



# **HAMILTON'S 2012-22 APPROVED 10-YEAR PLAN VOLUME 2**

# CONTENTS

<b>FINANCIAL STRATEGY .....</b>	<b>3</b>	<b>PARKS AND OPEN SPACES – FUNDING IMPACT STATEMENT .....</b>	<b>47</b>
<b>PROSPECTIVE FINANCIAL STATEMENTS .....</b>	<b>10</b>	<b>SOLID WASTE – FUNDING IMPACT STATEMENT .....</b>	<b>48</b>
PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME .....	11	<b>STORMWATER – FUNDING IMPACT STATEMENT .....</b>	<b>49</b>
PROSPECTIVE STATEMENT OF CHANGES IN EQUITY .....	11	<b>TRANSPORTATION – FUNDING IMPACT STATEMENT .....</b>	<b>50</b>
PROSPECTIVE STATEMENT OF CHANGES IN EQUITY .....	12	<b>WASTEWATER – FUNDING IMPACT STATEMENT .....</b>	<b>51</b>
PROSPECTIVE STATEMENT OF FINANCIAL POSITION .....	13	<b>WATER SUPPLY – FUNDING IMPACT STATEMENT .....</b>	<b>52</b>
PROSPECTIVE STATEMENT OF CASH FLOWS .....	14	<b>SIGNIFICANT NEGATIVE EFFECTS.....</b>	<b>53</b>
NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS.....	15	<b>COUNCIL CONTROLLED ORGANISATIONS .....</b>	<b>56</b>
<b>RESERVE FUNDS .....</b>	<b>35</b>	<b>REVENUE &amp; FINANCING POLICY .....</b>	<b>60</b>
<b>AUDIT OPINION.....</b>	<b>38</b>	<b>RATING POLICIES .....</b>	<b>65</b>
<b>SERVICE GROUP FUNDING IMPACT STATEMENTS .....</b>	<b>40</b>	RATING POLICY OBJECTIVES .....	66
ARTS AND RECREATION – FUNDING IMPACT STATEMENT .....	41	<b>FUNDING IMPACT STATEMENT .....</b>	<b>73</b>
CITY PLANNING AND DEVELOPMENT – FUNDING IMPACT STATEMENT .....	42	RATING INFORMATION .....	74
CITY PROSPERITY – FUNDING IMPACT STATEMENT .....	43	RATES SAMPLE .....	79
CITY SAFETY – FUNDING IMPACT STATEMENT .....	44	COUNCIL FUNDING IMPACT STATEMENT FOR THE 10 YEARS ENDED 30 JUNE 2013-2022.....	81
COMMUNITY SERVICES – FUNDING IMPACT STATEMENT .....	45	<b>SUMMARY OF SIGNIFICANCE POLICY .....</b>	<b>82</b>
DEMOCRACY – FUNDING IMPACT STATEMENT .....	46	<b>STATEMENT OF SIGNIFICANT VARIATION.....</b>	<b>83</b>
		<b>SIGNIFICANT FORECASTING ASSUMPTIONS .....</b>	<b>84</b>



# FINANCIAL STRATEGY

## Living within our Means

THIS PART OF THE DRAFT 10-YEAR PLAN COVERS THE KEY FINANCIAL PARAMETERS THAT THE COUNCIL WILL OPERATE WITHIN INCLUDING LIMITS ON RATES AND DEBT AND TARGETS FOR INVESTMENT RETURNS

The theme of this 10-year plan is “living within our means”. The major issues relating to this are discussed in volume one. The financial strategy is a cornerstone to the council achieving the goal of living within its means.

The financial strategy outlines the key financial parameters and limits that the Council will operate within. It will make clear how the Council’s financial health will improve over the next 10 years. The 10-year plan has been developed to meet these financial strategy goals. The council will report against the financial strategy when preparing its pre-election report in 2013.

The last 5 years has seen council debt double to \$400m and annual operating deficits become the norm. This is not sustainable and must be fixed.

The Council has looked at everything it does and challenged the need to do it. It has reassessed its visions and goals and refocused these on what’s most important for the City. It has also reviewed and updated many policies to align with this new direction.

In the preparation of this 10-Year Plan, Council have been mindful of the balance between overall debt levels, levels of service, a balanced budget and the resulting rate increases. As all capital expenditure is initially funded by debt, this has meant that loan repayments have been set at a level to achieve debt levels of around \$440 million or less. In previous years loan repayments have been set at 4% of the principal amount outstanding.

Following this careful and focussed planning process the Council can deliver 3.8% rates increases to existing ratepayers for each year of the next ten years and keep total overall debt at about \$440 million. This will enable core services to continue, our assets to be maintained, and the city to continue growing and have a small capacity for new projects.

It is the Council’s view that the implementation of this financial strategy in the 10-year plan is prudent and sustainable.

With rates at an affordable level, borrowing will be under control and the Council will continue providing the services needed to attain the city’s vision and meet the additional requirements of growth.

The following sections outline the individual core components of the financial strategy.

### **Reduced Spending**

To achieve these financial strategy goals the council has had to cut operating spending. Over the next three years the council will transition to spending \$11.7

million per annum less than the expenditure included in the 2011/12 Annual Plan (excluding inflation), and will maintain that level of spending in future years. Half of these cuts will be achieved through the council being far more efficient, that is doing more with less. The other half of the cuts will be coming from doing less. Every council activity was reviewed and assessed against our vision and goals. This identified that some of the things the Council was doing were not the most important things the council should be spending its money on. Across every activity spending cuts have been made that will result in small changes to the services the council provides. Small parts of the community will notice these changes, but the majority of people won’t notice that the council is doing anything different. The detail of those spending cuts has been included in volume one. After the first three years of the 10-Year Plan the council intends to retain this lower base for operational spending and increase spending only by inflation.

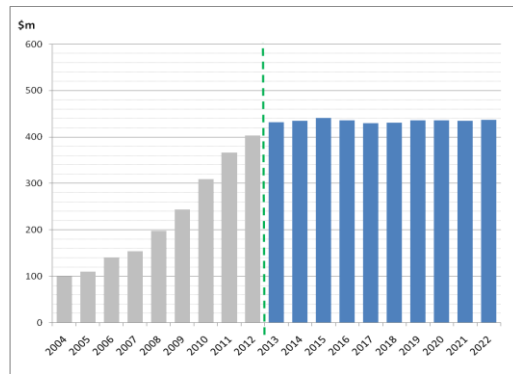
### **New Income**

The Council has identified new non rates income of \$3.5 million per annum above what was included in the 2011/12 Annual Plan. . This has been required to keep rates increases at a low 3.8% to existing ratepayers. This income has resulted from increases in fees and charged across most services. Details are included in the service statements included in Volume one. The Council has a policy of charging for the private benefit that people receive from council services. These charges are set at a fair price and are consistent with charges made elsewhere for similar services. Most of these charges are being introduced in 2013 and will be increased annually by inflation.

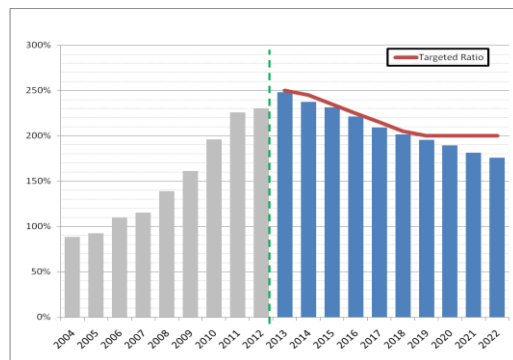
### **Debt**

By June 2012 the Council expects to owe \$400 million – or about \$7,500 per ratepayer. Three years ago the Council projected debt to increase to almost \$700 million. In the current economic climate this is unsustainable.

Such a high level of debt means there is little in reserve for emergency or unexpected events. It also prevents future generations of Hamiltonians from borrowing to build the new community assets their generation needs.

**Table1: Total Overall Debt**

To live within our means we cannot keep borrowing. We must stop spending money we don't have. Table 1 shows a rapid increase in borrowing over the past 9 years. It also shows that for the next 10 years total overall debt will be about \$440 million. The Council is able to achieve this by only spending money on maintaining the core services and assets. By keeping our debt at this level our financial position will improve over the next 10 years.

**Table 2: Debt to Revenue Ratio**

In 2013 our debt to revenue ratio will reach nearly 250%. The Council believes it is prudent to operate at a lower level and is targeting to get this ratio under 200% by 2019. A lower ratio means Council has the capacity (within market prudential financial limits) to increase debt to provide funding in the event of unbudgeted disasters and emergencies, and unforeseen events. Council's liquidity ratio also ensures that there are funding sources and cash immediately available in excess of

110% of external debt. Preserving the capacity to borrow debt in exceptional circumstances is part of the long term strategy to be financially sustainable, and to be able to fund a response to emergencies and disasters. Future debt capacity also provides Council an opportunity to consider when appropriate new infrastructural and community asset investment in the city.

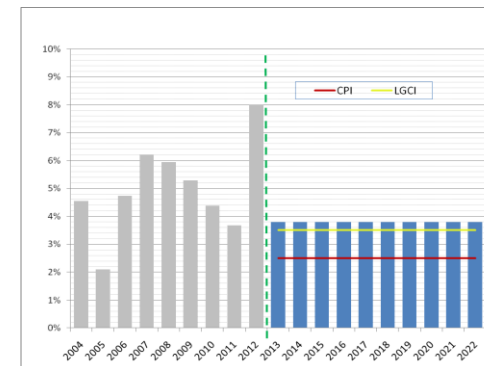
## Limits

### Debt

The debt to revenue ratio will be reduced to under 200% by 2019 and thereafter will remain below 200%.

### Rates

The Council intends to provide certainty to ratepayers over their rates bills. With that in mind a 3.8% rates rise per year to existing ratepayers for each of the next 10 years is proposed. This is slightly above projected average CPI inflation of 2.5% per year and LGCI of 3.5% each year (LGCI is the local government cost index which is similar to CPI, but considers costs specifically relevant to local government entities). The Council's total rates revenue is budgeted to increase by 4.1% to 4.3% per year, allowing for a 0.3% to 0.5% per year growth in the rates base.

**Table 3: Rates increases (to existing ratepayers)**

As shown in Table 3 rates increased greater than the proposed 3.8% increase in 7 of the last 9 years. Setting rates at this level helps us to live within our means, by ensuring that current ratepayers are paying for the services they are using. The council can achieve this constant rate increase by carefully managing costs, service levels and debt. The overall level of rates will also be capped relative to the city's land value.

Limits

Rates Increase

Rates increases to existing ratepayers will not exceed 3.8%.

Total Rates

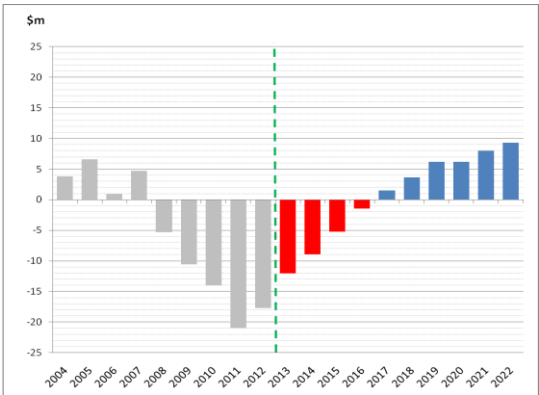
Rates will not exceed 1.5% of the City’s rateable land value.

Balancing the Books

For the last five years the council has spent more than it has earned and borrowed to pay the difference. That is not sustainable and has left the council burdened by debt.

By running the business of the council at a loss, we are not living within our means. If we were to continue on this path we would leave future generations with massive debt and assets in a poor condition.

Table 4: Operating Surplus/Deficits



The proposed rate increases and reduced spending allows the council to fix this problem by 2017 as shown in Table 4. Fixing this problem more quickly would require large rate increases, so the council has decided the prudent approach is to fix this over 4 years. With operating surpluses the council will be able to invest in the future.

Under section 100 of the Local Government Act 2002, the balanced budget requirement is whether operating revenues are set at a level sufficient to meet that year’s operating expenses. This Council has taken a conservative approach in

considering whether it has balanced its budget by removing subsidies on significant one-off capital projects (such as the Ring Road project) and vested assets from its operating revenues. The reason for this is because this revenue is irregular in nature and, in Council’s view, including it would distort the true operational surplus/deficit of the Council.

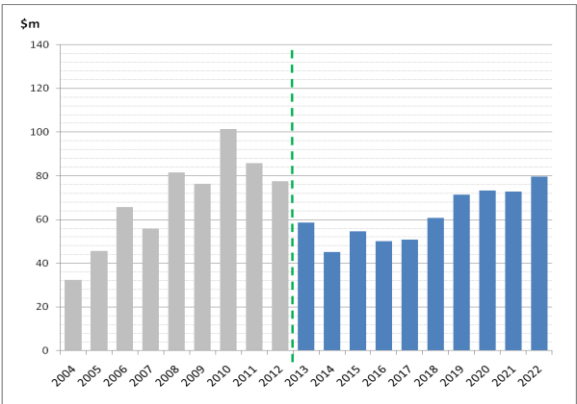
Surpluses from 2017 onwards will allow new assets and upgrades to be paid for with only minor fluctuations in borrowing.

Purchasing and Maintaining Assets

In the past five years the council spent \$408 million on assets. This has contributed to the city’s increased debt and cannot be sustained.

Assets need to be maintained so that they keep delivering as expected and there are times when we will spend more on new assets. In the next five years the council will spend \$289 million on assets. This is substantially less than what has been spent on assets in the past few years. This is shown in table 5. By keeping spending low and getting our debt under control there will be an opportunity to spend more in the latter part of the decade.

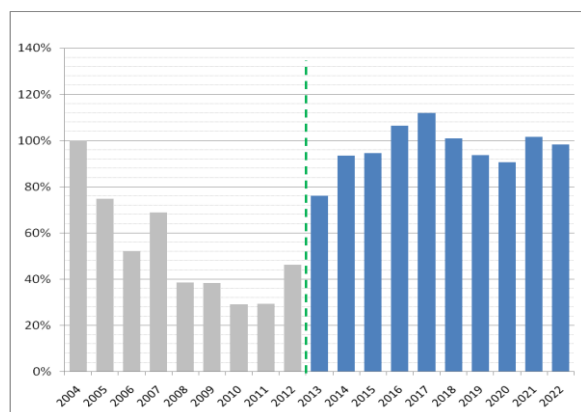
Table 5: Spending on Assets



To curb borrowing we will pay for more of our asset spending from rates and operating surpluses. This is why our rates increases are above inflation. For most years of the plan we will be paying for at least 90% of annual asset spending from the cash collected in that year as shown in table 6. This minimises the level of new borrowing. A figure of more than 100% on the graph in Table 6 indicates that there is cash left over after paying for all of our operating and capital costs and that

excess amount of cash will be used to repay debt. The principal of intergenerational equity means that debt is a reasonable way to fund capital expenditure. Council has decided that due its historically high levels of debt and utilisation of cash to fund operational expenditure, it is more prudent to utilise operating surpluses to fund capital expenditure in the future to ensure debt levels are controlled. The trend shown in the graph below clearly shows the change in the level of operating cashflow used to pay for assets in prior years compared to that proposed in this 10-Year Plan.

**Table 6: Amount of Operating Cashflow used to pay for Assets**



### Asset Sales

The Council is investigating selling some assets in order to pay off debt quicker than projected. These decisions will be considered over the next year. Council has budgeted for housing asset sales of \$2.476m in the 2012/13 financial year on the basis that these assets will only be sold if the Council gets a fair price. Council is prepared to wait until the right buyer makes that fair offer.

### Growth

The city is still growing, just not as quickly as it has been, reflecting the impacts of the on-going global economic problems. The Council has revised its population growth expectations and reduced its expectations of new development as a result of that. Growth in houses is assessed to go from 50,500 to 55,000 between now and 2022. This increase is half as big as what was estimated 3 years ago, when the economy was booming.

This slower growth has meant we have reduced our programme of growth related asset development. There will be less development and so we have also reduced our income expectations from development activities.

The Council will continue to spend a lot to finish some big growth related infrastructure projects over the next 3 years. These include the Te Rapa section of the Waikato Expressway, Hamilton Ring Road to Cobham Drive and water, wastewater and stormwater infrastructure in Rototuna. Some projects previously in the council's 2009/19 plan have been delayed, some beyond 2022, because of the slower growth and affordability constraints, for example Rototuna pool, library, sports parks and Rotokauri sports parks.

Managing the demands for growth, balancing the opportunities for future ratepayers against affordable rates and debt levels for current rate payers is an enormous challenge for the City. Given our expectations of growth the Council believes that this plan prudently provides for sustainable and realistic growth

**Table 7: Growth related Expenditure**

Activity Group	2013 to 2015		2016 to 2022	
	New Assets (\$000)	New Operating Costs (\$000)	New Assets (\$000)	New Operating Costs (\$000)
Transportation	40,631	1,496	46,227	6,779
Wastewater	6,291	763	51,760	9,505
Water Supply	15,256	524	55,751	6,766
Stormwater	3,963	37	11,407	609
Parks & Open Spaces	2,933	0	7,063	0
Other	0	0	0	0
<b>All Activity Groups</b>	<b>68,410</b>	<b>2,820</b>	<b>172,208</b>	<b>23,659</b>
<b>Amount funded from Development Contributions</b>	28,122	0	90,320	0

Table 7 shows the total cost of projects that have a growth element to them, it also shows how much of that will be funded from Development Contributions.



The new operating costs in Table 7 above include the depreciation impact of these assets. For some new assets there will be no significant operating cost impact, for example the Rototuna land purchase for reserve purposes. For other new assets it has been assumed as part of our efficiency targets that the existing operational budget will be sufficient to cover the operational cost of the new assets as well as existing assets.

### Policy on Securities

In order to borrow money the Council has to offer our lenders some security, just like residents do with their mortgage. Like most councils we secure our debt against our rates income. The Council has recently joined the NZ Local Government Funding Agency and will use rates as security for all borrowing from the agency. Our lenders like this as security and it helps keep our interest rates low. Giving rates as security means that our lenders can make us rate you more to repay their debts. That is why we have made big plans to get our debt under control.

In certain circumstance the Council may offer other security. Physical assets will only be pledged in certain circumstances. The Council has secured loans by the way of mortgages over two properties, Claudelands Park and Victoria on the River. These loans are for the acquisition of these properties.

The full policy on giving securities can be found in the investment and liability management policy at council's website.

### Investments

The Council holds investments in companies, property and cash.

### Investments in Companies

The Council is an equity holder in eight companies. The reasons for holding the equity interest in the companies are principally to achieve efficiency and community outcomes and not to receive a financial return on investment. The Council holds shares in the following companies:

**Table 8: Council's Shareholdings**

Company	Shareholding	Principal reason for Investment	Budgeted return
Hamilton Properties Ltd	100%	Protect tax losses	Nil
Waikato Regional Airport Ltd	50%	Economic development	Nil
Hamilton Riverview Hotel Ltd	41.38%	Return on capital	\$225,000 pa
SODA Inc. Ltd	40%	Economic Development	Nil
Innovation Waikato Ltd	20%	Economic Development	Nil
Local Authority Shared Services Ltd	24.58%	Efficient Government	Nil
New Zealand Local Government Funding Agency Ltd	9%	Borrowing	\$50,000 2012-2014  \$100,000 2015-2022
New Zealand Local Government Insurance Corporation Ltd	3.17%	Risk management	Nil

The Council continues to review its shareholding in Hamilton Riverview Hotel Ltd and will sell its shares should it get a fair price. In the meantime the council receives a dividend from the company.

The Council has consented to Innovation Waikato Ltd issuing 1247 new shares to Eden Agricapital Ltd which will reduce the council's equity interest in the company. The Council has also entered an agreement giving Eden Agricapital Ltd first option on the purchase of all of council's shares in Innovation Waikato Ltd, but also Council the option of selling its shares to Eden Agricapital LTD.

The Council has no other plans to change its shareholdings.



### Property Investments

The council's City Prosperity group of activities includes the council's property investment activity. Property investments are divided into two categories; Municipal Endowment Properties and Municipal Endowment Investment Properties. The council's objective is to maximise the return from both categories, however due to historic arrangements the return on endowment properties is slightly below market rates.

#### Target Rate of Return on Property Value

Municipal Endowment Properties	3.5%
Municipal Endowment Investment Properties	8%

The Council from time to time will buy and sell endowment properties in the portfolio to improve financial returns. Surplus cash is held in the Municipal or Domain Endowment Fund and is available for reinvestment in property. All endowment transactions are governed by the council's investment and endowment policies.

### Cash Investments

From time to time the council has surplus cash. Surplus cash is invested for short periods to maximise returns. The Council targets to meet the average 90 day bank bill rate.

Generally the council's cash management practices are to use surplus cash to minimise external debt. The 10-Year Plan includes an assumption that Council will have \$32 million in cash. Council considers it prudent to hold cash to a level to support the balance of restricted reserves (and this amount of cash is not available to offset external debt). Any cash held above the level of restricted reserves is to ensure strong lines of liquidity and access to cash remain available to Council. Cash is supplemented by the use of committed banking facilities. The \$32 million is based on the level of cash that Council currently holds, and a further amount to ensure liquidity of funding. In the present financial markets, holding cash is a cheaper option than is available through the use of committed facilities.

### Other Investments

As part of borrowing for the Local Government Funding Agency the council is required to invest in financial bonds with the agency. The Council will receive interest on these bonds equivalent to the cost of borrowing.

### Insurance

Council fully insures the water and wastewater treatment plants, all water reservoirs, pumping stations and the five bridges crossing the Waikato River (excludes the NZTA owned Cobham Drive bridge).

For all other infrastructure assets, Council relies on the ability to raise debt to respond to any costs incurred following a disaster, and is part of the reason for Council creating headroom within the debt ratios. A key assumption is that the Government will provide 60% of the funding to meet reinstatement costs incurred following a significant natural disaster. The University of Waikato has conducted risk assessments in the past for HCC on the likelihood of significant natural disasters, and these were estimated as being low.

Council has tested insurance cover for infrastructural assets (primarily underground water, wastewater and stormwater piping networks) but the cost of insurance premiums to date has been very expensive relative to the level of cover provided. However, the learnings of the Christchurch disaster are that a level of cover is prudent to obtain. The budget includes a significant annual provision for 2012/13 for the purchase of insurance cover for underground assets and this will be actively pursued.

To mitigate the cost of insurance relating to damage caused by a fire, Council has limited its cover to a maximum probable loss amount rather than the full value of the building, plant equipment and furniture. In the event of a city wide fire, say following an earthquake or volcanic eruption, Council is potentially exposed financially above the specified cover level. This risk is low as it is unlikely that all Council buildings, plant and equipment would be on fire at the same time, given they are spread across the city.



# PROSPECTIVE FINANCIAL STATEMENTS

- Prospective Statement of Comprehensive Income
- Prospective Statement of Changes in Equity
- Prospective Statement of Financial Position
- Prospective Statement of Cash Flows
- Notes to the Prospective Financial Statements

2011/12 ANNUAL PLAN FIGURES ARE PROVIDED FOR COMPARATIVE PURPOSES. FORECAST OPENING 2012/13 BALANCES DO NOT RECONCILE TO THE CLOSING 2011/12 ANNUAL PLAN BALANCES AS UPDATED FORECASTS OF THE OPENING POSITION HAVE BEEN USED.

This key denotes the reference on the following pages.

