

2019/20

ANNUAL REPORT SUMMARY

KOORERO WHAKARAAPOTO



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2019/20

This is a summary of the Annual Report. It provides a snapshot of our results for 2019/20. The full document is available at hamilton.govt.nz/annualreport

This summary and the full Annual Report have been audited by our independent auditors.



INTRODUCTION

Hamilton City Council's Annual Report presents our financial results for 2019/20 as measured against the Financial Strategy set out for Year Two of the 2018-28 10-Year Plan. It also shows how we performed against our service delivery targets.

This document summarises our 2019/20 Annual Report. The full report can be found at hamilton.govt.nz/annualreport

The 2019/20 year will be remembered for many years to come as an extraordinary year. While in the grip of a global pandemic, Hamilton City Council and our city ended the financial year confident that Hamilton will be able to withstand its impacts better than some parts of New Zealand.

The balancing the books result ended in a deficit of \$8.3 million compared with a deficit of \$7.3 million forecast in the 2019/20 Annual Plan. Our balancing the books target measures how we are tracking against our goal of paying everyday costs with everyday revenue (such as rates, fees and user charges).

We ended the financial year with a net debt balance of \$406 million versus a 10-Year Plan projection of \$587 million. Net debt is defined as the money we owe the bank, less cash.

This lower net debt level was mainly because some capital projects were deferred into later years (capital projects are largely funded by debt). We also received more revenue from development contributions. Debt levels are expected to rise as our \$2 billion capital programme, the city's largest ever, gathers steam in coming years.

Our final debt-to-revenue ratio for 2019/20 was 139% against a target of 191%. The means we borrowed \$1.39 for every \$1 in revenue collected. The lower ratio was because of less debt due to capital projects shifting years. In addition, more rates and development contributions revenue than expected was received.

The Annual Report also shows how we performed against the commitments we made to our community in all areas of service delivery. In 2019/20 we met or exceeded 31 of our 50 non-financial performance targets. Of the targets we didn't meet, nine were a direct result of the impact of COVID-19, either because the lockdown affected our ability to meet the target or gather the data. A further two are because data was unavailable (not as a result of COVID-19).

One of the most important events during the year was the election in October 2019, which saw five new Elected Members join Council and Paula Southgate voted Mayor of Hamilton. The city succeeded in reversing a downward trend of voter turnout, moving from 33.6% of the eligible vote in 2016 to 39.8% in 2019.

But while this was the highest percentage increase of all metro cities in New Zealand (and meant a further 6943 people voted), it was still disappointing that little more than a third of eligible voters cast their ballot. The election reinforced a strong desire within Council by the Mayor and Elected Members to have significantly more meaningful engagement with people across our city.

Other highlights of 2019/20 included the opening to the public of Waiwhakareke Natural Heritage Park after more than 15 years of community commitment and passion. Major milestones were celebrated at Hamilton Gardens with the opening of the Picturesque Garden in November 2019 and the Surrealist Garden in February 2020. Housing, and the ongoing challenges around affordable housing, continued to be high on Council's agenda including the approval in September 2019 of the Trust Deed for the Waikato Community Lands Trust. The Trust was kick-started with a commitment by Council to fund \$2 million and, over time, aims to provide more affordable housing in the city and, over time, aims to provide more affordable housing in the city.

Despite the impacts of COVID-19, the programme to build a community in the Peacocke growth cell is tracking well and is currently on time and on budget. November 2019 saw the official sod turning of the Rotokauri Transport Hub. This will transform public transport within, in and out of our city, including the enabling of the long-awaited Hamilton to Auckland passenger rail link.

But 2019/20 will undoubtedly be remembered most for how COVID-19 upended the way we live, work and play following its swift impact. Council's work in early 2020 was dominated by the city's nimble and fulsome response to COVID-19. Within days of lockdown being announced, Council had transitioned all its operations, allowing staff to work from home while essential workers continued to provide critical services to the city. In late March, the Council was among the first in the country to announce a comprehensive 12-point recovery plan which included social service funding support, early payments to suppliers, rent relief, a comprehensive emergency response and more.

We were and remain incredibly proud of the way our organisation and the wider city responded to COVID-19. We will continue to do everything possible in the coming 12 months to ensure Hamilton meets and exceeds the challenges ahead.

KUPU WHAKATAKI

Kei eenei whaarangi o te Puurongo aa-Tau a Te Kaunihera o Kirikiriroa, ka horahia ngaa hua puutea i inea ai ki taa te tahua moo te tau tuarua o taa maatou Mahere Tekau Tau 2018-28. Ka whakaatuhia hoki ko ngaa hua o ngaa mahi i inea ai ki ngaa whaainga i takoto.

Koinei te whakarāpopototanga o te Puurongo aa-Tau 2019/20. Moo te whaanuitanga ake o te puurongo, tiikina atu i hamilton.govt.nz/annualreport

He tau tini hua te tau nei, 2019/20 e mau ai kia ita ki te hirikapo o te tangata. Ahakoa ngaa aupeehtanga o te urutaa, i puta pai te ihu o te Kaunihera o Kirikiriroa me te taaone nui nei ki te taha tahua puutea, pai kee atu toona puta i eetei atu whaitua i Aotearoa whaanui.

Noo te arotakenga o te tahua i te tau 2019/20, ko te \$8.3 miriona te nama i mahue mai, ki taa te Mahere aa-Tau 2019/20, e whakapaengia ana, ka heke taua nama ki te \$7.3 miriona. Ko taa maatou arotake tahua nei, he arotahi ki ngaa whaainga, mehemea e pai ana ngaa whakapaunga puutea ki ngaa nama o ia raa me te puutea o ia raa (peenei me ngaa reti, ngaa nama me ngaa utu whakamahi).

I te pito o te tau puutea, ko te \$406 miriona te nama neti i mahue mai, ki taa te Mahere Tekau Tau whakapae, ko te \$587 miriona teenaa. Ko te nama neti nei, koia teenaa ko te puutea e noho nama nei ki te peeke, kua ko te puutea aa-ringa nei.

Naa te nuku o eetei o ngaa kaupapa matua ki teetei atu tau i heke ai te nama nei (whaangaihia ai ngaa kaupapa matua ki te puutea taurewa). Inaa hoki, he nui ake ngaa puutea naa ngaa kaupapa whakawhanake i homai ki a maatou. Ko te whakapae, teeraa ngaa nama ka piki ki te \$2 piriona taara hei whakatutuki i te hootaka matua a te taaone i ngaa tau te haere ake nei.

Ko taa maatou aawhata nama ki te puutea moo te tau 2019/20, koia ko te 139%, ki taa maatou whaainga, ko te 191%. Araa, moo ia \$1.39 taara puutea taurewa, he \$1 taara i kohia e maatou. Naa te nuku o ngaa kaupapa matua ki teetei atu tau kee i heke ai te aawhata nei. Hei taapiri, he nui noa atu ngaa reti me ngaa utu whakawhanake i roto ai i a maatou.

Ko taa teenei Puurongo aa-Tau hoki, he whakaatu i ngaa maatou tutukinga, ki aa ngaa oati i takoto ai ki te hapori, i roto i aa maatou mahi katoa. I te tau 2019/20, tutuki tonu ana i a maatou ngaa whaainga puutea-kore 31 o ngaa mea 50. O ngaa whaainga kaaore i tutuki, e iwa o eeraa, naa te COVID-19 i kore ai e tareka e maatou aua ritenga te whakatinana, ngaa raraunga raanei te whakaemi. E rua anoo ngaa whaainga, kaaore i tutuki, naa te korenga o ngaa raraunga (ehake naa te COVID-19).

Ko te kaupapa whakahirahira o eenei marama nei, ko te pootitanga i te Oketopa 2019. Tokorima ngaa Kaikaunihera hou me toona Koromatua hou, a Paula Southgate. He pikinga

paiheenetahi hoki i hua ake, araa, o te hunga pooti mai i te 33.6% i te tau 2016, ki te 39.8% i te tau 2019.

