relation to Hamilton's stormwater activity.

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The median response time to attend a flooding event, measured from the time that the Council receives notification to the time that service personnel reach the site.	No more than 60 minutes	268 minutes	0	0

What's behind the results

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.

In 2017/18 we had one event which resulted in flooding to a habitable floor. No specific time of attendance was recorded for this event, only that the response was undertaken the same day the call was received. Therefore, for reporting purposes, the response time has been calculated as the time between when the issue was initially reported until the end of the day. It is likely the response was significantly less than the 268 minutes reported.

We are reviewing our data record processes to ensure improved data collection for any future events.

You can expect: A quality service.

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
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	1.2 complaints per 1,000 properties connected	0.1 complaints per 1,000 properties connected	0 complaints per 1,000 properties connected

What's behind the results

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.

Throughout the year we received a total of 65 complaints related to stormwater and 85% of these complaints were received during quarters one and two. Remedial actions were taken to mitigate the effects of these incidents.



STORMWATER - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan	Actual	Long Term Plan	Actual
	2017	2017	2018	2018
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	749	722	1,447	1,397
Targeted rates	2,818	2,917	3,269	3,371
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	33	257	34	298
Internal charges and overheads recovered	-	1	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	254	33	259	110
Total operating funding	3,854	3,930	5,009	5,176
Applications of operating funding				
Payments to staff & suppliers	2,516	2,946	2,614	3,875
Finance costs	525	418	539	427
Internal charges and overheads applied	-	12	-	3
Other operating funding applications	-	80	-	22
Total applications of operating funding	3,041	3,456	3,153	4,327
Surplus/(deficit) of operating funding	813	474	1,856	849
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	274
Development and financial contributions	477	-	483	2,007
Increase/(decrease) in debt	269	1,455	380	(324)
Gross proceeds from the sale of assets	3	42	3	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	51	1,887	53	-
Total sources of capital funding	800	3,384	919	1,957
Application of capital funding				
Capital expenditure				
- to meet additional demand	973	7,906	1,885	1,184
- to improve the level of service	19	992	186	983
- to replace existing assets	621	599	704	1,284
Increase/(decrease) in reserves	-	(6,480)	-	(308)
Increase/(decrease) of investments	-	841	-	(337)
Total application of capital funding	1,613	3,858	2,775	2,806
Surplus/(deficit) of capital funding	(813)	(474)	(1,856)	(849)
Funding balance	-	-	-	-

TRANSPORT



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

Our activities:

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 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 achieving our Community Outcomes

Transport activities primarily contribute to our Community Outcome for:

- A city that embraces growth.

Transport activities also supported these Hamilton Plan priorities:

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

Effects on the community

We are 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.

Across the city we are feeling the effects of a growing population in many ways but especially so in terms of traffic congestion and the need to address safety on our roads. These are key areas of concern for us and were important drivers in the increase in funding for the transport programme in the 2018-28 10-Year Plan. Our 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 taangata 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.

The potential for injury is an inherent risk in using transportation of any kind and safety for all road network users is a primary concern for us. While there are many factors that contribute to serious injuries and fatalities on our roads that we cannot control, we maintain the aspiration to reduce the incidence of these in Hamilton and work hard to improve safety where we can influence it.





2017/18 YEAR IN REVIEW

A free parking trial which began in the central city on 1 October 2017 has improved CBD vibrancy this year. This included free on-street CBD parking for the first two hours and then \$6 per hour for the third and subsequent hours from Monday to Saturday. The effectiveness of the trial was reviewed in May 2018 and an extension of the trial for another 12 months was approved.

Completion of the Ring Road has continued to be a focus and progress has been made on the design of a grade separated interchange for the intersection of Wairere Drive and Cobham Drive. This work has been in collaboration with the NZ Transport Agency and will deliver a key access point into the city's Ring Road network. The work is expected to be completed in early 2020.

We rolled out more efficient and lower maintenance LED streetlights with the installation of 7,500 LED bulbs in residential streets across the city. We have installed 'warm white' LED bulbs which are less harsh on the eyes, reduce spillover glare into houses, and are considered better for nocturnal animals. The project will continue into 2018/19 with estimated annual cost savings to the city of \$250,000 through lower maintenance and power consumption.

Work on the Hamilton section of the Waikato Expressway, the Waikato's biggest roading project, continued in 2017/18. The expressway will be the key strategic transport corridor for the Waikato region, connecting Auckland to the agricultural and business centres of the Waikato and Bay of Plenty. The expressway will provide key links into the city and a decision by the Transport Agency that approved the construction of the southern ramps at the Resolution Dr interchange will provide improved access in the north of the city.

Increased safety for walkers and people biking in Hamilton East was enhanced by a new four-metre wide, well-lit and level Cobham Dr underpass, completed in October 2017. The underpass provides a safe and user-friendly link between Hamilton East and Hamilton Gardens, as well as a connection into the city for walkers and cyclists.

Enhanced wayfinding signage for people using cycle ways was also delivered on two key routes in the city – Wairere Drive and the link between Collins Road and Kahikatea Drive – to provide better navigation. This is the start of a programme to deliver cycle route signage throughout the city.

The extension in February of the bus lane, from the top of Anzac Parade to its intersection with Victoria St gives buses priority through the intersection on to Victoria Bridge. The bus-only lane operates Monday to Saturday, 6am to 6.30pm giving buses priority during peak operating times. The changes align with our vision to provide Hamiltonians a quality roading network and public service through bus priority measures. They also support the Access Hamilton goals of transport choice and easing congestion.

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	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
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	8 more deaths or serious injuries than in 2016/17¹	14 more deaths or serious injuries than in 2015/16 ²	7 more deaths or serious injuries than in 2014/15
What's behind the results				
Number of fatalities and serious injuries on Hamilton's local road network:				
2013/14	2014/15	2015/16	2016/17	2017/18
30	27	34	48	56 (interim result)
<p>It is extremely important that our road network is safe for everyone to use and the reduction of serious injuries and fatalities on our road network is something we aspire to and work very hard to influence. However, road crashes involve many factors and while we have a role to play in mitigating many of these factors we do not have ultimate control over all of them.</p> <p>The number of deaths and serious injuries is rising nationally and that has been reflected in Hamilton's results. We continued 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. There is an increased focus on safety in the 2018/28 10-Year Plan which includes major intersection improvements to compliment the ongoing minor traffic improvements and education programmes.</p> <p>¹ Result as confirmed at 18 September 2018. This data is collected annually by an external party and may be subject to change.</p> <p>² The result reported in the 2016/17 Annual Report was shown as an interim result of 13. The final result has now been confirmed as 14 more deaths or serious injuries than the previous year.</p>				

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The change from the previous financial year in the number of deaths and serious injuries involving cyclists on Hamilton's roads.	Decreasing trend	1 more death or serious injury than in 2016/17¹	2 less deaths and serious injuries than in 2015/16 ²	2 more deaths and serious injuries than in 2014/15
What's behind the results				
Number of deaths and serious injuries on Hamilton's local road network:				
2013/14	2014/15	2015/16	2016/17	2017/18
3	4	6	4	5 (interim result)
<p>We are working hard to provide improved facilities for people on bikes by providing safe off-road facilities, connecting existing on-road facilities and providing signage to direct users to these facilities. Working closely with key partners, we have provided road safety education to both motorists and cyclists to increase awareness of each other's needs. 'Kids on bikes' training has also been provided through schools.</p> <p>¹ Result as confirmed at 18 September 2018. This data is collected annually by an external party and may be subject to change.</p> <p>² The result reported in the 2016/17 Annual Report was shown as an interim result. This has now been confirmed as the final result published in September 2017.</p>				



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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The average quality of ride on Hamilton's sealed local road network, measured by smooth travel exposure.	At least 86% smooth travel exposure	87%	85%	88%
What's behind the results				
<p>The roughness of roads can impact both on the safety and comfort of road users, as well as 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. It should be noted that certain areas of the road network may experience a lower level of condition more frequently than others due to location specific elements such as environmental or land composition factors.</p> <p>STE calculations this year showed an increase in the level of smooth travel due to improvements in roading through the maintenance programme.</p>				

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The percentage of footpaths within Hamilton that fall within the service standard for the condition of footpaths that is set out in the Council's Asset Management Plan.	97%	96%	96%	98%
What's behind the results				
<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 100m of footpath. Faults are generally tripping hazards.</p> <p>We were just under our annual target for 2017/18. Increased proactive network inspections and data collection during the year informed an increased budget for footpath renewals to be delivered in the 2018/28 10-Year Plan to address this.</p> <p>We are also able to support improved footpath condition through preventative action. For example, we have revised the selection of tree species that we use for planting streets to avoid those known to damage footpaths with their roots.</p>				

You can expect: Roads to be adequately maintained.

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The percentage of Hamilton's sealed local road network that is resurfaced each year.	5.75%	3.7%	5%	4%
What's behind the results				
<p>The availability of better data over recent years has led us to review our approach to resurfacing our roads as we found we did not need to apply the level of resurfacing we thought to achieve the service level we sought. This has meant we did not meet our target in 2017/18, as resurfacing was completed only when required, delivering better value for money for ratepayers.</p> <p>Ongoing improvements in data collection and asset management practices mean we are gaining a better understanding of the city's road resurfacing requirements for the future and we have adjusted our programme for the next three year period in the 2018-28 10-Year Plan.</p>				

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The percentage of customer service requests relating to roads and footpaths responded to within five working days.	95%	98%	96%	89%
What's behind the results				
<p>In 2017/18, we received 6,491 customer service requests compared with 5,515 in 2016/17. Of these, 98% were responded to within five days. Most of the requests in 2017/18 related to street lights, street sweeping, footpaths and illegal dumping/rubbish.</p> <p>A major project for the renewal of street lighting throughout the majority of the city will be completed in 2018/19 and this is expected to have a significant impact on the number of requests received in the future.</p>				

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The percentage of extra time taken for vehicles to travel key routes in the city during peak travel times.	No more than 50%	34%	48%	27%
What's behind the results				
<p>With a result of 34% we have met our target in 2017/18 and achieved a better result than last year. Results can fluctuate on any given week, as traffic congestion varies weekly and daily due to weather conditions and the impact of other activities such as road works.</p> <p>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.</p> <p>While we are obliged to continue to report against this measure as set out in our 10-Year Plan we are developing a technology solution that will provide a wider, more detailed and more robust measure of travel time across the city. As a result, we expect to be able to monitor trends in more detail over a full year across more locations.</p>				

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
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%	80%	68%	64%
What's behind the results				
<p>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.</p> <p>A 2 hour free parking trial that began 1 October 2017 has contributed to increased use of on-street carparks within the CBD. The new technology deployed as part of the trial means we are able monitor carpark occupancy levels very closely and provide regular reporting to our Parking Taskforce.</p> <p>The 2 hour free trial will continue in 2018/19 and opportunities for ensuring the balance between having enough but not too many empty parks will continue to be the focus.</p>				

TRANSPORT - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan	Actual	Long Term Plan	Actual
	2017	2017	2018	2018
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	3,868	3,588	4,435	4,306
Targeted rates	20,630	20,618	15,438	15,845
Subsidies and grants for operating purposes	4,380	4,931	4,536	4,280
Fees and charges	5,183	4,970	5,309	4,442
Internal charges and overheads recovered	-	71	-	31
Local authorities fuel tax, fines, infringement fees, and other receipts	3,831	3,375	3,908	4,243
Total operating funding	37,892	37,553	33,626	33,147
Applications of operating funding				
Payments to staff & suppliers	19,776	21,327	20,558	23,647
Finance costs	8,294	6,991	8,489	6,959
Internal charges and overheads applied	-	5	-	16
Other operating funding applications	-	18	-	42
Total applications of operating funding	28,070	28,341	29,047	30,664
Surplus/(deficit) of operating funding	9,822	9,212	4,579	2,483
Sources of capital funding				
Subsidies and grants for capital expenditure	4,771	8,682	4,964	13,056
Development and financial contributions	2,524	5,690	2,556	7,143
Increase/(decrease) in debt	4,242	22,975	5,997	(5,121)
Gross proceeds from the sale of assets	28	596	30	650
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	157	-	-
Total sources of capital funding	11,565	38,100	13,547	15,728
Application of capital funding				
Capital expenditure				
- to meet additional demand	6,878	4,494	4,627	14,901
- to improve the level of service	2,227	8,851	1,767	5,988
- to replace existing assets	11,884	11,177	11,889	11,195
Increase/(decrease) in reserves	398	4,172	(157)	(6,414)
Increase/(decrease) of investments	-	18,618	-	(7,459)
Total application of capital funding	21,387	47,312	18,126	18,211
Surplus/(deficit) of capital funding	(9,822)	(9,212)	(4,579)	(2,483)
Funding balance	-	-	-	-

WATER SUPPLY



We treat, distribute and manage Hamilton’s water supply, which all comes from one place – the Waikato River.

Our activities:

Water treatment, storage and distribution

This includes:

- Waiora 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 Waiora Water Treatment Plant, where it is treated to provide a high standard of drinking water for resident and business use.

The water supply network services around 50,500 households and 5,500 commercial and industrial premises. Water from the city also supplies several thousand properties in the Waikato and Waipa areas.

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

How we contribute to achieving our Community Outcomes

Water supply activities primarily contribute to our Community Outcome for:

- A city that embraces growth.

They also supported the following Hamilton Plan priority:

- Providing outstanding infrastructure.

Effects on the community

We’re involved in this activity to provide Hamiltonians with a high quality, reliable and sustainable water supply. Having enough good quality drinking water is essential for a healthy community and our economy. We also must ensure the long-term 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, we work with Waikato and Waipa district councils to promote smart water use. For more information, including water alerts, restrictions, education material and water saving tips, visit smartwater.org.nz.

There are several parties with consent to draw water from the Waikato River. Extracting too much water from the river can impact on 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 we have a resource consent with a set limit that we 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. We consider Maaori values regarding the extraction and discharge of water in all its water management practices and consult with local iwi as part of the resource consent process.

2017/18 YEAR IN REVIEW

In 2017/18 we continued our increased focus on the sustainability and resilience of our water supply.

We kicked off 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 area. The establishment of additional zones will continue throughout 2018/19 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 – was completed in 2017. The twin 12 million litre tanks and new pipelines are a vital part of the infrastructure needed for our rapidly growing city. The reservoir not only helps with water supply and pressure in the north of Hamilton, it also connects to the city’s ring mains system and, if required, can support the supply of water to the rest of the city. This reduces emergency reliance on the city’s sole water treatment plant in Peacocke.

Construction of a new dedicated water supply pipeline from the Waiora Water Treatment Plant to the Hamilton South Reservoir continued during 2017/18 and is now operational. The \$5.5m project also improves operation and resilience of the city-wide water supply network. The new pipeline means 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.

In February 2017, a subsidence event on the Waikato River bank below Hamilton Gardens resulted in damage and destabilisation of the area around the Eastern Bulk Water Main- a critical water asset. Substantial work was done to stabilise the river bank and further work will be carried out to provide additional protection for this crucial piece of infrastructure.

Work to consider a new way to manage water with Waikato and Waipa District Councils continued throughout 2017/18. In May 2017, we signalled our interest in forming a non-asset owning shared waters management company with both councils to more efficiently manage water and wastewater. Following public consultation by all three councils Waikato and Waipa councils chose not to proceed with a shared water management company.

We have continued to seek ways to further improve the value delivered to Hamilton ratepayers and residents through our Three Waters Programme. Research over recent years has shown there are many financial and non-financial benefits in a sub-regional approach to managing water services. It is now up to our elected members whether we continue to seek a shared approach with neighbouring or other councils. However, indications are the Government sees a collaborative approach as the way of the future.

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	2017/18 Targets	2017/18 Results	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	Achieved compliance	Achieved compliance	Achieved compliance
b) Part 5 of the drinking-water standards (protozoal compliance criteria).	Achieve compliance	Achieved compliance	Achieved compliance	Achieved compliance
What’s behind the results				
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.				
Results for 2017/18 are based on an internal assessment. The next external assessment is not until September 2018.				

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The percentage of real water loss from the Council's networked reticulation system.	No more than 16%	14.5% (March 2017 to March 2018)	16% (March 2016 to March 2017)	13% (March 2015 to March 2016)

What's behind the results

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.

We are continuing to invest significantly in network reconfiguration and water zone management. This will enable us to further improve the accuracy of our water loss measurement and to better understand and identify areas for targeted demand management and leak detection.

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The average consumption of drinking water per Hamilton resident, per day.	No more than 400 litres per resident, per day	337.5 Litres	331 Litres	378 Litres

What's behind the results

The demand for water is not exceeding supply or the capacity of the water supply system.

Proactive education and messaging during the summer months (through our Smart Water summer campaign) contributed to water consumption in quarter three being below target. This supported a favourable position for the year and was especially important given the lower than normal rainfall and dry conditions over the summer months.

In calculating this performance result, the number of Hamilton residents is based on the Statistics New Zealand population estimate as at 30 June 2017.

You can expect: A quality service.

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
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: <ul style="list-style-type: none"> Drinking water clarity, taste, odour, pressure or flow, continuity of supply; or Council's response to any of these issues. 	No more than 5 complaints per 1,000 connections	3.0 complaints per 1,000 connections	1.9 complaints per 1,000 connections	2.8 complaints per 1,000 connections

What's behind the results

The number of complaints provides an indication of the quality of the service provided.

In 2017/18 a total of 170 complaints were received, this was higher than the level in 2016/17. Of the 170 complaints, 114 were for 'no water' instances which were mainly caused by unexpected extensions of planned maintenance shutdowns.

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

Measure	2017/18 Targets	2017/18 Results	2016/17 Results	2015/16 Results
The median response times for the following when the Council attends a call-out in response to a fault or unplanned interruption to its water reticulation system.				
a) Attendance for urgent call-outs- from the time that the Council receives notification to the time that service personnel reach the site.	No more than 60 minutes	40 minutes	73 minutes	45 minutes
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.	No more than 5 hours	2.1 hours	3.2 hours	2.5 hours
c) Attendance for non-urgent call-outs- from the time that the Council receives notification to the time that service personnel reach the site.	No more than 5 days	7.8 days	6.2 days	6.6 days
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.	No more than 10 days	8.3 days	7 days	7 days

What's behind the results

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.