Key

2011/12 ANNUAL PLAN  
10-YEAR PLAN



## PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

Forecast for the Years Ended 30 June 2013-2022

	Note	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Revenue</b>												
Rates	2	116,230	120,964	126,029	131,394	137,052	142,955	149,112	155,535	162,233	169,219	176,509
Targeted rates - Water by meter	2	6,849	7,327	8,055	8,821	9,103	9,313	9,691	9,997	10,320	10,652	10,991
Revenue from activities	3	54,176	42,849	45,173	46,697	48,208	49,842	51,362	53,010	54,745	56,517	58,342
Capital subsidies	3	8,185	1,029	3,714	10,156	4,576	5,341	5,263	4,634	3,397	5,037	5,226
Development contributions	3	6,600	6,256	6,362	6,571	7383	8,233	9,031	9,650	9,747	9,777	9,536
Other contributions/grants	3	2,943	2,152	2,971	2,735	1,749	2,475	2,596	3,304	2,169	2,980	2,703
Vested assets	3	7,900	7,900	8,153	8,414	8,682	8,959	9,243	9,535	9,843	10,159	10,483
Sundry revenue	3	2,378	675	687	751	765	779	793	808	823	839	856
<b>Total operating revenue</b>		<b>205,261</b>	<b>189,152</b>	<b>201,144</b>	<b>215,539</b>	<b>217,518</b>	<b>227,897</b>	<b>237,091</b>	<b>246,473</b>	<b>253,277</b>	<b>265,180</b>	<b>274,646</b>
<b>Expenditure</b>												
Depreciation and amortisation	5	55,282	56,388	58,072	59,735	60,340	62,405	65,186	68,010	70,917	73,896	76,660
Employee benefit expenses		55,472	54,512	55,800	57,172	59,020	60,921	62,878	64,888	67,007	69,181	71,409
Finance costs	4	26,433	23,734	24,812	25,675	26,301	26,868	26,678	26,863	27,226	27,442	27,429
Other expenses	5	74,587	61,422	63,284	63,388	64,620	67,208	69,444	70,983	73,598	76,476	79,327
<b>Total operating expenditure</b>		<b>211,774</b>	<b>196,056</b>	<b>201,968</b>	<b>205,970</b>	<b>210,281</b>	<b>217,402</b>	<b>224,186</b>	<b>230,744</b>	<b>238,748</b>	<b>246,995</b>	<b>254,825</b>
<b>Net surplus/(deficit)*</b>		<b>(6,513)</b>	<b>(6,904)</b>	<b>(824)</b>	<b>9,569</b>	<b>7,237</b>	<b>10,495</b>	<b>12,905</b>	<b>15,729</b>	<b>14,529</b>	<b>18,185</b>	<b>19,821</b>
<b>Other comprehensive income</b>												
Net increase in revaluation of assets		99,426	137,807	143,967	143,967	149,714	155,990	162,047	168,428	175,411	182,938	190,533
<b>Total other comprehensive income</b>		<b>99,426</b>	<b>137,807</b>	<b>143,967</b>	<b>143,967</b>	<b>149,714</b>	<b>155,990</b>	<b>162,047</b>	<b>168,428</b>	<b>175,411</b>	<b>182,938</b>	<b>190,533</b>
<b>Total comprehensive income for the year</b>		<b>92,913</b>	<b>130,903</b>	<b>143,143</b>	<b>153,536</b>	<b>156,951</b>	<b>166,485</b>	<b>174,952</b>	<b>184,157</b>	<b>189,940</b>	<b>201,123</b>	<b>210,354</b>

The accompanying statement of accounting policies and notes to the prospective financial statements form part of and should be read in conjunction with these prospective financial statements.

\* Council takes a prudent approach in the calculation of the balanced budget, and remove subsidies on significant one-off capital projects (such as the Ring Road project) and vested assets from the calculation. The reason for this is because this revenue is irregular in nature and distorts the true operational surplus/deficit position of Council. The graphs in Volume 1 and 2 of this 10-Year Plan reflect the revised surplus/deficit figures.

## PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

Forecast for the Years Ended 30 June 2013 -2022

	Note	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Equity balance at 1 July</b>		<b>2,984,195</b>	<b>3,116,578</b>	<b>3,247,481</b>	<b>3,390,624</b>	<b>3,544,160</b>	<b>3,701,111</b>	<b>3,867,596</b>	<b>4,042,548</b>	<b>4,226,705</b>	<b>4,416,645</b>	<b>4,617,768</b>
Total comprehensive income for the year		92,913	130,903	143,143	153,536	156,951	166,485	174,952	184,157	189,940	201,123	210,354
<b>Equity balance at 30 June</b>		<b>3,077,108</b>	<b>3,247,481</b>	<b>3,390,624</b>	<b>3,544,160</b>	<b>3,701,111</b>	<b>3,867,596</b>	<b>4,042,548</b>	<b>4,226,705</b>	<b>4,416,645</b>	<b>4,617,768</b>	<b>4,828,122</b>
<b>Components of equity</b>												
Retained earnings at beginning of year		1,578,509	1,590,366	1,581,331	1,581,250	1,591,733	1,599,330	1,610,159	1,622,824	1,638,135	1,652,914	1,670,582
Net surplus/(deficit)		(6,513)	(6,904)	(824)	9,569	7,237	10,495	12,905	15,729	14,529	18,185	19,821
Transfers (to)/from restricted and council created reserves		3,318	(2,131)	743	914	360	334	(240)	(418)	250	(517)	(566)
<b>Retained earnings at end of year</b>		<b>1,575,314</b>	<b>1,581,331</b>	<b>1,581,250</b>	<b>1,591,733</b>	<b>1,599,330</b>	<b>1,610,159</b>	<b>1,622,824</b>	<b>1,638,135</b>	<b>1,652,914</b>	<b>1,670,582</b>	<b>1,689,837</b>
Revaluation reserves at beginning of year		1,389,529	1,506,559	1,644,366	1,788,333	1,932,300	2,082,014	2,238,004	2,400,051	2,568,479	2,743,890	2,926,828
Revaluation gains		99,426	137,807	143,967	143,967	149,714	155,990	162,047	168,428	175,411	182,938	190,533
<b>Revaluation reserves at end of year</b>		<b>1,488,955</b>	<b>1,644,366</b>	<b>1,788,333</b>	<b>1,932,300</b>	<b>2,082,014</b>	<b>2,238,004</b>	<b>2,400,051</b>	<b>2,568,479</b>	<b>2,743,890</b>	<b>2,926,828</b>	<b>3,117,361</b>
Restricted and council created reserves at beginning of year		16,157	19,653	21,784	21,041	20,127	19,767	19,433	19,673	20,091	19,841	20,358
Transfers to/(from) reserves		(3,318)	2,131	(743)	(914)	(360)	(334)	240	418	(250)	517	566
<b>Restricted and council created reserves at end of year</b>		<b>12,839</b>	<b>21,784</b>	<b>21,041</b>	<b>20,127</b>	<b>19,767</b>	<b>19,433</b>	<b>19,673</b>	<b>20,091</b>	<b>19,841</b>	<b>20,358</b>	<b>20,924</b>
<b>Equity balance at 30 June</b>	<b>9</b>	<b>3,077,108</b>	<b>3,247,481</b>	<b>3,390,624</b>	<b>3,544,160</b>	<b>3,701,111</b>	<b>3,867,596</b>	<b>4,042,548</b>	<b>4,226,705</b>	<b>4,416,645</b>	<b>4,617,768</b>	<b>4,828,122</b>

The accompanying statement of accounting policies and notes to the prospective financial statements form part of and should be read in conjunction with these prospective financial statements.

## PROSPECTIVE STATEMENT OF FINANCIAL POSITION

Forecast as at 30 June 2013-2022

	Not	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Equity</b>												
Retained earnings	9	1,575,314	1,581,331	1,581,250	1,591,733	1,599,330	1,610,159	1,622,824	1,638,135	1,652,914	1,670,582	1,689,837
Revaluation reserves	9	1,488,955	1,644,366	1,788,333	1,932,300	2,082,014	2,238,004	2,400,051	2,568,479	2,743,890	2,926,828	3,117,361
Restricted reserves	9	6,647	13,561	13,395	13,439	13,484	13,532	13,580	13,629	13,682	13,735	13,790
Council created reserves	9	6,192	8,223	7,646	6,688	6,283	5,901	6,093	6,462	6,159	6,623	7,134
<b>Total equity</b>		<b>3,077,108</b>	<b>3,247,481</b>	<b>3,390,624</b>	<b>3,544,160</b>	<b>3,701,111</b>	<b>3,867,596</b>	<b>4,042,548</b>	<b>4,226,705</b>	<b>4,416,645</b>	<b>4,617,768</b>	<b>4,828,122</b>
<b>Assets</b>												
<b>Current assets</b>												
Cash and cash equivalents	8	250	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
Debtors and other receivables		13,600	16,000	16,512	17,040	17,584	18,143	18,721	19,312	19,935	20,576	21,232
Inventories		674	500	516	533	550	567	585	604	623	643	664
<b>Total current assets</b>		<b>14,524</b>	<b>48,500</b>	<b>49,028</b>	<b>49,573</b>	<b>50,134</b>	<b>50,710</b>	<b>51,306</b>	<b>51,916</b>	<b>52,558</b>	<b>53,219</b>	<b>53,896</b>
<b>Non-current assets</b>												
Property, plant and equipment		3,450,773	3,597,707	3,742,096	3,898,458	4,051,087	4,210,845	4,385,785	4,573,517	4,763,592	4,962,581	5,173,154
Investment property		53,827	53,827	55,549	57,326	59,156	61,040	62,978	64,969	67,068	69,222	71,428
Intangible assets		16,968	9,266	8,554	9,090	7,889	7,662	7,306	7,740	7,554	7,482	6,898
Other financial assets	6	6,282	7,516	9,047	11,053	11,000	10,901	10,880	10,912	10,983	10,929	10,897
Investment in associates and subsidiaries	7	13,431	13,431	13,431	13,431	13,431	13,431	13,431	13,431	13,431	13,431	13,431
<b>Total non-current assets</b>		<b>3,541,281</b>	<b>3,681,747</b>	<b>3,828,677</b>	<b>3,989,358</b>	<b>4,142,563</b>	<b>4,303,879</b>	<b>4,480,380</b>	<b>4,670,569</b>	<b>4,862,628</b>	<b>5,063,645</b>	<b>5,275,808</b>
<b>Total assets</b>		<b>3,555,805</b>	<b>3,730,247</b>	<b>3,877,705</b>	<b>4,038,931</b>	<b>4,192,697</b>	<b>4,354,589</b>	<b>4,531,686</b>	<b>4,722,485</b>	<b>4,915,186</b>	<b>5,116,864</b>	<b>5,329,704</b>
<b>Liabilities</b>												
<b>Current liabilities</b>												
Creditors and other payables		27,823	17,000	17,544	18,105	18,683	19,278	19,890	20,519	21,182	21,862	22,559
Employee entitlements		5,800	5,800	5,986	6,177	6,374	6,577	6,786	7,001	7,227	7,459	7,697
Debt	8	108,395	111,913	112,803	114,561	113,675	112,337	112,204	113,305	113,759	113,574	113,893
Provisions		2,200	1,900	1,961	2,024	2,088	2,155	2,223	2,293	2,367	2,443	2,521
<b>Total current liabilities</b>		<b>144,218</b>	<b>136,613</b>	<b>138,294</b>	<b>140,867</b>	<b>140,820</b>	<b>140,347</b>	<b>141,103</b>	<b>143,118</b>	<b>144,535</b>	<b>145,338</b>	<b>146,670</b>
<b>Non-current liabilities</b>												
Employee entitlements		1,800	1,800	1,858	1,917	1,978	2,041	2,106	2,173	2,243	2,315	2,389
Debt	8	324,879	335,453	337,744	342,508	339,007	334,512	335,516	339,747	340,674	339,998	340,713
Provisions		7,800	8,900	9,185	9,479	9,781	10,093	10,413	10,742	11,089	11,445	11,810
<b>Total non-current liabilities</b>		<b>334,479</b>	<b>346,153</b>	<b>348,787</b>	<b>353,904</b>	<b>350,766</b>	<b>346,646</b>	<b>348,035</b>	<b>352,662</b>	<b>354,006</b>	<b>353,758</b>	<b>354,912</b>
<b>Total liabilities</b>		<b>478,697</b>	<b>482,766</b>	<b>487,081</b>	<b>494,771</b>	<b>491,586</b>	<b>486,993</b>	<b>489,138</b>	<b>495,780</b>	<b>498,541</b>	<b>499,096</b>	<b>501,582</b>
<b>Net assets</b>		<b>3,077,108</b>	<b>3,247,481</b>	<b>3,390,624</b>	<b>3,544,160</b>	<b>3,701,111</b>	<b>3,867,596</b>	<b>4,042,548</b>	<b>4,226,705</b>	<b>4,416,645</b>	<b>4,617,768</b>	<b>4,828,122</b>

The accompanying statement of accounting policies and notes to the prospective financial statements form part of and should be read in conjunction with these prospective financial statements.

## PROSPECTIVE STATEMENT OF CASH FLOWS

Forecast for the Year Ended 30 June 2013-2022

	Note	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Cash flows from operating activities</b>												
<b>Cash will be provided from:</b>												
Rates revenue	2	123,079	128,291	134,084	140,215	146,155	152,268	158,803	165,532	172,553	179,871	187,500
Fees, rents and charges	3	50,464	39,744	41,948	43,157	44,555	46,073	47,473	48,998	50,604	52,243	53,932
Government operating subsidies and grants	3	3,712	3,105	3,225	3,540	3,653	3,769	3,889	4,012	4,141	4,274	4,410
Government capital subsidies and grants	3	8,185	1,029	3,714	10,156	4,576	5,341	5,263	4,634	3,397	5,037	5,226
Other capital contributions	3	9,543	7,897	7,963	8,289	9,053	9,933	10,746	11,490	11,591	11,758	11,518
Dividends and interest income	3	251	275	275	325	325	325	325	325	325	325	325
Sundry revenue	3	2,127	400	413	425	441	454	468	483	498	514	531
		<b>197,361</b>	<b>180,741</b>	<b>191,622</b>	<b>206,108</b>	<b>208,757</b>	<b>218,163</b>	<b>226,967</b>	<b>235,474</b>	<b>243,109</b>	<b>254,022</b>	<b>263,442</b>
<b>Cash will be applied to:</b>												
Salaries and wages		55,472	54,512	55,800	57,172	59,020	60,921	62,878	64,888	67,007	69,181	71,409
Payments for supplies and services		73,087	61,728	60,660	60,533	62,219	64,729	67,548	69,199	71,080	74,617	77,473
Interest paid		26,433	23,734	24,812	25,675	26,301	26,868	26,678	26,863	27,226	27,442	27,429
Net GST paid		1,500	1,800	1,858	1,917	1,978	2,041	2,106	2,173	2,243	2,315	2,389
		<b>156,492</b>	<b>141,774</b>	<b>143,130</b>	<b>145,297</b>	<b>149,518</b>	<b>154,559</b>	<b>159,210</b>	<b>163,123</b>	<b>167,556</b>	<b>173,555</b>	<b>178,700</b>
<b>Net cash inflow from operating activities</b>		<b>40,869</b>	<b>38,967</b>	<b>48,492</b>	<b>60,811</b>	<b>59,239</b>	<b>63,604</b>	<b>67,757</b>	<b>72,351</b>	<b>75,553</b>	<b>80,467</b>	<b>84,742</b>
<b>Cash flows from investing activities</b>												
<b>Cash will be provided from:</b>												
Proceeds from sale of assets		200	2,741	625	-	-	-	-	-	-	-	-
		<b>200</b>	<b>2,741</b>	<b>625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash will be applied to:</b>												
Purchase of property plant & equipment		79,673	60,734	49,825	65,796	55,711	57,183	66,945	77,243	77,746	79,125	85,996
		<b>79,673</b>	<b>60,734</b>	<b>49,825</b>	<b>65,796</b>	<b>55,711</b>	<b>57,183</b>	<b>66,945</b>	<b>77,243</b>	<b>77,746</b>	<b>79,125</b>	<b>85,996</b>
<b>Net cash outflow from investing activities</b>		<b>(79,473)</b>	<b>(57,993)</b>	<b>(49,200)</b>	<b>(65,796)</b>	<b>(55,711)</b>	<b>(57,183)</b>	<b>(66,945)</b>	<b>(77,243)</b>	<b>(77,746)</b>	<b>(79,125)</b>	<b>(85,996)</b>
<b>Cash flows from financing activities</b>												
<b>Cash will be provided from:</b>												
Loans uplifted		47,491	40,319	21,151	28,336	20,474	20,184	27,268	36,186	36,514	32,841	36,544
		<b>47,491</b>	<b>40,319</b>	<b>21,151</b>	<b>28,336</b>	<b>20,474</b>	<b>20,184</b>	<b>27,268</b>	<b>36,186</b>	<b>36,514</b>	<b>32,841</b>	<b>36,544</b>
<b>Cash will be applied to:</b>												
Term Investments		-	1,647	1,674	2,025	-	-	3	57	99	-	6
Loan repayments		8,887	19,646	18,769	21,326	24,002	26,605	28,077	31,237	34,222	34,183	35,284
		<b>8,887</b>	<b>21,293</b>	<b>20,443</b>	<b>23,351</b>	<b>24,002</b>	<b>26,605</b>	<b>28,080</b>	<b>31,294</b>	<b>34,321</b>	<b>34,183</b>	<b>35,290</b>
<b>Net cash inflow from financing activities</b>		<b>38,604</b>	<b>19,026</b>	<b>7,08</b>	<b>4,985</b>	<b>(3,528)</b>	<b>(6,421)</b>	<b>(812)</b>	<b>4,892</b>	<b>2,193</b>	<b>(1,342)</b>	<b>1,254</b>
Net increase/(decrease) in cash held		-	-	-	-	-	-	-	-	-	-	-
Plus opening cash balance 1 July		250	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
<b>Closing cash and cash equivalents balance</b>		<b>250</b>	<b>32,000</b>	<b>32,000</b>	<b>32,000</b>	<b>32,000</b>	<b>32,000</b>	<b>32,000</b>	<b>32,000</b>	<b>32,000</b>	<b>32,000</b>	<b>32,000</b>

The accompanying statement of accounting policies and notes to the prospective financial statements form part of and should be read in conjunction with these prospective financial statements.

## NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

### Note 1: Accounting Policies

#### Reporting Entity

Hamilton City Council (the Council) is a territorial local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

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

The prospective financial statements are for Hamilton City Council only and do not include transactions related to the group because the differences to the Council financial statements are not material.

#### Basis of Preparation

The Council authorised the financial statements on 29 June 2012. The Council which is authorised to do so and believes that the assumptions underlying these prospective financial statements are appropriate, approved the long term plan for consultation. Council and management of Hamilton City Council accept responsibility for the preparation of the prospective financial statements, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. No actual results have been incorporated within the prospective financial statements.

In September 2011, the External Reporting Board issued a position paper and consultation papers proposing a new external reporting framework for public benefit entities (PBEs). The papers proposed that accounting standards for PBEs would be based on International Public Sector Accounting Standards, modified as necessary. The proposals in these papers do not provide certainty about any specific requirements of future accounting standards. Therefore, the accounting policies on which the forecast information for 2012-22 has been prepared are based on the current New Zealand equivalents to International Financial Reporting Standards.

- **Statement of Compliance**

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

These prospective financial statements have been prepared in accordance with NZ GAAP. They comply with FRS 42: Prospective Financial Statements, and other applicable FRS as appropriate for public benefit entities.

- **Measurement Base**

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

- **Functional and Presentation Currency**

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

#### Accounting Policies

The accounting policies have been applied consistently to all periods presented.

#### Significant Accounting Policies

##### Basis of Consolidation

- **Subsidiaries**

Subsidiaries are those entities in which Council has control. Hamilton Properties Ltd is the Council's only subsidiary and has been exempted as a Council Controlled Organisation and is a non active entity in terms of the Financial Reporting Act 1993.

The prospective financial statements show the investment in this subsidiary at cost.

- **Associate Companies**

These are entities which the Council has significant influence, but not control, over operating and financial policies. The prospective financial statements show the investment in associates at cost.

#### Revenue

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

- **Rates Revenue**

Rates are set annually by a resolution from the Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable. Water billing revenue is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year-end, is accrued on an average usage basis.



- **Other Revenue**

Traffic and parking infringements are recognised when tickets are issued.

New Zealand Transport Agency roading subsidies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Other grants and bequests, and assets vested in the Council (with or without conditions) are recognised as revenue when control over the assets is obtained.

Interest income is recognised as it accrues, using the effective interest method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Dividend income is recognised when the right to receive payment is established.

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution is charged. Otherwise development and financial contributions are recognised as liabilities until such time the Council provides, or is able to provide, the service.

### **Borrowing Costs**

The Council have elected to defer the adoption of NZ IAS 23 Borrowing Costs (revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

### **Grant Expenditure**

Non-discretionary grants are those 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 those grants where the 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 the Council's decision.

### **Foreign Currency Transactions**

Foreign currency transactions (including those for which foreign exchange contract 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 are recognised in the surplus/deficit.

### **Goods and Services Tax (GST)**

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

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

### **Income Tax**

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates 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.

Current tax and deferred tax is recognised against the surplus or deficit for the period, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

### **Property, Plant and Equipment**

Property, plant and equipment consist of:

- **Operational Assets**

These include land, buildings (which includes cultural assets, community and leisure facilities), improvements, non-restricted parks and gardens, plant and equipment, vehicles, sports areas and library books.

- **Zoo Animals**

Zoo animals are held primarily for a social and recreational purpose. The capital cost consists of the actual expense incurred in acquiring the Zoo animals.

- **Restricted Assets**

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

- **Heritage Assets**

These are museum collections and library collections (New Zealand Room).

- **Infrastructure Assets**

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

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

- **Additions**

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

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

- **Disposals**

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

- **Subsequent Costs**

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

- **Valuation**

Unless stated, valuations are carried out or reviewed by independent qualified valuers and are carried out with sufficient regularity to ensure that the carrying value does not differ materially from that which would be determined using fair value at balance date.

Revaluation increases and decreases relating to individual assets within a class of assets are offset. Revaluation increases and decreases in respect of assets in different classes are not offset.

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

- **Depreciation**

Depreciation is provided on a straight-line basis at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

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

Buildings-Structure/Fit out/Services	40 - 100 years	1%-2.5%
Plant and Vehicles	3 - 15 years	6.6%-33.3%
Furniture, Fittings and Equipment	5 - 10 years	10%-20%
Library Books	14 years	7.1%
Zoo Animal (acquisition costs)	10 years	10%
<i>Roads and Traffic Network:</i>		
top surface (seal)	6 - 18 years	5.5%-16.6%
pavement (basecourse)	25 - 50 years	2%-4%
catchpits	50 years	2%
Culverts	60 - 80 years	1.25%-1.6%
footpaths	50 - 70 years	1.4%-2%
kerbs & traffic islands	70 years	1.4%
signs	12 years	8.3%
street lights	25 years	4%
bridges	150 years	0.6%
traffic signals	15 years	6.6%
Barriers	25 - 40 years	2.5%-4%
bus shelters & parking meters	4 - 10 years	10%-25%
verge, embankment & retaining walls	60 years	1.6%
<i>Wastewater Reticulation:</i>		
pipes	60 - 100 years	1%-1.6%
manholes	75 years	1.3%
treatment plant	5 - 100 years	1%-20%
bridges	75 - 100 years	1%-1.3%
pump-stations	15 - 100 years	1%-6.6%
<i>Stormwater System:</i>		
pipes	100 years	1%

manholes, cesspits	100 years	1%
service connections and outlets	30 - 100 years	1%-3.3%
<i>Water Reticulation:</i>		
pipes	60 - 80 years	1.25%-1.6%
butterfly valves	50 - 75 years	1.3%-2%
treatment plant	10 - 120 years	0.8%-10%
meters	20 years	5%
hydrants	50 years	2%
reservoirs	30 - 80 years	1.25%-3.3%

Heritage assets are depreciated by a nominal amount to reflect their extremely long life and heritage value.

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

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

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

### Investment Properties

Investment properties, which are held to earn rental income and/or for capital appreciation, are stated at fair value. These assets consist of investment properties owned by the Council, funded either from Corporate Funds, the Domain Endowment Fund or the Municipal Endowment Fund.

Gains or losses arising from changes in the fair value of investment property are included in the surplus/deficit for the period in which they arise.

### Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through 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. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

### Intangible Assets

Intangible assets comprise:

Computer software licences are capitalised at historic cost and are amortised on a straight-line basis over their estimated useful lives (5 years). Costs associated with maintaining computer software are recognised as an expense when incurred.

Resource consents which are not attributed to a specific asset. They are capitalised at historic cost and are amortised on a straight-line basis over their estimated useful lives (7 to 35 years).

### Impairment of Non-Financial Assets

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

asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less any estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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.

### Financial Instruments

Financial assets and liabilities are recognised on the Council's statement of financial position when the Council becomes a party to the contractual provisions of the instrument.

### Financial Assets

#### Debtors and Other Receivables

Debtors and other receivables are measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### **Investments**

The Council classifies its investments in the following categories:

#### **Loans and Receivables**

Loans and receivables, such as general and community loans, mortgages, deposits and term deposits, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at initial recognition, at fair value, and subsequently carried at amortised cost less impairment losses.