Ahakoa koia teenei te pikinga teitei o ngaa paiheenetahi, huri noa i ngaa taaone nui o Aotearoa (e 6943 taangata te pikinga o te hunga pooti), i paapoouri tonu te manawa, he paku nui ake noa iho i te hauroru o te hunga i tareka te pooti, i tuku pooti. Naa teenei aahua, kua hiikaka te Kaunihera, te Koromatua me oona Mema ki te mahi tahi me te hapori.

Teeraa ngaa kaupapa o too taatou taaone i whakanuia ai peenei me te huakitanga o te Papa o Waiwhakareke, inaa raa, tekau maa rima tau e heke werawera ana ngaa rae, e kooingotia ana ka puaawai nei. Teeraa hoki ngaa mahi nunui i whakatairangatia ai i Ngaa Maara o Kirikiriroa, koia teenaa te huakitanga o te Maara Picturesque i te Noema 2019 me te Maara o Surrealist i te Peepuere 2020. Ko te kaupapa whare, ngaa uauatanga moo ngaa utu whare kei te pane o te hootaka mahi a te Kaunihera, peenei me te whakaaetanga o te Tiiti Whakahaere i te Hepetema 2019 i raro o Waikato Community Lands Trust. I whaangaihia tuatahitia te Whakahaere nei e te Kaunihera ki te rua miriona taara, aa, haere te waa, e whaia ana kia pai ake te utu whare i Kirikiriroa nei.

Haaunga ngaa whiu o te mate COVID-19 nei, ka nui te koke whakamua o te kaupapa whakatu hapori i Peacocke, e haangai tonu ana toona tahua puutea me te waataka. I te Noema hoki, ko te huringa oneone teenaa ki te Pokapuu o Rotokauri. Ka pai kee ake ngaa whakahaere waka, ki roto, ki waho hoki i te taaone nei, me te aranga o te tereina kawae taangata, atu i Kirikiriroa ki Taamaki Makaurau.

Heoi anoo, ko te whiu o te tau 2019/20 nei e mau pai ai ki te hirikapo, koia teenaa ko te urutaa COVID-19, ko toona huripoki i te ao me te noho a te tangata e waia nei taatou. I te whakarewanga o te tau 2020 nei, warea katoatia ana te Kaunihera ki te whakatika i te taaone i mua i te paringa o COVID-19. Noo roto tonu i ngaa raa huatakinga o te mau a te motu, kua tika i te Kaunihera oona whakahaere, tukua ai oona kaimahi ki te kaainga mahi ai, aa, mahi tonu ai oona kaimahi matua i aa raatou mahi tiaki i te taaone. I te pito o te Maehe, ko te Kaunihera tonu teetei o ngaa whakahaere tuatahi ki te whakatakoto mahere aawhina 12-piro, peenei me te puutea tautoko hapori, ngaa utu moata ki ngaa pakihi, te puutea tautoko reti whare, te tautoko ohotata me eetei atu aawhina.

E tairanga tonu ana te manawa o te Kaunihera i aa taatou kookiri ki mua i te urutaa COVID-19 nei. Ko taa maatou, he whakapau kaha i roto i eenei kookiri i ngaa marama tekau maa rua kei mua i a taatou kia eke ai ngaa hiahia me ngaa wawata o Kirikiriroa.

OUR CITY

HAMILTON | KIRIKIROA

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

OUR PAST



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



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

Formal European settlement

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



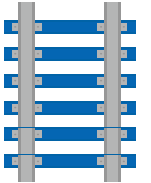
The Borough of Hamilton was established on 27 October 1877 with a population of 1245 and an area of 752 hectares, through the combining of the East and West settlements. On 13 December 1945, Hamilton became a **city with 20,000 citizens**

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



In 1867 the road

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



Opening of Hamilton Town Hall, 1905



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

EMBRACING GROWTH



WE'RE BOOMING

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

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

1622 homes

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



WE'RE BUILDING

Ruakura Reservoir



In the last 12 months,

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



WE'RE ATTRACTING

WE'RE INVESTING



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

Design by [signature]

A GREAT RIVER CITY

WE'RE YOUTHFUL



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

WE'RE PARTNERING



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

WE'RE HOME... TO BATS!



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



WE'RE HAPPY

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

WE'RE DIVERSE



Hamilton's residents represent more than

160 different ethnic groups

WE'RE PLAYFUL

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



Waikato River

BEST IN BUSINESS

WE'RE BOOMING

Property in Hamilton is worth \$44 billion -

\$10.7 billion more than it was in 2015



WE'RE IN THE ACTION

Along with Auckland and Tauranga, Hamilton sits in the Golden Triangle, a powerful region

containing half the country's population, generating half the country's GDP

and accounting for two thirds of the freight

WE'RE WORKING

Hamilton's economy supports

15,456 businesses

(up from 15,027 in 2019) and

95,971 employees

(up from 92,735 in 2019)

WE'RE PIONEERING



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

WE'RE PARTICIPATING



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

Smart Space, Garden Place



OUR FINANCIAL STRATEGY

Our 2018-28 10-Year Plan includes a financial strategy that aims to enable us to respond sustainably to growth in a way that is cost-effective for existing ratepayers. The Financial Strategy's guiding principles are:

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

The Financial Strategy can be read in full in the 2018-28 10-Year Plan or on our website. It sets limits on the amount of debt we can take on compared to revenue (the debt to revenue ratio) and forecasts net debt (the money we owe lenders, less cash) and when we will balance the books. The Council books are balanced when everyday revenue pays for everyday expenses.

Against the strategy, we are under target in balancing the books for 2019/20 by \$1 million and ended the financial year with a net debt balance \$182 million lower than projected. The results for the year are positive considering the detrimental impact of the COVID-19 pandemic. However, Hamilton is projected to continue growing and our infrastructure (from transport and water networks to parks and playgrounds) needs to support this growth.

RATES

The 10-Year Plan sets the limits on average rate increases to existing ratepayers. Under the plan, rates increases were limited to 9.7% in 2018/19 and 3.8% from 2019/20 onwards. We have stayed within these limits, the actual average rate increase for 2018/19 was 9.7% and the 2019/20 Annual Plan confirmed an average rate increase of 3.8%.

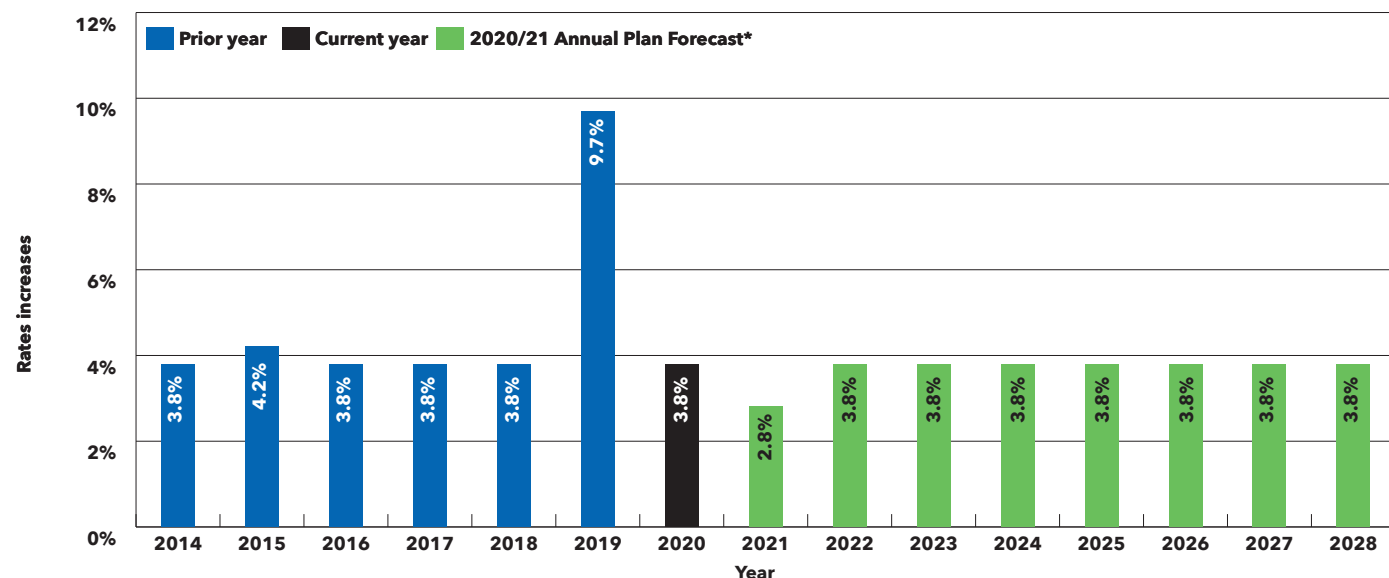
BALANCING THE BOOKS

The balancing the books measure is a way of assessing our operating performance. You can see how our balancing the books measure is calculated in the full Annual Report. 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 the full Annual Report.