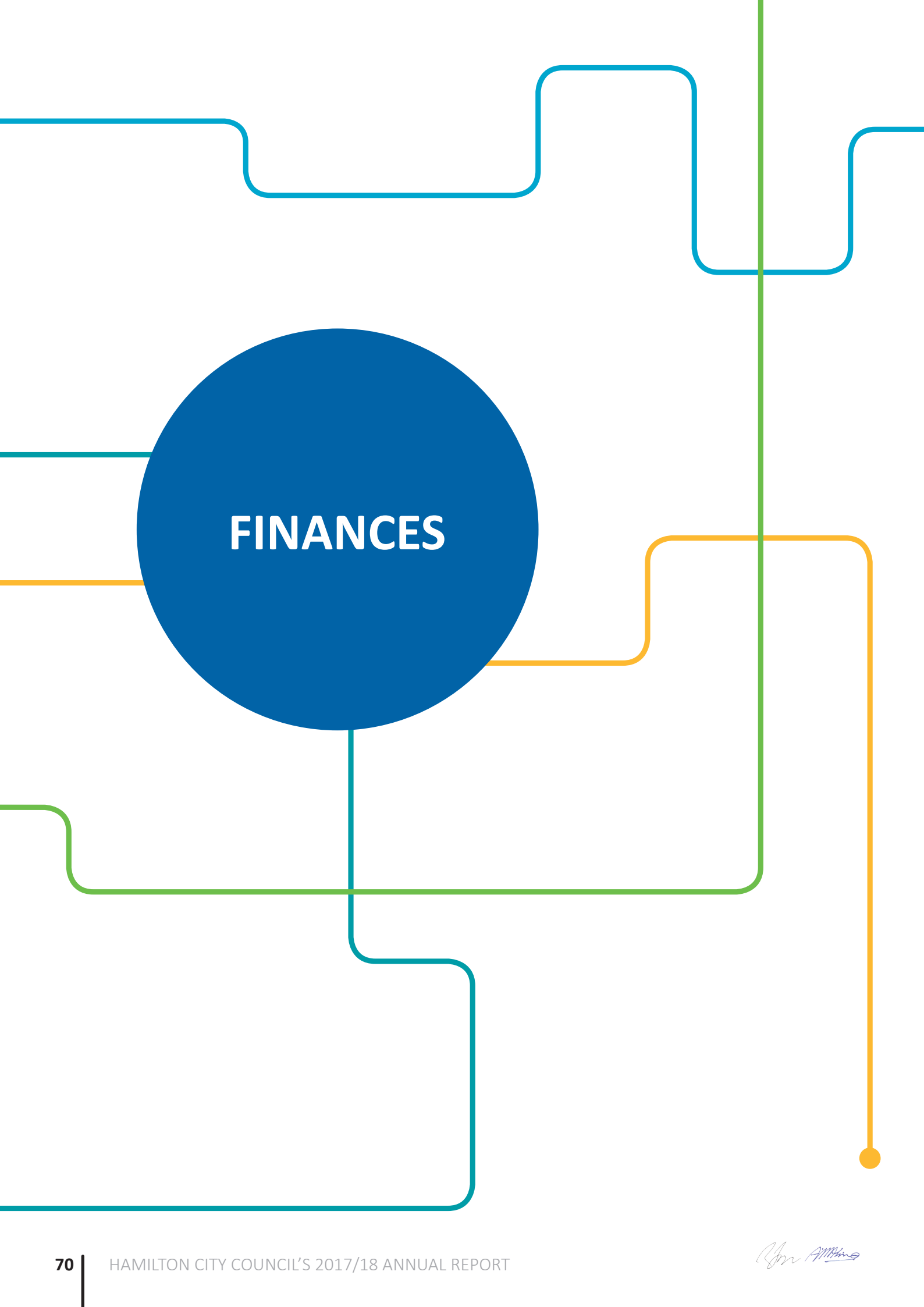
Due to a drier summer and increased community awareness of water leaks there was an increase in the number of water service requests received in the past year.

Because of the high number of service requests received, the City Waters and City Delivery teams focused on addressing the urgent requests and the resolution of non-urgent requests. This resulted in us not meeting our service standards for the attendance to non-urgent water service requests. Funding provision has been included in the first year of the 2018-28 10-Year Plan for additional maintenance resources to ensure response times (for non-urgent call-outs) improve.



WATER SUPPLY - FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Long Term Plan	Actual	Long Term Plan	Actual
	2017	2017	2018	2018
	\$000	\$000	\$000	\$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	3,951	3,806	5,815	5,615
Targeted rates	23,541	24,103	21,583	22,165
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	177	362	182	354
Internal charges and overheads recovered	-	1	-	1
Local authorities fuel tax, fines, infringement fees, and other receipts	278	281	279	419
Total operating funding	27,947	28,553	27,859	28,554
Applications of operating funding				
Payments to staff & suppliers	9,633	9,475	9,885	10,939
Finance costs	3,782	3,194	4,409	3,178
Internal charges and overheads applied	-	20	-	5
Other operating funding applications	-	75	-	13
Total applications of operating funding	13,415	12,764	14,294	14,135
Surplus/(deficit) of operating funding	14,532	15,789	13,565	14,419
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	531
Development and financial contributions	1,820	3,167	1,843	5,872
Increase/(decrease) in debt	1,933	10,475	3,114	(2,335)
Gross proceeds from the sale of assets	7	5	8	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	51	410	53	-
Total sources of capital funding	3,811	14,057	5,018	4,068
Application of capital funding				
Capital expenditure				
- to meet additional demand	11,437	14,033	12,287	11,836
- to improve the level of service	2,052	3,302	1,238	1,988
- to replace existing assets	4,854	5,204	5,058	4,676
Increase/(decrease) in reserves	-	241	-	2,818
Increase/(decrease) of investments	-	7,066	-	(2,831)
Total application of capital funding	18,343	29,846	18,583	18,487
Surplus/(deficit) of capital funding	(14,532)	(15,789)	(13,565)	(14,419)
Funding balance	-	-	-	-



FINANCES

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2018

	Note	Council			Group	
		Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
REVENUE						
Rates	3	161,356	160,765	153,696	161,320	153,593
Subsidies and grants	4	15,572	10,597	14,485	15,572	14,485
Development and financial contributions		25,835	11,141	15,797	25,835	15,797
Fees and charges	5	38,604	34,485	35,658	45,893	44,306
Interest revenue	6	3,206	2,000	2,124	3,204	2,130
Other revenue	7	55,412	16,949	34,419	56,801	36,655
Total revenue		299,985	235,937	256,179	308,625	266,966
EXPENSES						
Personnel costs	9	74,993	73,884	70,672	77,410	73,119
Depreciation and amortisation expense	22	65,567	63,870	61,306	66,776	62,515
Finance costs	10	20,006	21,819	20,114	20,627	21,381
Other expenses	11	74,486	67,783	70,816	78,639	75,205
Total expenses		235,052	227,356	222,908	243,452	232,220
Operating surplus/(deficit)		64,933	8,581	33,271	65,173	34,746
Gains	8	6,503	-	20,622	7,141	21,375
Losses	8	(11,208)	-	(2,008)	(11,307)	(2,266)
Share of associates' surplus/(deficit)		-	-	-	1,433	1,887
Surplus/(deficit) before tax		60,228	8,581	51,885	62,440	55,742
Income tax expense	12	-	-	-	217	520
Surplus/(deficit) after tax		60,228	8,581	51,885	62,223	55,222
Other comprehensive revenue and expense						
<i>Items that could be reclassified to surplus/(deficit)</i>						
Financial assets at fair value through other comprehensive revenue and expense	29	845	-	2,646	845	2,646
<i>Items that will not be reclassified to surplus/(deficit)</i>						
Gain/(loss) on property, plant and equipment revaluations	29	1,114	52,857	276,554	1,114	283,482
Impairment of revalued property, plant and equipment	29	(2,545)	-	-	(2,545)	-
Other revaluation reserve movements	29	(612)	-	-	(92)	-
Total other comprehensive revenue and expense		(1,198)	52,857	279,200	(678)	286,128
Total comprehensive revenue and expense		59,030	61,438	331,085	61,545	341,350
Surplus/(deficit) attributable to:						
Hamilton City Council		60,228	8,581	51,885	62,098	55,082
Non-controlling interest		-	-	-	125	140
Total comprehensive revenue and expense attributable to:						
Hamilton City Council		59,030	61,438	331,085	61,420	341,210
Non-controlling interest		-	-	-	125	140

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 2018

	Council			
	Note	Actual 2018	Budget 2018	Actual 2017
		\$000	\$000	\$000
Surplus/(deficit) before tax		60,228	8,581	51,885
Adjustments for balancing the books measure				
Gains		6,503	-	20,622
Losses		(11,208)	-	(2,008)
Vested assets (included in Other revenue)	7	41,828	8,581	22,740
Ring Road subsidy (included in Subsidies and grants)		2,458	-	240
Total adjustments		39,581	8,581	41,594
Balancing the books surplus/(deficit)		20,647	-	10,291

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Council			Group		
	Note	Actual 2018	Budget 2018	Actual 2017	Actual 2018	Actual 2017
		\$000	\$000	\$000	\$000	\$000
Balance at 1 July		3,530,060	3,179,121	3,198,975	3,580,191	3,238,841
Total comprehensive revenue and expense for the year		59,030	61,438	331,085	61,545	341,350
Issue of NZFIW shares		-	-	-	1,200	-
Non controlling interest de-recognition		-	-	-	(3,547)	-
Pre-completion dividend		-	-	-	608	-
Balance at 30 June	29	3,589,090	3,240,559	3,530,060	3,639,477	3,580,191
<i>Total comprehensive revenue and expense attributable to:</i>						
Hamilton City Council		59,030	61,438	331,085	61,420	341,210
Non-controlling interest		-	-	-	125	140
Total comprehensive revenue and expense		59,030	61,438	331,085	61,025	341,350

The accompanying notes form part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Council			Group	
		Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Assets						
Current assets						
Cash and cash equivalents	13	48,414	35,000	27,121	48,907	28,021
Receivables	14	20,537	19,142	17,198	21,463	18,563
Prepayments		1,707	1,563	1,558	2,022	1,668
Inventory	15	126	151	159	2,455	258
Non-current assets held for sale	16	-	-	2,079	-	-
Derivative financial instruments	17	-	-	51	-	51
Other financial assets	18	52,461	-	76,601	58,619	82,402
Total current assets		123,245	55,856	124,767	133,466	130,963
Non-current assets						
Derivative financial instruments	17	641	-	506	641	506
Other financial assets						
- Investment in CCOs and other similar entities		9,516	12,833	13,090	5,516	4,688
- Other Investments		7,594	23,015	22,151	7,394	22,151
Total other financial assets	18	17,110	35,848	35,241	12,910	26,839
Investment in associates	19	7,430	7,430	7,430	42,469	41,016
Property, plant and equipment	20	3,905,932	3,608,249	3,835,080	3,924,873	3,855,351
Intangible assets	21	20,398	19,067	21,607	20,399	21,801
Investment property	23	25,255	19,420	22,059	25,255	48,216
Total non-current assets		3,976,766	3,690,014	3,921,923	4,026,547	3,993,729
Total assets		4,100,011	3,745,870	4,046,690	4,160,013	4,124,692
Liabilities						
Current liabilities						
Payables and deferred revenue	24	35,505	25,470	30,869	36,282	31,436
Derivative financial instruments	17	158	-	867	158	867
Employee entitlements	25	7,033	5,994	6,706	7,315	7,041
Provisions	26	1,683	1,781	1,350	1,683	1,350
Borrowings	27	83,607	65,300	113,620	84,257	114,220
Total current liabilities		127,986	98,545	153,412	129,695	154,914
Non-current liabilities						
Payables and deferred revenue	24	1,250	-	1,250	1,449	1,528
Derivative financial instruments	17	33,106	30,000	29,838	33,106	29,838
Employee entitlements	25	966	886	1,122	966	1,122
Provisions	26	15,100	12,180	14,296	15,456	14,487
Deferred tax liability	12	-	-	-	2,327	2,640
Borrowings	27	332,513	363,700	316,712	337,537	339,972
Total non-current liabilities		382,935	406,766	363,218	390,841	389,587
Total liabilities		510,921	505,311	516,630	520,536	544,501
Net assets		3,589,090	3,240,559	3,530,060	3,639,477	3,580,191
Equity						
Accumulated funds	29	1,756,116	1,639,564	1,689,174	1,776,282	1,710,992
Reserves	29	1,832,974	1,600,995	1,840,886	1,859,842	1,867,259
Non-controlling interest	29	-	-	-	3,353	1,940
Total equity attributable to Hamilton City Council		3,589,090	3,240,559	3,530,060	3,639,477	3,580,191
Total equity		3,589,090	3,240,559	3,530,060	3,639,477	3,580,191

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 2018

Note	Council			Group	
	Actual 2018	Budget 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities					
Cash was provided from:					
Rates revenue	162,081	160,765	153,283	161,343	153,180
Fees, rents and charges	42,902	39,867	42,237	54,303	52,380
Subsidies and grants	11,835	10,597	13,189	10,493	13,189
Other capital contributions	33,894	12,938	22,765	33,894	22,765
Interest received	2,345	2,000	862	2,343	868
Dividends received	451	100	104	451	133
Sundry revenue	1,110	1,089	1,089	1,226	1,320
	254,618	227,356	233,529	264,053	243,835
Cash was applied to:					
Payments to employees	74,822	73,884	70,014	83,461	77,230
Payments to suppliers	70,761	67,783	74,829	70,794	74,868
Interest paid	19,153	21,819	19,042	19,775	20,316
Tax payments	-	-	-	341	178
Net GST paid	(468)	(657)	(934)	(383)	(808)
	164,268	162,829	162,951	173,988	171,784
Net cash flow from operating activities	32	90,350	64,527	90,065	72,051
Cash flows from investing activities					
Cash was provided from:					
Proceeds from reduction in other financial assets	44,000	-	90	44,164	147
Proceeds from sale of shares	9,732	-	-	13,671	-
Proceeds from the sale of investment in subsidiary	-	-	-	-	-
Proceeds from sale of investment property	-	-	5,461	-	5,471
Proceeds from sale of property, plant and equipment	2,313	-	930	2,313	935
	56,045	-	6,481	60,148	6,553
Cash was applied to:					
Acquisition of investments	8,469	-	35,920	8,469	35,920
Purchase of investment property	-	-	-	-	-
Purchase of intangible assets	2,692	-	5,207	2,692	5,209
Purchase of property, plant and equipment	99,430	89,884	80,874	99,908	81,777
	110,591	89,884	122,001	111,069	122,906
Net cash flow from investing activities	(54,546)	(89,884)	(115,520)	(50,921)	(116,353)
Cash flows from financing activities					
Cash was provided from:					
Loans raised	80,000	110,782	120,000	82,810	145,262
Finance leases raised	959	-	569	959	569
	80,959	110,782	120,569	83,769	145,831
Cash was applied to:					
Loan repayments	95,000	95,000	55,000	101,557	82,118
Finance lease repayments	470	425	470	470	470
	95,470	95,425	55,470	102,027	82,588
Net cash flow from financing activities	(14,511)	15,357	65,099	(18,258)	63,243
Net increase/(decrease) in cash held	21,293	(10,000)	20,157	20,886	18,941
Opening cash and cash equivalents balance	27,121	45,000	6,964	28,021	9,080
Closing cash and cash equivalents balance	13	48,414	27,121	48,907	28,021

The accompanying notes form part of these financial statements.

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, Vibrant Hamilton Trust (100% controlled) and a new subsidiary, Waikato Innovation Growth Ltd (100% owned) effective 1 December 2017. The Council's 50% equity share of its associate Waikato Regional Airport Ltd is equity accounted into the group financial statements.

Hamilton Properties Ltd, a 100% owned subsidiary, was dissolved in November 2017 and Waikato Innovation Park Ltd, a 100% owned subsidiary, was sold on 30 November 2017. Innovation Waikato Limited, a 100% owned subsidiary, was liquidated in June 2018.

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 2018. The financial statements were authorised for issue by Council on 11 October 2018.

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 9, and the related party transaction disclosures in note 30. The remuneration,

severance payment, and related party transaction disclosures are rounded to the nearest dollar.

Standards issued and not yet effective that have been early adopted

- **Impairment of revalued assets**

In April 2017, the XRB issued Impairment of Revalued Assets, which now scopes in revalued property, plant and equipment into the impairment accounting standards. Previously, only property, plant and equipment assets measured at cost were scoped into the impairment accounting standards.

The Council has early adopted this amendment in preparing its 30 June 2018 financial statements. From the 30 June 2018 year onwards, the Council is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Council is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. The Council can therefore impair a revalued asset without having to revalue the entire class-of-asset to which the asset belongs.

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.

• Service Performance reporting

The New Zealand Accounting Standards Board (NZASB) has issued PBE FRS 48 Service Performance Reporting effective for 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.

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.

Development contributions

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

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, except for 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 2017/18 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 interest rate swap yield curves – note 17
- Estimating the fair value of land, buildings and infrastructure assets – note 20
- Estimating the fair value of investment property – note 23
- Estimating the retirement gratuities obligations – note 25
- Estimating the landfill aftercare provision – note 26

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 20
- Estimating retiring gratuities obligations – note 25

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	
	Actual 2018	Actual 2017
	\$000	\$000
Revenue		
Arts and Culture	1,533	1,262
Community Support	184	148
Democracy Services	114	304
Economic Development	10,944	9,586
Parks and Green Spaces	9,416	6,796
Planning and Development	9,686	9,750
Recreation	4,514	4,732
Rubbish and Recycling	1,020	960
Safety	2,361	2,265
Sewerage	18,515	12,741
Stormwater	8,524	5,907
Transportation	63,495	42,127
Water Supply	8,517	6,108
Total activity revenue	138,823	102,686
Less internal revenue	(194)	(203)
General and transitional rates	161,356	153,696
Total revenue	299,985	256,179
Expenditure		
Arts and Culture	18,934	17,891
Community Support	5,084	5,221
Democracy Services	5,556	5,751
Economic Development	28,552	27,413
Parks and Green Spaces	26,501	23,413
Planning and Development	13,320	13,674
Recreation	13,119	12,329
Rubbish and Recycling	9,024	8,025
Safety	5,921	5,692
Sewerage	26,538	25,725
Stormwater	12,389	11,620
Transportation	49,181	46,477
Water Supply	20,861	19,880
Total activity expenditure	234,980	223,111
Less internal expenditure	(194)	(203)
Total expenditure	234,786	222,908

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.