#### **Other Investments**

Investments classed as either investments held-for-trading or as available-for-sale and are stated at cost less the annual test for impairment. For assets designated as held-for-trading, any resultant gain or loss from changes in the value are recognised in the surplus or deficit. For assets designated as available-for-sale, which are measured at fair value, any resultant gain or loss from changes in the fair value is recognised in other comprehensive income e.g. shares in Local Authority Shared Services Ltd and NZ Local Government Insurance Co Ltd.

#### **Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

#### **Impairment of Financial Assets**

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

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

Impairment is established when there is objective evidence that the Council and group will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtors will enter into bankruptcy, and default payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written-off against the allowance

account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

#### **Financial assets at fair value through other comprehensive income.**

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

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

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

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

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

#### **Financial Liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Council after deducting all of its liabilities.

#### **Bank Borrowings**

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the surplus or deficit using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### Trade and Other Payables

Trade and other payables are initially measured at fair value, and where appropriate are subsequently measured at amortised cost, using the effective interest rate method.

### Derivative Financial Instruments

The Council's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Council uses foreign exchange forward contracts and interest rate swaps to manage their foreign currency and interest rate exposure. Derivative financial instruments are recognised initially at fair value. The Council has elected not to hedge account for these derivative financial instruments. Changes in the fair value of the derivative financial instruments are recognised in the surplus/deficit.

### Employee Benefits

Provision is made in respect of the liability for annual leave, retirement gratuities and short-term compensated absences.

The provision for annual leave and long service leave has been calculated on an actual entitlement basis at current rates of pay.

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. Payments to defined contribution superannuation schemes are recognised as an expense in the prospective financial statements as incurred.

The provision for short-term compensated absences (e.g. sick leave) has been measured as the amount of unused entitlement accumulated at the pay period ending immediately prior to the balance date that the entity anticipates employees will use in future periods, in excess of the days that they will be entitled to in each of those periods.

### Superannuation Schemes

#### *Defined contribution schemes*

Obligations for contributions to defined contribution schemes are recognised as an expense in the surplus or deficit as incurred.

### Leases

Leases consist of:

- **Finance Leases**

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

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

The amount recognised as an asset is depreciated over its useful life. If there is no 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.

- **Operating Leases**

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

### Provisions

The Council recognises a provision 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 expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

### Landfill Post-Closure Costs

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

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including legal

requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

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

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

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

### Equity

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

The components of equity are:

- Retained earnings
- Revaluation reserves
- Restricted reserves
- Council created reserves

Retained earnings comprise accumulated surpluses over the years.

Revaluation reserves comprise accumulated revaluation increments/decrements.

Restricted reserves are those funds subject to external restrictions accepted as binding by the Council, which may not be revised by the Council without reference to the Courts or a third party.

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

### Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are recorded at the point at which the contingency is evident and if the possibility that they will materialise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

### Statement of Cash Flows

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

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

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

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

### Funding Impact Statements (FIS)

The Funding Impact Statements (FIS) disclose the source of funding of operating and capital expenditure for the Council as a whole and for each group of activities- i.e. the revenue and financing mechanisms it uses to cover the expenditure of the Council. Expenditure includes an allocation of support services and an allocation of interest.

### Critical Accounting Estimates and Assumptions in applying the Council's Accounting Policies

In preparing these prospective 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 information in the prospective financial statements is uncertain and its preparation requires the exercise of judgement. Actual financial results achieved are likely to vary from the information presented and the variations may be material. Events and circumstances may not occur as expected and may or may not have been predicted or the Council may subsequently take actions that differ from the proposed course of action on which the prospective financial statements are based.

### Infrastructural assets

As the Council is a Public Benefit Entity, property plant and equipment are valued at depreciated replacement cost that is based on an estimate of either fair value or current gross replacement cost of improvements less allowances for physical deterioration, and optimisation for obsolescence and relevant surplus capacity



There are certain assets such as wastewater or stormwater related assets which may be affected by changes in measurement of qualitative standards which may affect the results of future periods.

**Landfill aftercare provision**

The estimate of the provision for landfill post-closures is based on assumptions, which may be influenced by changes in technology and society's expectations and could affect future results.

**Assumptions Underlying Prospective Financial Information**

The financial information contained within these policies and financial statements is prospective information in terms of FRS 42: Prospective Financial information. The purpose for which has been prepared to enable the public to participate in the decision making processes as to the services to be provided by Council over the financial years 2012/13 to 2021/22 and to provide a broad accountability mechanism of the Council to the community. The prospective information may not be appropriate for purposes other than those described.

## Note 2: Rates Revenue

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
General rates	114,403	115,861	120,925	126,289	131,445	137,346	143,501	149,420	156,115	163,098	170,382
Targeted rates - Business improvement district	200	280	280	280	280	280	280	280	280	280	280
- 100% non-rateable land	835	869	906	944	985	1,027	1,071	1,117	1,165	1,215	1,268
- 50% non-rateable land	104	108	113	118	123	128	133	139	145	151	158
- Access Hamilton	1,200	5,000	5,000	5,000	5,500	5,500	5,500	6,000	6,000	6,000	6,000
<b>Rates levied</b>	<b>116,742</b>	<b>122,118</b>	<b>127,224</b>	<b>132,631</b>	<b>138,333</b>	<b>144,281</b>	<b>150,485</b>	<b>156,956</b>	<b>163,705</b>	<b>170,744</b>	<b>178,088</b>
Water by meter	6,849	7,327	8,055	8,821	9,103	9,313	9,691	9,997	10,320	10,652	10,991
Rates penalties	626	652	679	708	738	770	803	838	874	911	950
Less rates remissions	(408)	(1,015)	(1,057)	(1,102)	(1,149)	(1,199)	(1,250)	(1,304)	(1,360)	(1,419)	(1,480)
Less rates charged to Council properties	(730)	(791)	(817)	(843)	(870)	(897)	(926)	(955)	(986)	(1,017)	(1,049)
<b>Total rates revenue</b>	<b>123,079</b>	<b>128,291</b>	<b>134,084</b>	<b>140,215</b>	<b>146,155</b>	<b>152,268</b>	<b>158,803</b>	<b>165,532</b>	<b>172,553</b>	<b>179,871</b>	<b>187,500</b>
<b>Less consumption based rates:</b>											
Targeted rates - Water by meter	(6,849)	(7,327)	(8,055)	(8,821)	(9,103)	(9,313)	(9,691)	(9,997)	(10,320)	(10,652)	(10,991)
<b>Total rates revenue excluding consumption based rates</b>	<b>116,230</b>	<b>120,964</b>	<b>126,029</b>	<b>131,394</b>	<b>137,052</b>	<b>142,955</b>	<b>149,112</b>	<b>155,535</b>	<b>162,233</b>	<b>169,219</b>	<b>176,509</b>

## Note 3: Other Revenue

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Revenue from activities</b>											
Arts and recreation	6,655	6,814	7,171	7,498	7,737	7,983	8,236	8,497	8,772	9,052	9,341
City planning and development	966	1,051	1,085	1,119	1,155	1,192	1,230	1,269	1,310	1,352	1,395
City prosperity	20,975	9,639	10,275	10,491	10,847	11,213	11,588	11,975	12,383	12,800	13,230
City safety	5,740	6,854	7,115	7,385	7,620	7,863	8,112	8,369	8,640	8,916	9,201
Community Services	3,311	3,484	3,759	3,879	4,003	4,129	4,262	4,397	4,538	4,683	4,833
Democracy	29	28	236	30	31	32	33	34	35	36	38
Parks and open spaces	915	911	940	970	1,002	1,033	1,066	1,100	1,136	1,173	1,209
Solid waste management	851	308	318	328	339	349	361	372	384	396	409
Stormwater drainage	24	24	25	26	26	27	28	29	30	31	32
Transportation	12,687	11,491	11,879	12,471	12,869	13,279	13,700	14,134	14,590	15,059	15,538
Wastewater	3,296	3,490	3,655	3,826	3,948	4,074	4,203	4,336	4,477	4,620	4,767
Water supply	248	276	285	294	303	393	323	334	345	355	367
Less internal revenue	(1,521)	(1,521)	(1,570)	(1,620)	(1,672)	(1,725)	(1,780)	(1,836)	(1,895)	(1,956)	(2,018)
<b>Total revenue from activities</b>	<b>54,176</b>	<b>42,849</b>	<b>45,173</b>	<b>46,697</b>	<b>48,208</b>	<b>49,842</b>	<b>51,362</b>	<b>53,010</b>	<b>54,745</b>	<b>56,517</b>	<b>58,342</b>
<b>Capital contributions</b>											
Capital subsidies	8,185	1,029	3,714	10,156	4,576	5,341	5,263	4,634	3,397	5,037	5,226
Vested assets	7,900	7,900	8,153	8,414	8,682	8,959	9,243	9,535	9,843	10,159	10,483
Development contributions	6,600	6,256	6,362	6,571	7,383	8,233	9,031	9,650	9,747	9,777	9,536
Other contributions/grants	2,943	2,152	2,971	2,735	1,749	2,475	2,596	3,304	2,169	2,980	2,703
<b>Total capital contributions</b>	<b>25,628</b>	<b>17,337</b>	<b>21,200</b>	<b>27,876</b>	<b>22,390</b>	<b>25,008</b>	<b>26,133</b>	<b>27,123</b>	<b>25,156</b>	<b>27,953</b>	<b>27,948</b>
<b>Sundry revenue</b>											
Dividends & interest income	251	275	275	325	325	325	325	325	325	325	325
Other income	2,127	400	413	426	440	454	468	483	498	514	531
<b>Total sundry revenue</b>	<b>2,378</b>	<b>675</b>	<b>688</b>	<b>751</b>	<b>765</b>	<b>779</b>	<b>793</b>	<b>808</b>	<b>823</b>	<b>839</b>	<b>856</b>
<b>Total other revenue</b>	<b>82,182</b>	<b>60,861</b>	<b>67,061</b>	<b>75,324</b>	<b>71,363</b>	<b>75,629</b>	<b>78,288</b>	<b>80,941</b>	<b>80,724</b>	<b>85,309</b>	<b>87,146</b>

## Note 4: Finance Costs

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
Interest on bank borrowings	26,209	23,643	24,685	25,531	26,195	26,765	26,569	26,718	27,110	27,313	27,294
Interest on leased assets	224	91	127	144	106	103	109	145	116	129	135
<b>Total finance costs</b>	<b>26,433</b>	<b>23,734</b>	<b>24,812</b>	<b>25,675</b>	<b>26,301</b>	<b>26,868</b>	<b>26,678</b>	<b>26,863</b>	<b>27,226</b>	<b>27,442</b>	<b>27,429</b>

## Note 5: Other Expenses

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
Arts and recreation	35,074	32,073	32,932	33,357	34,512	35,807	37,099	38,520	39,905	41,369	42,651
City planning and development	5,358	5,679	5,819	5,755	5,945	6,150	6,358	6,589	6,807	7,054	7,238
City prosperity	33,407	28,564	29,538	30,027	30,570	31,000	31,682	32,367	33,268	34,043	34,161
City safety	8,018	8,956	9,031	8,894	8,910	9,201	9,504	9,846	10,157	10,523	10,774
Community services	10,226	8,167	8,191	8,273	8,537	8,833	9,140	9,467	9,764	10,117	10,435
Democracy	6,153	4,644	5,180	4,920	5,078	5,246	5,420	5,601	5,788	5,985	6,172
Parks and open spaces	15,811	14,613	14,890	15,254	15,751	16,524	17,108	17,573	18,221	18,851	19,528
Solid waste management	6,290	6,091	6,146	6,355	6,549	6,783	7,025	7,275	7,525	7,786	8,047
Stormwater drainage	8,147	8,237	8,440	8,779	8,525	9,072	9,425	9,743	9,990	102,58	10,813
Transportation	49,367	42,095	43,428	44,453	45,589	47,126	48,058	49,084	50,302	51,484	53,042
Wastewater	20,272	22,337	23,258	24,069	24,686	25,332	26,383	27,034	28,513	30,279	32,109
Water supply	16,646	17,928	18,583	19,375	19,269	20,071	20,816	21,582	22,520	23,350	24,084
Less internal expenditure	(1,521)	(1,521)	(1,570)	(1,620)	(1,672)	(1,725)	(1,780)	(1,836)	(1,895)	(1,956)	(2,018)
Less rates charged to Council properties	(730)	(791)	(817)	(843)	(870)	(897)	(926)	(955)	(986)	(1,017)	(1,049)
Less interest on internal borrowing	(744)	(1,016)	(1,081)	(1,078)	(1,098)	(1,121)	(1,126)	(1,146)	(1,131)	(1,131)	(1,162)
<b>Total expenses from activities</b>	<b>211,774</b>	<b>196,056</b>	<b>201,968</b>	<b>205,970</b>	<b>210,281</b>	<b>217,402</b>	<b>224,186</b>	<b>230,744</b>	<b>238,748</b>	<b>246,995</b>	<b>254,825</b>
Less depreciation and amortisation	(55,282)	(56,388)	(58,072)	(59,735)	(60,340)	(62,405)	(65,186)	(68,010)	(70,917)	(73,896)	(76,660)
Less employee benefit expenses	(55,472)	(54,512)	(55,800)	(57,172)	(59,020)	(60,921)	(62,878)	(64,888)	(67,007)	(69,181)	(71,409)
Less finance costs	(26,433)	(23,734)	(24,812)	(25,675)	(26,301)	(26,868)	(26,678)	(26,863)	(27,226)	(27,442)	(27,429)
<b>Total other expenses</b>	<b>74,587</b>	<b>61,422</b>	<b>63,284</b>	<b>63,388</b>	<b>64,620</b>	<b>67,208</b>	<b>69,444</b>	<b>70,983</b>	<b>73,598</b>	<b>76,476</b>	<b>79,327</b>

## Note 5: Other Expenses

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Depreciation and amortisation directly related to each service group</b>											
Arts and recreation	2,988	2,793	3,035	3,196	3,353	3,584	3,807	4,048	4,304	4,495	4,844
City planning and development	-	-	-	-	-	-	-	-	-	-	-
City prosperity	4,938	2,295	2,359	2,310	2,020	1,610	1,655	1,700	1,741	1,659	1,092
City safety	59	55	54	39	29	17	15	13	12	13	14
Community services	138	143	145	139	141	147	154	162	135	141	165
Democracy	-	-	-	-	-	-	-	-	-	-	-
Parks and open spaces	1,054	1,340	1,465	1,580	1,639	1,766	1,909	2,079	2,214	2,310	2,528
Solid waste management	339	306	352	395	398	424	452	478	496	510	556
Stormwater drainage	4,130	5,513	5,703	5,873	5,911	6,143	6,400	6,666	6,936	7,206	7,681
Transportation	17,889	16,399	16,825	17,406	17,747	18,363	18,667	18,955	19,322	19,587	20,447
Wastewater	6,635	7,101	7,450	7,773	7,869	7,973	8,557	8,772	9,246	9,972	10,844
Water supply	5,832	6,810	7,144	7,455	7,116	7,498	7,868	8,427	8,987	9,326	9,874
<b>Depreciation and amortisation incurred by business units and internal service units</b>											
Support services	11,244	13,578	13,483	13,509	14,052	14,810	15,624	16,625	17,430	18,576	18,503
Business units	36	55	57	60	65	70	78	85	94	101	112
<b>Total Depreciation and amortisation</b>	<b>55,282</b>	<b>56,388</b>	<b>58,072</b>	<b>59,735</b>	<b>60,340</b>	<b>62,405</b>	<b>65,186</b>	<b>68,010</b>	<b>70,917</b>	<b>73,896</b>	<b>76,660</b>

## Note 6: Other Financial Assets

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Current portion:</b>											
<b>Loans and receivables</b>											
Loan to CTC Aviation Training (NZ) Ltd	208	-	-	-	-	-	-	-	-	-	-
Loan to Staples Rodway	-	279	261	242	221	199	175	150	122	99	61
Loan to Waikato Rugby Union	-	125	-	-	-	-	-	-	-	-	-
<b>Total current portion</b>	<b>208</b>	<b>404</b>	<b>261</b>	<b>242</b>	<b>221</b>	<b>199</b>	<b>175</b>	<b>150</b>	<b>122</b>	<b>99</b>	<b>61</b>
<b>Non-current portion:</b>											
Local Government Funding Agency Borrower Notes	-	1,647	3,321	5,346	5,314	5,237	5,240	5,297	5,396	5,365	5,371
<b>Other Investments</b>											
Unlisted shares in Local Government Funding Agency	2,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Unlisted shares in Innovation Waikato Ltd	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Unlisted shares in Local Authority Shared Services Ltd	728	728	728	728	728	728	728	728	728	728	728
Unlisted shares in NZ Local Government Insurance Co Ltd	446	337	337	337	337	337	337	337	337	337	337
<b>Total non-current portion</b>	<b>6,074</b>	<b>7,112</b>	<b>8,786</b>	<b>10,811</b>	<b>10,779</b>	<b>10,702</b>	<b>10,705</b>	<b>10,762</b>	<b>10,861</b>	<b>10,830</b>	<b>10,836</b>
<b>Total other financial assets</b>	<b>6,282</b>	<b>7,516</b>	<b>9,047</b>	<b>11,053</b>	<b>11,000</b>	<b>10,901</b>	<b>10,880</b>	<b>10,912</b>	<b>10,983</b>	<b>10,929</b>	<b>10,897</b>

## Note 7: Investments in Associates and Subsidiaries

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Associates</b>											
Hamilton Riverview Hotel Ltd	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Waikato Regional Airport Ltd	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430
Soda Inc Ltd	-	-	-	-	-	-	-	-	-	-	-
<b>Subsidiaries</b>	-	-	-	-	-	-	-	-	-	-	-
Hamilton Properties Ltd	1	1	1	1	1	1	1	1	1	1	1
<b>Total investment in associates and subsidiaries</b>	<b>13,431</b>	<b>13,431</b>	<b>13,431</b>	<b>13,431</b>	<b>13,431</b>	<b>13,431</b>	<b>13,431</b>	<b>13,431</b>	<b>13,431</b>	<b>13,431</b>	<b>13,431</b>

## Note 8: Debt

The city's debt has been issued in accordance with the Local Government Act 2002. The loans are secured through the debenture trust deed over all rates with two exceptions. The \$5.204m loan used to purchase Claudelands Park is secured by way of a mortgage over the Claudelands Park property. The other is a \$1.0m loan used to purchase Victoria on the River Property which is secured by first registered mortgage over the property.

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Current</b>											
Secured loans	107,940	111,486	112,136	114,040	113,411	111,896	111,744	112,730	113,457	113,127	113,513
Lease liabilities	455	427	667	521	264	441	460	575	302	447	380
<b>Total current debt</b>	<b>108,395</b>	<b>111,913</b>	<b>112,803</b>	<b>114,561</b>	<b>113,675</b>	<b>112,337</b>	<b>112,204</b>	<b>113,305</b>	<b>113,759</b>	<b>113,574</b>	<b>113,893</b>
<b>Non-current</b>											
Secured loans	323,819	334,457	336,188	341,293	338,392	333,483	334,444	338,405	339,968	338,955	339,826
Lease liabilities	1,060	996	1,556	1,215	615	1,029	1,072	1,342	706	1,043	887
<b>Total non-current debt</b>	<b>324,879</b>	<b>335,453</b>	<b>337,744</b>	<b>342,508</b>	<b>339,007</b>	<b>334,512</b>	<b>335,516</b>	<b>339,747</b>	<b>340,674</b>	<b>339,998</b>	<b>340,713</b>
<b>Total external debt</b>	<b>433,274</b>	<b>447,366</b>	<b>450,547</b>	<b>457,069</b>	<b>452,682</b>	<b>446,849</b>	<b>447,720</b>	<b>453,052</b>	<b>454,433</b>	<b>453,572</b>	<b>454,606</b>
<b>Adjustments required to determine total overall debt:</b>											
Add back restricted reserves – as required to be held in cash (refer note 9)	6,647	13,561	13,395	13,439	13,484	13,532	13,580	13,629	13,682	13,735	13,790
Add back council reserve-housing reserve to be held in cash (refer note 9)	-	2,671	2,633	2,338	1,938	1,560	1,385	836	-	-	-
Less cash held and cash equivalents	(250)	(32,000)	(32,000)	(32,000)	(32,000)	(32,000)	(32,000)	(32,000)	(32,000)	(32,000)	(32,000)
<b>Total overall debt</b>	<b>439,671</b>	<b>431,598</b>	<b>434,575</b>	<b>440,846</b>	<b>436,104</b>	<b>429,941</b>	<b>430,685</b>	<b>435,517</b>	<b>436,115</b>	<b>435,307</b>	<b>436,396</b>

\* Council restricted reserves and the council created housing reserve are held in cash and are not used for internal borrowing (ie to reduce external borrowing requirements) as they are held for a specific purpose and may be utilised at any time during the 10-Year Plan. Refer to note 9 for a breakdown of Council created and restricted reserves. Council has not included internal borrowing from Council created reserves (except for the housing reserve) in overall debt which is used to calculate the financial ratios. If internal borrowing from all reserves were also included in the debt calculation (at their current level), then total overall debt would be as follows:

<b>Total overall debt (including internal borrowing from Council created reserves)</b>	<b>445,863</b>	<b>437,150</b>	<b>439,588</b>	<b>445,196</b>	<b>440,449</b>	<b>434,282</b>	<b>435,393</b>	<b>441,143</b>	<b>442,274</b>	<b>441,930</b>	<b>443,530</b>
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## DEBT SERVICING PERFORMANCE INDICATORS

	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Financial Ratios</b>										
Liquidity ratio >110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%
Debt to revenue ratio (target 200% by 2019)	248%	238%	232%	222%	209%	202%	196%	189%	181%	176%
Interest to revenue ratio (target <20%)	14%	14%	13%	13%	13%	12%	12%	12%	11%	11%
Debt to cashflow (target <15)	10.8	9.7	8.8	8.1	7.4	6.9	6.3	6.1	5.7	5.5

The financial ratios are calculated as follows:

**Liquidity ratio** – (total funds available through committed facilities/floating rate notes/bonds/cash held) divided by (external debt)

**Debt to revenue ratio** – (total overall debt) divided by (total operating revenue less vested assets less capital subsidies less revenue from development contributions)

**Interest to revenue ratio** – (total interest) divided by (total operating revenue less vested assets less capital subsidies less revenue from development contributions)

**Debt to cashflow** – (total overall debt) divided by (net surplus/deficit plus depreciation less vested assets less capital subsidies less sundry revenue)

Council uses synthetic instruments (swaps and FRAs) to manage its interest rate risk profile based on independent professional advice. The specific limits are outlined in the investment and liability management policy.