The main differences between the two measures are:

- Our measure removes capital revenue (NZ Transport Agency subsidies for capital expenditure and other capital contributions). These revenue items are included in the Government measure. We exclude this revenue as it funds specific capital items and is therefore not available to fund everyday costs.
- The Government measure removes all revenue from development contributions (fees charged for new developments). Our measure only removes a portion of development contributions revenue (the portion retained is to cover interest costs on development contributions-funded growth assets).
- Our measure removes certain revenue not considered everyday (such as the fair value benefit on the Housing Infrastructure Fund loan from Central Government). It also removes certain expenditure not considered everyday (such as grants for the Waikato Regional Theatre and the discount unwind on the Housing Infrastructure Fund loan). These are not adjusted for in the Government measure.

TOTAL RATES INCREASES TO EXISTING RATEPAYERS



We are under target in balancing the books in 2019/20, with an adjusted operating deficit of \$8.3 million against a target of a \$7.3 million deficit. Using the Government's balanced budget measure, we are reporting a surplus of \$11.9 million against a budgeted surplus of \$53.2 million.

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

- higher than budgeted subsidies and grants due to the Victoria Bridge Painting project being completed in the early part of the financial year and the Rotokauri Park & Ride project
- higher than budgeted operating expenses, which includes higher personnel costs, professional costs, administration costs and operating and maintenance costs.

The definition we use for debt is money we owe the bank, less cash. We refer to this as a net debt. To see the details of how this figure is calculated, see note 30 to the financial statements of the full Annual Report.

We ended the financial year with a net debt balance of \$406 million, which was lower than the projected target of \$588 million. Our debt is now 139% of revenue against a performance target of 191%.

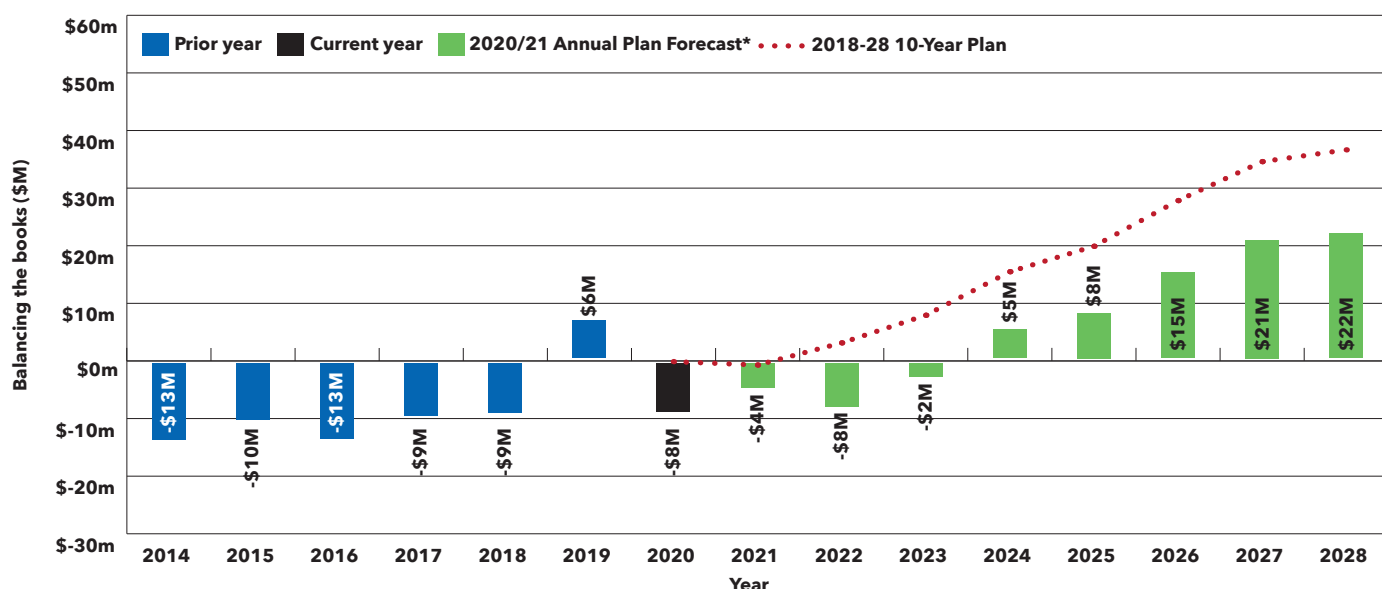
The main reasons for this favourable result are:

- higher than budgeted revenue from development contributions (\$6.8 million)
- savings of \$5.6 million on capital projects
- total deferrals of \$142 million, being the net position between projects moved out to future years and projects brought forward into 2019/20.

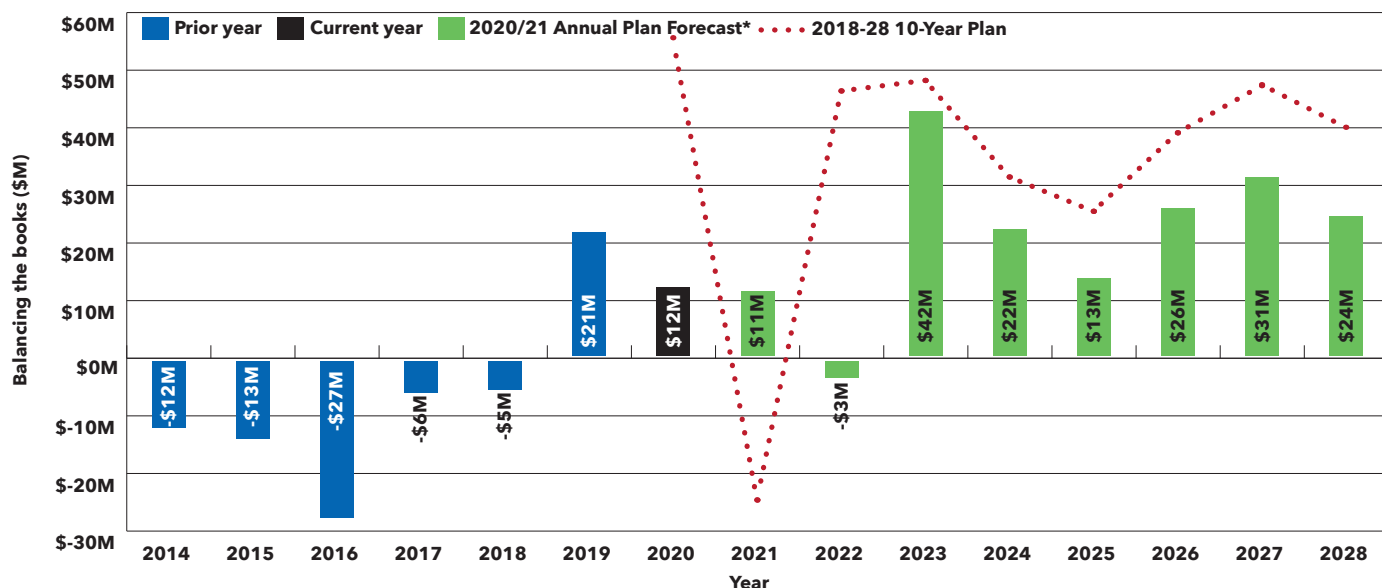
DEBT

The 2019/20 approved capital budget was \$323.6 million

BALANCING THE BOOKS - HAMILTON CITY COUNCIL MEASURE



BALANCING THE BOOKS - GOVERNMENT MEASURE



and was a significant increase over the previous 2018/19 budget of \$254.8 million. Actual spend for the capital portfolio was \$190.8 million, representing an 24% increase on the prior year spend \$153.8 million.