Revenue classified as exchange or non-exchange transactions

	Council	
	Actual 2018 \$000	Actual 2017 \$000
Revenue from exchange transactions		
Fees and user charges	38,604	35,658
Rental income	3,982	3,936
Subsidies and grants	942	1,161
Targeted rates for water supply	7,853	7,465
Interest revenue	3,206	2,124
Total revenue from exchange transactions	54,587	50,344
Revenue from non-exchange transactions		
Development and financial contributions	25,835	15,797
Subsidies and grants	14,630	13,324
Infringements and fines	1,345	1,540
Other revenue	8,257	6,203
Rates, excluding targeted rates for water supply	153,503	146,231
Vested assets	41,828	22,740
Total revenue from non-exchange transactions	245,398	205,835
Total revenue	299,985	256,179

Note 3: Rates

Accounting policy

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

Rates penalties

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

Rates remissions

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

Metered water rates

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

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

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
General rates	44,691	28,306	44,655	28,203
Targeted rates attributable to activities:				
- Transitional rate	104,240	112,812	104,240	112,812
- Metered water supply	8,316	7,862	8,316	7,862
- Access Hamilton	5,004	5,008	5,004	5,008
- Community use	1,019	974	1,019	974
- Business improvement district	291	280	291	280
- Hamilton Gardens	636	623	636	623
- CBD parking rate	109	0	109	0
Rates penalties	1,065	986	1,065	986
Rates remissions	(3,143)	(2,359)	(3,143)	(2,359)
Less: rates charges to Council properties	(409)	(399)	(409)	(399)
Less: metered water charges to Council properties	(463)	(397)	(463)	(397)
Total rates	161,356	153,696	161,320	153,593

The Council is required by the NZLGA 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 2018 for the purposes of the NZLGA Guarantee and Indemnity Deed disclosure is shown below:

	Council	
	Actual 2018	Actual 2017
	\$000	\$000
Rates	161,356	153,696
Lump sum contributions	-	-
Total annual rates income	161,356	153,696



Explanation of significant variances against budget

	Council	
	Actual 2018	Budget 2018
	\$000	\$000
Rates	161,356	160,765

Rates were \$0.6m favourable to budget. This was driven by:

- additional \$115k in revenue from penalties
- the budget that was set for expenditure on remissions relating to Council properties was higher than required, resulting in a favourable position of \$251k
- higher volume of metered water sales resulted in additional \$161k of revenue.

Note 4: Subsidies and grants

Accounting policy

Grants and subsidies are initially recognised at their fair value where there is reasonable assurance that the payment will be received and all attaching conditions will be complied with. Grants and subsidies received in relation to the provision of services are recognised on a percentage of completion basis.

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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
New Zealand Transport Agency roading subsidies - capital	10,524	8,682	10,524	8,682
New Zealand Transport Agency roading subsidies - operating	4,106	4,642	4,106	4,642
Other grants	942	1,161	942	1,161
Total subsidies and grants	15,572	14,485	15,572	14,485

There are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2017 \$nil).



Explanation of significant variances against budget

	Council	
	Actual 2018	Budget 2018
	\$000	\$000
Development and financial contributions	25,835	11,141
Subsidies and grants	15,572	10,597

Development and financial contributions were \$14.7m above budget due to higher than budgeted development growth in the city.

Subsidies and grants were \$5m above budget. This was mainly due to Council accepting a special offer from NZTA to accelerate the replacement of street lights to LED. The subsidy rate offered was 85% resulting in Council receiving \$4.4m of unbudgeted revenue.

Note 5: Fees and charges

Accounting policy

User charges

User charges are applied to services where it is identified there is a benefit to an individual or group. User charges are a broad group of fees charged directly to an individual or entity and includes: entry fees, service charges, hire, permits, regulatory charges, connection fees, disposal fees, planning and consent fees, and statutory charges.

Building and resource consents

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

Entrance fees

Entrance fees are fees charged to users of 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

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

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Fees and charges				
- Animal control charges	1,003	1,016	1,003	1,016
- Building and resource consent charges	9,361	9,515	9,361	9,515
- Cemetery and crematorium charges	1,991	1,707	1,991	1,707
- Event facilities charges	4,709	4,163	4,709	4,163
- Parking fees	2,388	3,037	2,388	3,037
- Swimming pool charges	2,320	2,554	2,320	2,554
- Trade waste charges	3,435	2,914	3,240	2,914
- Zoo charges	1,630	1,528	1,630	1,528
- Other fees and charges	6,788	6,549	6,788	6,549
Commission received	1,455	1,241	1,455	1,241
Rendering of services	-	-	7,067	8,365
Sale of goods	2,450	527	2,867	810
Shared services recoveries	1,074	907	1,074	907
Total fees and charges	38,604	35,658	45,893	44,306



Explanation of significant variances against budget

Fees and charges

Fees and charges were \$4.1m above budget.

The increase was spread across the organisation, with two of the larger contributors being:

- parking fees, as the CBD parking trial started later than was originally planned
- increase in building consents and planning guidance due to strong growth within the city.

Council	
Actual 2018	Budget 2018
\$000	\$000
38,604	34,485

Note 6: Interest revenue

Accounting policy

Interest income is exchange and recognised using the effective interest method.

	Council		Group	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Interest revenue				
Term deposits	1,887	1,025	1,888	1,031
Community loans	64	1	61	1
Local authority and government bonds	130	114	130	114
Discount unwind on Community loan (note 18)	1,125	984	1,125	984
Total interest revenue	3,206	2,124	3,204	2,130



Explanation of significant variances against budget

Interest revenue

	Council	
	Actual 2018 \$000	Budget 2018 \$000
Interest revenue	3,206	2,000

Interest revenue was \$1.2m above budget. This was driven by:

- discount unwind on the Accessible Properties loan, was not budgeted for.

Note 7: Other revenue

Accounting policy

Vested or donated physical assets

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

Investment property rental revenue

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

Capital contributions

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

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

Revenue from fines and penalties (e.g. traffic and parking infringements) 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Other revenue				
Vested land and infrastructure from property development	41,828	22,740	41,828	22,740
Traffic and parking infringements	1,345	1,540	1,345	1,540
Petrol tax	1,060	1,058	1,060	1,058
Capital contributions	6,546	4,813	5,996	4,363
Bequests and other donations	94	45	94	45
Rental revenue from investment properties	1,979	1,953	3,101	4,634
Rents - residential	118	113	118	113
Other rental income	1,885	1,870	1,895	1,870
Dividends	451	104	451	133
Insurance recoveries:				
- plant and equipment	-	-	-	-
- motor vehicles	-	-	-	-
- other insurance recoveries	32	115	32	115
Miscellaneous revenue	74	68	881	44
Total other revenue	55,412	34,419	56,801	36,655



Explanation of significant variances against budget

Other revenue

Council	
Actual 2018	Budget 2018
\$000	\$000
55,412	16,949

Other revenue was \$38.5m above budget. This was driven by:

- Revenue from vested assets was higher by \$33.2m, due to Hamilton experiencing high growth.
- Revenue for capital contribution is higher by \$4.7m due to unbudgeted state highway contribution for the Ring Road along with higher service contributions.

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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Not later than one year	2,761	1,763	2,761	1,763
Later than one year and not later than five years	7,204	5,102	7,204	5,102
Later than five years	3,374	1,826	3,374	1,826
Total non-cancellable operating leases	13,339	8,691	13,339	8,691

No contingent rents have been recognised during the period.

Note 8: Gains/(Losses)

Accounting policy

Derecognition

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the surplus or deficit in the year the item is derecognised.

Investment Property

Investment property is property held to earn rentals and/or for capital appreciation. All investment properties are stated at fair value, as determined annually by independent values at the balance sheet date.

Gains or losses arising from changes in the fair value of investment properties are recognised in the surplus or deficit for the period in which the gain or loss arises.

Investments in Debt and Equity Securities

Investments in debt and equity securities are financial instruments classified as held for trading and are measured at fair value. Any changes in value, creating gains or losses are recognised in the surplus or deficit for the period.

Derivative Financial Instruments

The Council's activities expose it primarily to the financial risks of changes in interest rates. The Council uses interest rate swap contracts to hedge these exposures.

The Council does not use derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting, under the specific IPSAS rules, are accounted for as trading instruments with fair value gains/losses being taken directly to the surplus or deficit.

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Gains				
Investment property gain on disposal	-	87	-	87
Property, plant and equipment gain on disposal (note 20)	729	19	729	19
Investment property revaluation gain (note 23)	3,196	2,639	3,196	2,866
Realised gain on other financial assets	198	-	315	231
Unrealised gain on other financial assets (note 18)	-	-	521	295
Unrealised gain on revaluation of interest rate swaps (note 17)	2,380	17,877	2,380	17,877
Total gains	6,503	20,622	7,141	21,375
Losses				
Investment property loss on disposal	-	-	-	-
Property, plant and equipment loss on disposal (note 20)	(5,387)	(1,512)	(5,466)	(1,770)
Other financial assets loss on disposal (note 18)	(967)	-	(967)	-
Unrealised loss on revaluation of interest rate swaps (note 17)	(4,854)	(496)	(4,874)	(496)
Total losses	(11,208)	(2,008)	(11,307)	(2,266)
Total net gains/(losses)	(4,705)	18,614	(4,166)	19,109



Explanation of significant variances against budget

Gains/(losses)

	Council	
	Actual 2018	Budget 2018
	\$000	\$000
Gains/(losses)	(4,705)	-

In 2017-18 Council did not budget for gains and losses due to the unpredictable nature of these items. The main contributors are from interest rate swaps, losses on disposal/renewal of assets and movements in valuation of investment properties.

Note 9: 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Salaries and wages	70,270	65,470	72,687	67,917
Defined contribution plan employer contributions (include KiwiSaver)	1,199	1,032	1,199	1,032
Increase/(decrease) in employee benefit liabilities	170	718	170	718
Total salaries and wages	71,639	67,220	74,056	69,667
Other employee benefits	3,354	3,452	3,354	3,452
Total personnel costs	74,993	70,672	77,410	73,119

Refer to note 25 for the employee entitlement liability as at 30 June 2018 and 30 June 2017 and note 30 for further information on the remuneration of key management personnel and elected representatives.



Explanation of significant variances against budget

Personnel costs

Personnel costs were \$1m above budget. The main reasons are:

- additional staff being employed through external contracts, used to ensure service delivery targets were maintained
- higher costs associated with recruitment
- unbudgeted expenditure in redundancy costs
- increase in the annual leave liability.

Council	
Actual 2018	Budget 2018
\$000	\$000
74,993	73,884

Chief Executive remuneration

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$447,733 (2017: \$386,448).

Council employee remuneration by band

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

	2018
< \$60,000	649
\$60,000 - \$79,999	226
\$80,000 - \$99,999	134
\$100,000 - \$119,999	58
\$120,000 - \$139,999	38
\$140,000 - \$159,999	19
\$160,000 - \$199,999	7
\$200,000 - \$279,999	8
\$280,000 - \$299,999	-
> \$300,000	1
Total employees	1,140

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

	2017
< \$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
Total employees	1,143

Total remuneration includes non-financial benefits provided to employees.

At 30 June 2018 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, \$240,000 - \$259,999 and \$260,000 - \$279,999. Therefore, these have been combined with the next highest band.

At balance date, the Council employed 825 full-time employees (2017 789), with the balance of staff representing 143.48 full-time equivalent employees (2017 153.19). A full-time employee is determined on the basis of a 40 hour working week.

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.

Severance payments

For the year ended 30 June 2018 the Council made severance payments to 10 employees totalling \$144,841 (2017 nine employees \$166,626). The value of each of the severance payments was \$2,000, \$4,000, \$6,675, \$9,000, \$10,000, \$13,365, \$20,825, \$21,726, \$28,000 and \$29,250. The amounts disclosed above represent any payment made in addition to the terms of the employment contract for each staff member.

Note 10: Finance costs

Accounting policy

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

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Interest expense				
Interest on borrowings	10,835	10,772	11,456	12,034
Interest on finance leases	56	68	56	73
Discount unwind on provisions (note 26)	732	830	732	830
Interest derivatives (presented net)				
Interest rate swaps	8,383	8,444	8,383	8,444
Total finance costs	20,006	20,114	20,627	21,381



Explanation of significant variances against budget

Finance costs

Council	
Actual 2018	Budget 2018
\$000	\$000
20,006	21,819

Finance costs were \$1.8m favourable to budget. This was driven by:

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

Note 11: 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Fees to auditors:				
- fees to Audit New Zealand for audit of financial statements	245	209	279	266
- fees to Audit New Zealand for audit of the 10-Year Plan	185	-	185	-
- fees to Audit New Zealand for other assurance services *	43	-	43	-
- fees to Assurance CA firm for the internal audit function	168	166	168	166
- fees to Assurance firms for the accreditation, compliance and safety function	66	48	66	48
General grants	3,133	2,859	3,133	2,859
Contractors	18,501	18,410	18,501	18,410
Insurance premiums	1,771	1,545	1,811	1,545
Consultants and legal fees	7,307	8,420	7,403	8,420
Inventory consumption	675	426	675	426
Impairment of receivables (note 14)	228	(320)	228	(320)
Operating lease expense	256	219	256	219
Other operating expenses	41,908	38,834	45,891	43,166
Total other expenses	74,486	70,816	78,639	75,205

* The fees paid to Audit New Zealand for other assurance services in the year ending 30 June 2018 were for Victoria on the River project, Debenture Trust Deed and Peacocke procurement.



Explanation of significant variances against budget

Other expenses

	Council	
	Actual 2018	Budget 2018
	\$000	\$000
Other expenses	74,486	67,783

Other expenses were \$6.7m above budget. This was driven by:

- \$686k increase in provisions for closed landfills, weathertight homes and organisational realignment.
- \$1m increase in professional fees, particularly for legal services
- increase in maintenance costs of \$2.2m across the organisation
- grants of \$400k to Waikato Regional Theatre Trust and Clarence Street Theatre Trust.

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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Not later than one year	419	295	442	546
Later than one year and not later than five years	625	445	718	1,433
Later than five years	44	55	345	1,515
Total non-cancellable operating leases	1,088	795	1,505	3,494

The total minimum future sublease payments expected to be received under subleases at balance date is \$nil (2017: \$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 12: 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Current tax expense	-	-	242	455
Deferred tax expense	-	-	(25)	65
Tax expense	-	-	217	520

Relationship between tax expense and accounting profit

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Surplus/(deficit) before tax	60,228	51,885	62,440	55,742
Tax at 28%	16,864	14,528	17,483	15,608
Effect of tax exempt income	(16,864)	(14,528)	(17,483)	(15,608)
Taxation loss not recognised	-	-	-	-
Equity accounted earnings of associates	-	-	-	-
Deferred tax adjustment	-	-	217	520
Tax expense	-	-	217	520

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

	PPE	Investment properties	Other provisions	Tax losses	Total
	\$000	\$000	\$000	\$000	\$000
Balance as at 1 July 2016	(2,383)	(218)	35	11	(2,555)
Acquired balance	-	-	-	-	-
Charged to surplus or deficit	20	(79)	(15)	(11)	(85)
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2017	(2,363)	(297)	20	-	(2,640)
Acquired balance	7	297	(16)	-	288
Charged to surplus or deficit	16	-	(7)	16	25
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2018	(2,340)	-	(3)	16	(2,327)

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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Tax losses - Council	136	134	136	134
Tax losses Waikato Innovation Growth Limited	-	-	16	-
Tax losses - Hamilton Properties Limited	-	-	-	482
	136	134	152	616

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 13: 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Cash at bank and on hand	11,414	14,121	11,907	15,021
Term deposits with maturities of less than three months at acquisition	37,000	13,000	37,000	13,000
Total cash and cash equivalents	48,414	27,121	48,907	28,021



Explanation of significant variances against budget

Current assets

Cash and cash equivalents

	Council	
	Actual 2018	Budget 2018
	\$000	\$000
Cash and cash equivalents	48,414	35,000

There was an increase in cash and term deposits due largely to the increase in development contributions.

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 \$40.04m (2017 \$43.35m) that are subject to restrictions. These unspent funds relate to reserves (see note 29) 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 2018 the interest rate on the overdraft facility was 6 per cent per annum (2017 6 per cent per annum). The credit interest rate on this account was 1 per cent per annum (2017 1 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 2018 the interest rate was 6.0 per cent per annum (2017 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Cash at bank and on hand	11,414	14,121	11,907	15,021
Term deposits with maturities of less than 3 months at acquisition	37,000	13,000	37,000	13,000
Total	48,414	27,121	48,907	28,021

Note 14: 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Rates receivables	3,343	3,139	3,343	3,139
New Zealand Transport Agency	6,439	2,702	6,439	2,702
Water by meter	1,740	2,292	1,740	2,292
GST refund due	2,608	2,928	2,608	2,928
Income tax receivable	-	-	53	-
Sundry debtors	9,149	8,788	10,022	10,153
Gross debtors and other receivables	23,279	19,849	24,205	21,214
Less: provision for uncollectability	(2,742)	(2,651)	(2,742)	(2,651)
Total receivables	20,537	17,198	21,463	18,563

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.

Receivables from exchange transactions include outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates.

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
	12,902	10,618	12,902	10,618
	7,635	6,580	8,561	7,945

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.

Ratepayers can apply for payment plan options in special circumstances.

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

	2018			2017		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Council						
Not past due	14,552	(40)	14,512	11,082	(42)	11,040
Past due 1-60 days	3,325	(15)	3,310	3,195	(18)	3,177
Past due 61-120 days	729	(15)	714	1,069	(13)	1,056
Past due > 120 days	4,814	(2,672)	2,142	4,503	(2,578)	1,925
Total	23,420	(2,742)	20,678	19,849	(2,651)	17,198
Group						
Not past due	15,406	(40)	15,366	12,052	(42)	12,010
Past due 1-60 days	3,397	(15)	3,382	3,567	(18)	3,549
Past due 61-120 days	729	(15)	714	1,087	(13)	1,074
Past due > 120 days	4,814	(2,672)	2,142	4,508	(2,578)	1,930
Total	24,346	(2,742)	21,604	21,214	(2,651)	18,563

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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Individual provision for uncollectability	344	357	344	357
Collective provision for uncollectability	2,398	2,294	2,398	2,294
Total provision for uncollectability	2,742	2,651	2,742	2,651

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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Past due 1-60 days	12	12	12	12
Past due 61-120 days	4	4	4	4
Past due > 120 days	328	341	328	341
Total individual provision for impairment	344	357	344	357

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

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Balance at 1 July	2,651	3,094	2,651	3,094
Additional provisions made during the year	270	228	270	228
Provisions reversed during the year	(24)	(653)	(24)	(653)
Receivables written off during the year	(155)	(18)	(155)	(18)
Balance at 30 June	2,742	2,651	2,742	2,651

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

Note 15: 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Held for distribution inventory:				
Nursery	34	85	34	85
Retail	92	74	92	74
Goods in transit	-	-	247	-
Raw materials	-	-	911	99
Finished goods	-	-	1,171	-
Total inventory	126	159	2,455	258

The write-down of inventory during the year was \$nil (2017 \$nil). There have been no reversals of write-downs (2017 \$nil).