## Note 9: Equity

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Retained earnings</b>											
Opening balance	1,578,509	1,590,366	1,581,331	1,581,250	1,591,733	1,599,330	1,610,159	1,622,824	1,638,135	1,652,914	1,670,582
Net surplus/(deficit)	(6,513)	(6,904)	(824)	9,569	7,237	10,495	12,905	15,729	14,529	18,185	19,821
Transfers (to)/from restricted and council created	3,319	(2,131)	743	914	360	334	(240)	(418)	250	(517)	(566)
<b>Total retained earnings</b>	<b>1,575,314</b>	<b>1,581,331</b>	<b>1,581,250</b>	<b>1,591,733</b>	<b>1,599,330</b>	<b>1,610,159</b>	<b>1,622,824</b>	<b>1,638,135</b>	<b>1,652,914</b>	<b>1,670,582</b>	<b>1,689,837</b>
<b>Revaluation reserves</b>											
<b>General asset revaluation reserves</b>											
Opening balance	1,389,529	1,506,559	1,644,366	1,788,333	1,932,300	2,082,014	2,238,004	2,400,051	2,568,479	2,743,890	2,926,828
Revaluation gains	99,426	137,807	143,967	143,967	149,714	155,990	162,047	168,428	175,411	182,938	190,533
<b>Total revaluation reserves</b>	<b>1,488,955</b>	<b>1,644,366</b>	<b>1,788,333</b>	<b>1,932,300</b>	<b>2,082,014</b>	<b>2,238,004</b>	<b>2,400,051</b>	<b>2,568,479</b>	<b>2,743,890</b>	<b>2,926,828</b>	<b>3,117,361</b>
<b>Restricted and council created reserves</b>											
Opening balance	16,157	19,653	21,784	21,041	20,127	19,767	19,433	19,673	20,091	19,841	20,358
Transfers to/(from) restricted and council created	(3,318)	2,131	(743)	(914)	(360)	(334)	240	418	(250)	517	566
<b>Total restricted and council created reserves</b>	<b>12,839</b>	<b>21,784</b>	<b>21,041</b>	<b>20,127</b>	<b>19,767</b>	<b>19,433</b>	<b>19,673</b>	<b>20,091</b>	<b>19,841</b>	<b>20,358</b>	<b>20,924</b>
<b>Total equity</b>	<b>3,077,108</b>	<b>3,247,481</b>	<b>3,390,624</b>	<b>3,544,160</b>	<b>3,701,111</b>	<b>3,867,596</b>	<b>4,042,548</b>	<b>4,226,705</b>	<b>4,416,645</b>	<b>4,617,768</b>	<b>4,828,122</b>
<b>Restricted and council created reserves</b>											
<b>Restricted reserves</b>											
Cemetery plot maintenance in perpetuity	2,075	1,630	1,429	1,435	1,442	1,449	1,456	1,463	1,470	1,478	1,486
Dame Hilda Ross library memorial reserve	-	1	2	2	2	2	2	2	2	2	2
Domain endowment fund	1,924	1,923	1,923	1,923	1,923	1,923	1,923	1,923	1,923	1,923	1,923
Roman Catholic schools library reserve	-	2	2	3	3	3	3	3	4	4	4
Waikato Art Gallery Endowment reserve	7	8	8	9	9	10	11	11	12	13	14
Municipal endowment fund	1,497	8,825	8,825	8,825	8,825	8,825	8,825	8,825	8,825	8,825	8,825
Project watershed emergency reserve	1,144	1,172	1,206	1,242	1,280	1,320	1,360	1,402	1,446	1,490	1,536
<b>Total restricted reserves</b>	<b>6,647</b>	<b>13,561</b>	<b>13,395</b>	<b>13,439</b>	<b>13,484</b>	<b>13,532</b>	<b>13,580</b>	<b>13,629</b>	<b>13,682</b>	<b>13,735</b>	<b>13,790</b>

## Note 9: Equity

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Council created reserves</b>											
Access Hamilton reserve	1,390	1,924	1,374	703	582	453	360	786	794	702	619
Asset renewal reserve	6,395	-	-	-	-	-	-	-	-	-	-
Berm levy reserve	119	-	-	-	-	-	-	-	-	-	-
Bus shelter (Adshel) reserve	69	110	97	82	66	49	42	34	25	15	3
Crime Prevention	-	106	111	118	124	132	140	148	157	166	176
Dame Hilda Ross library memorial reserve	1	-	-	-	-	-	-	-	-	-	-
Disaster recovery reserve	6,124	-	-	-	-	-	-	-	-	-	-
Housing upgrade reserve	-	2,671	2,633	2,338	1,938	1,560	1,385	836	-	-	-
Museum collection reserve	239	252	266	282	338	399	466	538	617	701	792
Project watershed operating reserve	275	80	(70)	(233)	(407)	(595)	(483)	(363)	(236)	(100)	45
Public art reserve	167	123	77	26	28	30	32	34	36	38	40
Rail infrastructure reserve	-	270	278	286	295	304	313	323	333	343	353
Reserves contribution fund	3,885	-	-	-	-	-	-	-	-	-	-
Retiring gratuity reserve	393	411	433	458	485	514	544	577	612	648	687
Roman Catholic schools library reserve	2	-	-	-	-	-	-	-	-	-	-
Rotokauri/Te Rapa land sale reserve	1,500	2,067	2,184	2,306	2,447	2,598	2,761	2,933	3,115	3,307	3,512
Septic tank reserve	106	-	-	-	-	-	-	-	-	-	-
Storm damage reserve	61										
V8 event reserve*	(14,680)	-	-	-	-	-	-	-	-	-	-
Zoo animal acquisition reserve	146	209	263	322	387	457	533	616	706	803	907
<b>Total council created reserves</b>	<b>6,192</b>	<b>8,223</b>	<b>7,646</b>	<b>6,688</b>	<b>6,283</b>	<b>5,901</b>	<b>6,093</b>	<b>6,462</b>	<b>6,159</b>	<b>6,623</b>	<b>7,134</b>
<b>Total restricted and council created reserves</b>	<b>12,839</b>	<b>21,784</b>	<b>21,041</b>	<b>20,127</b>	<b>19,767</b>	<b>19,433</b>	<b>19,673</b>	<b>20,091</b>	<b>19,841</b>	<b>20,358</b>	<b>20,924</b>

\* The V8 Reserve, which is in deficit by \$14.68m, has been used to fund the infrastructure costs associated with establishing the V8 circuit. The deficit balance within Council Created Reserves has been reversed in 2011/12 (a transfer from retained earnings will be used to clear the deficit V8 Reserve). For the 10 year plan, operating cashflows (including rates) will be used to fund the financing costs associated with this deficit reserve, as the balance of \$14.68m is incorporated within external debt.

\*\* These reserves will be deleted from 2012/13.

## Note 10: Capital Expenditure

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Capital expenditure disclosed in funding impact statements</b>											
Arts and recreation	3,268	2,840	2,817	3,875	3,023	3,091	3,475	4,524	3,522	4,476	4,276
City planning and development	-	-	-	-	-	-	-	-	-	-	-
City prosperity	328	236	566	246	415	300	319	337	437	368	391
City safety	21	-	-	-	-	-	-	-	-	-	-
Community services	12	590	275	179	253	41	170	184	99	55	192
Democracy	-	-	-	-	-	-	-	-	-	-	-
Parks and open spaces	11,990	4,663	2,234	2,291	2,418	1,944	3,019	2,977	3,025	4,376	2,997
Solid waste management	221	620	1,217	1,266	585	608	602	595	619	644	670
Stormwater drainage	1,837	1,656	2,038	2,308	1,487	2,313	2,125	6,353	2,293	3,211	2,423
Transportation	27,242	27,526	22,334	22,914	16,031	19,837	18,257	18,788	24,103	20,586	36,233
Waste water	7,516	7,912	6,473	7,643	9,035	9,852	18,876	11,822	14,802	21,278	16,315
Water supply	10,489	6,491	6,797	17,448	16,612	12,287	10,397	20,069	16,937	11,372	8,177
<b>Capital expenditure incurred by business units and internal service units</b>											
City parks	-	141	-	-	-	-	-	-	-	-	-
Information services	3,310	3,773	1,427	2,808	771	1,688	1,471	2,369	1,702	1,799	1,141
Property management	4,495	4,286	3,647	4,817	5,081	5,222	8,234	9,225	10,207	10,960	13,181
Utilities	-	-	-	-	-	-	-	-	-	-	-
<b>Total capital expenditure</b>	<b>70,728</b>	<b>60,733</b>	<b>49,825</b>	<b>65,796</b>	<b>55,710</b>	<b>57,184</b>	<b>66,945</b>	<b>77,243</b>	<b>77,745</b>	<b>79,123</b>	<b>85,996</b>
<b>Total capital expenditure funded by:</b>											
Loans	32,972	32,555	20,347	23,332	20,737	19,808	26,632	34,350	40,828	32,043	35,948
Reserves	6,668	1,241	963	1,030	1,143	1,127	628	996	1,256	411	428
Subsidies	8,184	4,237	2,258	13,035	4,576	5,341	5,263	4,634	-1,234	5,037	5,226
Other revenue	1,161	1,581	2,381	2,126	1,122	1,828	1,916	2,603	1,445	2,232	1,932
General rates	21,743	21,120	23,876	26,273	28,132	29,081	32,507	34,660	35,451	39,401	42,462
<b>Total capital expenditure</b>	<b>70,728</b>	<b>60,733</b>	<b>49,825</b>	<b>65,796</b>	<b>55,710</b>	<b>57,184</b>	<b>66,945</b>	<b>77,243</b>	<b>77,745</b>	<b>79,123</b>	<b>85,996</b>

## Note 11: Reconciliation of net surplus/(deficit) to Council Funding Statement for the Years ended 30 June 2013-2022

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Operating Surplus/(deficit) from cost of service statements</b>											
Arts and recreation	(5,024)	(4,868)	(4,447)	(3,769)	(3,374)	(3,273)	(3,058)	(2,912)	(2,770)	(2,611)	(2,299)
City planning and development	(997)	(939)	(859)	(729)	(658)	(628)	(590)	(564)	(545)	(512)	(456)
City prosperity	(2,795)	(3,684)	(3,451)	(2,933)	(2,580)	(2,397)	(2,185)	(1,921)	(1,813)	(1,674)	(1,429)
City safety	(504)	(421)	(356)	(237)	(177)	(176)	(164)	(168)	(149)	(145)	(132)
Community services	(880)	(947)	(813)	(691)	(627)	(609)	(571)	(555)	(525)	(490)	(455)
Democracy	(1,391)	(938)	(899)	(767)	(689)	(663)	(618)	(600)	(565)	(546)	(489)
Parks and open spaces	(2,676)	(2,373)	(2,164)	(1,819)	(1,557)	(1,559)	(1,379)	(1,240)	(1,146)	(1,067)	(914)
Solid waste management	(1,240)	(1,183)	(1,076)	(950)	(859)	(831)	(782)	(747)	(711)	(673)	(621)
Stormwater drainage	(1,241)	(1,142)	(980)	(776)	(463)	(385)	(238)	(49)	37	120	135
Transportation	2,984	2,365	6,264	13,103	7,701	9,377	9,727	10,637	8,375	10,867	11,097
Wastewater	(1,252)	(1,318)	(1,069)	(551)	196	681	1,241	1,602	1,761	1,842	2,007
Water supply	(141)	(372)	(208)	196	544	878	1,153	1,565	1,606	1,784	1,732
add Vested assets	7,900	7,900	8,153	8,414	8,682	8,959	9,243	9,535	9,843	10,159	10,483
remove Interest on internal borrowing	744	1,016	1,081	1,078	1,098	1,121	1,126	1,146	1,131	1,131	1,162
<b>Net surplus/(deficit) per Statement of Comprehensive Income</b>	<b>(6,513)</b>	<b>(6,904)</b>	<b>(824)</b>	<b>9,569</b>	<b>7,237</b>	<b>10,495</b>	<b>12,905</b>	<b>15,729</b>	<b>14,529</b>	<b>18,185</b>	<b>19,821</b>
Deduct Vested assets and interest on internal borrowing not included in the FIS	(8,644)	(8,916)	(9,234)	(9,492)	(9,780)	(10,080)	(10,369)	(10,681)	(10,974)	(11,290)	(11,645)
<b>Net surplus/(deficit) before vested assets and internal interest</b>	<b>(15,157)</b>	<b>(15,820)</b>	<b>(10,058)</b>	<b>77</b>	<b>(2,543)</b>	<b>415</b>	<b>2,536</b>	<b>5,048</b>	<b>3,555</b>	<b>6,895</b>	<b>8,176</b>
Deduct capital subsidies (recorded as capital sources)	(8,185)	(1,029)	(3,714)	(10,156)	(4,576)	(5,341)	(5,263)	(4,634)	(3,397)	(5,037)	(5,226)
Deduct development and financial contributions (recorded as capital sources)	(8,679)	(7,897)	(7,964)	(8,290)	(9,053)	(9,935)	(10,745)	(11,492)	(11,591)	(11,759)	(11,519)
Deduct finance leases (recorded as capital sources)		(511)	(1,369)	(1,031)	(110)	(759)	(863)	(1,480)	(325)	(998)	(751)
Add provision for LGFA guarantee	-	27	30	32	31	32	29	33	29	31	45
Add depreciation not included in the FIS	55,284	56,388	58,071	59,735	60,340	62,405	65,186	68,010	70,917	73,896	76,660
<b>Surplus/(deficit) of operating funding</b>	<b>23,263</b>	<b>31,158</b>	<b>34,996</b>	<b>40,367</b>	<b>44,089</b>	<b>46,817</b>	<b>50,880</b>	<b>55,485</b>	<b>59,188</b>	<b>63,028</b>	<b>67,385</b>
<b>Balance as per Council FIS Operating Surplus/(deficit) of funding</b>	<b>23,263</b>	<b>31,158</b>	<b>34,996</b>	<b>40,367</b>	<b>44,089</b>	<b>46,817</b>	<b>50,880</b>	<b>55,485</b>	<b>59,188</b>	<b>63,028</b>	<b>67,385</b>

## RESERVE FUNDS

Reserves are held to ensure that funds received for a particular purpose are used for that purpose and any surplus created is managed in accordance with the reason for which the reserve was established. Surpluses held in reserves are credited with interest. The council holds 20 reserves, with 7 being restricted reserves. Restricted reserves are reserves that have rules set by legal obligation that restrict the use that the council may put the funds towards. The remaining Council created reserves are discretionary reserves which the council has established for the fair and transparent use of monies. Reserves are not separately held in cash and the funds are managed as part of the council's treasury management.

Below is a list of current reserves outlining the purpose for holding each reserve and the council activity to which each reserve relates, together with summary financial information across the ten years of the 10-Year Plan:

RESTRICTED RESERVES - PURPOSE OF THE FUND	Opening Balance July 2012 \$000s	Deposits \$000s	Expenditure \$000s	Closing Balance June 2022 \$000s
<b>Cemetery Plot Maintenance in Perpetuity Reserve (Cemeteries and Crematorium Activity)</b> To maintain and provide for improvements to the cemeteries.	2,079	945	1,538	1,486
<b>Domain Endowment Fund (Parks and Open Spaces Activity)</b> 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.	1,923	1,120	1,120	1,923
<b>Dame Hilda Ross Children's Library Memorial Fund (Libraries Activity)</b> To manage a bequest by Dame Hilda Ross given for the purpose of extending the children's collection in the Dame Hilda Ross Memorial Arts Centre (Children's Library). Only the interest income from the fund may be used for purchases.	1	1	0	2
<b>Roman Catholic Schools Library Fund (Libraries Activity)</b> To manage a bequest made for the purpose of extending the children's collection in the Children's Library. The interest income from the fund can be used for children's book collection purchases.	2	2	0	4
<b>Waikato Art Gallery Endowment Reserve (Arts Promotion Activity)</b> To provide funds for the acquisition of works of art for the Waikato Museum of Art and History.	8	6	0	14
<b>Municipal Endowment Fund (Strategic Property Investment Activity)</b> 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.	8,825	5,146	5,146	8,825
<b>Project Watershed Emergency Reserve (Water Supply and Stormwater Activity)</b> To fund emergency works for which Waikato Regional Council (WRC) pays a flat contingency sum per year. If an event does occur, permission needs to be sought from WRC before funding can be utilised from this reserve.	1,139	397	0	1,536

COUNCIL CREATED RESERVES PURPOSE OF THE FUND	Opening Balance July 2012 \$000s	Deposits \$000s	Expenditure \$000s	Closing Balance June 2022 \$000s
<b>Access Hamilton Reserve (Transport Network Activity)</b> To fund transport network improvements as approved by the council, from the accumulated funds of the Access Hamilton targeted rate.	1,603	55,737	56,721	619
<b>Bus Shelter Reserve (Travel Demand Management Activity)</b> To manage the income generated from advertising in bus shelters to provide, maintain and enhance passenger infrastructure.	122	713	832	3
<b>Crime Prevention (City Safety Activity Group)</b> To provide funds for future technological developments in the field of CCTV surveillance. No specific projects have been set up for the coming ten years.	100	76	0	176

COUNCIL CREATED RESERVES PURPOSE OF THE FUND	Opening Balance July 2012 \$000s	Deposits \$000s	Expenditure \$000s	Closing Balance June 2022 \$000s
<b>Housing Upgrade Reserve (Housing Activity)</b> To assist in improving council owned housing. There is no specific plan to use this reserve for the coming ten years while the council considers its future role in this activity.	600	5,875	0	6,475
<b>Museum Collection Reserve (Waikato Museum Activity)</b> To enable funds to accumulate across years for the purchase of new items for the museum collection. There is no specific expenditure plan for the coming ten years – each item identified for purchase requires the council's approval.	239	553	0	792
<b>Project Watershed Operating Reserve (Water Supply and Stormwater Drainage Activities)</b> 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.	220	7,329	7,539	10
<b>Public Art Reserve (Arts Promotion Activity)</b> To enable funds to accumulate across years for the purchase of public art, including investigation and construction.	165	476	601	40
<b>Rail Infrastructure Reserve (Transport Network Activity)</b> To provide for infrastructure that would be required to support a commuter rail service between Hamilton and Auckland. The funds came from a transfer from the Access Hamilton Reserve.	263	90	0	353



COUNCIL CREATED RESERVES PURPOSE OF THE FUND	Opening Balance July 2012 \$000s	Deposits \$000s	Expenditure \$000s	Closing Balance June 2022 \$000s
<b>Retiring Gratuity Reserve (Staff Benefits)</b> To manage funds relating to staff retirement gratuities for those staff that have an entitlement. An annual transfer is made from the general fund and the reserve is used to balance out the varying number of retirements between years.	390	1,222	925	687

COUNCIL CREATED RESERVES PURPOSE OF THE FUND	Opening Balance July 2012 \$000s	Deposits \$000s	Expenditure \$000s	Closing Balance June 2022 \$000s
<b>Rotokauri Land Sale Reserve (Strategic Property Investment Activity)</b> To manage funds derived from the sale of land in Foreman Road. These funds are for a purchase of land reserves in the Rotokauri growth cell.	1,959	1,550	0	3,509
<b>Septic Tank Reserve (Wastewater Activity)</b> To assist in septic tank cleaning every three years. The programme has been funded by rates collected from rural properties. The reserve will be disestablished from 2013/14 as the last year of the current cycle of cleaning is 2012/13.	104	25	129	0
<b>Waste Minimisation Reserve (Waste Minimisation Activity)</b> To encourage a reduction in the amount of waste generated and disposed of in New Zealand, and to lessen the environmental harm of waste. This 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.	0	4,626	4,626	0
<b>Zoo Animal Purchases Reserve (Hamilton Zoo Activity)</b> To enable funds to accumulate across years for the purchase of zoo animals.	159	748	0	907

# AUDIT OPINION



## Independent Auditor's Report

**To the readers of  
Hamilton City Council's  
Long-Term Plan  
for the 10 years commencing 1 July 2012**

The Auditor-General is the auditor of Hamilton City Council (the City Council). The Auditor-General has appointed me, Karen MacKenzie, using the staff and resources of Audit New Zealand, to report on the Long Term Plan (LTP), on her behalf. We have audited the City Council's LTP incorporating volumes 1 and 2 dated 29 June 2012 for the 10 years commencing 1 July 2012.

The Auditor-General is required by section 94(1) of the Local Government Act 2002 (the Act) to report on:

- the extent to which the LTP complies with the requirements of the Act; and
- the quality of information and assumptions underlying the forecast information provided in the LTP.

## Opinion

### Overall Opinion

**In our opinion the City Council's LTP incorporating volumes 1 and 2 dated 29 June 2012 provides a reasonable basis for long term integrated decision-making by the City Council and for participation in decision-making by the public and subsequent accountability to the community about the activities of the City Council.**

In forming our overall opinion, we considered the specific matters outlined in section 94(1) of the Act which we report on as follows.

### Opinion on Specific Matters Required by the Act

#### In our view:

- the City Council has complied with the requirements of the Act in all material respects demonstrating good practice for a council of its size and scale within the context of its environment; and
- the underlying information and assumptions used to prepare the LTP provide a reasonable and supportable basis for the preparation of the forecast information.

Actual results are likely to be different from the forecast information since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the forecasts will be achieved.

Our report was completed on 29 June 2012. This is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

## Basis of Opinion

We carried out the audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). We have examined the forecast financial information in accordance with the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information.

Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain all the information and explanations we considered necessary to obtain reasonable assurance that the LTP does not contain material misstatements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves performing procedures to obtain audit evidence about the forecast information and disclosures in the LTP. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the information in the LTP. In making those risk assessments we consider internal control relevant to the preparation of the City Council's LTP. We consider internal control 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's internal control.

Our audit procedures also include assessing whether:

- the LTP provides the community with sufficient and balanced information about the strategic and other key issues, and implications it faces and provides for participation by the public in decision making processes;
- the City Council's financial strategy, supported by financial policies is financially prudent, and has been clearly communicated to the community in the LTP;
- the presentation of the LTP complies with the legislative requirements of the Act;
- the decision-making and consultation processes underlying the development of the LTP are compliant with the decision-making and consultation requirements of the Act;
- the information in the LTP is based on materially complete and reliable asset or activity information;
- the agreed levels of service are fairly reflected throughout the LTP;
- the City Council's key plans and policies have been consistently applied in the development of the forecast information;
- the assumptions set out within the LTP are based on best information currently available to the City Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted and the financial information complies with generally accepted accounting practice in New Zealand;
- the rationale for the activities is clearly presented;

- the levels of service and performance measures are reasonable estimates and reflect the key aspects of the City Council's service delivery and performance; and
- the relationship of the levels of service, performance measures and forecast financial information has been adequately explained within the LTP.

We do not guarantee complete accuracy of the information in the LTP. Our procedures included examining on a test basis, evidence supporting assumptions, amounts and other disclosures in the LTP and determining compliance with the requirements of the Act. We evaluated the overall adequacy of the presentation of information. We obtained all the information and explanations we required to support our opinion above.

### **Responsibilities of the Council**

The Council is responsible for preparing a LTP under the Act, by applying the Council's assumptions and presenting the financial information in accordance with generally accepted accounting practice in New Zealand. The Council is also responsible for such internal control as it determines is necessary to enable the preparation of a LTP that is free from material misstatement.

The Council's responsibilities arise from Section 93 of the Act.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the LTP and reporting that opinion to you based on our audit. This responsibility arises from section 15 of the Public Audit Act 2001 and section 94(1) of the Act.

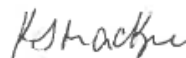
It is not our responsibility to express an opinion on the merits of any policy content within the LTP.

### **Independence**

When reporting on the LTP we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this report we have carried out assignments to provide quality assurance over the City Council's system replacement project (Project Phoenix) and review the decision making processes for the V8 Supercar Event, which are compatible with those independence requirements.

Other than this report, the above assignments and in conducting the audit of the LTP Statement of Proposal and the annual audit, we have no relationship with or interests in the City Council or any of its subsidiaries.