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

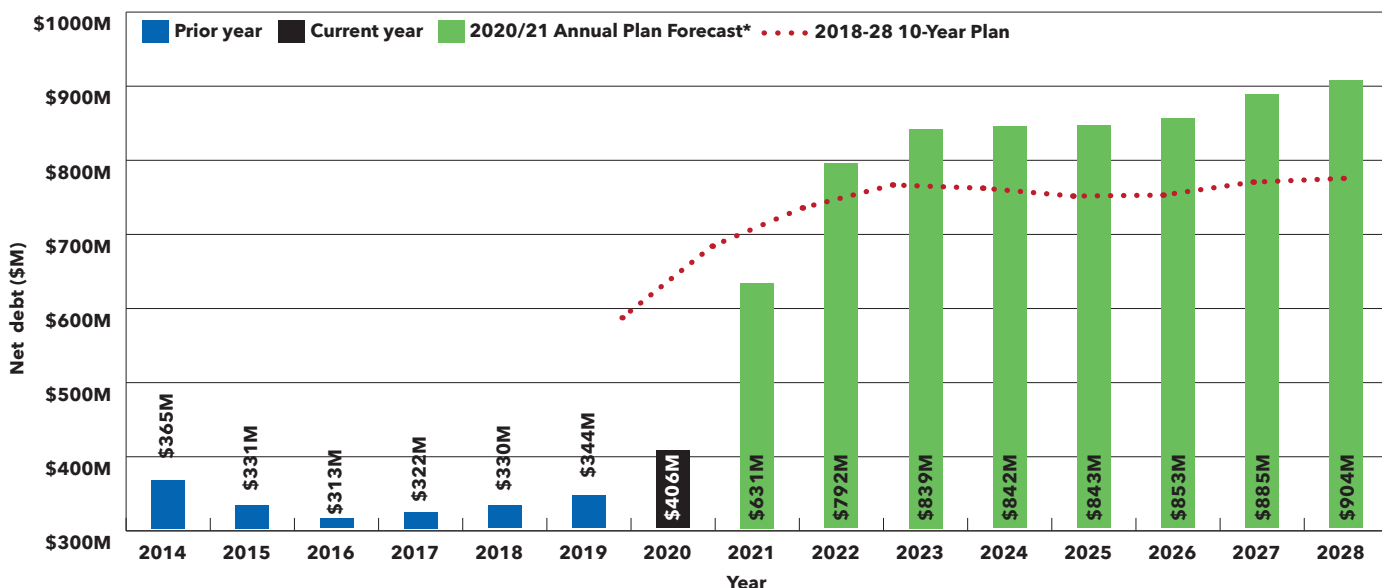
Projects were deferred due to:

- 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 project scope or change in prioritisation by the Council.

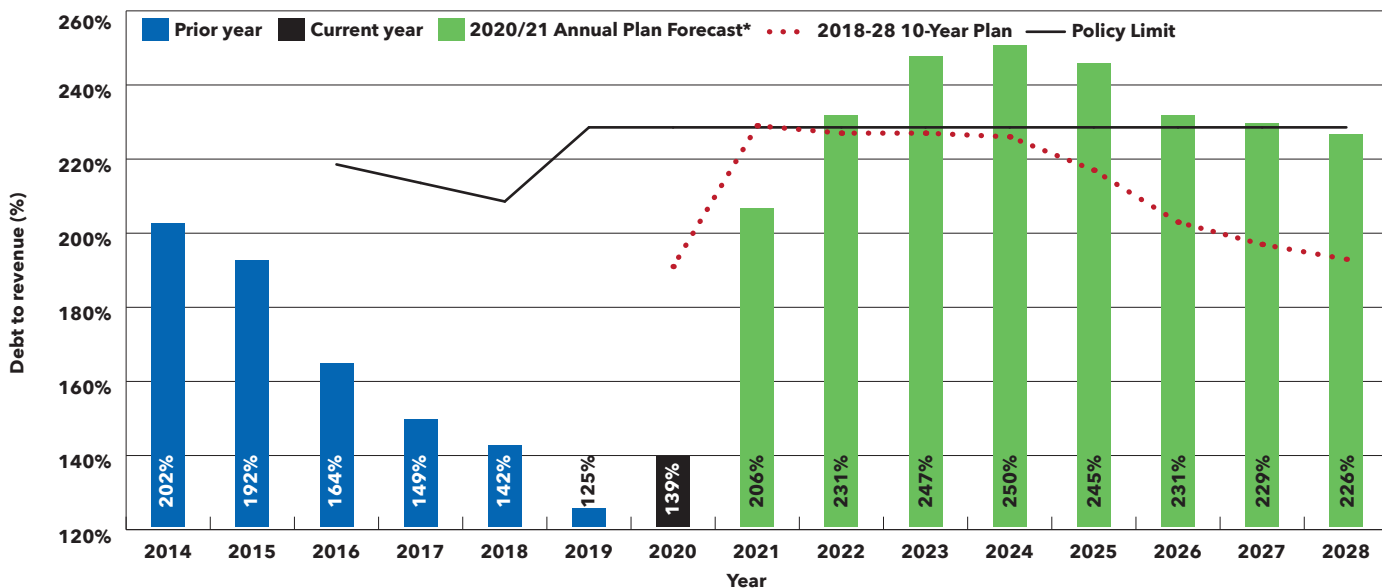
To keep debt to manageable levels, the financial strategy caps debt to revenue at 230%. Our lenders will let us borrow up to a maximum debt to revenue ratio of 250%, which gives us a buffer for unforeseen events.

Debt capacity headroom (the gap between the limit and forecast) is forecast to worsen in later years of the 10-Year Plan. In 2020/21 the debt to revenue is forecast as 231% and is not forecast to return below 230% until 2026/27. The change from the 10-Year Plan over the next few years is due to the forecast loss of revenue from COVID-19. The debt to revenue forecast will be reviewed as part of the financial strategy for 2021/22 as part of the 2021-2031 Long Term Plan.