No inventory is pledged as security for liabilities (2017 \$nil). However, some inventory is subject to retention of title clauses.

Note 16: 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Non-current assets held for sale are:				
- Other financial assets	-	2,079	-	-
Total non-current assets held for sale	-	2,079	-	-

The Council-owned shares in Waikato Innovation Park Limited (WIPL) were presented as held for sale following the approval by the Council on 28 July 2016 to sell Council's interest. The Council approved the sale of the shares, as they will provide no future use to the Council. The completion date of the sale was 30 November 2017.

Note 17: 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	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Current asset portion				
Interest rate swaps	-	51	-	51
Total current asset portion	-	51	-	51
Non-current asset portion				
Interest rate swaps	641	506	641	506
Total non-current asset portion	641	506	641	506
Total derivative financial instrument assets	641	557	641	557
Current liability portion				
Interest rate swaps	158	867	158	867
Total current liability portion	158	867	158	867
Non-current liability portion				
Interest rate swaps	33,106	29,838	33,106	29,838
Total derivative financial instrument liabilities	33,264	30,705	33,264	30,705

Information about interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for the Council and Group was \$320.5m (2017 \$426m). This includes \$20m (2017 \$59.5m) of forward start swaps, leaving \$300.5m (2017 \$366.5m) in actual committed swaps at 30 June 2018. At 30 June 2018 the fixed interest rates of fair value interest rate swaps ranged from 3.98% to 5.96% (2017 4.02% to 5.96%).

The Council and group currently have no fair value hedges (2017 \$nil).

Information about forward foreign exchange contract

The Council and group currently have no foreign currency forward exchange contracts (2017 \$nil).

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 33.

Note 18: 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	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Current portion				
Loans and receivables				
Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months	32,040	76,040	32,040	76,040
- Interest accrual	341	561	341	561
Community loans	20,069	-	20,069	-
- Interest accrual	11	-	11	-
Fair value through surplus/deficit				
Equity securities managed by Kiwi Wealth	-	-	2,831	2,664
Fixed interest instruments managed by Kiwi Wealth	-	-	3,327	3,137
Total current portion	52,461	76,601	58,619	82,402
Non-current portion				
Investment in CCOs and similar entities				
Shares in subsidiaries	4,000	8,422	-	-
Waikato Local Authority Shared Services Ltd (WLASS)	180	196	180	196
NZ Local Government Funding Agency Ltd (NZLGFA)	5,336	4,472	5,336	4,472
NZ Food Innovation Network Ltd (NZFIN)	-	-	-	20
	9,516	13,090	5,516	4,688
Other Investments				
Term deposits with maturities greater than 1 year	4,800	4,560	4,800	4,560
- Interest accrual	272	350	272	350
Community loans	2,215	16,931	2,015	16,931
Civic Financial Services Ltd (Civic)	307	310	307	310
	7,594	22,151	7,394	22,151
Total non-current portion	17,110	35,241	12,910	26,839
Total other financial assets	69,571	111,842	71,529	109,241



Explanation of significant variances against budget

	Council	
	Actual 2018	Budget 2018
	\$000	\$000
Current portion		
Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months	32,040	-
- To take advantage of favourable market conditions, borrowings maturing before 30 June 2019 were repurchased, and put on term deposit.		

Fair value

Term deposits

The carrying amount of term deposits approximates their fair value.

Community loans

The fair value of community loans is \$22.3m (2017 \$16.9m) which is made up of the Accessible Properties Ltd Warehouse Storage Ltd and Waikato Innovation Growth LTD (WIGL) loans. Fair value has been determined using cash flows discounted at a rate of 6% (2017 6%).

Share in subsidiaries

The shares in Innovation Waikato Ltd (IWL) were disposed of upon the sale of Waikato Innovation Park Ltd (WIPL) on 30 November 2017.

Council has consolidated the WIPL Group financial results for the period 1 July - 30 November 2017.

Council has 100% shareholding in a new subsidiary Waikato Innovation Growth Ltd (WIGL) effective 1 December 2017. The new Council Controlled Organisation (CCO) was due to the sale of Waikato Innovation Park Ltd (WIPL).

WIGL Group financial results have been consolidated for the period 1 December 2017 - 30 June 2018.

Vibrant Hamilton Trust has a portfolio of fixed interest instruments and equity funds managed by Kiwi Wealth. 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

WIGL has a 70% shareholding in New Zealand Food Innovation (Waikato) Ltd (NZFIW).

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.

Other investments

Civic Financial Services Ltd reported a deficit for the year ended 31 December 2017 of \$0.16m (31 December 2016 surplus \$0.97m). Council has made an adjustment through surplus/(deficit) to reflect its share of the decrease in net equity of the company resulting from the deficit for the year.

Impairment

An impairment of \$17k (2017 \$25k gain) was made to Council's investment in Waikato Local Authority Shared Services Ltd (WLISS) to reflect Council's share of the decrease in WLISS's equity resulting from an operating loss for the year ended 30 June 2018. An impairment of \$3k (2017 \$15k gain) was made to Council's investment in Civic Financial Services Ltd to reflect Council's share of the decrease in Civic's equity resulting from an operating loss for the year ended 30 December 2017.

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

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
At 1 July	16,931	16,037	16,931	16,037
Amount of new loans during the year	4,450	-	4,450	-
Fair value adjustment on initial recognition	(158)	-	(158)	-
Loans repaid during the year (principal and interest)	(53)	(90)	(53)	(90)
Impairment loss recognised during the year	-	-	-	-
Unwind of discount and interest charged	1,125	984	1,125	984
At 30 June	22,295	16,931	22,295	16,931

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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Hamilton Properties Ltd (HPL)	-	1	-	-
Vibrant Hamilton Trust (VHT)	-	-	-	-
Innovation Waikato Ltd (IWL)	-	8,421	-	-
Waikato Innovation Growth Ltd (WIGL)	4,000	-	-	-
Total investments in subsidiaries	4,000	8,422	-	-

Principal activity

Council dissolved its wholly owned subsidiary Hamilton Properties Limited in November 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.

At the August 2018 meeting, the trustees of Vibrant Hamilton Trust resolved to wind up the trust and transfer the trust fund to Momentum Waikato for the Waikato Regional Theatre Project.

The purpose of Waikato Innovation Growth Ltd is to provide business and innovation advisory services for small and medium-sized enterprises (SMEs) and High Value Manufacturing and Services (HVMS) businesses in the Waikato Region and to promote innovation in the food industry.

Note 19: 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Waikato Regional Airport Limited	7,430	7,430	42,469	41,016
Total	7,430	7,430	42,469	41,016

	Actual 2018	Actual 2017
	\$000	\$000
Assets	107,717	102,941
Liabilities	22,780	20,909
Revenue	12,582	15,118
Surplus/(deficit)	2,380	3,770
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 28.

Note 20: Property, plant and equipment

Accounting policy

Property, plant and equipment consist of:

- **Operational assets**

These are land, buildings (including cultural assets and leisure facilities), improvements, non-restricted parks and gardens, plant and equipment, finance leases, vehicles, sports areas and library books.

Buildings, parks and gardens improvements and all other asset classes are measured at cost less accumulated depreciation and impairment losses.

- **Zoo animals**

Zoo animals are held primarily for social and recreational purposes. The capital cost is the actual expense incurred in acquiring the zoo animal.

- **Restricted assets**

These are 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.

Land is measured at fair value.

- **Heritage assets**

These are museum collections and library collections (New Zealand Room) and are measured at fair value.

- **Infrastructure assets**

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

Land (except land under roads) is measured at fair value. Infrastructure assets (except land) are measured at fair value less accumulated depreciation.

Revaluation

Land, buildings and improvements, heritage assets, and infrastructure 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 five years.

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

Revaluation 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 at no cost, or a nominal cost, it is recognised at fair value 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 servicing 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 and heritage assets, 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:

ASSET CLASS	YEARS	DEPRECIATION
Buildings	5- 100	1%- 20%
Vehicles	3- 15	6.7%- 33.3%
Plant and equipment	5- 10	10%- 20%
Library books	3- 8	12.5%- 33.3%
Zoo animals	10	10%
Improvements - parks and gardens	5- 150	0.7%- 20%
Roads and traffic network		
Top surface (seal)	5- 20	5%- 20%
Pavement (basecourse)	50- 140	0.7%- 2%
Drainage	60- 70	1.4%- 1.7%
Car parks	15- 110	0.9%- 6.7%
Footpaths and cycleways	5- 75	1.3%- 20%
Kerbs and traffic islands	20- 60	1.7%- 5%
Signs	15	6.7%
Street lights	5- 50	2%- 20%
Bridges and culverts	40- 150	0.7%- 2.5%
Underpasses	80	1.3%
Traffic signals	15	6.7%
Guarding and railing	20- 25	4%- 5%
Bus shelters and fences	20	5%
Verge, embankment and retaining walls	50- 100	1%- 2%
Wastewater reticulation		
Pipes	30- 100	1%- 3.3%
Manholes	100	1%
Treatment plant	15- 100	1%- 6.7%
Valves	40- 75	1.3%- 2.5%
Pump stations	20- 100	1%- 5%
Stormwater system		
Pipes	30- 100	1%- 3.3%
Manholes, inlets and outlets	100	1%
Soakage trench	50	2%
Channels	90	1.1%
Erosion control	100	1%
Water reticulation		
Bulk main chambers	100	1%
Backflow devices	40	2.5%
Pipes	40- 100	1%- 2.5%
Valves	40- 75	1.3%- 2.5%
Treatment plant	15- 100	1%- 6.7%
Meters	15	6.7%
Hydrants	50- 75	1.3%- 2%
Reservoirs	15- 100	1%- 6.7%
Refuse – rubbish and recycling	10- 100	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 assets 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 judgements in applying accounting policies

Management has exercised critical judgement in applying accounting policies to the classification of property.

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

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 not 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 several 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, 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, Art + Object, The 21st Century Auction House, and James Parkinson, Director of Valuations and Collections Management, 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 valuer's attendance at sales as well as by access to numerous auction houses and on-line data base records, such as the Australian Art Sales Digest which tracks sales results across all the major auction houses in Australasia.

The most recent valuation for the Museum Heritage Collection was performed by Ben Plumbly, Director of Art, 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.

The most recent valuation was performed by Mectildah Chikwiri BSc (Computer, Statistics) Business and Asset Analyst of Hamilton City Council and independently reviewed by Brian Smith BCom, CA of Brian Smith Advisory Services Ltd. The valuation was effective as at 1 July 2017.

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.

Replacement unit rates have been based on 2017 contract rates, in progress project costs and information from suppliers. Unit rates were extensively reviewed by staff in December 2016. No price indices were used to adjust the unit rates because it was assessed that there was no significant movement in rates from December 2016 to June 2017.

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.

Infrastructure assets

Infrastructure assets are valued at fair value using the depreciated replacement cost method.

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 independently reviewed by Brian Smith BCom, CA of Brian Smith Advisory Services. The valuation was effective as at 1 July 2015.

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

The most recent valuation for transport assets (excluding land) was performed by Kevin Dunn, Associate – Asset Management, of Beca Valuations Ltd (New Zealand). The valuation was effective as at 1 July 2016.

The most recent valuation for refuse assets was performed by Manjit Deygun BE(Civil), ME(Civil), MBA, CPeng, MIPENZ, PMP, Orapai Woon and Neville Blackett HND Civil Engineering of Hamilton City Council and independently reviewed by Brian Smith BCom, CA of Brian Smith Advisory Services Ltd. The valuation was effective as at 1 July 2017.

There are several estimates and assumptions exercised when valuing infrastructure assets using the depreciated replacement cost method. These include:

- 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, infrastructure asset lives have been determined with reference to the NZ Infrastructure Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on 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.
- 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 (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.

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.

Note 20: Property, Plant and Equipment

COUNCIL 2017

GROUP 2017

	1-Jul-16	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	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	30-Jun-17	30-Jun-17	30-Jun-17	Carrying amount	30-Jun-18	Accumulated depreciation & impairment charges	Carrying amount
Operational assets																							
Land	52,125	0	14,915	1,030	3	(32)	0	0	0	0	0	0	0	68,041	0	68,041	68,041	0	68,041	68,041	0	68,041	
Buildings	252,064	0	23,087	6,020	0	(1,870)	(789)	59	(9,503)	0	0	0	269,419	0	269,419	274,149	274,149	(771)	273,378	273,378	(771)	273,378	
Land - parks and gardens	403,677	0	182,084	342	0	(17)	0	0	0	0	0	0	586,086	0	586,086	586,086	586,086	0	586,086	586,086	0	586,086	
Improvements - parks and gardens	73,031	(5,794)	0	5,704	0	1,305	(374)	106	(3,163)	0	0	0	79,315	(8,851)	70,464	79,315	79,315	(8,851)	70,464	70,464	(8,851)	70,464	
Plant and equipment	43,398	(27,631)	0	2,866	0	685	(466)	448	(2,277)	0	0	0	46,483	(29,460)	17,023	66,657	66,657	(33,322)	33,335	33,335	(33,322)	33,335	
Finance leases	2,264	(1,607)	0	361	0	(6)	0	0	(369)	0	0	0	2,619	(1,976)	643	2,619	2,619	(1,976)	643	643	(1,976)	643	
Vehicles	7,183	(3,975)	0	761	0	160	(233)	187	(449)	0	0	0	7,825	(4,237)	3,588	7,825	7,825	(4,237)	3,588	3,588	(4,237)	3,588	
Library books	22,496	(14,152)	0	841	0	28	0	0	(1,176)	0	0	0	23,365	(15,328)	8,037	23,365	23,365	(15,328)	8,037	8,037	(15,328)	8,037	
Zoo animals	1,266	(1,114)	0	19	0	(12)	0	0	(29)	0	0	0	1,273	(1,143)	130	1,273	1,273	(1,143)	130	130	(1,143)	130	
Leasehold improvements	2,096	(2,058)	0	0	0	0	0	0	(6)	0	0	0	2,096	(2,064)	32	2,096	2,096	(2,064)	32	32	(2,064)	32	
Total operational assets	859,600	(56,331)	220,086	17,944	3	241	(1,862)	800	(16,972)	(1,862)	(16,972)	800	(46)	1,086,522	(63,059)	1,023,463	1,111,426	(67,692)	1,043,734	1,043,734	(67,692)	1,043,734	
Restricted assets																							
Land	20,871	0	2,528	6,854	215	0	(365)	0	0	0	0	0	30,103	0	30,103	30,103	30,103	0	30,103	30,103	0	30,103	
Heritage assets																							
Museum and library	34,891	0	0	117	0	(14)	0	0	0	0	0	0	34,994	0	34,994	34,994	34,994	0	34,994	34,994	0	34,994	
Infrastructure assets																							
Land	21,717	0	6,195	46	0	29	0	0	0	0	0	0	27,987	0	27,987	27,987	27,987	0	27,987	27,987	0	27,987	
Refuse	56,220	(539)	0	265	0	(45)	0	0	(246)	0	0	0	56,440	(785)	55,655	56,440	56,440	(785)	55,655	55,655	(785)	55,655	
Roads and traffic network	771,433	(50,607)	47,741	22,237	6,245	(2,622)	0	0	(17,028)	0	0	0	794,427	(17,028)	777,399	794,427	794,427	(17,028)	777,399	777,399	(17,028)	777,399	
Land under roads	681,384	0	0	(111)	8,872	182	(3)	0	0	(3)	0	0	690,112	0	690,112	690,112	690,112	0	690,112	690,112	0	690,112	
Stormwater system	518,485	(7,895)	0	558	2,758	1,091	(163)	7	(8,110)	0	0	0	522,729	(15,998)	506,731	522,729	522,729	(15,998)	506,731	506,731	(15,998)	506,731	
Wastewater system	310,887	(6,133)	0	1,978	2,657	2,635	(405)	28	(6,389)	0	0	0	317,671	(12,494)	305,177	317,671	317,671	(12,494)	305,177	305,177	(12,494)	305,177	
Wastewater treatment plant	67,985	(7,173)	0	4,408	0	(2,421)	0	0	(2,346)	0	0	0	69,972	(9,519)	60,453	69,972	69,972	(9,519)	60,453	60,453	(9,519)	60,453	
Water system	241,252	(4,741)	0	2,332	1,910	17,771	(131)	9	(4,927)	0	0	0	263,135	(9,659)	253,476	263,135	263,135	(9,659)	253,476	253,476	(9,659)	253,476	
Water treatment station	70,462	(4,612)	0	6,095	80	(760)	0	0	(1,736)	0	0	0	75,878	(6,348)	69,530	75,878	75,878	(6,348)	69,530	69,530	(6,348)	69,530	
Total infrastructure assets	2,739,825	(81,700)	53,936	37,808	22,522	15,860	(702)	44	(40,782)	(702)	(40,782)	44	(292)	2,818,351	(71,831)	2,746,520	2,818,351	(71,831)	2,746,520	2,746,520	(71,831)	2,746,520	
Total property, plant and equipment																							
	3,655,187	(138,031)	276,550	62,723	22,740	16,087	(2,929)	844	(57,754)	(2,929)	(57,754)	844	(338)	3,969,970	(134,890)	3,835,080	3,994,874	(139,523)	3,855,351	3,855,351	(139,523)	3,855,351	

(1) The Group cost figures include \$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 20: Property, Plant and Equipment