Karen MacKenzie  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand



# SERVICE GROUP FUNDING IMPACT STATEMENTS

2013-2022

- Arts and Recreation
- City Planning and Development
- City Prosperity
- City Safety
- Community Services
- Democracy
- Parks and Open Spaces
- Solid Waste
- Stormwater
- Transportation
- Wastewater
- Water Supply

Key  
2011/12 ANNUAL PLAN  
10-YEAR PLAN



## Arts and Recreation – Funding Impact Statement

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	21,813	19,900	20,806	21,566	22,852	23,988	25,220	26,499	27,733	29,055	30,336
Targeted rates (other than targeted rate for water supply)	215	217	224	230	242	251	262	273	283	294	305
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees charges and targeted rates for water supply	6,655	6,814	7,171	7,497	7,736	7,983	8,236	8,497	8,771	9,053	9,341
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees,	-	-	-	-	-	-	-	-	-	-	-
<b>Total operating funding</b>	<b>28,683</b>	<b>26,931</b>	<b>28,201</b>	<b>29,294</b>	<b>30,831</b>	<b>32,222</b>	<b>33,718</b>	<b>35,269</b>	<b>36,788</b>	<b>38,401</b>	<b>39,982</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	21,423	20,835	21,478	21,652	22,297	22,947	23,604	24,235	24,977	25,670	26,616
Finance costs	2,393	653	687	721	732	747	744	753	760	767	766
Internal charges and overheads applied	6,069	5,409	5,354	5,421	5,625	5,878	6,131	6,478	6,707	7,064	7,064
Other operating funding applications	38	34	41	42	43	44	45	33	34	35	36
<b>Total applications of operating funding</b>	<b>29,923</b>	<b>26,931</b>	<b>27,560</b>	<b>27,836</b>	<b>28,697</b>	<b>29,616</b>	<b>30,524</b>	<b>31,499</b>	<b>32,478</b>	<b>33,536</b>	<b>34,482</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(1,240)</b>	<b>-</b>	<b>641</b>	<b>1,458</b>	<b>2,134</b>	<b>2,606</b>	<b>3,194</b>	<b>3,770</b>	<b>4,310</b>	<b>4,865</b>	<b>5,500</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	1,329	274	283	292	302	314	325	336	347	357	368
Increase/(decrease) in debt	707	3,919	2,714	3,378	1,638	1,417	1,703	2,520	1,031	1,581	1,025
Gross proceeds from the sale of assets	200	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>2,236</b>	<b>4,193</b>	<b>2,997</b>	<b>3,670</b>	<b>1,940</b>	<b>1,731</b>	<b>2,028</b>	<b>2,856</b>	<b>1,378</b>	<b>1,938</b>	<b>1,393</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	66	-	-	-	-	-	-	-	-	-	-
-to improve the level of service	3,858	1,288	395	941	196	454	837	814	366	640	595
-to replace existing assets	822	2,965	3,298	4,240	3,847	3,848	4,349	5,773	5,278	6,116	6,239
Increase/(decrease) in reserves	(3,750)	(60)	(55)	(53)	31	35	36	39	44	47	59
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>996</b>	<b>4,193</b>	<b>3,638</b>	<b>5,128</b>	<b>4,074</b>	<b>4,337</b>	<b>5,222</b>	<b>6,626</b>	<b>5,688</b>	<b>6,803</b>	<b>6,893</b>
<b>Surplus/(deficit) of capital funding</b>	<b>1,240</b>	<b>-</b>	<b>(641)</b>	<b>(1,458)</b>	<b>(2,134)</b>	<b>(2,606)</b>	<b>(3,194)</b>	<b>(3,770)</b>	<b>(4,310)</b>	<b>(4,865)</b>	<b>(5,500)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# City Planning and Development – Funding Impact Statement

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	3,350	3,650	3,833	3,865	4,088	4,286	4,492	4,707	4,902	5,138	5,333
Targeted rates	33	40	41	41	43	45	47	49	50	52	54
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees charges and targeted rates for water supply	966	1,051	1,085	1,119	1,155	1,192	1,230	1,269	1,310	1,352	1,395
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other	-	-	-	-	-	-	-	-	-	-	-
<b>Total operating funding</b>	<b>4,349</b>	<b>4,741</b>	<b>4,959</b>	<b>5,025</b>	<b>5,286</b>	<b>5,523</b>	<b>5,769</b>	<b>6,025</b>	<b>6,262</b>	<b>6,542</b>	<b>6,782</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	4,011	4,240	4,389	4,325	4,455	4,587	4,721	4,852	5,004	5,146	5,335
Finance costs	51	4	5	7	6	6	6	7	6	7	7
Internal charges and overheads applied	958	1,004	994	1,006	1,044	1,091	1,138	1,202	1,245	1,311	1,311
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
<b>Total applications of operating funding</b>	<b>5,020</b>	<b>5,248</b>	<b>5,388</b>	<b>5,338</b>	<b>5,505</b>	<b>5,684</b>	<b>5,865</b>	<b>6,061</b>	<b>6,255</b>	<b>6,464</b>	<b>6,653</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(671)</b>	<b>(507)</b>	<b>(429)</b>	<b>(313)</b>	<b>(219)</b>	<b>(161)</b>	<b>(96)</b>	<b>(36)</b>	<b>7</b>	<b>78</b>	<b>129</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in debt	680	765	595	540	394	383	406	409	368	331	328
Gross proceeds from the sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>680</b>	<b>765</b>	<b>595</b>	<b>540</b>	<b>394</b>	<b>383</b>	<b>406</b>	<b>409</b>	<b>368</b>	<b>331</b>	<b>328</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
-to improve the level of service	98	126	48	86	25	54	72	76	28	48	37
-to replace existing assets	127	133	114	148	158	162	233	290	347	355	412
Increase/(decrease) in reserves	(216)	(1)	4	(7)	(7)	6	5	7	-	6	7
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>9</b>	<b>258</b>	<b>166</b>	<b>227</b>	<b>175</b>	<b>222</b>	<b>310</b>	<b>373</b>	<b>375</b>	<b>409</b>	<b>457</b>
<b>Surplus/(deficit) of capital funding</b>	<b>671</b>	<b>507</b>	<b>429</b>	<b>313</b>	<b>219</b>	<b>161</b>	<b>96</b>	<b>36</b>	<b>(7)</b>	<b>(78)</b>	<b>(129)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## City Prosperity – Funding Impact Statement

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	9,224	14,610	15,177	15,901	16,419	16,635	17,124	17,666	18,255	18,747	18,684
Targeted rates	94	159	164	169	174	174	178	182	187	190	188
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees charges and targeted rates for water supply	20,979	9,639	10,275	10,491	10,847	11,213	11,588	11,975	12,383	12,800	13,230
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	237	275	275	325	325	325	325	325	325	325	325
Local authorities fuel tax, fines, infringement fees, and other	-	-	-	-	-	-	-	-	-	-	-
<b>Total operating funding</b>	<b>30,534</b>	<b>24,683</b>	<b>25,891</b>	<b>26,886</b>	<b>27,765</b>	<b>28,347</b>	<b>29,215</b>	<b>30,148</b>	<b>31,150</b>	<b>32,062</b>	<b>32,427</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	23,193	14,909	15,456	15,708	16,198	16,716	17,215	17,700	18,251	18,790	19,549
Finance costs	944	7,002	7,314	7,555	7,750	7,917	7,860	7,907	8,024	8,082	8,078
Internal charges and overheads applied	3,313	2,229	2,215	2,240	2,321	2,427	2,539	2,681	2,789	2,940	2,961
Other operating funding applications	15	377	461	470	481	491	502	366	377	389	402
<b>Total applications of operating funding</b>	<b>27,465</b>	<b>24,517</b>	<b>25,446</b>	<b>25,973</b>	<b>26,750</b>	<b>27,551</b>	<b>28,116</b>	<b>28,654</b>	<b>29,441</b>	<b>30,201</b>	<b>30,990</b>
<b>Surplus/(deficit) of operating funding</b>	<b>3,069</b>	<b>166</b>	<b>445</b>	<b>913</b>	<b>1,015</b>	<b>796</b>	<b>1,099</b>	<b>1,494</b>	<b>1,709</b>	<b>1,861</b>	<b>1,437</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	196	197	206	222	257	285	296	305	308	304
Increase/(decrease) in debt	2,427	1,819	1,121	1,624	(635)	(520)	(423)	(555)	(618)	(889)	(301)
Gross proceeds from the sale of assets	-	265	625	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>2,427</b>	<b>2,280</b>	<b>1,943</b>	<b>1,830</b>	<b>(413)</b>	<b>(263)</b>	<b>(138)</b>	<b>(259)</b>	<b>(313)</b>	<b>(581)</b>	<b>3</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
-to improve the level of service	611	505	506	355	101	209	274	286	104	174	130
-to replace existing assets	359	768	699	854	1,048	930	1,207	1,427	1,730	1,665	1,836
Increase/(decrease) in reserves	2,026	(474)	(491)	(491)	(515)	(529)	(523)	(535)	(537)	(528)	(532)
Increase/(decrease) of investments	2,500	1,647	1,674	2,025	(32)	(77)	3	57	99	(31)	6
<b>Total application of capital funding</b>	<b>5,496</b>	<b>2,446</b>	<b>2,388</b>	<b>2,743</b>	<b>602</b>	<b>533</b>	<b>961</b>	<b>1,235</b>	<b>1,396</b>	<b>1,280</b>	<b>1,443</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(3,069)</b>	<b>(166)</b>	<b>(445)</b>	<b>(913)</b>	<b>(1,015)</b>	<b>(796)</b>	<b>(1,099)</b>	<b>(1,494)</b>	<b>(1,709)</b>	<b>(1,861)</b>	<b>(1,437)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## City Safety – Funding Impact Statement

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	1,739	1,663	1,543	1,259	1,101	1,150	1,216	1,296	1,354	1,447	1,427
Targeted rates	17	18	17	13	12	12	13	13	14	15	14
Subsidies and grants for operating purposes	35	99	103	106	109	113	116	120	124	128	132
Fees charges and targeted rates for water supply	5,705	6,755	7,012	7,279	7,511	7,750	7,996	8,249	8,516	8,788	9,069
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other	-	-	-	-	-	-	-	-	-	-	-
<b>Total operating funding</b>	<b>7,496</b>	<b>8,535</b>	<b>8,675</b>	<b>8,657</b>	<b>8,733</b>	<b>9,025</b>	<b>9,341</b>	<b>9,678</b>	<b>10,008</b>	<b>10,378</b>	<b>10,642</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	5,763	7,042	7,159	7,048	7,027	7,251	7,480	7,711	7,959	8,208	8,486
Finance costs	26	40	43	46	47	47	47	47	49	49	48
Internal charges and overheads applied	1,981	1,621	1,600	1,622	1,685	1,758	1,826	1,928	1,983	2,085	2,068
Other operating funding applications	0	2	2	3	3	3	3	2	2	2	2
<b>Total applications of operating funding</b>	<b>7,770</b>	<b>8,705</b>	<b>8,804</b>	<b>8,719</b>	<b>8,762</b>	<b>9,059</b>	<b>9,356</b>	<b>9,688</b>	<b>9,993</b>	<b>10,344</b>	<b>10,604</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(274)</b>	<b>(170)</b>	<b>(129)</b>	<b>(62)</b>	<b>(29)</b>	<b>(34)</b>	<b>(15)</b>	<b>(10)</b>	<b>15</b>	<b>34</b>	<b>38</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in debt	-	294	190	139	79	90	97	104	91	82	77
Gross proceeds from the sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>294</b>	<b>190</b>	<b>139</b>	<b>79</b>	<b>90</b>	<b>97</b>	<b>104</b>	<b>91</b>	<b>82</b>	<b>77</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
-to improve the level of service	74	58	19	28	7	14	19	21	8	13	10
-to replace existing assets	66	61	46	48	42	44	63	80	96	100	110
Increase/(decrease) in reserves	(414)	5	(4)	1	1	(2)	-	(7)	2	3	(5)
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>(274)</b>	<b>124</b>	<b>61</b>	<b>77</b>	<b>50</b>	<b>56</b>	<b>82</b>	<b>94</b>	<b>106</b>	<b>116</b>	<b>115</b>
<b>Surplus/(deficit) of capital funding</b>	<b>274</b>	<b>170</b>	<b>129</b>	<b>62</b>	<b>29</b>	<b>34</b>	<b>15</b>	<b>10</b>	<b>(15)</b>	<b>(34)</b>	<b>(38)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Community Services – Funding Impact Statement

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	5,273	3,696	3,580	3,664	3,866	4,053	4,263	4,469	4,653	4,894	5,096
Targeted rates	52	40	39	39	41	42	44	46	48	50	51
Subsidies and grants for operating purposes	249	53	54	56	57	59	61	63	65	67	68
Fees charges and targeted rates for water supply	3,062	3,431	3,705	3,823	3,946	4,070	4,201	4,334	4,473	4,616	4,765
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other	(1)	-	-	-	-	-	-	-	-	-	-
<b>Total operating funding</b>	<b>8,635</b>	<b>7,220</b>	<b>7,378</b>	<b>7,582</b>	<b>7,910</b>	<b>8,224</b>	<b>8,569</b>	<b>8,912</b>	<b>9,239</b>	<b>9,627</b>	<b>9,980</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	7,638	6,341	6,394	6,471	6,673	6,877	7,081	7,288	7,520	7,739	8,010
Finance costs	115	98	104	111	111	114	113	117	115	118	117
Internal charges and overheads applied	1,793	1,144	1,140	1,151	1,190	1,249	1,317	1,394	1,465	1,552	1,580
Other operating funding applications	1	5	6	6	6	6	7	5	5	5	5
<b>Total applications of operating funding</b>	<b>9,547</b>	<b>7,588</b>	<b>7,644</b>	<b>7,739</b>	<b>7,980</b>	<b>8,246</b>	<b>8,518</b>	<b>8,804</b>	<b>9,105</b>	<b>9,414</b>	<b>9,712</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(912)</b>	<b>(368)</b>	<b>(266)</b>	<b>(157)</b>	<b>(70)</b>	<b>(22)</b>	<b>51</b>	<b>108</b>	<b>134</b>	<b>213</b>	<b>268</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	687	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in debt	194	441	224	48	(110)	(300)	65	(281)	(625)	153	266
Gross proceeds from the sale of assets	-	2,476	-	-	-	-	-	-	-	-	-
Lump sum contributions											
<b>Total sources of capital funding</b>	<b>881</b>	<b>2,917</b>	<b>224</b>	<b>48</b>	<b>(110)</b>	<b>(300)</b>	<b>65</b>	<b>(281)</b>	<b>(625)</b>	<b>153</b>	<b>266</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
-to improve the level of service	171	583	252	82	24	51	68	72	26	46	36
-to replace existing assets	200	270	174	319	402	195	391	460	429	394	586
Increase/(decrease) in reserves	(402)	1,696	(468)	(510)	(606)	(568)	(343)	(705)	(946)	(74)	(88)
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>(31)</b>	<b>2,549</b>	<b>(42)</b>	<b>(109)</b>	<b>(180)</b>	<b>(322)</b>	<b>116</b>	<b>(173)</b>	<b>(491)</b>	<b>366</b>	<b>534</b>
<b>Surplus/(deficit) of capital funding</b>	<b>912</b>	<b>368</b>	<b>266</b>	<b>157</b>	<b>70</b>	<b>22</b>	<b>(51)</b>	<b>(108)</b>	<b>(134)</b>	<b>(213)</b>	<b>(268)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Democracy – Funding Impact Statement

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	4,674	3,638	4,002	4,079	4,311	4,505	4,721	4,915	5,136	5,349	5,588
Targeted rates	46	40	43	43	46	47	49	51	52	54	56
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees charges and targeted rates for water supply	29	28	236	30	31	32	33	34	35	36	38
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other	-	-	-	-	-	-	-	-	-	-	-
<b>Total operating funding</b>	<b>4,749</b>	<b>3,706</b>	<b>4,281</b>	<b>4,152</b>	<b>4,388</b>	<b>4,584</b>	<b>4,803</b>	<b>5,000</b>	<b>5,223</b>	<b>5,439</b>	<b>5,682</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	1,386	1,428	1,879	1,535	1,576	1,615	1,654	1,689	1,735	1,774	1,853
Finance costs	71	6	7	10	8	8	8	10	9	9	9
Internal charges and overheads applied	4,224	2,781	2,845	2,935	3,030	3,133	3,240	3,351	3,466	3,588	3,698
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
<b>Total applications of operating funding</b>	<b>5,681</b>	<b>4,215</b>	<b>4,731</b>	<b>4,480</b>	<b>4,614</b>	<b>4,756</b>	<b>4,902</b>	<b>5,050</b>	<b>5,210</b>	<b>5,371</b>	<b>5,560</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(932)</b>	<b>(509)</b>	<b>(450)</b>	<b>(328)</b>	<b>(226)</b>	<b>(172)</b>	<b>(99)</b>	<b>(50)</b>	<b>13</b>	<b>68</b>	<b>122</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in debt	-	763	622	570	415	403	426	428	385	345	344
Gross proceeds from the sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>763</b>	<b>622</b>	<b>570</b>	<b>415</b>	<b>403</b>	<b>426</b>	<b>428</b>	<b>385</b>	<b>345</b>	<b>344</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
-to improve the level of service	143	126	50	91	26	57	75	79	29	50	39
-to replace existing assets	177	132	119	156	166	171	245	303	364	370	432
Increase/(decrease) in reserves	(1,252)	(4)	3	(5)	(3)	3	7	(4)	5	(7)	(5)
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>(932)</b>	<b>254</b>	<b>172</b>	<b>242</b>	<b>189</b>	<b>231</b>	<b>327</b>	<b>378</b>	<b>398</b>	<b>413</b>	<b>466</b>
<b>Surplus/(deficit) of capital funding</b>	<b>932</b>	<b>509</b>	<b>450</b>	<b>328</b>	<b>226</b>	<b>172</b>	<b>99</b>	<b>50</b>	<b>(13)</b>	<b>(68)</b>	<b>(122)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Parks and Open Spaces – Funding Impact Statement

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	11,363	10,753	11,199	11,847	12,527	13,281	13,948	14,493	15,174	15,836	16,629
Targeted rates	112	117	121	126	133	139	145	149	155	160	167
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees charges and targeted rates for water supply	915	911	940	970	1,002	1,033	1,066	1,100	1,136	1,173	1,209
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other	(50)	-	-	-	-	-	-	-	-	-	-
<b>Total operating funding</b>	<b>12,340</b>	<b>11,781</b>	<b>12,260</b>	<b>12,943</b>	<b>13,662</b>	<b>14,453</b>	<b>15,159</b>	<b>15,742</b>	<b>16,465</b>	<b>17,169</b>	<b>18,005</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	7,879	8,996	9,078	9,236	9,511	9,953	10,230	10,348	10,663	10,960	11,376
Finance costs	2,901	1,476	1,545	1,600	1,638	1,673	1,661	1,674	1,696	1,710	1,710
Internal charges and overheads applied	2,781	1,453	1,448	1,463	1,512	1,586	1,672	1,770	1,861	1,971	2,007
Other operating funding applications	50	79	96	98	101	103	105	76	79	81	84
<b>Total applications of operating funding</b>	<b>13,611</b>	<b>12,004</b>	<b>12,167</b>	<b>12,397</b>	<b>12,762</b>	<b>13,315</b>	<b>13,668</b>	<b>13,868</b>	<b>14,299</b>	<b>14,722</b>	<b>15,177</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(1,271)</b>	<b>(223)</b>	<b>93</b>	<b>546</b>	<b>900</b>	<b>1,138</b>	<b>1,491</b>	<b>1,874</b>	<b>2,166</b>	<b>2,447</b>	<b>2,828</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	756	459	469	493	530	514	570	591	609	615	607
Increase/(decrease) in debt	3,538	5,195	2,140	1,970	1,553	957	1,904	1,645	1,418	2,553	970
Gross proceeds from the sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>4,294</b>	<b>5,654</b>	<b>2,609</b>	<b>2,463</b>	<b>2,083</b>	<b>1,471</b>	<b>2,474</b>	<b>2,236</b>	<b>2,027</b>	<b>3,168</b>	<b>1,577</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	3,664	1,386	316	440	579	77	361	458	477	1,266	94
-to improve the level of service	8,662	2,261	691	1,010	957	813	1,554	1,421	1,484	2,151	1,742
-to replace existing assets	431	1,780	1,698	1,559	1,442	1,724	2,050	2,226	2,225	2,201	2,563
Increase/(decrease) in reserves	(9,734)	4	(3)	-	5	(5)	-	5	7	(3)	6
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>3,023</b>	<b>5,431</b>	<b>2,702</b>	<b>3,009</b>	<b>2,983</b>	<b>2,609</b>	<b>3,965</b>	<b>4,110</b>	<b>4,193</b>	<b>5,615</b>	<b>4,405</b>
<b>Surplus/(deficit) of capital funding</b>	<b>1,271</b>	<b>223</b>	<b>(93)</b>	<b>(546)</b>	<b>(900)</b>	<b>(1,138)</b>	<b>(1,491)</b>	<b>(1,874)</b>	<b>(2,166)</b>	<b>(2,447)</b>	<b>(2,828)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Solid Waste – Funding Impact Statement

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	4,156	4,551	4,701	5,023	5,294	5,545	5,822	6,092	6,365	6,650	6,947
Targeted rates	41	50	51	54	56	58	60	63	65	67	70
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees charges and targeted rates for water supply	851	308	318	328	339	349	361	372	384	396	409
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other	(7)	-	-	-	-	-	-	-	-	-	-
<b>Total operating funding</b>	<b>5,041</b>	<b>4,909</b>	<b>5,070</b>	<b>5,405</b>	<b>5,689</b>	<b>5,952</b>	<b>6,243</b>	<b>6,527</b>	<b>6,814</b>	<b>7,113</b>	<b>7,426</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	4,536	4,360	4,369	4,508	4,642	4,776	4,911	5,042	5,195	5,337	5,536
Finance costs	466	152	161	168	171	175	173	176	176	179	179
Internal charges and overheads applied	521	728	726	733	758	795	839	888	933	988	1,007
Other operating funding applications	7	8	10	10	10	10	11	8	8	8	8
<b>Total applications of operating funding</b>	<b>5,530</b>	<b>5,248</b>	<b>5,266</b>	<b>5,419</b>	<b>5,581</b>	<b>5,756</b>	<b>5,934</b>	<b>6,114</b>	<b>6,312</b>	<b>6,512</b>	<b>6,730</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(489)</b>	<b>(339)</b>	<b>(196)</b>	<b>(14)</b>	<b>108</b>	<b>196</b>	<b>309</b>	<b>413</b>	<b>502</b>	<b>601</b>	<b>696</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in debt	(89)	1,077	1,399	1,365	482	457	444	402	345	296	266
Gross proceeds from the sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>(89)</b>	<b>1,077</b>	<b>1,399</b>	<b>1,365</b>	<b>482</b>	<b>457</b>	<b>444</b>	<b>402</b>	<b>345</b>	<b>296</b>	<b>266</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
-to improve the level of service	352	607	422	491	426	479	518	541	497	542	547
-to replace existing assets	157	336	992	1,079	395	409	479	528	609	624	708
Increase/(decrease) in reserves	(1,087)	(205)	(211)	(219)	(231)	(235)	(244)	(254)	(259)	(269)	(293)
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>(578)</b>	<b>738</b>	<b>1,203</b>	<b>1,351</b>	<b>590</b>	<b>653</b>	<b>753</b>	<b>815</b>	<b>847</b>	<b>897</b>	<b>962</b>
<b>Surplus/(deficit) of capital funding</b>	<b>489</b>	<b>339</b>	<b>196</b>	<b>14</b>	<b>(108)</b>	<b>(196)</b>	<b>(309)</b>	<b>(413)</b>	<b>(502)</b>	<b>(601)</b>	<b>(696)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Stormwater – Funding Impact Statement

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	6,182	6,468	6,787	7,289	7,246	7,791	8,197	8,565	8,871	9,186	9,800
Targeted rates	61	70	73	78	77	82	85	88	91	93	98
Subsidies and grants for operating purposes											
Fees charges and targeted rates for water supply	24	24	25	26	26	27	28	29	30	31	32
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other	269	-	-	-	-	-	-	-	-	-	-
<b>Total operating funding</b>	<b>6,536</b>	<b>6,562</b>	<b>6,885</b>	<b>7,393</b>	<b>7,349</b>	<b>7,900</b>	<b>8,310</b>	<b>8,682</b>	<b>8,992</b>	<b>9,310</b>	<b>9,930</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	1,213	1,222	1,212	1,337	1,029	1,252	1,279	1,252	1,166	1,080	1,133
Finance costs	1,853	404	424	440	450	459	456	460	465	469	468
Internal charges and overheads applied	274	314	313	316	327	343	362	383	403	426	434
Other operating funding applications	32	21	26	27	27	28	28	21	21	22	23
<b>Total applications of operating funding</b>	<b>3,372</b>	<b>1,961</b>	<b>1,975</b>	<b>2,120</b>	<b>1,833</b>	<b>2,082</b>	<b>2,125</b>	<b>2,116</b>	<b>2,055</b>	<b>1,997</b>	<b>2,058</b>
<b>Surplus/(deficit) of operating funding</b>	<b>3,164</b>	<b>4,601</b>	<b>4,910</b>	<b>5,273</b>	<b>5,516</b>	<b>5,818</b>	<b>6,185</b>	<b>6,566</b>	<b>6,937</b>	<b>7,313</b>	<b>7,872</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure											
Development and financial contributions	330	533	575	609	712	789	878	1,011	1,036	1,068	1,016
Increase/(decrease) in debt	456	(3,265)	(3,419)	(3,400)	(4,694)	(4,186)	(4,384)	(558)	(4,995)	(4,448)	(5,647)
Gross proceeds from the sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>786</b>	<b>(2,732)</b>	<b>(2,844)</b>	<b>(2,791)</b>	<b>(3,982)</b>	<b>(3,397)</b>	<b>(3,056)</b>	<b>453</b>	<b>(3,959)</b>	<b>(3,380)</b>	<b>(4,631)</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	768	291	157	878	281	1,017	874	4,259	582	1,702	828
-to improve the level of service	1,256	592	925	833	457	566	822	1,646	1,149	953	993
-to replace existing assets	234	1,233	1,241	1,039	1,072	1,123	985	1,114	1,240	1,276	1,428
Increase/(decrease) in reserves	1,692	(247)	(257)	(268)	(276)	(285)	(2)	-	7	2	(8)
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>3,950</b>	<b>1,869</b>	<b>2,066</b>	<b>2,482</b>	<b>1,534</b>	<b>2,421</b>	<b>2,679</b>	<b>7,019</b>	<b>2,978</b>	<b>3,933</b>	<b>3,241</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(3,164)</b>	<b>(4,601)</b>	<b>(4,910)</b>	<b>(5,273)</b>	<b>(5,516)</b>	<b>(5,818)</b>	<b>(6,185)</b>	<b>(6,566)</b>	<b>(6,937)</b>	<b>(7,313)</b>	<b>(7,872)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Transportation – Funding Impact Statement