TOTAL OVERALL DEBT



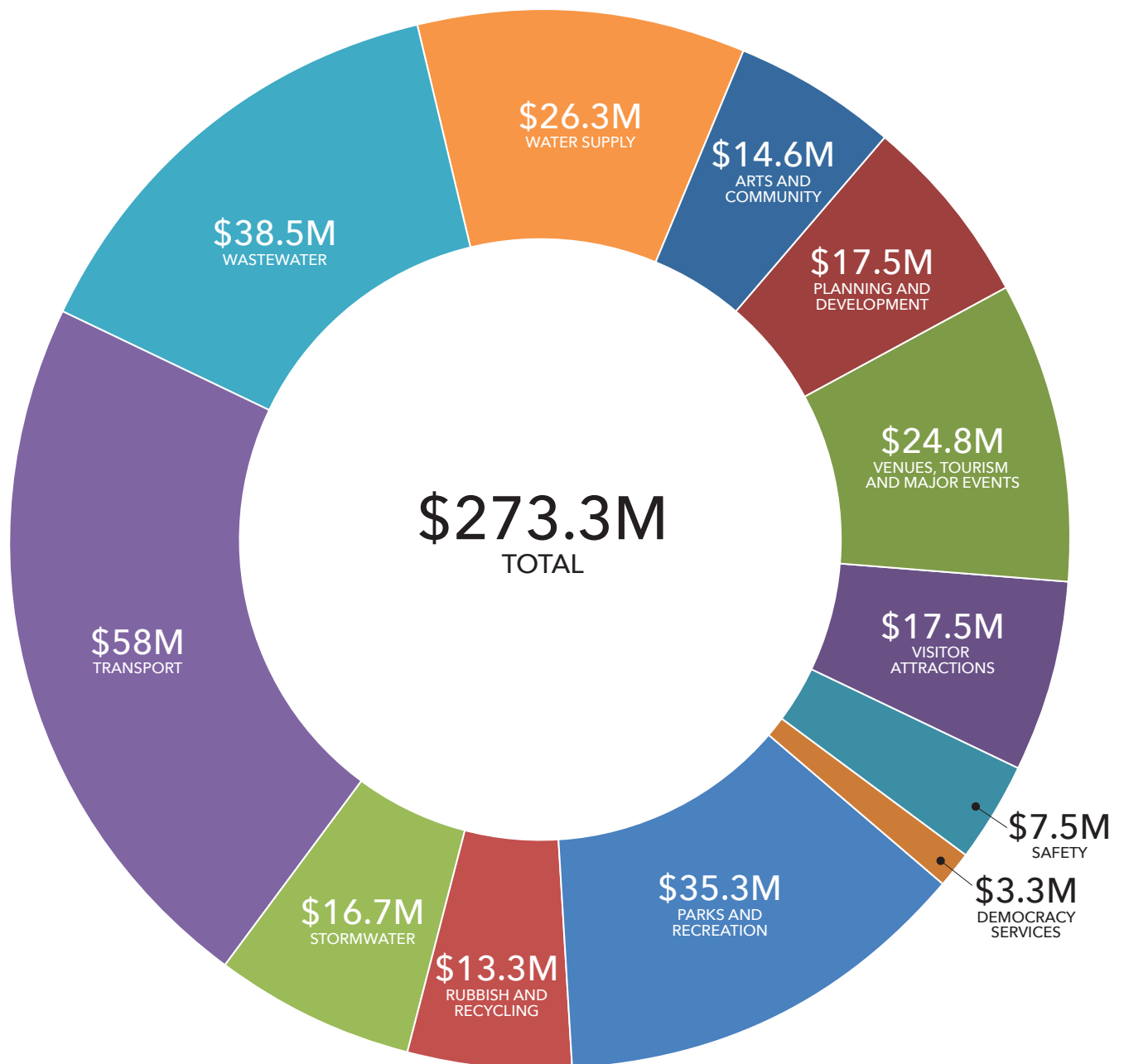
DEBT-TO-REVENUE RATIO



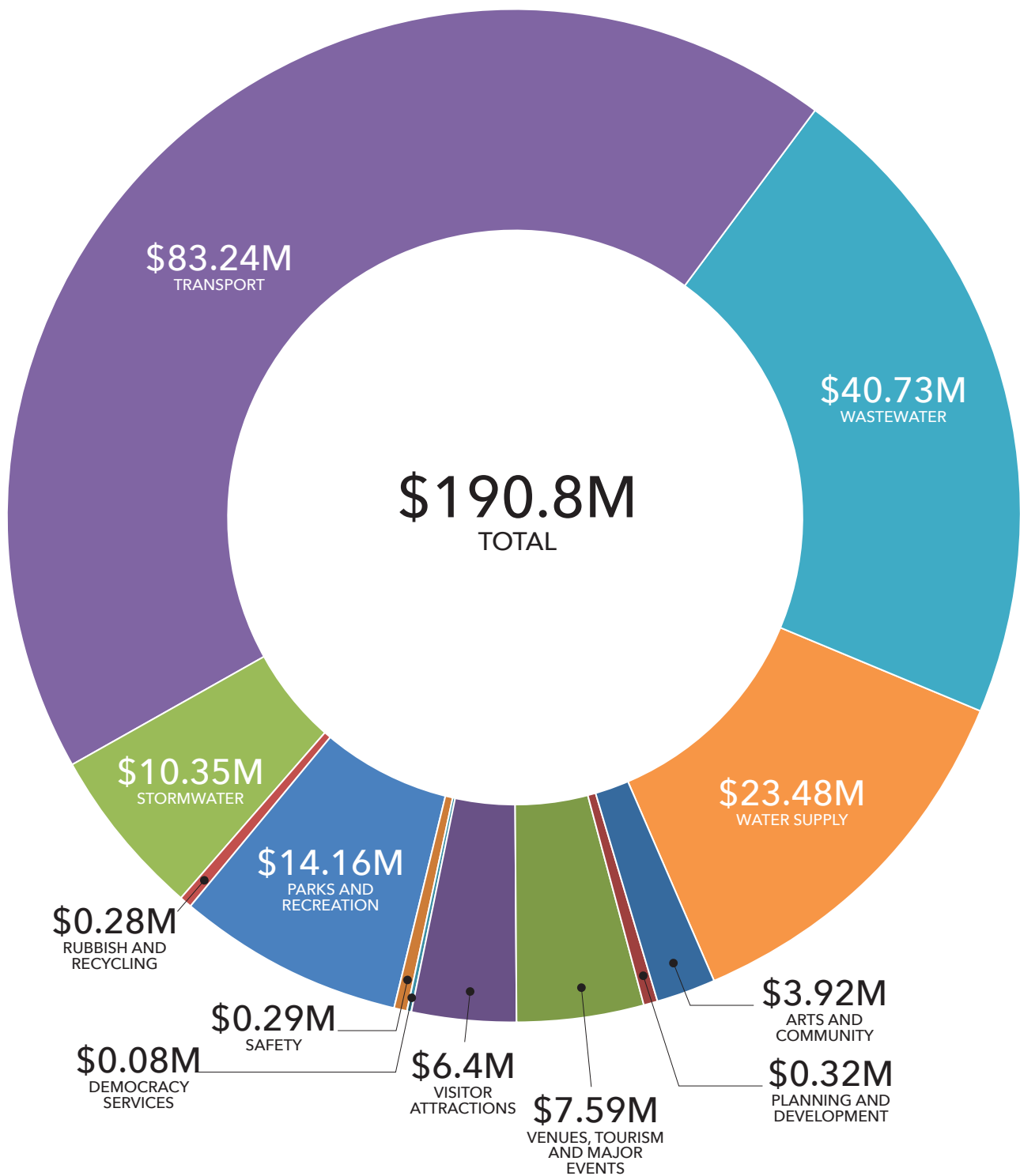


WHERE THE MONEY WENT

OPERATING EXPENDITURE BY ACTIVITY 2019/20 YEAR



TOTAL CAPITAL EXPENDITURE BY ACTIVITY 2019/20 YEAR



HIGHLIGHTS OF 2019/20

Here's just some of what went on...

JULY

Free bus travel for Hamilton's young people on weekends gets green light



BUS STOP



City Safe service rolls out to Hamilton's suburbs

Waterworld and Central Library earn silver accessibility ratings



AUGUST

12 community champions receive Hamilton Civic Awards



Disney on Ice packs into Claudelands Arena



Work underway to make Claudelands Bridge safer

E-scooters hit Hamilton's streets

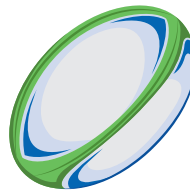


SEPTEMBER



Mike McRoberts hosts mayoral debate

All Blacks take on Tonga at FMG Stadium Waikato



Loop car share scheme launches



OCTOBER

Glenview Library gets a spruce up



Hamilton records biggest voter increase of all metro cities



Picturesque Garden opens at Hamilton Gardens

NOVEMBER

Central Library's Auaha makerspace opens



Waiwhakareke Natural Heritage Park opens to the public

Construction starts for Rotokauri Transport Hub



DECEMBER

Sculpture unveiled at Victoria on the River

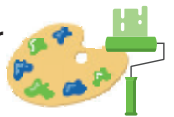


Work completed on FMG Stadium Waikato's new turf



JANUARY

Finishing touches for Anglesea Street mural



New year means new courts for Minogue Park

Hamilton hosts 21st birthday for NZ Sevens



Design by You

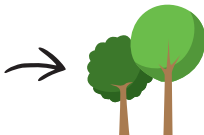
FEBRUARY

Mystery revealed as Surrealist Garden unveiled



Improvements to Anglesea/ Bryce street intersection finished

Revamp of Mahoe Park completed



Korikori Park opens in Rotorua

MARCH

COVID-19 12-point recovery plan launched



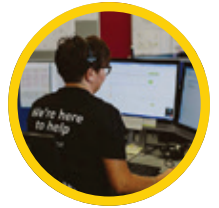
\$1 million of COVID-19 support made available for community groups



Claudlands kitchen churns out free meals in lockdown

APRIL

Affected ratepayers offered COVID-19 support



Rent waived for Council tenants during lockdown



MAY

Upgrades to Lake Domain junior and lower playgrounds underway



Hamilton Zoo welcomes baby rhino Zahra

Upgrades to Melville Skate Bowl and playground completed



JUNE

Te Inuawai Park playground was completed



We started to roll out the new wheelie rubbish and recycling bins



JULY 2019 TO JUNE 2020

We renewed around 2.5km of wastewater pipes!