Work in progress

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

	Council	
	Actual 2018	Actual 2017
	\$000	\$000
Operational assets		
Land	-	-
Buildings	8,734	1,926
Land - parks and gardens	3,646	4
Improvements - parks and gardens	2,381	6,251
Plant and equipment	3,059	2,903
Finance Leases	20	-
Vehicles	200	514
Library books	-	33
Zoo animals	31	-
Leasehold improvements	-	-
Restricted assets		
Land	-	-
Heritage assets		
Museum and library	3	11
Infrastructure assets		
Land	695	60
Refuse	-	228
Roads and traffic network	16,641	10,100
Land under roads	170	183
Stormwater system	2,932	2,164
Wastewater system	8,412	8,527
Wastewater treatment plant	3,460	345
Water system	12,530	32,511
Water treatment station	4,190	2,540
Total work in progress	67,104	68,300

Capital commitments

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

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Capital commitments by asset class				
Land	5	295	5	295
Buildings	6,314	640	6,314	640
Improvements - parks and gardens	2,133	6,445	2,133	6,445
Plant and equipment	353	547	353	547
Leasehold improvements	213	260	213	260
Museum and library	384	1,174	384	1,174
Infrastructure land	5,721	-	5,721	-
Refuse	1	-	1	-
Roads and traffic network	40,279	54,937	40,279	54,937
Stormwater system	1,313	365	1,313	365
Wastewater system	4,507	4,203	4,507	4,203
Wastewater treatment plant	1,338	1,188	1,338	1,188
Water system	8,030	18,208	8,030	18,208
Water treatment station	1,315	106	1,315	106
Total capital commitments	71,906	88,368	71,906	88,368

Note 21: Intangible assets

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

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
Cost							
Balance as at 1 July 2017	3,251	384	18,624	15,785	38,044	193	38,237
Additions	4	25	2,906	720	3,655	-	3,655
Disposals	-	-	-	-	-	-	-
Work in Progress (WIP)							
- Opening WIP	818	-	982	2,569	4,369	192	4,561
- Closing WIP	346	-	788	2,272	3,406	-	3,406
Change in WIP	(472)	-	(194)	(297)	(963)	(192)	(1,155)
Balance as at 30 June 2018	2,783	409	21,336	16,208	40,736	1	40,737
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	1	4,497
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	3,251	384	18,624	15,785	38,044	193	38,237
Accumulated amortisation and impairment							
Balance as at 1 July 2017	(414)	(73)	(12,242)	(3,708)	(16,437)	-	(16,437)
Amortisation charge	(90)	-	(2,904)	(907)	(3,901)	-	(3,901)
Impairment	-	-	-	-	-	-	-
Amortisation reversed on disposal	-	-	-	-	-	-	-
Balance as at 30 June 2018	(504)	(73)	(15,146)	(4,615)	(20,338)	-	(20,338)
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)
Amortisation reversed on disposal	-	-	-	-	-	-	-
Balance as at 30 June 2017	(414)	(73)	(12,242)	(3,708)	(16,437)	-	(16,437)
Carrying amounts							
Balance as at 1 July 2016	4,026	294	8,014	7,501	19,835	-	19,835
Balance as at 30 June and 1 July 2017	2,837	311	6,382	12,077	21,607	193	21,800
Balance as at 30 June 2018	2,279	336	6,190	11,593	20,398	1	20,399

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 (2017 \$nil).

Capital commitments

Intangible asset commitments include amounts payable on forward contracts of \$73k to purchase software upgrades and project support and assessment tool changes (2017 \$nil).



Note 22: 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	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Directly attributable depreciation and amortisation expense by group of activity				
Arts and Culture	3,948	3,553	3,948	3,553
Community Support	156	173	156	173
Economic Development	4,772	5,173	4,772	5,173
Parks and Green Spaces	4,616	3,745	4,616	3,745
Recreation	1,518	1,454	1,518	1,454
Rubbish and Recycling	529	395	529	395
Safety	81	80	81	80
Sewerage	9,227	9,115	9,227	9,115
Stormwater	8,189	8,232	8,189	8,232
Transport	19,185	17,707	19,185	17,707
Water Supply	7,477	6,968	7,477	6,968
Total directly attributable depreciation and amortisation by group of activity	59,698	56,595	59,698	56,595
Depreciation and amortisation not directly related to group of activities	5,869	4,711	7,078	5,920
Total depreciation and amortisation expense	65,567	61,306	66,776	62,515



Explanation of significant variances against budget

Depreciation and amortisation

	Council	
	Actual 2018 \$000	Budget 2018 \$000
Depreciation and amortisation	65,567	63,870

Depreciation and amortisation was \$1.7m above budget due to an increase in the revaluation of operational property assets.

Note 23: 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Balance at 1 July	22,059	24,795	22,059	50,445
Additions from acquisitions	-	-	-	-
Additions from subsequent expenditure	-	-	-	407
Disposals	-	(5,375)	-	(5,502)
Fair value gains/(losses) on valuation (note 8)	3,196	2,639	3,196	2,866
Balance at 30 June	25,255	22,059	25,255	48,216

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 as at 30 June 2017 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Rental revenue	1,979	1,953	1,979	4,634
Direct operating expenses from investment property generating revenue	495	792	495	792

Note 24: Payables and deferred revenue

Accounting policy

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

	Council		Group	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Current portion				
<i>Payables and deferred revenue under exchange transactions</i>				
Trade payables and accrued expenses	27,588	24,337	28,365	25,100
Income in advance	3,976	3,043	3,976	2,693
Amounts due to subsidiaries and associates	-	-	-	-
Amounts due to customers for contract work	1,878	1,573	1,878	1,573
Total	33,442	28,953	34,219	29,366
<i>Payables and deferred revenue under non-exchange transactions</i>				
Trade payables and accrued expenses	138	122	138	122
Income in advance	1,896	1,770	1,896	1,770
Income tax payable	-	-	-	154
Other taxes payable (Fringe benefit tax)	29	24	29	24
Total	2,063	1,916	2,063	2,070
Total current portion	35,505	30,869	36,282	31,436
Non-current portion				
<i>Payables and deferred revenue under exchange transactions</i>				
Income in advance	-	-	199	278
Total	-	-	199	278
<i>Payables and deferred revenue under non-exchange transactions</i>				
Trade payables - NZTA	1,250	1,250	1,250	1,250
Total	1,250	1,250	1,250	1,250
Total non-current portion	1,250	1,250	1,449	1,528
Total payables and deferred revenue	36,755	32,119	37,731	32,964

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 (2017 \$1.25m) 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.

Note 25: 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 2.85% (2017 2.97%) and an inflation factor of 1.9% (2017 1.9%) were used.

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Current portion				
Accrued pay	1,276	1,289	1,423	1,434
Annual leave	5,089	4,921	5,224	5,111
Sick leave	243	267	243	267
Retiring gratuities	425	229	425	229
Total current portion	7,033	6,706	7,315	7,041
Non-current portion				
Retiring gratuities	966	1,122	966	1,122
Total non-current portion	966	1,122	966	1,122
Total employee entitlements	7,999	7,828	8,281	8,163

Note 26: 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 10).

Significant judgements and estimates

The present value of these cash flows is calculated using a discount rate of 5.09% (2017: 6.0%)

The present value of these cash flows is calculated using an inflation rate of 2.0% (2017: 2.8%)

	Council		Group	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Current portion				
Restructuring provision	-	156	-	156
Strategic Realignment	290	-	290	-
Weathertight homes resolution services claims	-	-	-	-
Landfill aftercare	1,393	1,194	1,393	1,194
Total	1,683	1,350	1,683	1,350
Non-current portion				
Weathertight homes resolution services claims	1,396	1,105	1,396	1,105
Landfill aftercare	13,704	13,191	13,704	13,191
Loan repayment provision	-	-	356	191
Total	15,100	14,296	15,456	14,487
Total provisions	16,783	15,646	17,139	15,837

Restructuring

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

Strategic realignment

On 28 June 2018 the Chief Executive announced major changes in the way Hamilton City Council will deliver its next Long term Plan. With these changes the Corporate Group has been required to make substantial changes to the way it operates to support the Strategic Realignment of the Organisation. These changes have been approved subject to consultation and are being announced progressively in order to minimise disruption to the business.

Weathertight homes resolution services claims provision

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 Weather-tightness 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.

There are currently six claims lodged with the Weather-tight Homes Resolution Service (WHRS) as at 30 June 2018 (2017 7 claims). One claim was resolved during 2017-18.

Four claims (2017 four claims) lodged via the court system are outstanding with an estimated liability of \$802k (2017 \$601k). The movement is due to the increase in value of one claim.

Total estimated exposure is \$1,396k (2017 \$1,105k). This represents an overall increase of \$291k 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 Waikato Innovation Growth Limited, New Zealand Food Innovation Waikato Limited (NZFIWL), entered into a contract to lease a factory and equipment for five years. An advancement of \$604k was made and is recognised as income received in advance over the five years. If the lease is not renewed on 1 September 2019, one third of the advance is repayable on that date. The provision represents the repayable amount, discounted to present value, of \$196k.

The same subsidiary as above entered into a contract with four separate customers for the use of a silo for five years and to receive income in advance from each of \$75k for the building of the silo. NZFIWL will reimburse the customers on the 30th June 2022 however if the customer is still manufacturing at the site beyond May 2022 the repayment will be made at the end of the year that the customer stops manufacturing. Four provisions have been created, discounted to present value, for \$43k of each advance.

	Council					Group		
	Restructure	Strategic realignment	WorkSafe fine	Weather-tightness claims	Landfill	Total	Loan repayment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2017								
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 10)	-	-	-	-	830	830	-	830
Balance at 30 June 2017	156	-	-	1,105	14,385	15,646	191	15,837
2018								
Balance at 1 July 2017	156	-	-	1,105	14,385	15,646	191	15,837
Additional provisions made	-	290	-	395	1,080	1,765	165	1,930
Amounts used	-	-	-	-	-	-	-	-
Reversal of previously recognised provisions	(156)	-	-	(104)	(1,100)	(1,360)	-	(1,360)
Discount unwind (note 10)	-	-	-	-	732	732	-	732
Balance at 30 June 2018	-	290	-	1,396	15,097	16,783	356	17,139

Note 27: 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Current				
Secured loans	83,000	113,000	83,650	113,600
- Interest accrual	45	209	45	209
Lease liabilities	562	411	562	411
Total current borrowings	83,607	113,620	84,257	114,220
Non-current				
Secured loans	330,000	315,000	335,024	338,260
- Interest accrual	1,575	1,112	1,575	1,112
Lease liabilities	938	600	938	600
Total non-current borrowings	332,513	316,712	337,537	339,972
Total borrowings	416,120	430,332	421,794	454,192



Explanation of significant variances against budget

Current and non-current liabilities

Total borrowings were favourable to budget by \$12.9m due to

- The decrease in secured loans of \$15m is due largely to favourable variances in development contributions delaying any forecast draw down of debt.

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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Total borrowings (excluding bank overdraft)	416,120	430,332	421,794	456,050
less: cash investments (note 13)	(48,414)	(27,121)	(48,907)	(28,021)
less: term deposits (note 18)	(37,453)	(81,511)	(37,453)	(81,511)
plus: restricted and cash-backed reserves	40,041	40,473	40,041	40,473
Total overall debt	370,294	362,173	375,475	386,991

Interest terms for secured loans

Council has \$28m of its total debt of \$413m issued at fixed rates of interest (2017 \$28m of \$428m). 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 (2017 \$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 (2017 \$10.8m). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date of 3.03% (2017 3.26%).

Analysis of lease liabilities

	Council		Group	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Total minimum finance lease payments payable:				
Not later than one year	611	460	611	460
Later than one and not later than five years	977	640	977	640
Later than five years	-	-	-	-
Total minimum finance lease payments	1,588	1,100	1,588	1,100
Future finance charges	(88)	(89)	(88)	(89)
Present value of minimum finance lease payments	1,500	1,011	1,500	1,011
Present value of minimum finance lease payments payable:				
Not later than one year	562	411	562	411
Later than one and not later than five years	938	600	938	600
Later than five years	-	-	-	-
Total minimum finance lease payments	1,500	1,011	1,500	1,011
Current portion	562	411	562	411
Non-current portion	938	600	938	600
Total finance lease liability	1,500	1,011	1,500	1,011

Interest rate

The interest rates applying to lease liabilities for 2018 range from 2.77% to 3.42% (2017 range from 2.84% to 5.75%).

Description of material leasing arrangements

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

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

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

Internal borrowings

Internal borrowings apply to Council created reserves that are not supported by cash. 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 \$000	Repaid \$000	Borrowed \$000	Interest \$000	Balance 30 June \$000
2018					
Parks and Green Spaces	2,872	(2,967)	-	95	-
Total internal borrowings	2,872	(2,967)	-	95	-

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

Note 28: Contingencies

Contingent liabilities

Weathertight homes resolution services and court claims

A provision for potential liability for six claims (2017 seven claims) that are outstanding with the Weathertight Homes Resolution Service, and four claims (2017 four claims) lodged via the court system have been made per note 26. There may be further claims in future but these are unable to be quantified at this point in time.

Unquantified claims

Carter Holt Harvey

In April 2013, the Ministry of Education (MoE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the shadowclad plywood cladding sheets manufactured and distributed by CHH. The MoE's original claim against CHH was for 833 school buildings, 123 of which are located within Hamilton.

In 2016, CHH commenced 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.

During the current year the Councils sought to strike out CHH's claims against them. The High Court declined the strike out of the claim, but struck out proceedings in relation to 28 school buildings (three located in Hamilton) built outside the 10 year long stop contained within the Building Act 2004. Further, CHH applied for trial staging, with proceedings to commence in relation to 20 buildings. MoE opposed the application, seeking a trial on the determination of whether shadowclad is inherently defective. The High Court accepted the MoE proposal. CHH has appealed this decision.

At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

Weathertightness Claims for non-residential buildings

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.

Holidays Act 2003

As part of a compliance programme conducted by the Ministry for Business, Innovation and Employment (MBIE) in respect of the Holidays Act 2003, Hamilton City Council was identified as a potential auditee alongside other organisations in 2017. The audit identified some non-compliance for a limited number of holiday related payments to some employees. As such, Council has entered into an enforceable undertaking with MBIE to address this. At this stage Council is unable to quantify the value of this liability.

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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Financial guarantees (Bank of New Zealand)	224	251	224	251
Legal proceedings				
- Weathertight homes	400	730	400	730
- various legal proceedings	430	835	430	835
Total contingent liabilities	1,054	1,816	1,054	1,816

Uncalled capital

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

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Innovation Waikato Ltd	-	3	-	3
New Zealand Local Government Funding Agency Ltd	1,866	1,866	1,866	1,866
Total uncalled capital	1,866	1,869	1,866	1,869

Waikato Innovation Growth Ltd

Waikato Innovation Growth Ltd did not have any contingent liabilities as at 30 June 2018.

Innovation Waikato Ltd

Innovation Waikato Ltd did not have any contingent liabilities as at 30 June 2017.

New Zealand Local Government Funding Agency Ltd

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

As at 30 June 2018, Council is one of 30 local authority shareholders and 15 local authority guarantors of the NZLGFA. In that regard it has uncalled capital of \$1.9m (2017 \$1.9m). When aggregated with the uncalled capital of other shareholders, \$20m is available in the event that an imminent default is identified. Also, together with other shareholders and guarantors, Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2018, NZLGFA had borrowings totalling \$8.3b (2017 \$7.9b).

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

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

- We are 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.

Involvement in Associates

There are no quantifiable contingent liabilities arising from Council's involvement in its associates for 2018 (2017 \$nil).

Contingent assets

WEL Energy Trust

Council is a 63 per cent 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 29: 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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Accumulated funds				
Balance 1 July	1,689,174	1,642,101	1,710,992	1,660,722
Surplus/(deficit) for the year	60,228	51,885	62,098	55,082
Non-controlling interest prior year	-	-	(3,547)	-
Transfer from property revaluation reserves on disposal	3,410	1,053	3,435	1,053
Transfers from restricted and Council created reserves	6,636	2,765	6,636	2,765
Transfers to restricted and Council created reserves	(3,332)	(8,630)	(3,332)	(8,630)
Balance at 30 June	1,756,116	1,689,174	1,776,282	1,710,992
Restricted and Council created reserves				
Balance at 1 July	43,345	37,480	43,345	37,480
Transfers from accumulated funds	3,332	8,630	3,332	8,630
Transfers to accumulated funds	(6,636)	(2,765)	(6,636)	(2,765)
Balance at 30 June	40,041	43,345	40,041	43,345
Revaluation reserve				
Balance at 1 July	1,797,541	1,519,394	1,823,914	1,538,839
Transfer to accumulated funds on disposal of assets	(3,410)	(1,053)	(3,435)	(1,053)
Other movements	(612)	-	(612)	-
Impairment	(2,545)	-	(2,545)	-
Revaluation gains/(losses) - property, plant and equipment	1,114	276,554	1,114	283,482
Revaluation gains/(losses) - share of associates' reserves	-	-	-	-
Revaluation gains/(losses) - shareholdings	845	2,646	845	2,646
Balance at 30 June	1,792,933	1,797,541	1,819,281	1,823,914

	Council		Group	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Property revaluation reserves for each class consist of:				
Operational assets				
Buildings	130,404	133,376	153,870	142,504
Plant and equipment	-	-	3,402	2,907
Land	47,050	47,050	47,050	47,050
Parks and gardens improvement	27,328	21,087	27,328	21,087
Parks and gardens land	438,909	438,909	438,909	438,909
Heritage assets				
Museum and library	11,397	11,284	11,397	11,284
Restricted assets				
Land	12,616	12,378	12,616	12,378
Infrastructure assets				
Land	22,415	22,415	22,415	22,415
Refuse	33,441	39,419	33,441	39,419
Roads and traffic network	353,411	354,286	353,411	354,286
Stormwater system	372,405	372,684	372,405	372,684
Wastewater system	199,734	201,069	199,734	201,069
Wastewater treatment plant	12,582	12,582	12,582	12,582
Water treatment station	10,627	10,627	10,627	10,627
Water system	117,123	117,729	117,123	117,729
Total	1,789,442	1,794,895	1,816,310	1,806,930
Fair value through other comprehensive revenue and expense reserve				
Balance at 1 July	2,646	-	16,984	14,338
Transfer to property revaluation reserves			(14,338)	
Net change in fair value	845	2,646	845	2,646
Balance at 30 June	3,491	2,646	3,491	16,984
Total reserves	1,832,974	1,840,886	1,859,842	1,867,259
Non controlling interest	-	-	3,353	1,940
Total equity	3,589,090	3,530,060	3,639,477	3,580,191

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

Reserve	Activities to which the reserve relates	Balance 1 July \$000	Transfers into fund \$000	Transfers out of fund \$000	Balance 30 June \$000
2018					
Cemetery plot maintenance in perpetuity reserve	Cemeteries and Crematorium	1,801	68	(136)	1,733
Domain Endowment Fund	Parks and Green Spaces and Stormwater	7,517	264	-	7,781
Municipal Endowment Fund	Strategic property investment	28,639	-	-	28,639
Waikato Art Gallery Endowment reserve	Arts promotion	10	-	-	10
Total restricted reserves - 2018		37,967	332	(136)	38,163
Bus shelter reserve	Travel demand management	286	99	(31)	354
Project Watershed operating reserve	Parks and Green Spaces and Stormwater	850	30	(288)	592
Hamilton Gardens reserve	Parks and Green Spaces	856	2,176	(2,588)	444
Reserves contribution fund	Strategic property investment	2,872	95	(2,967)	-
Waste minimisation reserve	Waste minimisation	514	600	(626)	488
Total Council created reserves - 2018		5,378	3,000	(6,500)	1,878

Total restricted and Council created reserves - 2018		43,345	3,332	(6,636)	40,041
Reserve	Activities to which the reserve relates	Balance 1 July	Transfers into fund	Transfers out of fund	Balance 30 June
		\$000	\$000	\$000	\$000
2017					
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
Total restricted reserves - 2017		32,475	5,492	-	37,967
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
Total Council created reserves - 2017		5,005	3,138	(2,765)	5,378
Total restricted and Council created reserves - 2017		37,480	8,630	(2,765)	43,345

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.