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	26,548	23,850	25,146	26,312	27,556	28,807	29,626	30,565	31,515	32,437	33,835
Targeted rates	1,463	5,260	5,271	5,280	5,792	5,802	5,807	6,315	6,322	6,328	6,340
Subsidies and grants for operating purposes	4,685	3,228	3,351	3,669	3,786	3,907	4,031	4,159	4,293	4,431	4,572
Fees charges and targeted rates for water supply	4,068	4,489	4,636	4,783	4,936	5,093	5,253	5,421	5,595	5,776	5,959
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other	5,469	3,774	3,892	4,019	4,147	4,279	4,416	4,554	4,702	4,852	5,007
<b>Total operating funding</b>	<b>42,233</b>	<b>40,601</b>	<b>42,296</b>	<b>44,063</b>	<b>46,217</b>	<b>47,888</b>	<b>49,133</b>	<b>51,014</b>	<b>52,427</b>	<b>53,824</b>	<b>55,713</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	17,178	12,256	12,770	12,907	13,260	13,677	14,033	14,457	14,866	15,280	15,905
Finance costs	9,037	6,962	7,275	7,527	7,712	7,877	7,822	7,873	7,978	8,043	8,039
Internal charges and overheads applied	2,222	3,289	3,278	3,311	3,424	3,591	3,786	4,008	4,214	4,462	4,545
Other operating funding applications	157	374	456	466	477	487	498	362	374	386	398
<b>Total applications of operating funding</b>	<b>28,594</b>	<b>22,881</b>	<b>23,779</b>	<b>24,211</b>	<b>24,873</b>	<b>25,632</b>	<b>26,139</b>	<b>26,700</b>	<b>27,432</b>	<b>28,171</b>	<b>28,887</b>
<b>Surplus/(deficit) of operating funding</b>	<b>13,639</b>	<b>17,720</b>	<b>18,517</b>	<b>19,852</b>	<b>21,344</b>	<b>22,256</b>	<b>22,994</b>	<b>24,314</b>	<b>24,995</b>	<b>25,653</b>	<b>26,826</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	8,185	1,029	3,714	10,156	4,576	5,341	5,263	4,634	3,397	5,037	5,226
Development and financial contributions	1,704	2,319	2,312	2,317	2,412	2,502	2,510	2,605	2,528	2,491	2,476
Increase/(decrease) in debt	12,795	8,405	(1,753)	(8,532)	(11,233)	(8,966)	(10,619)	(9,988)	(4,431)	(10,175)	4,453
Gross proceeds from the sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>22,684</b>	<b>11,753</b>	<b>4,273</b>	<b>3,941</b>	<b>(4,245)</b>	<b>(1,123)</b>	<b>(2,846)</b>	<b>(2,749)</b>	<b>1,494</b>	<b>(2,647)</b>	<b>12,155</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	4,746	7,803	5,470	1,147	1,897	414	307	847	3,968	2,729	862
-to improve the level of service	23,304	12,118	8,454	13,085	2,407	6,271	4,780	6,323	7,929	5,412	22,358
-to replace existing assets	1,006	9,299	9,469	1,0276	12,958	14,605	15,180	13,997	14,617	14,991	15,867
Increase/(decrease) in reserves	7,267	253	(603)	(715)	(163)	(157)	(119)	398	(25)	(126)	(106)
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>36,323</b>	<b>29,473</b>	<b>22,790</b>	<b>23,793</b>	<b>17,099</b>	<b>21,133</b>	<b>20,147</b>	<b>21,565</b>	<b>26,489</b>	<b>23,006</b>	<b>38,981</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(13,639)</b>	<b>(17,720)</b>	<b>(18,517)</b>	<b>(19,852)</b>	<b>(21,344)</b>	<b>(22,256)</b>	<b>(22,994)</b>	<b>(24,314)</b>	<b>(24,995)</b>	<b>(25,653)</b>	<b>(26,826)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Wastewater – Funding Impact Statement

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	12,917	14,703	15,647	16,681	17,493	18,114	19,169	19,870	21,243	22,893	24,713
Targeted rates	128	160	169	178	185	190	199	205	217	232	248
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees charges and targeted rates for water supply	3,296	3,490	3,655	3,826	3,948	4,074	4,203	4,336	4,477	4,620	4,767
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other	405	400	413	427	440	455	468	484	498	515	531
<b>Total operating funding</b>	<b>16,746</b>	<b>18,753</b>	<b>19,884</b>	<b>21,112</b>	<b>22,066</b>	<b>22,833</b>	<b>24,039</b>	<b>24,895</b>	<b>26,435</b>	<b>28,260</b>	<b>30,259</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	7,434	7,733	8,067	8,351	8,616	8,894	9,164	9,417	10,101	10,747	11,592
Finance costs	4,056	3,967	4,145	4,285	4,392	4,488	4,455	4,484	4,547	4,581	4,580
Internal charges and overheads applied	717	1,588	1,579	1,596	1,652	1,731	1,819	1,925	2,014	2,129	2,157
Other operating funding applications	70	213	260	266	272	278	284	207	213	220	227
<b>Total applications of operating funding</b>	<b>12,277</b>	<b>13,501</b>	<b>14,051</b>	<b>14,498</b>	<b>14,932</b>	<b>15,391</b>	<b>15,722</b>	<b>16,033</b>	<b>16,875</b>	<b>17,677</b>	<b>18,556</b>
<b>Surplus/(deficit) of operating funding</b>	<b>4,469</b>	<b>5,252</b>	<b>5,833</b>	<b>6,614</b>	<b>7,134</b>	<b>7,442</b>	<b>8,317</b>	<b>8,862</b>	<b>9,560</b>	<b>10,583</b>	<b>11,703</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	2,181	2,266	2,305	2,405	2,812	3,183	3,587	3,740	3,839	3,862	3,854
Increase/(decrease) in debt	1,961	1,639	(796)	(148)	92	375	8,520	1,020	3,290	8,898	3,122
Gross proceeds from the sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>4,142</b>	<b>3,905</b>	<b>1,509</b>	<b>2,257</b>	<b>2,904</b>	<b>3,558</b>	<b>12,107</b>	<b>4,760</b>	<b>7,129</b>	<b>12,761</b>	<b>6,976</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	1,666	2,678	370	926	1765	2,608	7,895	3,465	4,429	9,793	4,503
-to improve the level of service	6,242	1,492	986	1,801	887	1,302	5,007	2,131	3,570	4,288	4,058
-to replace existing assets	489	4,785	5,775	5,926	7,164	6,856	7,274	7,773	8,429	8,993	9,838
Increase/(decrease) in reserves	214	200	210	218	222	234	248	253	261	270	280
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>8,611</b>	<b>9,157</b>	<b>7,342</b>	<b>8,871</b>	<b>10,038</b>	<b>11,000</b>	<b>20,424</b>	<b>13,622</b>	<b>16,689</b>	<b>23,344</b>	<b>18,679</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(4,469)</b>	<b>(5,252)</b>	<b>(5,833)</b>	<b>(6,614)</b>	<b>(7,134)</b>	<b>(7,442)</b>	<b>(8,317)</b>	<b>(8,862)</b>	<b>(9,560)</b>	<b>(10,583)</b>	<b>(11,703)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Water Supply – Funding Impact Statement

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	7,265	8,016	8,125	8,397	8,255	8,776	9,270	9,801	10,427	10,959	11,448
Targeted rates	72	87	88	90	87	92	96	101	107	111	115
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees charges and targeted rates for water supply	7,097	7,603	8,340	9,115	9,406	9,706	10,014	10,331	10,665	11,007	11,358
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other	315	-	-	-	-	-	-	-	-	-	-
<b>Total operating funding</b>	<b>14,749</b>	<b>15,706</b>	<b>16,553</b>	<b>17,602</b>	<b>17,748</b>	<b>18,574</b>	<b>19,308</b>	<b>20,233</b>	<b>21,199</b>	<b>22,077</b>	<b>22,921</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	4,880	5,771	5,969	6,334	6,450	6,670	6,939	7,019	7,215	7,502	7,686
Finance costs	4,521	2,969	3,102	3,207	3,287	3,358	3,335	3,355	3,402	3,430	3,428
Internal charges and overheads applied	559	1,272	1,260	1,275	1,323	1,383	1,444	1,526	1,582	1,668	1,671
Other operating funding applications	80	160	195	199	204	208	213	155	160	165	170
<b>Total applications of operating funding</b>	<b>10,040</b>	<b>10,172</b>	<b>10,526</b>	<b>11,015</b>	<b>11,264</b>	<b>11,619</b>	<b>11,931</b>	<b>12,055</b>	<b>12,359</b>	<b>12,765</b>	<b>12,955</b>
<b>Surplus/(deficit) of operating funding</b>	<b>4,709</b>	<b>5,534</b>	<b>6,027</b>	<b>6,587</b>	<b>6,484</b>	<b>6,955</b>	<b>7,449</b>	<b>8,178</b>	<b>8,840</b>	<b>9,312</b>	<b>9,966</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	1,692	1,850	1,823	1,968	2,063	2,376	2,590	2,913	2,927	3,057	2,894
Increase/(decrease) in debt	6,174	(379)	(655)	9,456	8,491	3,469	1,052	9,803	6,033	(70)	(3,643)
Gross proceeds from the sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>7,866</b>	<b>1,471</b>	<b>1,168</b>	<b>11,424</b>	<b>10,554</b>	<b>5,845</b>	<b>3,642</b>	<b>12,716</b>	<b>8,960</b>	<b>2,988</b>	<b>(749)</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	3,869	263	225	5,771	7,588	4,307	2,223	7,228	6,302	3,454	882
-to improve the level of service	6,837	3,421	2,946	7,723	4,959	3,637	3,771	8,108	6,152	1,845	1,106
-to replace existing assets	275	3,376	3,968	4,462	4,434	4,785	5,031	5,496	5,281	6,933	7,155
Increase/(decrease) in reserves	1,594	(55)	56	55	57	71	65	62	65	68	74
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>12,575</b>	<b>7,005</b>	<b>7,195</b>	<b>18,011</b>	<b>17,038</b>	<b>12,800</b>	<b>11,091</b>	<b>20,894</b>	<b>17,800</b>	<b>12,300</b>	<b>9,217</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(4,709)</b>	<b>(5,534)</b>	<b>(6,027)</b>	<b>(6,587)</b>	<b>(6,484)</b>	<b>(6,955)</b>	<b>(7,449)</b>	<b>(8,178)</b>	<b>(8,840)</b>	<b>(9,312)</b>	<b>(9,966)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## SIGNIFICANT NEGATIVE EFFECTS

All of Council's activities are provided with the aim of maintaining or improving the well-being of Hamilton citizens. Along with the positive contributions that our activities make, there are sometimes negative effects on community well-being that need to be managed or mitigated.

The following table lists the significant negative effects that have been identified for all Council activities. Where an activity is not listed, the Council has not identified any significant negative effects on community well-being for that activity.

ACTIVITY	EFFECT	STATUS OF EFFECT Existing (E) Potential (P)	IMPACT ON WELL-BEING			
			SOCIAL	ENVIRONMENTAL	ECONOMIC	CULTURAL
Cemeteries	Cultural and religious diversity not sufficiently provided for at cemeteries	P				✓
Cemeteries	Leachate to groundwater from burial grounds.	P		✓		✓
Cemeteries	Discharge to air from cremator unit.	E		✓		✓
City Planning	Activities permitted through the District Plan(s) may still be viewed as being incompatible with local surroundings.	P		✓		
City Safety	Financial and health impact of contaminated land.	P	✓	✓	✓	
Democracy	Decisions made through the democratic process have the potential to impact negatively across all four well-beings.	P	✓	✓	✓	✓
Event Facilities	Cost to ratepayers of the assets	E / P			✓	
Event Facilities	Loss of event / business due to cost of attracting events to the venues	E / P			✓	
Event Facilities	Floodlight spill onto surrounding residents' properties.	P		✓		
Event Facilities	Traffic congestion impact.	P	✓	✓	✓	
Event Facilities	Excessive noise from events and activities held at the venues	P	✓	✓		
Event Facilities	Anti-social crowd behaviour with alcohol influences before, during and after events.	P	✓			
Hamilton Zoo	Potential for public to catch diseases from imported Zoo animals.	P	✓	✓		
Hamilton Zoo	Effects of the Zoo use on neighbours: animal escape.	P	✓	✓		

ACTIVITY	EFFECT	STATUS OF EFFECT Existing (E) Potential (P)	IMPACT ON WELL-BEING			
			SOCIAL	ENVIRONMENTAL	ECONOMIC	CULTURAL
Parks and Open Spaces	Removal of native vegetation.	E		✓		
Parks and Open Spaces	Events generate traffic and noise impacts on neighbours and wildlife.	E/P	✓	✓		
Parks and Open Spaces	Chemical use on parks and gardens (e.g. spraying for weeds) may affect nearby residents and visitors.	P	✓	✓		
Property	Cold, energy inefficient homes and buildings.	E	✓	✓	✓	
Property	Unsafe buildings. Health & Safety risk.	P	✓	✓	✓	
Public Toilets	The location of public toilets may create security and privacy issues for neighbours.	E	✓			
Solid Waste Management	Gas or leachate pollution.	P		✓		
Solid Waste Management	Odour, dust or pests generated by activity.	P	✓	✓		
Sports Parks	Use of sports areas in the evening may create lighting issues for neighbours.	E	✓	✓		
Stormwater	Discharge of contaminated stormwater	P		✓		
Stormwater	Erosion	P		✓		
Stormwater	Discharge considered offensive	P				✓
Stormwater	Cost of stormwater too high	P			✓	
Stormwater	Public health risk	P	✓			
Swimming Facilities	Death by drowning.	P	✓			
Swimming Facilities	Infectious diseases may be passed on through contamination of the pool water.	P	✓			
Swimming Facilities	The use and storage of dangerous chemicals.	P	✓	✓		
Transportation	Personal injury and property damage from accidents.	E	✓		✓	

ACTIVITY	EFFECT	STATUS OF EFFECT Existing (E) Potential (P)	IMPACT ON WELL-BEING			
			SOCIAL	ENVIRONMENTAL	ECONOMIC	CULTURAL
Transportation	Major transport corridors divide communities.	E / P	✓			✓
Transportation	Air pollution from vehicles.	E		✓		
Transportation	Waterway contamination by stormwater run off.	E		✓		
Transportation	Destruction of natural heritage during road construction.	P	✓	✓		✓
Transportation	High cartage requirements during road construction.	E		✓	✓	
Transportation	Traffic congestion impact on public and commercial activity.	P	✓	✓	✓	
Transportation	Hazardous material spills within the road corridor.	P	✓	✓	✓	
Wastewater	Accidental Discharge	P		✓		
Wastewater	Discharge considered offensive	P				✓
Wastewater	Cost of wastewater too high	P		✓		
Wastewater	Treatment plant and pump stations may cause odour and noise nuisance.	E	✓	✓		
Water Supply	Single point water source	E	✓			
Water Supply	Energy Use	E	✓	✓	✓	
Water Supply	Chemical Use	E	✓	✓	✓	

## COUNCIL CONTROLLED ORGANISATIONS

The Council is involved and represented in a number of organisations to assist in meeting its vision for the city. Council Controlled Organisations (CCOs) are any organisation in which one or more local authorities control 50% or more of the voting rights or appoint 50% or more of the directors. Council has an interest in five CCOs, Hamilton Properties Ltd, Local Authority Shared Services Ltd, New Zealand Local Government Funding Agency Ltd, Waikato Regional Airport Limited and its subsidiaries Hamilton & Waikato Tourism Ltd and Titanium Park, and Vibrant Hamilton Trust. The following tables explain what these organisations do, how their performance is measured and the Council's objectives in regard to ownership. Council also has interests in Council Organisations details of which are available on the website.

<b>Organisation</b>	<b>Hamilton Properties Limited</b>
<b>Ownership</b>	100%
<b>Representation (total members)</b>	4(4)
<b>Significant policies and objectives</b>	Council has retained this company with the view to utilising its tax losses in the future.
<b>Nature and scope of activities</b>	This is a non-operating company that is no longer trading.
<b>Key performance targets</b>	<ul style="list-style-type: none"> <li>Exempt as a CCO for performance monitoring under Section 7 (3-5) LGA 2002 by Council resolution on 20 May 2010.</li> </ul>

<b>Organisation</b>	<b>Local Authority Shared Services Limited</b>
<b>Ownership</b>	24.58 % of total shareholdings (comprising 13.72% SVDS shares and 37.5% WTRM Service shares). Balance of shares owned by other Local Authorities.
<b>Representation (total members)</b>	1(12)
<b>Significant policies and objectives</b>	To make a regional leadership contribution and seek opportunities to operate more efficiently by participating with the region's local authorities on shared services, particularly in respect of information collection and management, with the aim of reducing the cost of those activities to the community at large.
<b>Nature and scope of activities</b>	The company is used as an umbrella company to investigate opportunities for future development of shared services. The specific objectives of the company are agreed each year in accordance with the constitution and the Statement of Intent.
<b>Key performance targets</b>	<ul style="list-style-type: none"> <li>Statement of Corporate Intent, Interim Report and Annual Report is presented to the Finance and Monitoring Committee.</li> <li>Positive cash flow will be maintained so that the equity ratio is maintained at a minimum of 40%.</li> <li>Customers will be surveyed annually to ensure that there is at least 90% satisfaction with the services provided.</li> <li>Expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the directors.</li> <li>The CEO will provide a written report on the business operations and financial position of the LASS as a minimum on a six monthly basis.</li> </ul>

<b>Organisation</b>	<b>New Zealand Local Government Funding Agency Limited (LGFA)</b>
<b>Ownership</b>	9%
<b>Representation (total members)</b>	1(19)
<b>Significant policies and objectives</b>	<ul style="list-style-type: none"> <li>▪ To ensure the Council's finances are sustainable in the long term.</li> <li>▪ To optimise debt funding terms and conditions for the Council.</li> <li>▪ To enhance the certainty of access to debt markets for the Council.</li> </ul>
<b>Nature and scope of activities</b>	<ul style="list-style-type: none"> <li>▪ 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, and may undertake any other activities considered by the Board to be reasonably related or incidental to, or in connection with, that business.</li> <li>▪ The LGFA will only lend to local authorities that enter into all the relevant arrangements with it (participating local authorities) and comply with the LGFA's lending policies.</li> </ul>
<b>Key performance targets</b>	<ul style="list-style-type: none"> <li>▪ LGFA's average cost of funds relative to the average cost of funds for New Zealand Government Securities for the period to: <ul style="list-style-type: none"> <li>❖ 30 June 2012 will be less than 0.50% higher</li> <li>❖ 30 June 2013 will be less than 0.50% higher</li> <li>❖ 30 June 2014 will be less than 0.40% higher</li> </ul> </li> <li>▪ The average margin above LGFA's cost of funds charged to the highest rated participating local authorities will be no more than 0.40%</li> <li>▪ LGFA's annualised operating overheads will be less than \$3 million</li> <li>▪ Total lending to participating local authorities at: <ul style="list-style-type: none"> <li>❖ 30 June 2012 will be at least \$500 million</li> <li>❖ 30 June 2013 will be at least \$900 million</li> <li>❖ 30 June 2014 will be at least \$1,400 million</li> </ul> </li> <li>▪ The total number of participating local authorities shareholders in the LGFA at 30 September 2012 will be at least 30</li> <li>▪ The total number of participating local authorities (i.e. shareholders and eligible borrowers) in the LGFA at 30 September 2012 will be at least 40</li> </ul>

<b>Organisation</b>	<b>Waikato Regional Airport Limited (WRAL) and its Subsidiaries, Hamilton &amp; Waikato Tourism Ltd and Titanium Park Ltd.</b>																																		
<b>Ownership</b>	50%																																		
<b>Representation (total members)</b>	0(5)																																		
<b>Significant policies and objectives</b>	<ul style="list-style-type: none"> <li>▪ To support the delivery of sustainable airport operations for the region</li> <li>▪ To support and enable a strong, productive economy where it is easy to do business.</li> </ul>																																		
<b>Nature and scope of activities</b>	<ol style="list-style-type: none"> <li>1. Deliver sustainable airport operations for the central North Island</li> <li>2. Protect and grow Hamilton airport's national &amp; international connectivity according to demand</li> <li>3. Utilise airport property to enable economic development in the region</li> <li>4. Protect and develop airport capability</li> <li>5. Deliver value to its customers (airlines, travellers and tenants)</li> <li>6. Enable our people to deliver</li> <li>7. Support regional tourism</li> </ol>																																		
<b>Key performance targets</b>	<ul style="list-style-type: none"> <li>▪ Statement of Corporate Intent, Interim Report and Annual Report is presented to the Finance and Monitoring Committee.</li> <li>▪ Performance targets are specified annually in the Statement of Corporate Intent and are noted as follows:</li> </ul> <p><b>Non Financial Performance Targets for WRAL</b></p> <ul style="list-style-type: none"> <li>▪ To achieve the Airport Certification Standards as required by the Civil Aviation Authority.</li> <li>▪ To achieve above average customer satisfaction ratings through the conduction of a bi-annual ACI International benchmarking survey.</li> <li>▪ 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.</li> <li>▪ Introduce a new domestic carrier to promote competition and consequently competitive pricing options for travellers.</li> </ul> <p><b>Financial Performance Targets</b></p> <p>To achieve the following financial performance targets:</p> <table> <tr> <th><b>Statement of Corporate Intent Targets</b></th><th><u>2013</u></th><th><u>2014</u></th><th><u>2015</u></th></tr> <tr> <td>Earnings before interest, taxation and depreciation</td><td>\$2.30m</td><td>\$2.31m</td><td>\$3.20m</td></tr> <tr> <td>Net surplus/(deficit) after tax</td><td>\$200,000</td><td>\$183,000</td><td>\$389,000</td></tr> <tr> <td>Net profit after tax to shareholders' funds</td><td>0.34%</td><td>0.30%</td><td>0.64%</td></tr> <tr> <td>Net surplus after tax to total assets</td><td>0.26%</td><td>0.23%</td><td>0.50%</td></tr> <tr> <td>Percentage of non-landing charges revenue</td><td>82.06%</td><td>79.49%</td><td>80.03%</td></tr> <tr> <td>Total liabilities/shareholders funds</td><td>23:77</td><td>23:77</td><td>22:78</td></tr> <tr> <td>Interest rate cover (parent company only)</td><td>2.70</td><td>3.86</td><td>4.15</td></tr> </table>			<b>Statement of Corporate Intent Targets</b>	<u>2013</u>	<u>2014</u>	<u>2015</u>	Earnings before interest, taxation and depreciation	\$2.30m	\$2.31m	\$3.20m	Net surplus/(deficit) after tax	\$200,000	\$183,000	\$389,000	Net profit after tax to shareholders' funds	0.34%	0.30%	0.64%	Net surplus after tax to total assets	0.26%	0.23%	0.50%	Percentage of non-landing charges revenue	82.06%	79.49%	80.03%	Total liabilities/shareholders funds	23:77	23:77	22:78	Interest rate cover (parent company only)	2.70	3.86	4.15
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<b>Organisation</b>	<b>Vibrant Hamilton Trust</b>
<b>Ownership</b>	Incorporated Society and Charitable Trust
<b>Representation (total members)</b>	5(5)
<b>Significant policies and objectives</b>	<p>The Vibrant Hamilton Trust was established as a Council Controlled Organisation as per the requirements under section 64(1) of the Local Government Act 2002 to provide a legal entity which upon incorporation under the Charitable Trusts Act 1957 may receive funds from the Waikato Foundation Trust and be empowered to make distributions of income and capital for the charitable purposes authorised in its Trust Deed.</p> <p>The Waikato Foundation Trust was disestablished in 2011 and funds were transferred to the Vibrant Hamilton Trust and the Waikato District Community Wellbeing Trust Board.</p>
<b>Nature and scope of activities</b>	The Vibrant Hamilton Trust is a Charitable Trust established for the primary reason of grant distribution.
<b>Key performance targets</b>	<ul style="list-style-type: none"> <li>▪ Ensure that the total grant disbursement does not exceed the net income (plus 10% of the capital) for the prior year after expenses have been met.</li> <li>▪ Ensure that no more than 10% of the capital is distributed in any one year.</li> <li>▪ Identify opportunities to grow the fund.</li> <li>▪ Establish a process for promoting the fund availability and allocating the fund.</li> <li>▪ Monitor the performance of investments by receiving and considering financial information, on at least a quarterly basis, and receiving regular updates.</li> </ul>

# REVENUE & FINANCING POLICY

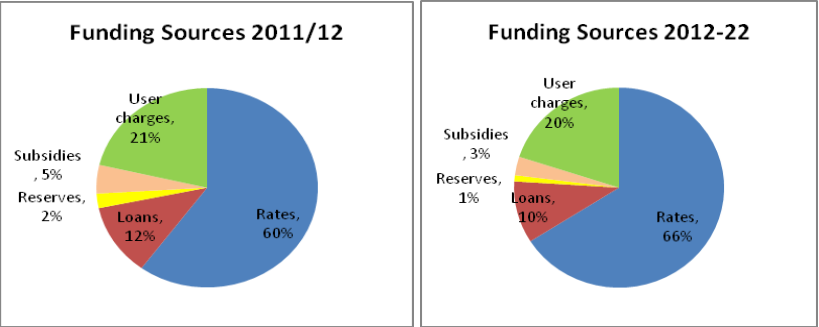
## Overview

The Revenue and Financing Policy summarises the Council’s view on the equitable funding of its activities. It addresses all potential revenue and funding sources open to the Council and how and when it uses these sources. In choosing funding sources the Council takes account of many factors including community outcomes, benefit, affordability, equity, simplicity, efficiency, transparency, accountability and overall community wellbeing. It also addresses the Council’s assessment of equity between current and future generations.