Around 44km of our roads were resealed

14.4km of footpath was renewed



14 new bus shelters were installed



JULY 2019 TO JUNE 2020

More than \$1.2 million in community grants distributed



We responded to requests for:



214 urgent dog control



2616 graffiti removal



5181 noise control



1884 building consents were granted

IMPACTS OF COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) and two weeks later the New Zealand Government declared a State of National Emergency. The country was in lockdown at Alert Level 4 from 26 March 2020 to 27 April 2020, and then remained in lockdown at Alert Level 3 until 13 May 2020. After 13 May 2020, the country moved back to level 2 and 1. Economic uncertainties have arisen which are likely to negatively affect our operations and services.

The effect on our operations is reflected in these financial statements, based on the information available to the date these financial statements are signed. At this time, it is difficult to determine the full on-going effect of COVID-19 and therefore some material uncertainties remain. There could also be other matters that affect the Council in future, of which we are not yet aware.

We have also disclosed in the financial statements our significant assumptions and judgements regarding the future potential impacts that may have a material impact on the Council. These uncertainties might have a material impact on the Council in future.

In response to COVID-19, we announced a 12-point recovery plan to help the city withstand the economic and social effects of the virus. Phase 1 of this recovery plan resulted in a budget of \$3.4 million being allocated across the following areas:

- Social service funding support
- Early payments to suppliers
- Consent fees relief and refunds
- Rent relief
- Rates remissions
- Development contributions relief
- Emergency response
- Business response centre

COVID-19 has had the following financial impacts on Hamilton City Council during the 2019/20 financial year:

	2019/20 \$M	Impacts
Revenue		
Rates	(0.5)	Rates relief provided to community groups and additional hardship. Reduction in water by meter charges over the lockdown period.
Fees and charges	(3.3)	Reduction in parking revenue, wastewater, trade waste, parks and recreation, cemetery, aquatics, visitor attractions and venues, tourism and major events due to facilities closures.
Other revenue	(0.3)	Rent relief provided.
Total revenue	(4.1)	
Expenses		
Personnel costs	1.1	Higher leave accrual due to cancelled leave.
Operating and maintenance costs	(0.4)	Delays in maintenance work carried out on community buildings, safety and various projects within the parks and recreation area.
Property costs	(0.3)	Reduction in electricity costs in areas such as parks and recreation and visitor attractions, due to the closure of Council facilities during the lockdown period.
Administration costs	(4.5)	Reduction in expenses in advertising and promotions, safety and other administration expenses. Delays in payment of the grant for the Waikato Theatre. Increase in expenses in the Arts areas and an increase in Civil Defence Emergency costs incurred.
Total expenses	(4.1)	
Surplus/(deficit)	0.0	Net impact
Capital expenditure	2.8	Increase in contract costs associated with COVID-19.

In addition to the above impacts, there are also indirect impacts on interest revenue and finance costs due to reduction in interest rates. There has been increases in the financial instrument liabilities due to reduction in interest rates. There are lower discount rates on the landfill provision which has resulted in additional landfill provision expenses. We have considered the impacts on debtor receivables and adjusted the provision to reflect the doubtful debts.

The valuation of investment property has considered any estimated impacts of COVID-19. This has been explained in note 26 of the full Annual Report. Fair value assessments have been performed over all assets that are revalued. We believe the current carrying value of the assets represents the fair value and no adjustments have been required for COVID-19. Further information about the key valuation assumptions used in estimating the fair value at 30 June 2020 are provided in note 24 of the full Annual Report. Impairment assessment has been completed for tangible and intangible assets. No impairment losses have been recognised because of COVID-19.

We are expecting the following financial impacts during the 2020/21 financial year. The financial impacts have been factored into our 2020/21 Annual Plan Budgets:

	2020/21 \$M	Impacts
Revenue		
Rates	(0.4)	Rates relief provided to community groups and additional hardship expected.
Fees and charges	(7.6)	Reduction in revenue received from building control, planning and guidance, customer services and major events.
Other revenue	(0.5)	Rent relief provided.
Development contributions	(7.4)	Reduction in revenue received due to less development.
Capital revenue	(0.2)	Delays in Hamilton Gardens development.
Total revenue	(16.1)	
Expenses		
Personnel costs	(0.1)	Reductions due to vacant position no longer required and reduction in training.
Operating and maintenance costs	(1.0)	Expected reduction in expenditure due to less events and other cost reductions.
Professional costs	0.1	Increase due to project delays
Administration costs	6.9	Delays in payment of the grant for the Waikato Theatre until 2020/21. Increase in community grants and costs associated with the COVID-19 response centre.
Total expenses	5.8	
Surplus/(deficit)	(21.9)	Net impacts

In addition to the above impacts, there is also the indirect impacts on interest revenue and finance costs due to the reduction in interest rates. Contractor cost increases for capital projects have been absorbed in the current capital budgets. There is some uncertainty around this and the projects cost could increase significantly more.

The impacts on non-financial reporting impacts have been explained in Service Performance section of our full Annual Report as part of our performance story. In total we have not been able to meet 4 targets due to COVID-19 and there was no data available for 5 targets due to COVID-19.

At this time, it is difficult to determine the full effect of COVID-19, and there could be other matters that affect Hamilton City Council.

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 2019/20.

Our 2018-28 10-Year Plan divided the business into 12 activity groups that contribute to the delivery of our community outcomes. Each group has performance measures that show how well we are delivering our services to the community.

These performance measures and targets are from year two (2019/20) of our 2018-28 10-Year Plan, which you can find on our website [here](#).