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.

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

Council created reserves

- Reserves contribution fund

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 30: 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).

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$	\$	\$	\$
Councillors and Directors				
Remuneration	1,093	1,090	1,232	1,205
Full-time equivalent members	13	13	18	18
Senior Management Team including the Chief Executive				
Remuneration	1,994	1,915	2,388	2,184
Full-time equivalent members	7	7	11	11
Total key management personnel remuneration	3,087	3,005	3,620	3,389
Total full-time equivalent personnel	20	20	29	29

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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$	\$	\$	\$
Mayor				
Julie Hardaker				
Remuneration	-	47,190	-	47,190
Vehicle	-	976	-	976
Andrew King				
Remuneration	158,987	107,736	158,987	107,736
Councillors				
Gordon Chesterman	-	28,088	-	28,088
Margaret Forsyth	-	23,820	-	23,820
Martin Gallagher	93,081	85,380	93,081	85,380
Karina Green	-	21,231	-	21,231
Andrew King	-	23,820	-	23,820
Dave Macpherson	85,920	78,950	85,920	78,950
Garry Mallett	85,913	80,649	85,913	80,649
Angela O'Leary	85,920	83,281	85,920	83,281
Rob Pascoe	78,760	79,017	78,760	79,017
Leo Tooman	78,760	76,851	78,760	76,851
Ewan Wilson	-	21,655	-	21,655
Philip Yeung	20,430	74,686	20,430	74,686
Mark Bunting	73,805	48,767	73,805	48,767
James Casson	71,600	48,767	71,600	48,767
Siggi Henry	71,600	48,767	71,600	48,767
Paula Southgate	85,920	57,295	85,920	57,295
Geoff Taylor	78,760	53,031	78,760	53,031
Ryan Hamilton	23,971	-	23,971	-
Total elected representatives' remuneration	1,093,427	1,089,957	1,093,427	1,089,957

Note 31: Events after balance date

There have been no events after balance date.

Note 32: Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Net surplus/(deficit) after tax	60,228	51,885	62,223	55,222
Add/(less) non-cash items:				
Depreciation and amortisation	65,567	61,306	66,776	62,515
(Gains)/losses in fair value of interest rate swaps	2,474	(17,381)	2,474	(17,381)
(Gains)/losses in fair value of investment properties	(3,196)	(2,639)	(3,196)	(2,866)
(Gains)/losses unrealised on fair value of other financial assets	-	-	(520)	(294)
Impairment of other financial assets	-	-	20	(2)
Capital contributions in kind	(99)	-	(99)	-
Share of associates (surplus)/deficit	-	-	(1,453)	(1,885)
Discount unwind on community loans	(1,125)	-	(1,125)	-
Income tax expense recognised in surplus/deficit	-	-	115	520
Reclassification of WIP to operating expenditure	189	635	304	635
Vested assets	(41,828)	(22,740)	(41,828)	(22,740)
Total non-cash items	21,982	19,181	21,468	18,502
Add/(less) items classified as investing or financing activities:				
Change in capital expenditure accruals	-	(1,312)	-	(1,312)
(Gains)/losses on disposal of property, plant and equipment	4,658	1,493	4,737	1,750
(Gains)/losses on disposal of investment property	-	(87)	31	(87)
(Gains)/losses on disposal of investment in subsidiaries	769	-	769	-
Impairment of property, plant and equipment	-	-	(183)	-
Total items classified as investing or financing activities	5,427	94	5,354	351
Add/(less) movements in working capital:				
Trade debtors and other receivables	(3,052)	1,536	(2,819)	906
Inventory	33	(17)	(2,197)	228
Prepayments	(149)	(1)	(382)	(8)
Trade creditors and other payables	4,573	(3,208)	5,110	(4,592)
Employee entitlements	171	718	171	1,052
Provisions	1,137	390	1,137	390
Total movements in working capital	2,713	(582)	1,020	(2,024)
Net cash inflow from operating activities	90,350	70,578	90,065	72,051

Note 33: 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	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
FINANCIAL ASSETS				
Fair value through surplus or deficit				
Equity securities	-	-	2,831	2,664
Fixed interest instruments	-	-	3,327	3,137
Derivative financial instrument assets (note 17)	641	557	641	557
Total fair value through surplus or deficit	641	557	6,799	6,358
Loans and receivables				
Cash and cash equivalents	48,414	27,121	48,907	28,021
Receivables	20,537	17,198	21,463	18,563
Other financial assets:				
- community loans	22,284	16,931	22,284	16,931
- term deposits	36,840	80,600	36,840	80,600
Total loans and receivables	128,075	141,850	129,494	144,115
Fair value through other comprehensive revenue and expense				
Other financial assets:				
- Unlisted shares	5,823	7,057	5,823	4,998
Total fair value through other comprehensive revenue and expense	5,823	7,057	5,823	4,998
FINANCIAL LIABILITIES				
Fair value through surplus or deficit				
Derivative financial instrument liabilities (note 17)	33,264	30,705	33,264	30,705
Total fair value through surplus or deficit	33,264	30,705	33,264	30,705
Financial liabilities at amortised cost				
Creditors and other payables (note 24)	30,883	27,306	31,660	28,223
Borrowings: (note 27)				
- bank overdraft	-	-	-	-
- secured loans	413,000	428,000	418,674	451,860
Total financial liabilities at amortised cost	443,883	455,306	450,334	480,083

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 \$000	Quoted market price \$000	Observable inputs \$000	Significant non-observable \$000
30 June 2018 - Council				
Financial assets				
Shares (note 18)	5,823	-	-	5,823
Derivative financial instrument assets (note 17)	641	-	641	-
Financial liabilities				
Derivative financial instrument liabilities (note 17)	33,264	-	33,264	-
30 June 2018 - Group				
Financial assets				
Shares (note 18)	5,823	-	-	5,823
Equity securities	2,831	2,831	-	-
Fixed interest instruments	3,327	3,327	-	-
Derivative financial instrument assets (note 17)	641	-	641	-
Financial liabilities				
Derivative financial instrument liabilities (note 17)	33,264	-	33,264	-

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

30 June 2017 - Council

Financial assets

Shares (note 18)	7,057	-	-	7,057
Derivative financial instrument assets (note 17)	557	-	557	-

Financial liabilities

Derivative financial instrument liabilities (note 17)	30,705	-	30,705	-
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30 June 2017 - Group

Financial assets

Shares (note 18)	4,998	-	-	4,998
Equity securities	2,664	2,664	-	-
Fixed interest instruments	3,137	3,137	-	-
Derivative financial instrument assets (note 17)	557	-	557	-

Financial liabilities

Derivative financial instrument liabilities (note 17)	30,705	-	30,705	-
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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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Balance at 1 July	7,057	4,411	4,996	2,350
Gain and (losses) recognised in the surplus or deficit	-	-	-	-
Gain and (losses) recognised in other comprehensive revenue and expense	845	2,646	845	2,646
Purchases	-	-	-	-
Sales	(2,079)	-	(18)	-
Transfers into level 3	-	-	-	-
Transfers out of level 3	-	-	-	-
Balance at 30 June	5,823	7,057	5,823	4,996

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 \$3.33m of the total equity securities of \$3.33m are not hedged (2017 \$3.12m out of total equity securities of \$3.13m). Vibrant Hamilton Trust ceased to directly hold any hedges after transferring into the Kiwi Wealth Growth PIE in January 2017.

• 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 New Zealand Local Government Funding Agency Limited's (NZLGA) borrowings. Information about this exposure is explained in note 28.

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	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Cash and cash equivalents	48,414	27,121	48,907	28,021
Debtors and other receivables	20,537	17,198	21,463	18,563
Equity securities	-	-	2,831	2,664
Fixed interest instruments	-	-	3,327	3,137
Community and related party loans	22,284	16,931	22,284	16,931
Term deposits	36,840	80,600	36,840	80,600
Financial guarantees	224	251	224	251
Total credit risk	128,299	142,101	135,876	150,167

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	
		Actual 2018	Actual 2017	Actual 2018	Actual 2017
		\$000	\$000	\$000	\$000
Counterparties with credit ratings					
Cash and cash equivalents	AA	2,000	-	2,000	-
	AA-	46,414	27,121	46,907	28,021
	A+	-	-	-	-
Term deposits	AA+	5,840	5,600	5,840	5,600
	AA-	31,000	75,000	31,000	75,000
	A+	-	-	-	-
Fixed interest instruments	AAA	-	-	864	682
	AA+	-	-	38	46
	AA	-	-	104	26
	AA-	-	-	580	609
	A+	-	-	156	158
	A	-	-	59	95
	A-	-	-	243	202
	BBB+	-	-	331	432
	BBB	-	-	224	155
	BBB-	-	-	32	49
	BB+	-	-	26	4
	BB	-	-	36	-
	BB-	-	-	15	-
	B	-	-	-	12
Total fixed interest instruments		-	-	2,708	2,470

	Council		Group	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	\$000	\$000	\$000	\$000
Counterparties without credit ratings				
Fixed interest instruments				
- existing counterparty with no defaults in the past	-	-	28	127
Community and related party loans and mortgages				
- existing counterparty with no defaults in the past	22,284	16,931	22,284	16,931
Total community and related party loans and mortgages	22,284	16,931	22,284	16,931

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 (2017 \$500k). There are no restrictions on the use of this facility. Council also has \$455m (2017 \$470m) of committed borrowing facilities, with available headroom of \$127m (2017 \$148.4m) 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 28.

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
Council 2018	\$000	\$000	\$000	\$000	\$000
Creditors and other payables	30,883	30,883	29,633	1,250	-
Secured loans	413,000	469,126	93,353	203,583	172,190
Finance leases	1,500	1,588	611	977	-
Financial guarantees	224	224	224	-	-
Total	445,607	501,821	123,821	205,810	172,190
Group 2018					
Creditors and other payables	31,660	31,660	30,410	1,250	-
Secured loans	418,674	496,923	94,551	230,182	172,190
Finance leases	1,500	1,588	611	977	-
Financial guarantees	224	224	224	-	-
Total	452,058	530,395	125,796	232,409	172,190
Council 2017	\$000	\$000	\$000	\$000	\$000
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	-	-
Total	456,568	507,917	149,852	196,530	161,535
Group 2017					
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	-	-
Total	481,345	536,631	151,967	223,129	161,535

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
	\$000	\$000	\$000	\$000	\$000
Council and group 2018					
Net settled derivatives	33,264	51,181	8,169	26,129	16,883
Total	33,264	51,181	8,169	26,129	16,883
Council and group 2017					
Net settled derivatives	30,705	60,666	8,469	29,018	23,179
Total	30,705	60,666	8,469	29,018	23,179

Contractual maturity analysis of financial assets

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

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000
Council 2018					
Cash and cash equivalents	48,414	48,573	48,573	-	-
Receivables	20,537	20,537	20,537	-	-
Community and related party loans	22,284	23,250	20,925	2,325	-
Other financial assets:					
- Term deposits	36,840	37,498	32,070	2,677	2,751
Total	128,075	129,858	122,105	5,002	2,751

Group 2018

Cash and cash equivalents	48,907	48,907	48,907	-	-
Debtors and other receivables	21,463	21,463	21,463	-	-
Community and related party loans	22,284	23,250	20,925	2,325	-
Other financial assets:					
- Term deposits	36,840	37,498	32,070	2,677	2,751
Total	129,494	131,118	123,365	5,002	2,751

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000
Council 2017					
Cash and cash equivalents	27,121	27,158	27,158	-	-
Debtors and other 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
Total	141,850	145,608	121,648	21,614	2,346
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
Total	144,115	147,836	123,876	21,614	2,346

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	2018				2017			
	-100bps		+100bps		-100bps		+100bps	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Interest rate risk								
Financial assets								
Cash and cash equivalents	(484)	-	484	-	(271)	-	271	-
Financial liabilities								
Borrowings - secured loans	1,280	-	(1,280)	-	1,375	-	(1,375)	-
Derivative financial instruments	(17,881)	-	16,513	-	(20,031)	-	18,393	-
Total sensitivity	(17,085)	-	15,717	-	(18,927)	-	17,289	-

Group	2018				2017			
	-100bps		+100bps		-100bps		+100bps	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Interest rate risk								
Financial assets								
Cash and cash equivalents	(489)	-	489	-	(280)	-	280	-
Financial liabilities								
Borrowings - secured loans	1,382	-	(1,382)	-	1,614	-	(1,614)	-
Derivative financial instruments	(17,881)	-	16,513	-	(20,031)	-	18,393	-
Total sensitivity	(16,988)	-	15,620	-	(18,697)	-	17,059	-

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	2018				2017			
	-10%		+10%		-10%		+10%	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Foreign exchange risk								
Financial assets								
Equity securities	(333)	-	333	-	(312)	-	312	-
Total	(333)	-	333	-	(312)	-	312	-

Group	2018				2017			
	-10%		+10%		-10%		+10%	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Equity price risk								
Financial assets								
Equity securities	(333)	-	333	-	(314)	-	314	-
Total	(333)	-	333	-	(314)	-	314	-

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 34: Adjustments to the comparative year financial statements

The Council and group has adjusted the comparative year financial statements for the year ended 30 June 2017 due to reclassification adjustments. The adjustments are shown in the table below:

Council	Note	Actual 2017		
		Before adjustments \$000	Reclassification adjustments \$000	After adjustments \$000
Revenue				
Other revenue				
Bequests and other donations	a.	4,858	(4,813)	45
Capital contributions	a.	-	4,813	4,813
Investment property gain on disposal	b.	87	(87)	-
Property, plant and equipment gain on disposal	b.	19	(19)	-
Investment property revaluation gain	b.	2,639	(2,639)	-
Total other revenue		7,603	(2,745)	4,858
Gains				
Investment property gain on disposal	b.	-	87	87
Property, plant and equipment gain on disposal (note 20)	b.	-	19	19
Investment property revaluation gain (note 23)	b.	-	2,639	2,639
Total gains		-	2,745	2,745
Expenses				
Other expenses				
Property, plant and equipment loss on disposal (note 20)	c.	1,512	(1,512)	-
Total other expenses		1,512	(1,512)	-
Losses				
Property, plant and equipment loss on disposal (note 20)	c.	-	1,512	1,512
Total losses		-	1,512	1,512

Explanatory notes

Reclassification adjustments for the Council and group

- Revenue from capital contributions is shown separately from bequests and other donations as it does not fit the definition of the latter.
- Gains of \$2.7m (group \$3m) have been reclassified from other revenue to gains.
- Loss on disposal of property, plant and equipment has been reclassified from other expenses to losses.

Local government disclosures

Rating base information

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

	30 June 2017	30 June 2016
The number of rating units	57,868	57,180
The total capital value of rating units	\$32,835,195,100	\$32,642,267,500
The total land value of rating units	\$14,298,720,000	\$14,470,656,800

Insurance of assets

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

	Council	
	2018	2017
	\$000	\$000
The values listed are the declared values Council has provided to its insurance broker.		
Material Damage	960,637	938,806
Council's Material Damage cover is based on a Maximum Probable Loss model (MPL) which means that its assets are insured for the value of the largest probable loss that could result from a disaster in Hamilton. Council has insured up to \$300m consisting of two layers; a \$150m primary layer which is shared between the Regional collective and an additional \$150m excess layer which is shared with Waikato Regional Council due to geographic accumulation. A separate policy is in place which is shared by the Regional collective which provides cover of up to \$125m for damage that is caused by fire, or fire following a natural disaster.		
The following categories are in addition to the Material Damage and each is covered with a separate policy.		
Fine Arts	38,952	38,711
This cover is for the declared values of art, artefacts and declared outdoor sculptures owned by Council.		
Commercial Motor Vehicles	13,146	12,455
Motor insurance up to the declared value of each individual vehicle.		
Infrastructure	1,784,949	1,755,450
Based on risk engineering and loss modelling for the Waikato hazardscape a \$100m shared loss limit is in place with the Regional Collective. Insurance is to the level of 40% in anticipation of 60% contribution from central government in a disaster.		
Boiler Explosion	1,185	890
Policy covers the damage caused by failure of large boilers.		
In addition to the material damage cover Council has two policies that relate to Contract works and business interruption.		
Contract Works	8,000	8,000
This policy allows Council to perform small projects relating to new builds, works to existing structures, renovations, maintenance and repair with cover up to \$600k for any one contract.		
Business Interruption	79,449	81,453
\$40.1m of cover provided for loss of rent revenue and receivable. A further \$40m for the increased cost of working at the water treatment plants.		
There are no assets of the local authority that are self-insured.		