In the Council’s assessment this policy represents the fairest and most equitable use of the funding sources available to meet expenses.

The following graphs show the sources of funds for the 2011/12 compared with the total for the next 10 years. It demonstrates that the Council plans to reduce reliance on borrowing, which in turn increases the need for a greater rate contribution to the Council’s total annual spending. The reasons for this change are outlined in this policy.

Table1: Funding Sources



## Funding principles

The Council has determined the following basic principles to guide the assessment of fairness and equity in choosing funding sources.

1. Each generation of ratepayers should pay for the services they receive.
2. Council will use any other funding sources before rates.
3. Capital expenditure to replace assets is funded from rates, and capital expenditure to upgrade or build new assets is funded initially through debt. Growth related capital expenditure is funded by development contributions. Debt repayment will then be used to manage the net effect of capital expenditure to reflect a target of 80% of capital costs being funded by operating income.
4. Rates increases should be within the limits set in the financial strategy.
5. User charges are preferred whenever a private benefit can be identified and it is efficient to collect the revenue.
6. Subsidies, grants and other income options are fully explored prior to rates being used.
7. Borrowing should be within the limits set in the financial strategy.

Complying with these principles can at times be challenging. The Council must apply judgment in assessing many options to determine fairness in its development of budgets or acquisition of assets and the choice of funding sources to implement these.

## Operating Costs

Operating costs are the day to day spending that maintains the services delivered by the Council. This includes a contribution to the wear and tear on assets used. The first principle (above) means that operating costs should be met from operating income; a balanced budget. This ensures fairness, in that the users of the service pay for their use.



## Operating Cost Funding Sources

### **User Charges**

User charges are used for services where there is a benefit to an individual or group. The price of the service is set taking account of a number of factors. These could include:

- The cost of providing the service.
- The estimation of the users' private benefit from using the service
- The impact the cost has to encourage or discourage behaviours.
- The impact the cost has on demand for the service.
- Market pricing, including comparability with other councils.
- The impact of rates subsidies if competing with local businesses.
- The cost and efficiency of revenue collection mechanisms.
- The impact of affordability on users.
- Other matters as determined by the council.

### **Grants, Sponsorship and Subsidies**

Grants, sponsorship and subsidies are used wherever they are available. The council expects to continue receiving substantial subsidies for road maintenance. Some services can only be continued so long as funding from this source continues.

### **Investment income; Dividends, Interest**

Income from dividends is recorded in the City Prosperity Service Group and offsets the cost of this activity. Interest earned offsets interest cost on borrowing, reducing the effective interest rate.

### **Investment income; Rents**

Income from the council's Strategic Property Investment activity is recorded in the City Prosperity Service Group. Income offsets the cost of operating the investment properties and achieves a surplus, which offsets the cost of other activities within the Group.

### **Rates**

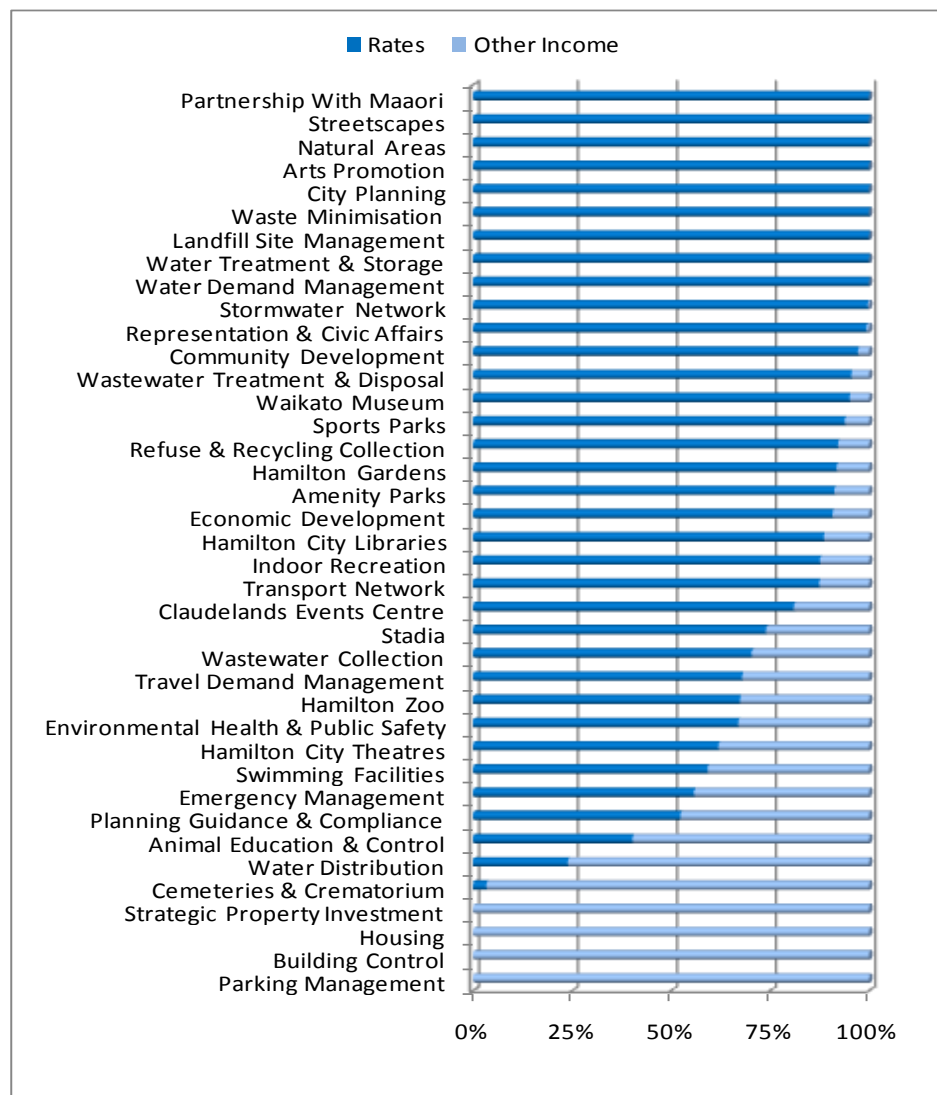
Having exhausted all other funding sources, the council funds its remaining operating expenses from rates. For many activities this is the main funding source (see Table 1), reflecting the Council's view that the collective benefit to the City is greater than any identifiable individual benefit.

To assess the allocation of rates the council has reviewed each council activity and considered the following factors to determine the fairness of:

- Community outcomes.
- Distribution of benefits to individuals, groups or the whole city.
- When the benefit will occur.
- The impact of individuals or groups on the need to undertake the activity.
- The costs and benefits of funding the activity separately.
- Affordability, transparency, accountability and overall community wellbeing.

Having considered these factors the Council recognises that rates are a tax on property owners and each property will use a different mix of services than represented by the rate charge. The Council considers however, that a simpler rating structure is easier for ratepayers to understand and is simpler and easier to administer. A detailed funding needs analysis has been completed for each activity and is summarized in table 2.

The Council uses land value as the base for general rates. It has modified the rates each property pays depending on the property use, assessing the different amount of benefit each of these property uses receives. This modification has resulted in 8 differential categories for the general rates which more fairly distribute the benefit.

**Table2: List of Activities and Summary of Funding Sources**


### Targeted Rates

The council uses targeted rates to fund services where it has determined the cost of the service should be targeted to the group that benefits much more than the general benefit most ratepayers receive. Targeted rates may be set on a uniform basis or differentially for different categories of rateable land.

The general rate covers the costs for wastewater, water and refuse, therefore targeted rates have been developed to charge non-rateable properties and high users for these services. A separate targeted rate is used for business development in the Hamilton CBD.

The council uses “separately used and inhabited parts” of rating units for charging some targeted rates. The council’s definition of this term is contained within the Funding Impact Statement.

The council does not set a Uniform Annual General Charge rate.

The council may determine whether funding by general rate or targeted rate is fairest and may consider whether other funding tools such as remissions, postponements, early repayments or lump sum contributions are appropriate choices.

Details of the rates charged are included in the Funding Impact Statement.

### Capital Costs

Capital costs, for the purpose of this policy, is spending on assets that provide the community with a service over a longer period of time than operating expenditure. The council owns \$3.5 billion worth of assets and plans to spend between \$50m and \$90m each year of the next 10 years on asset improvement.

The council has a mix of funding tools available to purchase and improve assets. During the last 5 years the council has funded less than 50% of its annual capital costs from operating income. This has led to unsustainable increases in borrowing. The council is now of the view that 80% of capital costs should be funded from operating income. Operating income includes user charges, development and financial contributions, subsidies, grants and rates. Other funding sources include borrowing and asset sales.

Growth related capital costs are funded from development contributions.

## Capital Cost Funding Sources

### *User Charges*

User charges are used for services where there is a benefit to an individual or group. Generally user charges are not used to pay for asset purchases, as the amount to pay is unaffordable and generally the beneficiaries are many and change over the long period of the asset's life. This makes user charges impractical and unfair.

### *Grants, subsidies, and other income*

Grants and subsidies are used wherever they are available. The Council expects to continue to receive substantial subsidies for the development of new and existing elements of the roads.

### *Development and Financial Contributions*

Hamilton has grown rapidly and although the rate of growth has slowed there will be continued growth. Growth, driven by development, is a major factor in the need to undertake some capital expenditure. The Council has developed the Development and Financial Contributions Policy to ensure that development contributes to growth-related capital costs for funding reserves, network and community infrastructure.

Development contributions funding will be sought for all capital expenditure for which growth is identified as the major driver. At the Council's discretion, development contributions funding may also be sought for other capital expenditure for which a growth component has been identified.

The amount of development contributions funding sought for each activity will reflect the extent to which growth is the cause and beneficiary of the capital expenditure associated with that activity as detailed in the Development and Financial Contributions Policy. At the Council's discretion, this percentage may be reduced in order to promote affordability for developers and consistency in the development contribution charges from year to year.

### *Proceeds from the Sale of Assets*

From time to time the Council sells assets. The Council will use the proceeds from the sale (after paying for the cost of sale) to repay debt. Some assets have restrictions on how the proceeds may be used; for example endowment property proceeds must be placed in the Municipal Endowment Fund.

## *Borrowing*

The Council debt is too high for the initial 7 years of the 10 Year Plan, so it is planning to reduce the ratio of debt to revenue over that period. This restricts the Council's ability to borrow more funds in the first period of the plan. Once that goal is achieved however, the Council will have capacity to borrow to fund new assets, within sustainable financial ratios. When considering borrowing as a funding source, the Council will consider both the principles of managing within its rate and debt limits as defined in the financial strategy.

Council does not raise individual external loans for each project which is loan funded, but offsets cash held against loan requirements and borrows externally as the cash is required. Council does ensure that sufficient cash funds are available to the level of the restricted reserves which may be required to fund expenditure which has not been budgeted through the 10-year plan. An example of this is the Municipal Endowment Fund which can be held in cash or property depending on what generates more income.

In previous years Council repaid 4% of loan principal in each year. For the 10-year plan, loan repayments have been based on an amount to achieve a stable debt position, return to an operating surplus while minimising the effect on rate increases.

## *Rates*

Rates are used firstly to fund the day to day expenses of the Council. This includes funding an annual amount (depreciation) toward the ongoing replacement of existing assets, and the funding of its financing costs on debt created to purchase assets.

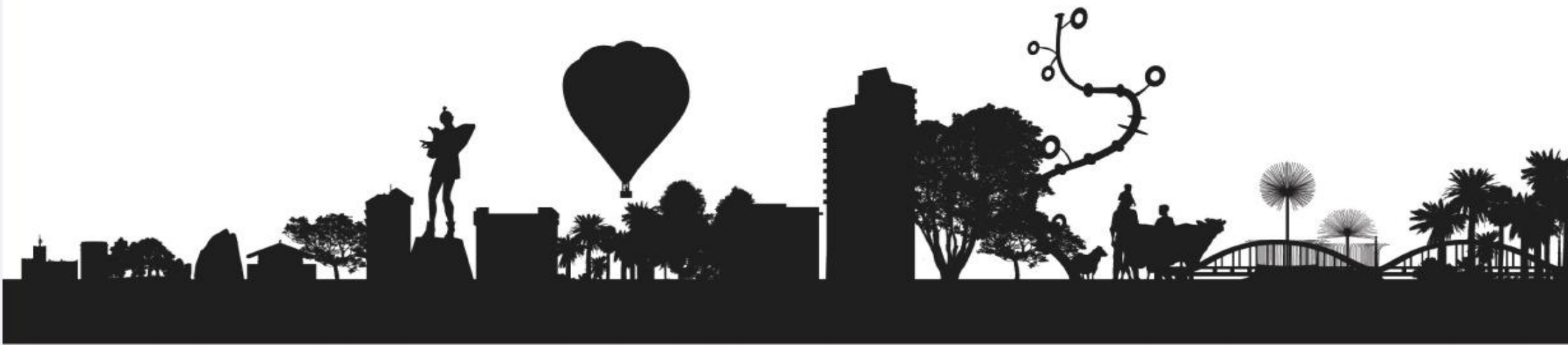
As a last resort, rates may be required to fund the balance of the capital cost of a new asset. The Council will make funding needs analysis on each major project and determine:

- How much the rates contribution will be?
- Which group of ratepayers should pay?
- Whether to include that in the General Rate or some other targeted rate as determined by the Council?

The Council may determine whether funding by general rate or targeted rate is fairest and may consider whether other funding tools such as remissions, postponements, early repayments or lump sum contributions are appropriate choices.

### **Additional Information**

This policy represents the high level revenue and financing policies of the council. The Council has separately completed a funding needs analysis (s101(3) LGA) for each activity which is available on the web-site. Further information relevant to this policy is contained in the Financial Strategy, Rating Policies and Funding Impact Statement.



# RATING POLICIES

Incorporating Rates Remission and Rates Postponement Policies

# Rating Policy Objectives

To have a rating system which:

- Spreads the incidence of rates as fairly as possible.
- Provides sufficient revenue to cover costs.
- Complies with relevant legislation.
- Is transparent to the ratepayer and promote accountability.

The Rating Policy should be read in conjunction with the Council's Revenue & Financing Policy, and the Funding Impact Statement outlined in the 10-Year Plan.

The Rating Policy incorporates all Rates Remission and Rates Postponement Policies.

## Background

The Council has reviewed each activity and determined the fairest allocation of funding sources. The Revenue and Financing Policy summarises this allocation. The rates portion is assessed to rateable properties under the Local Government (Rating) Act 2002.

## Rating Systems

A Land Value rating system will be used as the basis for assessing General Rates.

## Rating of 100% (fully) Non-Rateable Land - General Description

The Council applies the rules of Schedule 1 of the Local Government (Rating) Act 2002 and extends these provisions to not-for-profit community organisations. These organisations must deliver social benefits to the community where neither government nor business is best or appropriately placed. An application form for rating relief is required to meet certain conditions and criteria which is available on the council website.

Where there is multi-use on a property, an apportionment of values will be undertaken for rating purposes.

## The current policy is as follows:

- That these properties be charged by way of three targeted rates for the full cost of water, refuse and wastewater services supplied, and charged at a rate in cents per dollar on the land value of the property.
- That there is a minimum charge for each service.

## Rating of 50% Non-Rateable Land - General Description

The Council applies the rules of Part 2 of Schedule 1 of the Local Government (Rating) Act 2002 where the land is 50% non-rateable. The council will rate these properties at 50% of the residential general rate (mandatory rates). This funding covers all council services.

Where there is multi-use on a property, an apportionment of values will be undertaken for rating purposes.

## Rates Remission and Rates Postponement Policies

In accordance with Sections 85 & 87 of the Local Government (Rating) Act 2002 and Sections 102(5), 109 & 110 of the Local Government Act 2002, the Council will remit and postpone rates as set out in the Rates Remission and Rates Postponement Policies as listed in this section.

## Rates Remission - Remission of Penalties

The objective of this policy is to consider requests for remission of penalty charges on rates.

The Council's current policy is that additional charges by way of penalty may be applied in accordance with Sections 57 & 58 of the Local Government (Rating) Act 2002. These penalties may be remitted in accordance with Section 109 of the Local Government Act 2002 and Section 85 of the Local Government (Rating) Act 2002 under the following conditions and criteria:

- Remission may be granted where payment has been received after the date fixed for imposition of a late penalty charge, provided that none of the previous four instalments were similarly received late.
- Remission may be granted where a ratepayer either:
  - (a) makes satisfactory arrangements for regular and substantial reduction of arrears. (These arrangements are to include the remission of late penalty charges as long as such arrangements are fully met) or,
  - (b) provides sufficient information which, if considered genuine and if substantiated with reasonable excuse for late payment, would justify remission for late penalty charges or,
  - (c) rates staff have the authority to reset penalties where the application meets the criteria set above.

The practice of a penalty for non-payment of rates by due date is an accepted standard practice for local authorities and delay in mail delivery does not constitute justification for remission.

A written application for remission is required if the request does not meet the above criteria.

#### **Rates Remission - Hardship Relief**

The objective of this policy is to receive and consider applications for rates remission in the cases of extreme financial hardship.

Section 109 of the Local Government Act 2002 and Section 85 of the Local Government (Rating) Act 2002 provides for the council to remit part of the rates owing on the rating unit in cases of extreme hardship. The council has approved a Rates Remission - Hardship Relief Policy based on the following conditions and criteria:

- (i) Ratepayers must apply to the council in writing to be considered for a remission.
- (ii) The maximum remission under the Rates Remission - Hardship Relief Policy is \$400 - (updated 1 July 2012).
- (iii) The maximum remission amount to be increased by the average percentage general residential rates increase annually.
- (iv) The application will be assessed independently from the Government Rates Rebate Scheme.
- (v) For the purposes of calculating the remission the basic allowable income factor will be set at \$17,804 - (updated 1 July 2011).
- (vi) The income threshold level be adjusted by the annual percentage change in the Super Living Alone benefit payment effective 1 July each year.
- (vii) The following essential elements must be met before any remission is granted:
  - the applicant must be the owner of the property, the applicant must reside at the property and the property must be classified as either a residential or inner city residential apartment. Companies, trusts and other similar ownership structures of these properties do not qualify for this remission;
  - the Council must be satisfied that extreme financial hardship on any individual exists or would be caused by requiring payment of the whole or part of the rates;
  - the applicant must declare total household income and their total financial position for the purposes of the remission calculation;

- the applicant's total assets must not exceed the "total assets" formula described in the Rates Remission - Postponement due to Financial Hardship Policy;
- all applications for rates remission be treated on a case-by-case basis and approved/declined by either the Finance Manager or Revenue Manager;
- The council shall consider whether postponement of rates is a more suitable option.

#### **Rates Remission - Land affected by Natural Calamity or Disaster**

The objective of this policy is to enable rate relief to be provided to assist ratepayers experiencing extreme financial hardship due to a calamity or natural disaster that affects their ability to pay rates.

#### **Conditions and Criteria**

Remissions approved under this policy do not set a precedent and will be applied only for each specific event and only to properties affected by the event.

The council may remit all or part of any rate on any rating unit where the application meets the following criteria:

- (i) Where erosion, subsidence, submersion or other natural calamity or disaster has affected the use or occupation of any rating unit.
- (ii) It is applicable for each single event and does not apply to erosion, subsidence or other incidences that may have occurred without a recognised major natural calamity or disaster.
- (iii) The Council can set additional criteria for each event where it considers it to be fair and reasonable to do so. This is because the criteria may change depending on the nature and severity of the event and available funding at the time. The council may require financial or other records to be provided as part of the remission approval process.
- (iv) The extent of any remission shall be determined by the council on a case-by-case basis.

#### **Rates Remission - Organisation with Liquor Licences**

The objective of this policy is to ensure sporting clubs and organisations are entitled under Schedule 1, Part 2, Local Government (Rating) Act 2002 to a remission of 50% of residential rates. However the Local Government (Rating) Act 2002 excludes land, in respect of which a club licence under the Sale of Liquor Act 1989 is for the time being in force, from receiving the 50% non-rateable status.



## HAMILTON CITY COUNCIL

It is difficult to determine the portion of the property to which the liquor licence applies. A further consideration is that often the liquor licence is not held to generate profit but helps to cover the operating costs of the sporting club or organisation. To ensure consistency, sporting clubs and organisations which hold a liquor licence, may be eligible for the 50% remission if they meet certain conditions and criteria which is available on the council website. This remission does not apply to the Bar and Restaurant area of Chartered Clubs.

### Conditions and Criteria:

- (i) The sporting club or organisation must qualify as 50% non-rateable under Schedule 1, Part 2, Local Government (Rating) Act 2002.
- (ii) The sporting club or organisation must not operate for private pecuniary profit.
- (iii) The sporting club or organisation must hold the liquor licence as an incidental activity to the primary purpose of occupancy.
- (iv) The restaurant, bar and gaming machines area for Chartered Clubs are excluded from this remission and will be rated at the full commercial rating.
- (v) The sporting club or organisation will be required to complete a yearly statutory declaration confirming that they meet the condition and criteria under the policy.

Council may remit 50% of the rate levied in respect of the land relating to the liquor licence where it considers it to be fair and reasonable to do so.

### Rates Remission - Commercial Land Use in a Rural Location

The objective of this policy is to enable remission of part of the rates to a property where a commercial activity is operated in a rural location but do not receive all the council core services.

### Conditions and Criteria:

- (i) The rural commercial properties be rated under the commercial/industrial category.
- (ii) Council to determine which services are unavailable to individual properties annually.
- (iii) The core services available for remission are:
  - (a) wastewater
  - (b) water

- (c) stormwater
- (d) footpaths
- (e) street lighting

- (iv) Council will remit the amount equal to the cost that Council would have charged for the services unavailable as part of the commercial general rate.

### Rates Remission - Residential Properties not receiving all core Infrastructure Services

The objective of this policy is to enable remission of part of the rates to a property where it is used for residential purposes but do not receive all the council's core infrastructure services.

### Conditions and Criteria:

- (i) The property is rated under the full residential category.
- (ii) Council to determine which infrastructure services are unavailable to individual properties annually.
- (iii) The core services available for remission are:
  - (a) wastewater
  - (b) water
  - (c) stormwater
  - (d) footpaths
  - (e) streetlighting
- (iv) Council will remit the amount equal to the cost that Council would have charged for the services unavailable as part of the residential general rate.

### Rates Remission - Remission of Targeted Rates to 100% Non-Rateable Community Organisations (Needs Based)

The objective of this policy is to facilitate the ongoing provision of the Community Organisations (Needs Based) and their services to the residents of Hamilton City where the charging of the full targeted rate for water, wastewater and refuse may affect the Community Organisations (Needs Based) viability.