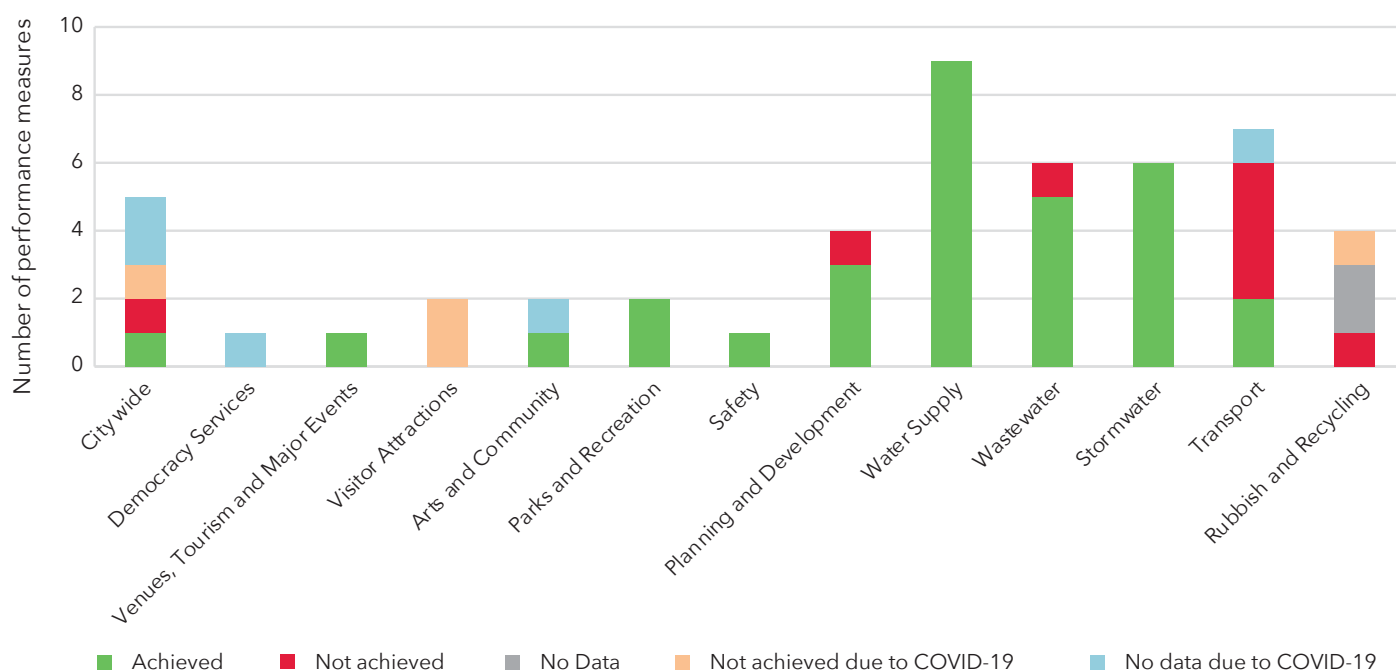
Prior to the restrictions put in place to address COVID-19, the Council was on track to achieve at least 40 of our 50 service performance measures. COVID-19 has impacted our ability to meet or gather data on nine service performance measures. We have identified these by stating if the result was impacted by COVID-19 and also by differentiating them in the Performance Results graph. In the graph, yellow indicates the measure was not achieved due to the impact of COVID-19 restrictions and blue indicates data was not able to be gathered for this measure due to the impact of COVID-19 restrictions.

Of the 50 measures that we use to track performance, the summary graph below shows that:

- We have met target for 31 measures
- We have not met target for 8 measures
- We have no data for 2 measures
- We have not met target for 4 measures due to COVID-19
- We have no data for 5 measures due to COVID-19

The following sections provide more detail for each of these activity groups including an overview of the past financial year and a summary of what's behind the results.

PERFORMANCE RESULTS



Highlights from the 2019/20 year include:

- 89% of library users are satisfied with libraries – this is an increase on the baseline of 85% established in 2018/19.
- Prior to COVID-19, 391,047 people attended events at the stadia (FMG Stadium Waikato and Seddon Park) and Claudelands between July and December 2019, an 11% increase on the same time last year. Once restrictions lifted, a further 49,850 people attended events.
- 89% of central city users surveyed feel very safe or reasonably safe in the central city during daytime – this result is up on 2018/19 and exceeded the target (of at least 80%).
- The number of complaints relating to drinking water reduced significantly on prior results with 1.5 complaints per 1000 connections – this result is below the target of 5 complaints per 1000 connections.
- The number of fatalities and serious injury crashes on Hamilton's local road network decreased with 12 fewer fatal or serious injury crashes than 2018/19.

Prior to the restrictions put in place to address COVID-19, the Council was on track to achieve at least 40 of our 50 service performance measures. COVID-19 has impacted our ability to meet or gather data on nine service performance measures.

Another 10 of our targets were not achieved during the period, although we were close to target in a number of areas. We have identified areas for improvement, including the following measures where actual performance was below target:

- Across the city there is currently 2.6 years of business zoned land supplied for infrastructure development, which is lower than our target of three years. We are working on a change to the District Plan to enable further land for industrial development in the Te Rapa North area of the city.
- We achieved 95.8% of customer service requests relating to roads and footpaths responded to within five working days this is only 0.2% below our target of at least 96%. System enhancements and fully embedding previously made changes during early 2020 was already producing an improved response rate, visible in the last quarter of 2019/20.
- A new service contractor for kerbside rubbish and recycling started on 31 August 2020. We will be working with the new contractor regarding collection and presentation of data to ensure we are able to report results from the beginning of the financial year. Additional recycling options available through the new kerbside rubbish and recycling service will see the percentage of waste recovered for recycling increase in the next financial year.

SUMMARY FINANCIAL STATEMENTS

SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

FOR THE YEAR ENDED 30 JUNE 2020

FOR THE YEAR ENDED 30 JUNE 2020		Council			Group		
		Notes	Actual 2020	Budget 2020	Actual 2019	Actual 2020	Actual 2019
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE TO 30 JUNE			\$000	\$000	\$000	\$000	\$000
Rates revenue			191,728	191,657	181,153	191,728	181,153
Other revenue	1		181,811	193,069	152,617	189,740	163,508
Total revenue			373,539	384,726	333,770	381,468	344,661
Personnel costs	2		83,359	80,369	75,923	85,877	77,940
Depreciation and amortisation	3		73,381	76,564	69,033	74,361	70,220
Finance costs	4		17,726	24,862	20,246	18,005	20,469
Other expenses	5		98,837	93,088	83,550	103,253	96,006
Total expenditure			273,303	274,883	248,752	281,496	264,635
Operating Surplus/(deficit)			100,236	109,843	85,018	99,972	80,026
Net gains/(loss)	6		(19,280)	579	(19,457)	(19,290)	(19,569)
Share of associates' surplus/(deficit)			-	-	-	4,947	1,033
Net surplus/(deficit) before tax			80,956	110,422	65,561	85,629	61,490
Income tax expense			-	-	-	79	13
Net surplus/(deficit) after tax			80,956	110,422	65,561	85,708	61,503
Other comprehensive revenue and expense							
Financial assets at fair value through other comprehensive revenue and expense			650	-	945	650	945
Gain/(loss) on property revaluations	7		4,747	85,110	280,468	4,747	287,763
Income tax on other comprehensive income			-	-	-	-	(605)
Impairment of revalued property, plant and equipment			(201)	-	(2,893)	(201)	(2,893)
Other revaluation reserve movements			-	-	(6,864)	-	(6,864)
Total other comprehensive revenue and expense			86,152	195,532	337,217	90,904	339,849
Total comprehensive revenue and expense attributable to:							
Hamilton City Council			86,152	195,532	337,217	90,930	339,003
Non-controlling interest			-	-	-	(26)	846
CHANGES IN EQUITY TO 30 JUNE							
Equity at the beginning of the year			3,926,307	3,910,388	3,589,090	3,979,326	3,639,477
Total comprehensive revenue and expense attributable to Hamilton City Council			86,152	195,532	337,217	90,930	339,003
Total comprehensive revenue and expense attributable to non-controlling interest			-	-	-	(26)	846
Equity at the end of the year			4,012,459	4,105,920	3,926,307	4,070,230	3,979,326
Total equity at the end of the year attributable to:							
Hamilton City Council			4,012,459	4,105,920	3,926,307	4,066,057	3,975,127
Non-controlling interest			-	-	-	4,173	4,199
FINANCIAL POSITION AS AT 30 JUNE							
Current assets	8		149,339	66,672	84,378	150,775	86,961
Non-current assets	9		4,523,435	4,702,901	4,356,985	4,588,777	4,416,875
Total assets			4,672,774	4,769,573	4,441,363	4,739,552	4,503,836
Current liabilities	10		126,357	86,335	94,127	127,226	95,606
Non-current liabilities	11		533,958	577,318	420,929	542,096	428,904
Accumulated comprehensive revenue and expense	12		1,902,720	1,912,370	1,825,150	1,923,276	1,840,928
Other reserves	13		2,069,989	2,154,325	2,061,447	2,103,031	2,094,489
Restricted reserves			38,881	38,789	38,395	38,881	38,395
Council created reserves			869	436	1,315	869	1,315
Non-controlling interest			-	-	-	4,173	4,199
Total equity and liabilities			4,672,774	4,769,573	4,441,363	4,739,552	4,503,836
CASH FLOWS TO 30 JUNE							
Opening cash and cash equivalents balance at 1 July			51,489	49,500	48,414	51,571	48,907
Net cash inflows/(outflows) from operating activities			122,536	144,042	109,604	124,011	104,969
Net cash inflows/(outflows) from investing activities			(197,881)	(323,140)	(92,093)	(199,374)	(87,309)
Net cash inflows/(outflows) from financing activities			128,063	176,038	(14,436)	128,174	(14,996)
Closing cash and cash equivalents balance at 30 June			104,207	46,440	51,489	104,382	51,571