COUNCIL FUNDING IMPACT STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

	Annual Plan 2017 \$000	Actual 2017 \$000	Annual Plan 2018 \$000	Actual 2018 \$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties ¹	138,708	26,534	41,781	42,204
Targeted rates ²	15,039	127,162	118,984	119,152
Subsidies and grants for operating purposes	5,443	5,803	5,692	5,048
Fees and charges	37,619	39,611	38,031	42,588
Interest and dividends from investments	2,144	2,228	2,100	3,657
Local authorities fuel tax, fines, infringement fees, and other receipts	3,573	5,554	2,925	3,530
Total operating funding	202,526	206,892	209,513	216,179
Applications of operating funding				
Payments to staff & suppliers	135,749	142,367	141,667	155,644
Finance costs	22,257	20,114	21,819	20,006
Other operating funding applications	-	634	-	189
Total applications of operating funding	158,006	163,115	163,486	175,839
Surplus/(deficit) of operating funding	44,520	43,777	46,027	40,340
Sources of capital funding				
Subsidies and grants for capital expenditure	4,676	8,682	4,905	17,070
Development and financial contributions	11,027	15,797	11,141	25,835
Increase/(decrease) in debt	29,237	65,098	15,782	(14,511)
Gross proceeds from the sale of assets	137	6,522	-	655
Lump sum contributions	-	-	-	-
Other dedicated capital funding	1,749	4,813	1,797	-
Total sources of capital funding	46,826	100,912	33,625	29,049
Application of capital funding				
Capital expenditure				
- to meet additional demand	40,572	36,341	36,918	44,068
- to improve the level of service	12,529	16,721	10,622	14,798
- to replace existing assets	37,665	33,019	42,344	43,256
Increase/(decrease) in reserves	(117)	2,531	(232)	(10,266)
Increase/(decrease) of investments	697	56,077	(10,000)	(22,467)
Total application of capital funding	91,346	144,689	79,652	69,389
Surplus/(deficit) of capital funding	(44,520)	(43,777)	(46,027)	(40,340)
Funding balance	-	-	-	-

¹ Until Hamilton City Council fully transitions to a capital value rating system, the land value 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 Rates and targeted rates are added together due to the transition to a capital value rating basis

DISCLOSURE STATEMENT

Annual Report disclosure statement for year ended 30 June 2018

What is the purpose of this statement?

The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. The Council is required to include this statement in its annual 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.

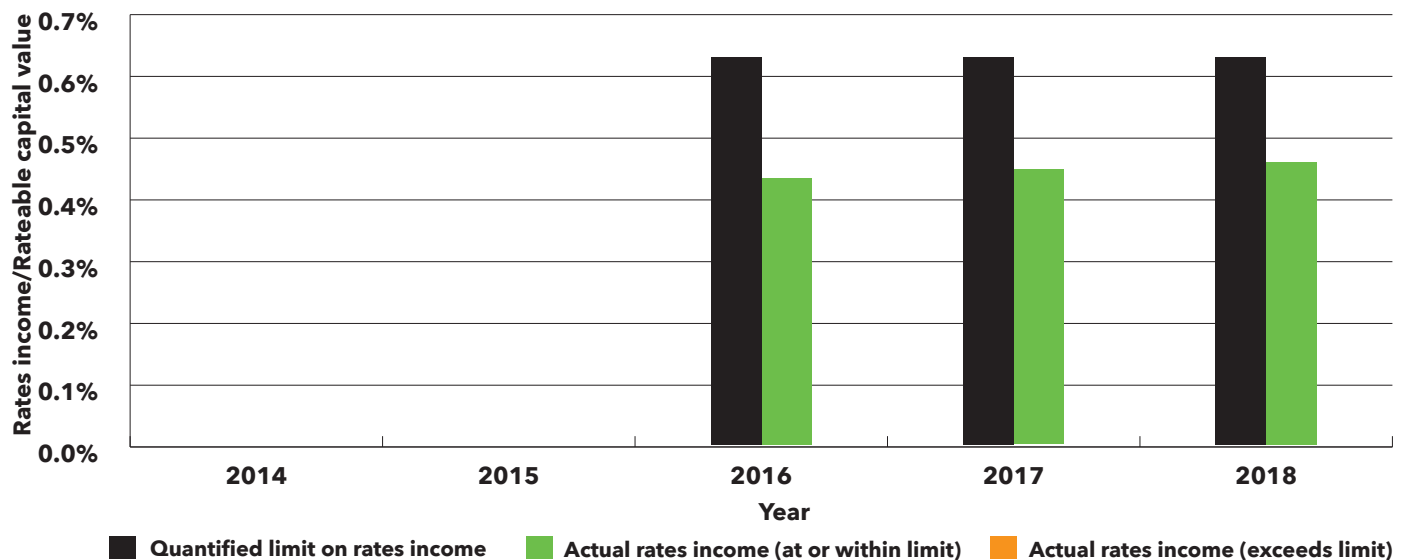
Rates affordability benchmark

The Council meets the rates affordability benchmark if-

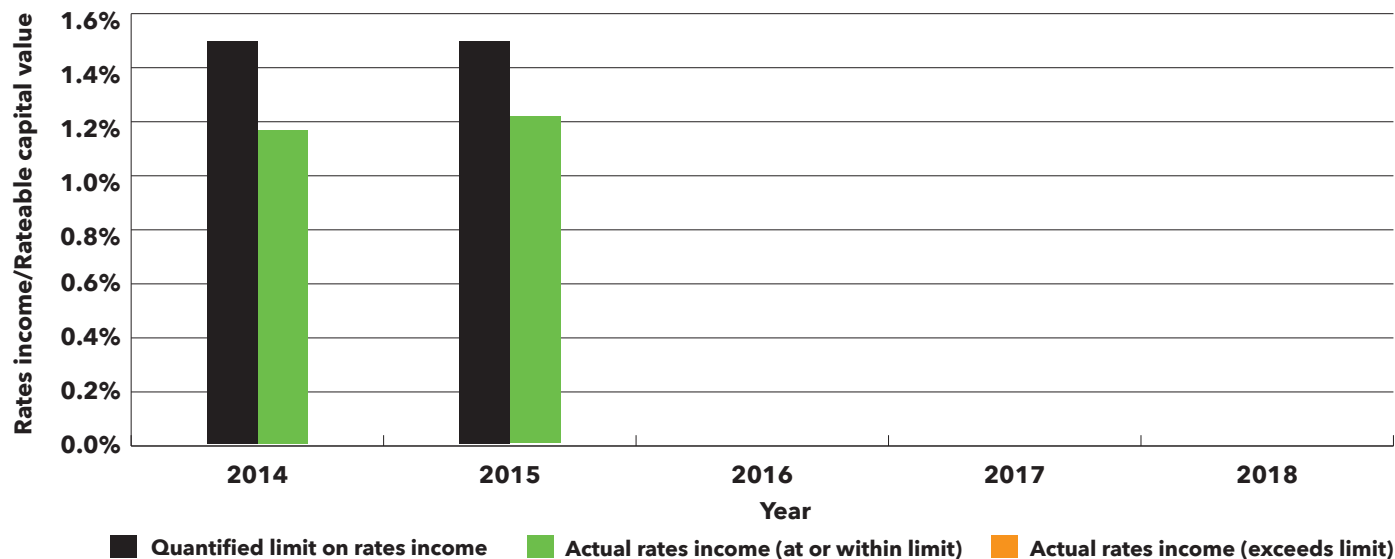
- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

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 revised its quantified limit in 2016 to rates will not exceed 0.627% of the city's rateable capital value.

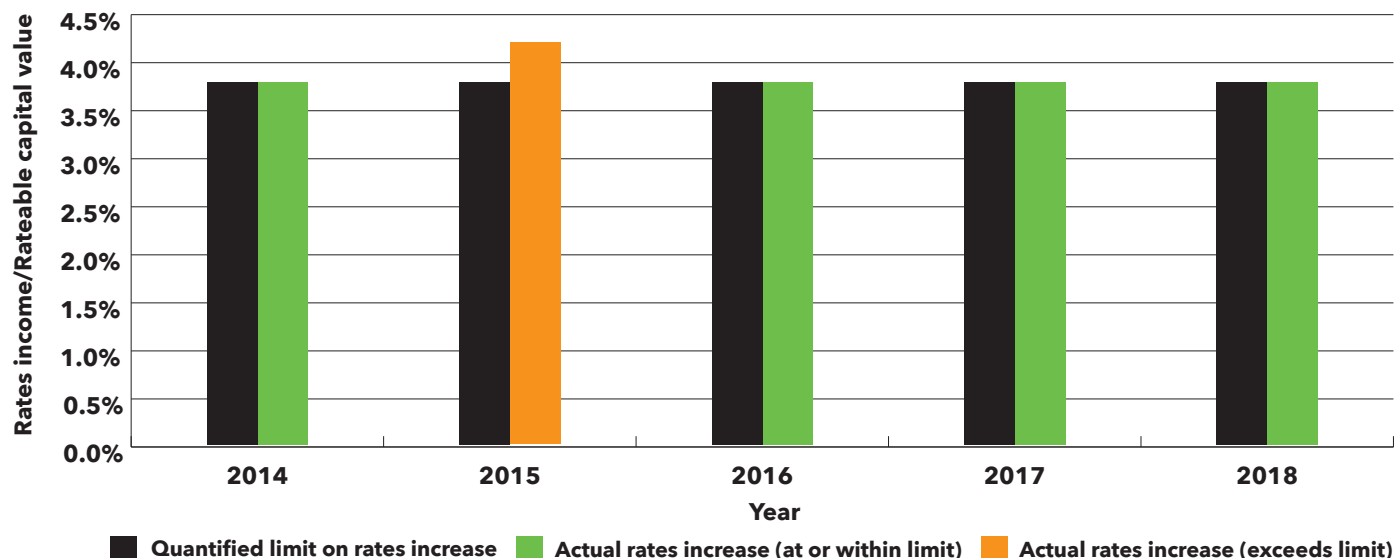


The following graph shows Council's quantified limit on rates prior to the 2016 year. The limit was that rates will not exceed 1.5% of the city's rateable land value. With Council now in the process of transitioning the basis of rates collection from land to capital value, this measure has now been discontinued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



Rates (income) affordability

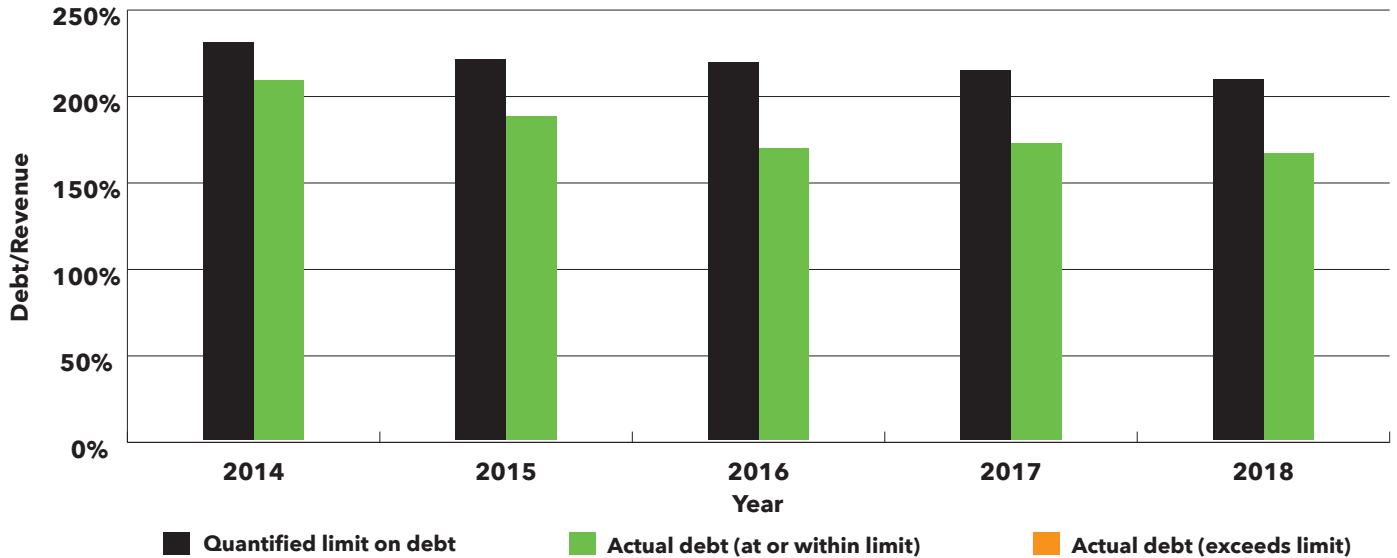
The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Council's long-term plan. The quantified limit is that rates increases to existing ratepayers will not exceed 3.8%.



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.

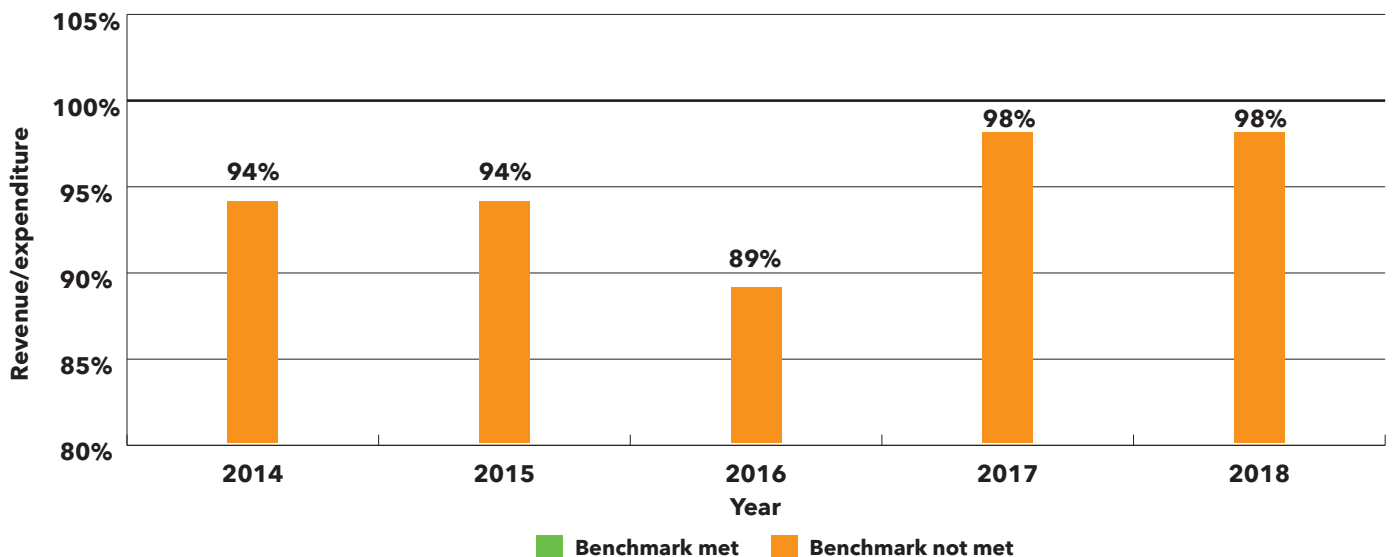
Debt affordability benchmark

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.

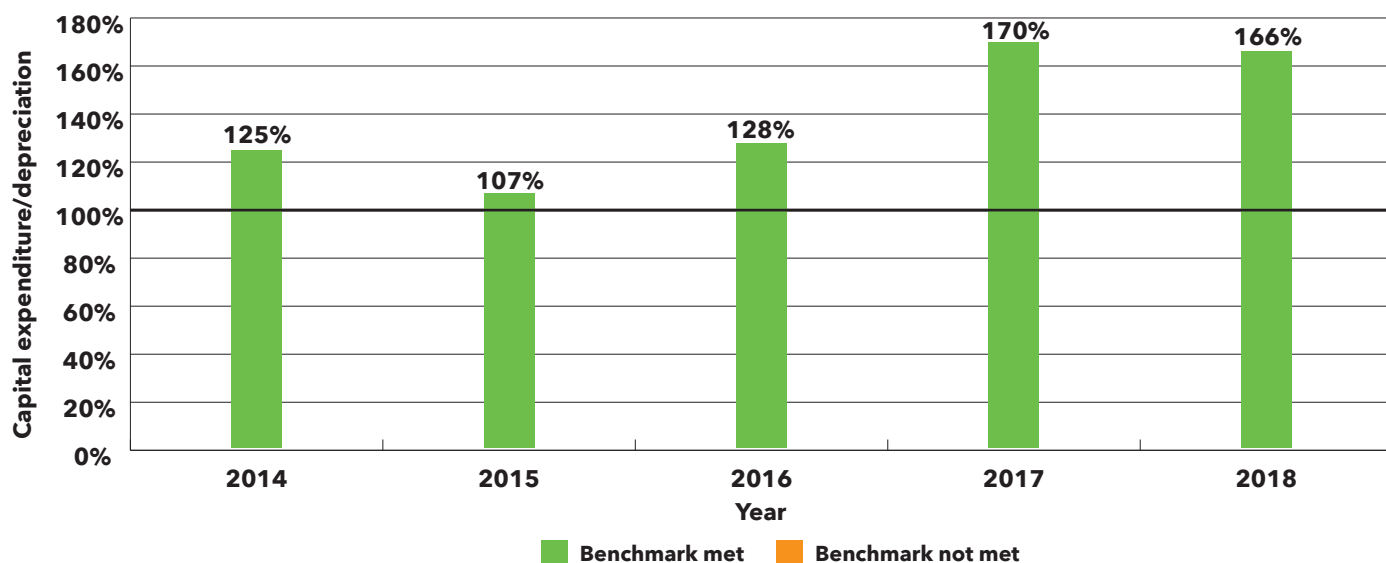


This benchmark is similar to Council's own "Balancing the Books" measure that was introduced prior to the Local Government (Financial Reporting) Regulations. Council does meet its own measure that it believes is more relevant to a growing city. There are four main differences between the measures:

- 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.