NOTES

- Other revenue was unfavourable to budget by \$11.3 million. The main contributors were:
 - The HIF fair value benefit not received due to less development occurring than what was expected.
 - NZTA capital subsidies was unfavourable to budget due to various capital projects such as the Peacocks subdivision and Ring Road projects, progressing slower than anticipated.
 - Development contributions, capital contributions and vested assets were higher than budget due to high growth in the city.
- Staff remuneration was unfavourable against budget by \$3 million. This is due to higher costs associated with recruitment, additional staff being employed and an increase in the annual leave liability during COVID-19.
- Depreciation and amortisation was favourable against budget by \$3.2 million. This was mainly due to deferrals of capital projects.
- Finance costs was favourable against budget by \$7.1 million. This was due to less borrowings than expected and lower interest rates.
- Other expenses was unfavourable to budget due to an increase in the landfill provision due to a reduction in the discount rates and an increase in operating and maintenance costs mainly in Transport due to the major bridge maintenance work and the Rotorua Park and Ride project.
- Council did not budget for losses due to the unpredictable nature of these items. There was a net decrease in the revaluation of interest rate swaps by \$12.3 million, A net loss on disposal of asset of \$5.8 million and impairment of assets of \$1.7 million.
- The gain on revaluation was unfavourable to budget by \$80.3 million. This was due to the deferral of the Transportation and Heritage assets revaluations.
- Current assets were favourable to budget due to the term deposits being higher than expected due to deferral of capital projects. The rates receivable and GST receivable were higher than budget due to rates income in advance being budgeted in debtors and the refund not being received until July 2020. There was also some properties classified as asset held for sale that were not budgeted for.
- Non current assets were unfavourable due to less capital spend in the year than budgeted.
- Current liabilities were favourable to budget by \$40 million. The main contributors were:
 - Current borrowings were unfavourable due to a higher proportion being payable in the next 12 months than budgeted.
 - Payables were unfavourable to budget due to rates income in advance of being budgeted for in rates debtors. The accrual for City Development was also higher than anticipated due to work being on Puketapu 3 treatment plant capacity upgrade and the Ring Road project. There was additional accruals for the increase in supplier costs related to COVID-19.
 - Employee entitlements were unfavourable to budget due to higher annual leave balances than budgeted due to staff taking less leave due to COVID-19 and the timing of pay runs around year end.
- Non-current liabilities were favourable to budget by \$43.3 million. The main contributors were:
 - Term borrowings were favourable to budget due to lower capital projects spending and more cash received through from development contributions.
 - Provision were favourable to budget as a result of the landfill provision being lower than budget due to cashflows for the provision being lower and changes to the calculation of the provision.
 - Derivative financial instrument liabilities were unfavourable to budget due to decline in interest rates.
- Accumulated funds was unfavourable to budget due to a lower surplus achieved.
- Other reserves were unfavourable to budget as a result of the revaluation gain being lower due to the deferral of the Transportation and Heritage asset valuations.

ACCOUNTING POLICIES

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

The group consists of the ultimate parent, Council, and its subsidiary, Waikato Growth Innovation Ltd (100% owned). The associate, Waikato Regional Airport Ltd is equity accounted.

The summary financial statements of the Council and Group are for the year ended 30 June 2020.

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

These financial statements have been prepared in accordance with Tier 1 PBE accounting statements and generally accepted accounting practice in New Zealand (NZ GAAP). The full financial statements make an explicit and unreserved statement of compliance with PBE Standards for each period presented in this summary annual report.

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

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

CAPITAL COMMITMENTS AND CONTINGENCIES

Council has capital contract commitments of \$164.7 million (2019 \$181.4 million).

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

Contingent liabilities, which are dependent on future events, are \$2.3 million (2019 \$3.0 million).

Council has identified 3 unquantified contingent liabilities. This is in relation to a legal action from Enviro Waste Services Limited, Development Contribution Policy Judicial review and Peacocks landowners.

RECLASSIFICATION ADJUSTMENTS FOR THE COUNCIL AND GROUP

Reclassification adjustments were made to the Statement of Comprehensive Revenue and Expense to align with the presentation of cost to the new general ledger structure and ensure that costs being capitalised towards capital projects have been reclassified to the expense area more closely align to where the costs have been incurred.

RELATED PARTIES

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).

EVENTS AFTER BALANCE DATE

There have been no events after balance date.

DISCLAIMER

The specific disclosures included in this summary annual report have been extracted from the full annual report and were authorised for issue by the Chief Executive on 22 October 2020.

These summary financial statements do not include all of the disclosures provided in the full financial statements and can not be expected to provide as complete an understanding as provided by the full annual report.

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

The full annual report received an unmodified audit opinion (other than the service performance measures prior year comparatives) on 22 October 2020. In the prior year, a modified opinion was received on the service performance measures due to inaccuracies identified in the average processing times for non-notified land use and subdivision resource consents.

The full annual report can be obtained from our website - hamilton.govt.nz/annualreport - or from the Hamilton City Council main office.

Independent Auditor's Report

To the readers of Hamilton City Council and group's summary of the annual report for the year ended 30 June 2020

The summary of the annual report was derived from the annual report of the Hamilton City Council (the City Council) and group for the year ended 30 June 2020.

The summary of the annual report comprises the following summary statements on pages 18 to 21:

- the summary statement of financial position as at 30 June 2020;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2020;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the service performance summary.

Opinion

In our opinion:

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

Summary of the annual report

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

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

The full annual report and our audit report thereon

We expressed a qualified audit opinion on the City Council's statement of service performance in respect of the comparative year, and an unmodified audit opinion on the other information we audited in the full annual report for the year ended 30 June 2020 in our auditor's report dated 22 October 2020. The basis for the qualified opinion on the statement of service performance is explained below.

The City Council included in its long-term plan a performance measure on the average processing time for non-notified land use and subdivision resource consents. In respect of the 30 June 2019 comparative information only, there were issues with recorded processing times not agreeing to underlying consent information at the time.

The extent of the inaccuracies we identified from our sampling testing in the prior year meant that we were unable to determine whether the City Council's reported result for this measure in the full statement of performance for the prior year was materially correct. As a result, our work was limited and there were no practical audit procedures we could apply to obtain assurance over the reported result for the 30 June 2019 resource consent processing times.

The issues with recorded resource consent processing times has been resolved for the 30 June 2020 year. However, the limitation cannot be resolved for the 30 June 2019 year, which means that the City Council's performance information reported in the full statement of performance for the 30 June 2020 year, may not be directly comparable to the 30 June 2019 performance information.

Our auditor's report also includes an emphasis of matter paragraph drawing attention to the disclosures about the impact of Covid-19 on the City Council as set out in the full annual report on pages 20 to 21 and page 159 to the financial statements and page 23 of the statement of service performance. An extract of this information is included in the summary of the annual report on pages 16 to 18.

Council's responsibility for the summary of the annual report

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

Auditor's responsibility

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

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

Other than in our capacity as auditor, we have performed a limited assurance engagement related to the City Council's debenture trust deed and an assurance engagement over Project Kookiri that relates to the implementation of the Authority Financial Information Systems and the format and content of updated asset management plans. Other than these engagements, we have no relationship with, or interests in, the City Council or its subsidiaries and controlled entities.




Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
22 October 2020



FURTHER INFORMATION

Hamilton City Council
Garden Place, Private Bag 3010, Hamilton

 info@hcc.govt.nz

 07 838 6699 (24-7)

 hamilton.govt.nz/

 [/hamiltoncitycouncil](https://www.facebook.com/hamiltoncitycouncil)