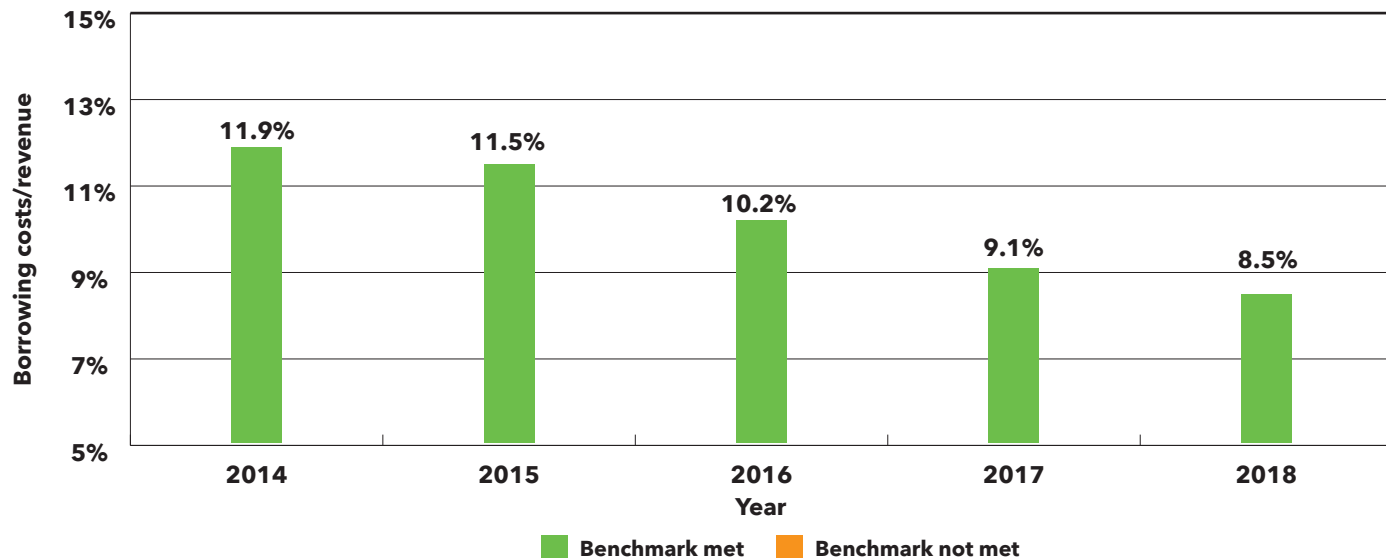
Essential services benchmark

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.



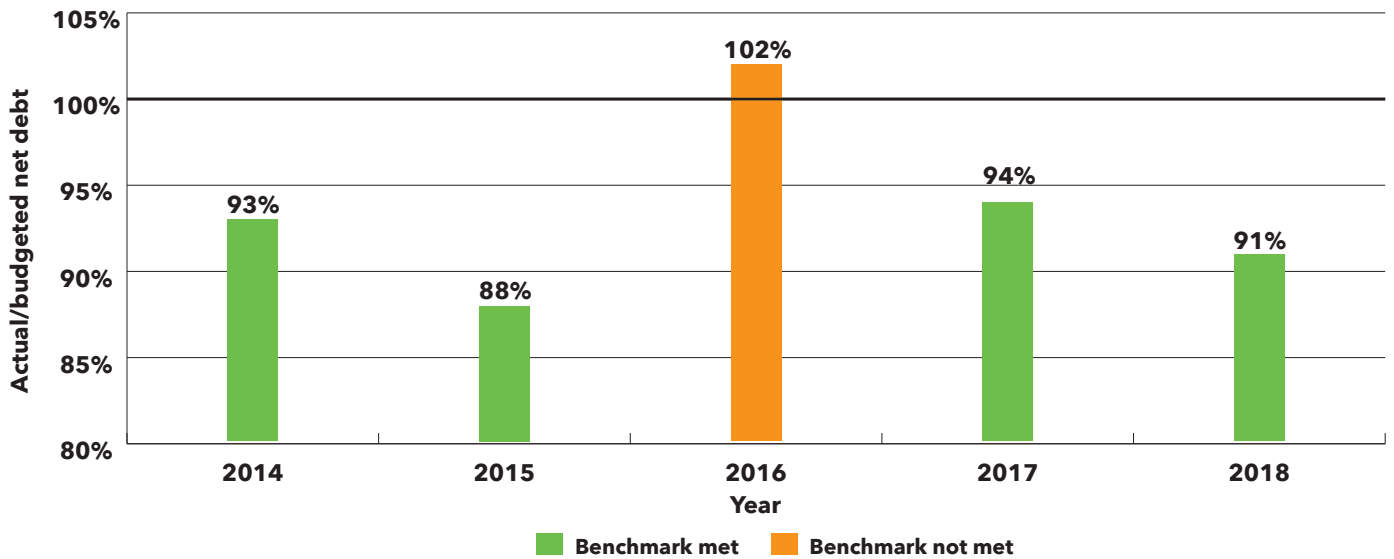
Debt servicing benchmark

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.



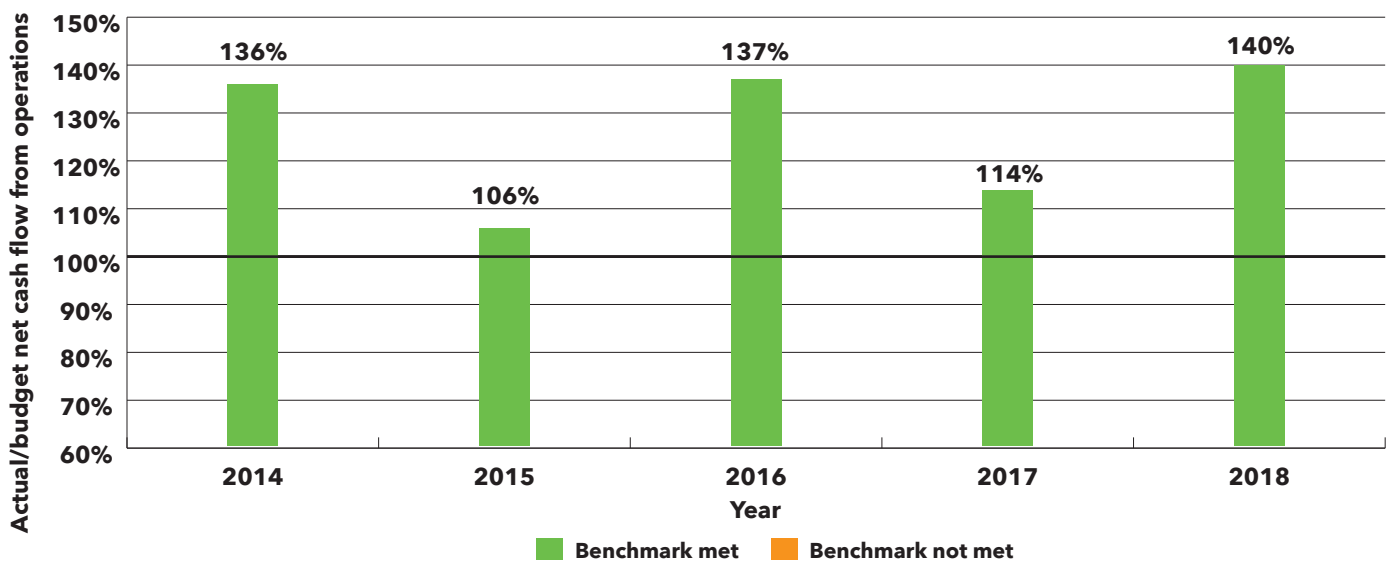
Debt control benchmark

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

We are involved and represented in a number of organisations to help work towards achieving our 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 and/or appoint 50% or more of the directors. We have an interest in five CCOs:

- Waikato 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
- Waikato Innovation Growth Ltd and its subsidiary, New Zealand Food Innovation (Waikato) Limited.

The following tables explain the significant policies and objectives, nature and scope of activities, key performance targets and outcomes of the various organisations for the 2017-18 year.

It should be noted that the key performance targets disclosed in the tables below for Waikato Local Authority Shared Services Limited, Vibrant Hamilton Trust and New Zealand Local Government Funding Agency Limited may be slightly different compared to the targets disclosed in the 2015-25 10-Year Plan, as the organisations have either developed additional targets or modified the way in which they present the targets, since that 10-Year Plan was prepared.

Waikato Local Authority Shared Services Limited (WCLASS)

Ownership

13.72% Shared Valuation Data Service shares, 37.5% Waikato Regional Transportation Model Service shares and 17.8% Waikato Regional Aerial Photography Service Shares. This equates to 19.60% of the total weighted value of issued shares.

The balance of remaining shares are owned by other Local Authorities. Note that we have only one voting right out of the twelve Local Authorities.

Representation (total members) 1 (12)

Significant policies and objectives

Our primary objective with ownership in WCLASS is to make a regional leadership contribution and seek opportunities to operate more efficiently. We are doing this 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 to the community at large.

Nature and scope of activities

There are currently nine major initiatives operating under the WCLASS umbrella, plus a support role for the collaborative work streams of the Waikato Mayoral Forum:

- Shared Valuation Data Service (SVDS)
- Road Asset Technical Accord (RATA)
- Waikato Regional Transportation Model (WRTM)
- Waikato Building Consent Group (WBCG)
- Future Proof
- Energy management
- Joint procurement initiatives
- Historic aerial photos
- Waikato Regional Aerial Photography Service (WRAPS).

Key performance targets

Performance targets are specified in the WCLASS Statement of Intent for 2017-18 and are summarised below with the actual results:

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.	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.	Achieved
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.	Not Achieved Achieved Achieved
- 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.	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.	Achieved
Review of Benefits: Shareholders are informed of the benefits being provided to shareholding councils by WCLASS.	Partially achieved

New Zealand Local Government Funding Agency Limited (NZLGFA)

Ownership	8.3%
Representation (total members)	1 (31)

Significant policies and objectives

- Our main objective for ownership in LGFA is to access shared funding at better rates and for more flexible terms.

Nature and scope of activities

- LGFA will raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency and provide debt funding to New Zealand local authorities. It may undertake any other activities considered by the Board to be reasonably related or incidental to, or in connection with, that business.
- The LGFA will only lend to local authorities entering into all the relevant arrangements with it (Participating Local Authorities) and comply with LGFA's lending policies. In lending to local authorities LGFA will ensure its products and services are delivered in a cost-effective manner.

Key performance targets

Performance targets are specified in the LGFA Statement of Intent for 2017-18 and are summarised below with the actual results:

Performance Targets	Actual Outcome
The average margin above LGFA's cost of funds charged to the highest rated participating local authorities for the period to 30 June 2018 will be no more than 0.10%.	Not achieved (0.105%)
LGFA's annual issuance and operating expenses (excluding AIL) for the period to 30 June 2018 will be less than \$5.45 million.	Achieved
Total lending to participating local authorities at 30 June 2018 will be less than \$8,128 million.	Not achieved. \$7,976 million (Auckland Council did not borrow through LGFA during the 2017-18 year and councils looked to delay pre-funding of March 2019 loans until the new 2018-19 financial year.)
LGFA will demonstrate the savings to council borrowers on a relative basis to other sources of financing. This will be measure by maintaining or improving the prevailing secondary market spread between LGFA bonds and those bonds of similar maturity issued by (i) registered banks and (ii) Auckland Council and Dunedin Council as a proxy for single name issuance of council financing.	Not achieved (Due to lack of single name issuance by councils. This reduced supply has tightened comparable spreads for Auckland Council and Dunedin City Treasury bonds.)

Waikato Regional Airport Limited (WRAL) and its Subsidiaries, Hamilton & Waikato Tourism Ltd and Titanium Park Ltd

Ownership 50%

Representation (total members) 0 (4)

Significant policies and objectives

- Our main objective in the ownership of WRAL (and its subsidiaries) is to support and provide economic growth to our community which can benefit from the opportunities WRAL provides.

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 2017-18 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
Implement the company's Health & Safety framework to align with the requirements of the Health and Safety at Work Act 2015 and independently review and audit the system each year.	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:

Performance Targets	Statement of Intent Targets for 2017/18	Actual Result for 2017/18	Outcome
Earnings before interest, taxation and depreciation	\$2,374,000	\$3,023,000	Achieved
Net surplus/(deficit) after tax	(\$366,000)	(\$36,000)	Achieved
Percentage of non-landing charges revenue (excluding land sales)	76%	85%	Achieved
Net operating cash flow	\$1,700,000	\$2,760,000	Achieved
Net investing cash flow	(\$1,500,000)	(\$4,710,000)	Not Achieved
Funding Titanium Park Limited	\$0	\$0	Achieved
Total net cash flow (operating & investing)	\$200,000	(\$1,950,000)	Not Achieved
Net debt.	\$13,000,000	\$13,145,000	Not Achieved
Total liabilities/shareholders funds (debt/equity ratio)	35:65	26:74	Achieved
Interest cover (excluding land sales)	5.0	6.0	Achieved

Vibrant Hamilton Trust (VHT)

Ownership Incorporated Society and Charitable Trust

Representation (total trustees) 2 (5)

Significant policies and objectives

Our main objective in control of VHT is for the distribution of the fund to our social, economic, environmental and cultural projects from which the ratepayer can benefit.

Nature and scope of activities

The Vibrant Hamilton Trust is a Charitable Trust established for the primary reasons of earning a return on investment funds and provision of grant distributions that meet the Trust's criteria and the objects of the Trust Deed.

The objectives of the VHT are:

- Promote the social, economic, environmental and cultural wellbeing of Hamilton and its communities
- Relieve poverty through sustainable policies and practices
- Advance education in Hamilton, particularly to promote and advance economic standards for the benefit of the public
- Deliver on strategic aspirations of Hamilton as identified by the community from time to time and endorsed by Hamilton City Council.

Key performance targets

Performance targets are specified in the VHT Statement of Intent for 2017-18 and are summarised with the actual results below:

Performance Targets	Actual Outcome
Trust funds are prudently invested.	Achieved
Ensure all Trustees are appointed in accordance with section 5 of the Trust Deed.	Not applicable
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 \$385,445 for the year ended 30 June 2018.

Waikato Innovation Growth Limited (WIGL) and its subsidiary, New Zealand Food Innovation (Waikato) Limited (NZFIW)

Ownership

Council has 100% shareholding in Waikato Innovation Growth Limited and holds a 70% shareholding in its subsidiary New Zealand Food Innovation (Waikato) Limited.

Representation (total members) 0 (4)

Significant policies and objectives

Our main objective in ownership in WIGL and NZFIW is to promote and provide support to business development and innovation in our community. The WIGL board consists of all but one NZFIW board members.

Nature and scope of activities

WIGL

- To provide business and innovation advisory services for customers such as small and medium-sized enterprises (SMEs) and High Value Manufacturing and Services (HVMS).

NZFIW

- To provide facilities on an open access basis in which food processing companies and those entering new markets can develop new or improved food ingredient products
- To provide on an open access basis a small-scale production plant capable of producing samples for market development which is to be self-sustaining in the medium to long term
- To participate in and promote a national network of similarly focussed food innovation organisations as a shareholder in a food innovation network
- To provide an independent and secure facility to ensure that the intellectual property and know-how of the Company and its customers are protected
- To provide one of several tangible centres and organisations throughout New Zealand around which networks of food processors and exporters, food equipment manufacturers and other partners can develop.

Key performance targets

Performance targets are specified in the Statement of Intent for 2017-18 and are summarised with the actual results below:

Financial Performance Measures:

	Statement of Intent Targets for 2017/18	Actual Result for 2017/18	Outcome
WIGL earnings before interest, taxation and depreciation	\$17,000	(\$1,258,000)	Not achieved
WIGL cash from operating activities	\$117,000	(\$85,000)	Not achieved
WIGL net profit/(loss) after tax	\$10,000	(\$1,248,000)	Not achieved
WIGL shareholders' funds / Tangible assets	54%	92%	Achieved
Revenue NZFIW	\$6,104,000	\$7,143,000	Achieved
New Zealand Food Innovation (Waikato) EBITDA	\$1,904,000	\$2,081,000	Achieved
New Zealand Food Innovation (Waikato) Net profit after tax	\$160,000	\$415,000	Achieved
New Zealand Food Innovation (Waikato) cash from operating activities	\$919,000	(\$446,000)	Not achieved
New Zealand Food Innovation (Waikato) shareholders' funds/ tangible assets	54%	49%	Not achieved

Key objectives	Actual results 2017/18
1. 290 days of product development productions via the spray dryer contributing \$50 million to the regional economy.	254 dryer days achieved with a contribution of \$46m of export sales. 76 less dryer days were undertaken however this was offset by the product mix with more infant formula manufacturing using the wet side mixing plant by an extra 112 days.
2. Commitment by private capital to establish increased spray drying capacity alongside the existing dryer will be deferred until the sale of the property assets is approved.	Investors for new spray dryer have signed Non-binding term sheet. Target for signing all relevant binding agreements 31st August 2018.
3. If a sale is approved a 10% minority interest in new spray dryer is planned to increase open access space for the sheep industry customers.	Investors have agreed for NZFIW to have 10% of new spray dryer. In return for intellectual know how on design and obtaining the relevant consents NZFIW will acquire 5% of the equity without cash payment.
4. Approval of both shareholders is obtained before private investment is agreed or New Zealand Food Innovation (Waikato) commits to the new spray dryer.	Callaghan Innovation and Hamilton City Council have both approved the development of the new spray dryer.
5. Resource consents obtained for a new spray dryer facility.	Resource consent application to HCC made on 25th June 2018. Application was held up due to delay in obtaining neighbours' consent from Tainui and Transpower.
6. Assist with the development of new value added sheep milk industry products and the international launch of one substantial new product.	Trials in August 2018 for a confidential new product development for sheep milk. Launch date dated for 3rd quarter of financial year 2019.
7. 223 unique active client engagements.	215 unique engagements for the 7-month period compared to a target of 185 (whole year numbers 457).

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 2018, 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
11 October 2018



Richard Briggs
Chief Executive
11 October 2018



Independent Auditor's Report

To the readers of Hamilton City Council and Group's annual report for the year ended 30 June 2018

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 11 October 2018. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 71 to 124:
 - present fairly, in all material respects:
 - the City Council and Group's financial position as at 30 June 2018; 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 the Public Benefit Entity Reporting Standards;
- the funding impact statement on page 126, 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 11 to 68:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2018, 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 on pages 16 to 69 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 included on pages 16 to 69, 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 performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 127 to 131, 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 our 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 10, and the “balancing the books measure” on page 72, 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 audited the City Council’s 2018-28 10-Year Plan;
- performed a limited assurance engagement related to the City Council’s debenture trust deed; and
- performed assurance work related to Victoria on the River and Peacocks procurement.

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

On behalf of the Auditor General

Auckland, New Zealand