**Conditions and criteria:**

The Council may remit up to 40% of the targeted rates levied for water, wastewater and refuse in respect of the rating unit, where the application meets the following criteria, and where it considers it to be fair and reasonable to do so:

- (i) Community Organisations (Needs Based) must not operate for private pecuniary profit.
- (ii) Community Organisations (Needs Based) must not receive any funding from government agencies or have any contracts for fee for service with government agencies.
- (iii) Community Organisations (Needs Based) must operate on a voluntary basis and have no full-time or part-time paid employees or contractors operating in this capacity.
- (iv) The cost of the full targeted rates for water, wastewater and refuse will cause the Community Organisations (Needs Based) extreme financial hardship and/or cause the organisation to operate at a financial deficit.

The Community Organisations (Needs Based) must provide the following documents with their application:

- Statement of Objectives
- Constitution or Trust Deed
- Full financial accounts
- Information showing extreme financial hardship and operating position
- Information on activities and programmes
- Information on funding sources

Each application shall be determined by Council on a case-by-case basis.

Applications for this remission must be made annually by the Community Organisation (Needs Based).

**Rates Remission – Community Organisations with Retail Shops**

The objective of this policy is to facilitate the on-going provision of the Community Organisation (Needs Based) and their services to the residents of Hamilton. The remission is to acknowledge the benefits these community groups deliver to the city by way of helping those in need and supplying low cost items to the community.

**Conditions and Criteria:**

- (i) A legally constituted charitable trust or incorporated society not for profit which delivers social benefits to the community where neither government nor business is best or appropriately placed.
- (ii) The community retail shops currently charged community rates will be rated at full commercial rates with a remission of 75% for the first year reducing to 50% over the three year period.
- (iii) The community retail shops current charged commercial rates will be granted a 50% remission as from 1 July 2012.

**Rates Remission - Remission of Rates to 50% Non-Rateable Sporting and Cultural Organisations**

The objective of this policy is to facilitate the ongoing provision of the Sporting and Cultural Organisations and their services to the residents of the City where the charging of the full targeted rate for water, wastewater and refuse may affect the Sporting and Cultural Organisations viability.

**Conditions and Criteria:**

The application must meet the following criteria and conditions to qualify for the above remissions:

- (i) Sporting and Cultural Organisations must not operate for private pecuniary profit.
- (ii) Sporting and Cultural Organisations must not receive any funding from government agencies or have any contracts for fee for service with government agencies.
- (iii) Sporting and Cultural Organisations must not hold a liquor licence under the Sale of Liquor Act 1989.
- (iv) Gross annual income of the Sporting and Cultural Organisation must be less than \$500,000.
- (v) Sporting and Cultural Organisations must operate on a voluntary basis and have no full-time and part-time paid employees or contractors operating in this capacity.
- (vi) The charge of 50% of the general residential will cause the Sporting and Cultural Organisations extreme financial hardship and/or cause the organisation to operate at a financial deficit.

The Sporting and Cultural Organisations must provide the following documents with their application:

- Statement of Objectives
- Constitution or Trust Deed
- Audited Financial Statements
- Information showing extreme financial hardship and operating position
- Information on activities and programmes
- Information on funding sources

Each application shall be determined by Council on a case-by-case basis.

Applications for this remission must be made annually by the Sporting and Cultural Organisation.

### **Rates Remission - Council Owned Property**

The objective of this policy is to be administratively efficient by minimising unnecessary, uneconomic transactions by removing rates transactions for council owned properties which are rateable but used for non-commercial purposes. The council will rate council owned properties used for commercial or investment purposes on the same basis as described in Council's funding impact statement. The following Hamilton City Council owned properties are considered to be non-commercial in their use and will attract 100% rates remission.

- Council properties classified as community assets.
- Council administrative buildings.
- Infrastructural assets for transport, water, wastewater, storm water, and solid waste management.
- Sports facilities (including Waikato Stadium).
- Claudelands.
- Carparks (when no fee is charged).

### **Rates Remission and Postponement on Maori Freehold Land**

The objective of this policy is:

- To recognise situations where there is no occupier or no economic or financial benefit is derived from the land and there is no practical means of enforcing the rates assessed.
- To grant remission, (where part only of a block is occupied), for the portion of land unoccupied and unproductive.

- To encourage owners or trustees to use or develop the land.
- Where the owners cannot be found, to take into account the statutory limitation of time for the recovery of unpaid rates.

The council's current policy is that a remission of all or part of rates may be granted in respect of rating units which are Maori freehold land in multiple ownership, where the land is both unoccupied and unproductive.

This policy addresses the requirements prescribed under Section 108 and Schedule 11 of the Local Government Act 2002 and Section 114 of the Local Government (Rating) Act 2002.

### **Conditions and Criteria:**

- (i) The land must be multiple-owned and unoccupied Maori freehold land, which is incapable of producing any income and is not used for residential/commercial/ industrial purpose.
- (ii) A request for rates remission by the owners must include:
  - (a) Details of the land
  - (b) Documentation that shows the ownership of the land
  - (c) Reasons why remission is sought.
- (iii) Where after due enquiry the owners of an unoccupied block cannot be found the Council may apply a remission without the need for a request.
- (iv) If circumstances changes in respect of the land, the Council will review whether this remission policy is still applicable to the land.
- (v) The Deputy Chief Executive has delegated authority to grant or refuse remissions under this policy.
- (vi) Any appeals against the decision of the Deputy Chief Executive will be referred to the Finance & Audit Committee for final determination.

### **Definitions**

The following definitions are taken from section 5 of the Local Government (Rating) Act 2002:

- Maori freehold land means land whose beneficial ownership has been determined by the Maori Land Court by freehold order.
- Maori freehold land in multiple ownership means Maori freehold land owned by more than five persons.

- Postponed rates means rates for which the requirement to pay is postponed.
- Remitted rates means rates for which the requirement to pay is remitted.

#### **Rates Postponement - Postponement due to Financial Hardship**

The objective of this policy is to provide a measure of rating relief to property owners where the full payment of rates would otherwise cause financial hardship. Section 110 of the Local Government Act 2002 and Section 87 of the Local Government (Rating) Act 2002 provides for the council to postpone rates in cases of extreme financial hardship. The "Act" provides the necessary authority to grant relief after the council's full enquiry and on being satisfied that financial hardship exists or would be caused by non-postponement. Postponed rates are a charge against the property and must be paid either at the end of the postponement term or when the property is sold, whichever is the earlier.

All applications for postponement will be treated on a case-by-case basis and approved/declined by either the Finance Manager or Revenue Manager.

A prerequisite is that the council establish base criteria against which the acceptability or otherwise of individual applications for rates postponement relief on grounds of hardship will be able to be judged.

It is proposed that, in the council's opinion, "hardship" may occur and a measure of relief may be able to be given when all of the following aspects are present:

- The ratepayer is the property owner.
- The property is used by the ratepayer as his or her permanent place of residence.
- The property is used solely for residential purposes.
- The ratepayer has not less than 25% equity in the property.
- The total assets of the household are not more than those specified by the set formula (refer to the council website for details).
- The total rate bill which would otherwise be payable, when compared with the total gross annual income for the ratepayer's household, exceeds the appropriate figure as calculated on the application form - (Rates Postponement Calculation Sheet).
- For those residential property owners whose disposable income is too low to clear both arrears and current year's rates within a 24 month period, the council will consider the postponement of all or part of the arrears that would not be cleared within a two year time frame. An agreement to regularly pay a

set amount to cover both current and the nominated amount of arrears is assumed. Each application will be considered on its individual merits. Conditions and Criteria are available on the council website.

#### **Process and Period of Postponement**

When an application for postponement is approved, the following provisions will apply:

- Postponement will first apply in the year a completed application is received. The amount of rates postponed will not incur additional charges.
- Instead of the council requiring payment of the full annual rates bill in the year in which it falls due, the ratepayer will be required to pay to the council the appropriate amount shown on the application form as the "Minimum Payment Scale". The balance of the total annual rates bill will be postponed.
- Any rates postponed shall be registered as a charge on the land.
- Interest may be charged annually on the postponed rates at 10% p.a. or at the same rate of interest that would be charged by the council's bankers on any overdraft in the council's name at the commencement of each rating year, whichever is less.
- The total amount of all postponed rates and charges will be postponed:
  - until the death of the property owner; or
  - until the applicant/occupier ceases to be the occupier (or one of the occupiers) of the land; or
  - until a date when the applicant/occupier ceases to:
    - use the property as his/her permanent place of residence; or to
    - use the property solely for residential purposes.
  - until a date upon which any of the statements certified by the applicant in the application for rates postponement are found to have been incorrect at the time they were made; or
  - until a date upon which all or any part of the rates due and owing by the property owner from time to time, and not postponed, become overdue - whichever occurs first.

In any case, rates postponement will be for a period of time not exceeding ten years from the date of application.

### **Any Part of the Postponed Rates May be Paid at Any Time**

Notwithstanding the above:

- The applicant may elect to "postpone" the payment of a lesser sum than that which he/she would otherwise be entitled to have postponed under this policy.
- Any part of the postponed rates and/or interest charges may be paid at any time.

### **Ratepayers to be Given Details of Postponed Rates Each Year**

Not less than once annually every ratepayer, a part of whose rates have been postponed under this policy, will be provided with:

- A statement showing the total annual rates currently due.
- A breakdown showing year by year the total amount of the postponed rates and interest charges.

Following the end of the financial year, a schedule of rates postponed will also be provided to the council (annually), listing all the properties for which rates postponements have been granted and which remain outstanding.

When rates are no longer eligible to be postponed on the property, all postponed rates will be payable immediately.

### **Other Matters**

#### **Rates Payable by Instalments**

The Council provides for rates to be paid in four equal instalments. A ratepayer may elect to pay weekly, fortnightly, monthly by automatic payment through the banking system. Rates can also be paid by direct debit (weekly fortnightly, monthly or quarterly), internet and other banking methods.

#### **Rating Penalties**

In accordance with Sections 57 & 58 of the Local Government (Rating) Act 2002, a penalty of 10 per cent is added to all rates assessed (GST inclusive balance) or part thereof in the current financial year (including general and targeted rates), which are unpaid after the due date for payment. Previous years rates, which remain unpaid, will have a further 10 per cent added on 1 September and again on 1 March each year.

#### **Three Yearly Revaluation of Property Values**

The rateable property values on which the council bases the general rates calculation are independently revalued every three years, with the next revaluation on 1 September 2012 for effect in the 2013/14 rating year.

The revaluation may affect the amounts assessed against individual rating units within each differential rating sector relative to other rating units in that sector.

### **Review of Rating System and Differentials**

At its meeting of 18 August 2011, Hamilton City Council considered a report on the proposal to move Hamilton City to a Capital Value Rating System and resolved to adopt a Statement of Proposal for consultation using the Special Consultative Procedure as prescribed by the Local Government Act (LGA 2002).

The community was invited to make submissions for a six week period in September /October 2011. A total of 2,763 written submissions were received and 130 people spoke to their written submissions at the council hearings in November 2011.

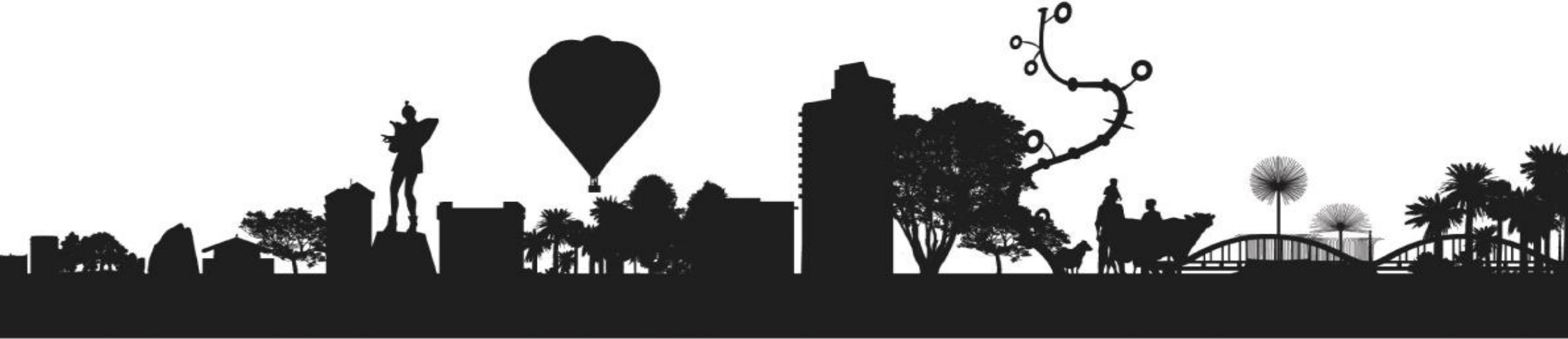
The majority of submissions opposed all aspects of the proposal, preferring to retain the current rating system (status quo option).

The council's overall decision was to retain Land Value rating system with the current differentials and implement a small reduction in CBD rates funded from the commercial sector. This will be a 95% differential relative to the other commercial properties within the city. This reduction will be redistributed to the city's other commercial sector properties.

The council also decided to retain the 7 current rating differential categories i.e. residential, multi-unit, inner city apartments, commercial/industrial, rural residential, small rural and large rural.

The Business Improvement District (BID) area is also proposed to be extended to align with proposed District Plan. This would increase the number of properties paying this rate.

The draft Business Improvement District (BID) policy can be found at [www.hamilton.co.nz](http://www.hamilton.co.nz).



# FUNDING IMPACT STATEMENT

- Rating Information
- Rates sample
- Council Funding Impact Statement

Key  
2011/12 ANNUAL PLAN  
10-YEAR PLAN



## Rating Information

The Funding Impact Statement should be read in conjunction with the Revenue and Financing Policy and Rating Policies. Figures in this statement are GST inclusive.

### Setting of Rates for 2012/2013

Council sets the following rates under the Local Government (Rating) Act 2002.

#### General Rate

#### Targeted Rates:

- Access Hamilton
- Business Improvement District
- Non-rateable Services 100%
- Non-rateable Services 50%
- Non Domestic Water Supply

Details of the amount of rates to be collected and the categories who will pay these rates are listed below:

#### General Rate

A general rate is set and assessed on the land value of all rateable land in the City. General rates are set on a differential basis on the land value of all rateable properties. The differential basis is based on the use to which the land is put. The different categories of rateable land (differential) are outlined in the table below. This funding mechanism covers all services of Council. The total revenue sought for 2012/13 is \$133.240 (GST Inclusive).

#### Differential

Differential rating is used for the general rate only. Other targeted rates are set without differentials apart from non domestic water supply. The quantum of general rates required from each differential sector is calculated on an activity-by-activity basis as described in the Funding Needs Analysis.

The objective of including differentials in the general rate is to achieve a fair and equitable distribution of the general rate between categories of land having regard to matters of social, economic, environmental and cultural well being of the community.

The differentials reflect the fact that some sectors gain a higher share of the benefits of Council services than others

A general rate set and assessed on a differential basis as follows:

Source	Category	Differential Categories	Differential factor	General Rate in the dollar of Land Value for 2012-13 (GST inclusive)	Revenue (GST inclusive) 2012-13
Rates	A	Residential	1.0000	\$0.011209	\$83,851,319
General	B	Inner City Residential Apartments	0.9370	\$0.010503	\$321,167
Rate	C	Commercial/Industrial	2.0802	\$0.023318	\$34,327,737
	D	CBD Commercial/Ind	1.9762	\$0.022152	\$10,883,265
	E	Multi Unit Residential	1.4247	\$0.015969	\$2,358,127
	F	Rural Residential	0.4632	\$0.005192	\$75,129
	G	Rural Small	0.3341	\$0.003745	\$1,040,536
	H	Rural Large	0.1640	\$0.001838	\$382,870

#### Category Definitions - General Rate Differential

Each rating unit is allocated to a differential rating category for the purpose of calculating the general rate. Set out below are the definitions used to allocate rating units to categories.

#### Category A - Residential and Other

All rating units -

- (i) Used solely or principally for residential purposes as the home or residence of not more than two households which have available the full Council services; excluding properties in Categories B, C, E; or
- (ii) 2,000 square metres or less in area, used solely or principally for rural purposes, which receive full water and wastewater services from the Council; or
- (iii) The residential portion of a property which is used for both residential/commercial use, i.e. small business operated from residential properties; or
- (iv) Bare land marketed for residential section sales not under development or land under development for a residential subdivision and no longer used principally for rural purposes; or
- (v) Not otherwise specified in the Category definitions.

#### Category B - Inner City Residential Apartments

All rating units -

- (i) Used solely or principally for residential purposes as the home or residence of not more than two households, excluding properties categorised as Category C; and



- (ii) Located within the CBD where the Council cannot provide a household refuse collection service.

### **Category C - Commercial/Industrial**

All rating units -

- (i) Used solely or principally for commercial or industrial purposes, but excluding properties categorised as Category F or G (note: commercial properties in rural areas will be rated at full commercial and a remission may be applied subject to the Remission of Rates for Commercial Land Use in a Rural Location Policy); or
- (ii) Used solely or principally for commercial residential purposes, including, but not limited to, hotels, boarding houses, resthomes, show homes, motels, residential clubs, hostels; or
- (iii) The area of a chartered club used for the restaurant, bar and gaming machines, will be rated full commercial; or
- (iv) The commercial portion of the property, which is used for both commercial/ residential use, i.e. small business, operated from residential property; or
- (v) All vacant commercial/industrial land.

### **Definitions**

“Commercial residential purposes” are where a property is being provided for residential accommodation at a fee with the average occupancy period of the property not exceeding three months. Where the average occupancy exceeds three months, the property would be classified under the multi-unit category. Hostel is the residence or lodging place for persons.

### **Category D – CBD Commercial/ Industrial**

All rating units used solely or principally for commercial or industrial purposes within the defined existing and expanded CBD precinct shown in the map on page 78.

### **Category E - Multi-Unit Residential**

All rating units used solely or principally for residential purposes where there are three or more dwellings/households on a single title including residential centres, but excluding properties categorised as Category C.

Also includes hostels operated by charitable trusts that are not classified as 100% non-rateable land as defined by the Act.

### **Category F - Rural Residential**

All rating units used solely or principally for residential purposes as the home or residence of not more than two households that receive all the services of a residential property apart from stormwater, footpaths and traffic/streetlighting services.

### **Category G - Rural Small Holding**

All rating units less than 10 hectares in area, used solely or principally for rural purposes, excluding properties categorised under Category A paragraph (ii) or Category E.

### **Category H - Rural Large Holding**

All rating units over 10 hectares in area, which are used solely or principally for rural purposes. For Categories A, F, G and H, rural purposes include agricultural, horticultural or pastoral purposes and the keeping of bees or poultry or other livestock.

### **Uniform Annual General Charge**

Council does not use a uniform annual general charge.

### **Targeted Rates**

Targeted Rate - Non-Domestic Water Supply

The targeted rate for non-domestic water supply funds the operating and depreciation costs of water supplies to Commercial/Industrial, Non-Rateable, Rural properties.

- a) Council will set and assess a targeted rate on a differential basis to all rating units supplied with non-domestic water supply (as defined by Hamilton City Council's Water Supply Bylaw 2008) as follows:
  - (i) a fixed amount on every separately used or inhabited part of a rating unit supplied with non-domestic water as follows:
    - \$374 for commercial/industrial properties, non-rateable properties, or other properties with metered supply;
    - \$290 for rural properties receiving a restricted flow supply.
  - (ii) a charge per unit of water consumed or supplied on every separately used or inhabited parts of a rating unit in accordance with the following scale:

- commercial/industrial properties, non-rateable properties, or other properties with metered supply - \$1.56 per kilolitre of water supplied after the first 240 kilolitres of consumption or supply;
- rural properties receiving a restricted flow supply - \$1.21 per kilolitre of water supplied after the first 240 kilolitres of consumption or supply.

(iii) The total revenue sought for 2012/13 is \$8.426m (GST inclusive).

(b) Commercial properties without meters will be charged the minimum annual charge of \$374 (GST inclusive) per property or separately used inhabited part of a property.

The total revenue sought for 2012/13 is estimated to be \$239,360 (GST inclusive).

Properties in the Waikato District Council and Waipa District Council supplied with water under contractual arrangements will be charged according to Council's Fees and Charging schedule.

#### **Targeted Rate – Access Hamilton**

This targeted rate contributes funding for transportation.

The targeted rate for Access Hamilton funds the work programmes and/or financing costs relating to this project.

A targeted rate relating to Access Hamilton set and assessed at a uniform rate per dollar of capital value on all categories of rateable property (excluding 100% non-rateable and 50% non-rateable properties).

The amount raised by this targeted rate will be transferred into a reserve fund and these funds will be used to fund any of:

- Investigation or associated Access Hamilton capital costs
- Debt servicing of loan funded Access Hamilton capital projects
- Subsidies of transport initiatives, design and feasibility studies and other operational costs linked to the Access Hamilton strategy.

The targeted rate will be \$0.000256532 per dollar of capital value (GST inclusive).

The total revenue sought for 2012/13 is \$5,750,000 (GST inclusive).

#### **Targeted Rate – Business Improvement Districts (BID)**

This targeted rate contributes funding for economic development.

The defined area of the CBD precinct is shown in the map on page 80.

All separately used or inhabited parts of a rating unit within the precinct, will be charged the following targeted rate for the Business Improvement District. The total revenue sought for 2012/13 rating year is \$322,000 (GST inclusive).

- (a) a fixed amount of \$230 (GST inclusive) per separately used or inhabited parts of a rating unit within the defined area; and
- (b) a rate per dollar of capital value required to meet the total revenue (after allowing for the total revenue raised by the fixed amount of \$230 (GST inclusive) per rating unit or separately used portion of a rating unit, is \$0.000034 (GST inclusive).

The targeted rate income will be transferred to the Hamilton Central Business Association to fund the respective programmes for the 2012/13 financial year as outlined in their Business Plan.

#### **Targeted Rate – 100% (fully) Non-Rateable Properties**

The targeted rate for Non-Rateable properties for water, refuse and wastewater, represents a charge for the operating, financing and depreciation costs for these activities.

Council rates a number of categories of non-rateable land assessed under the Act. The properties which are 100% (fully) non-rateable (excluding water supply, refuse collection and wastewater rates) are defined in the Act.

These funding mechanisms cover the Water, Refuse and Wastewater services and will only be charged if the property receives the service. The total revenue sought for 2012/13 is \$999,350 (GST inclusive).

#### **Details of Targeted Rates**

##### **Non-Rateable Water Targeted Rate**

- (a) a fixed amount of \$374 (GST inclusive) per separately used or inhabited part of a rating unit; and
- (b) a rate per dollar of land value required to meet this category's share of the full cost of the service, after allowing for the total revenue raised by the fixed amount of \$374 (GST inclusive) per property, is \$0.0025610 (GST inclusive).

##### **Non-Rateable Refuse Targeted Rate**

- (a) a fixed amount of \$134 (GST inclusive) per separately used or inhabited part of a rating unit; and



(b) a rate per dollar of land value required to meet this category's share of the full cost of the service, after allowing for the total revenue raised by the fixed amount of \$134 (GST inclusive) per property, is \$0.000861 (GST inclusive).

#### **Non-Rateable Wastewater Targeted Rate**

(a) a fixed amount of \$401 (GST inclusive) per separately used or inhabited part of a rating unit; and

(b) The rate per dollar of land value required to meet the full cost of this category's share of the wastewater services, after allowing for the total revenue raised by the fixed amount of \$401 (GST inclusive) per property, is \$0.002239 (GST inclusive).

#### **Rating of 50% Non-Rateable Land**

Council rates a number of categories of 50% non-rateable land as defined in the Act. This funding mechanism covers all the services of Council. The total revenue sought for 2012/13 is \$124,200 (GST inclusive).

#### **Targeted Rate - Rating of Community Organisations (Arts Based) - 50% Non-Rateable**

Land in this category will be rated at the 50% general residential rates, which is a rate per dollar of land value of \$0.005605 (GST inclusive).

#### **Targeted Rate - Rating of Sporting and Cultural Organisations - 50% Non-Rateable**

Land in the category of Sporting and Cultural Organisations - 50% non-rateable will be rated at the 50% general residential rates, which is a rate per dollar of land value of \$0.005605 (GST inclusive).

#### **Horsham Downs Hall Rate**

Council invoices and collects the following rate on behalf of Waikato District Council. For further information refer to their LTP. The 2012/13 rate for the Horsham Downs Hall is \$25 (GST inclusive) per property for properties within the Hamilton City boundary within a defined radius of the Hall.

#### **Separately Used or Inhabited Part (SUIP) of a Rating Unit Definition**

Any part of a rating unit that is, or is able to be, separately used or inhabited by the ratepayer, or by any other person or body having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or other agreement.

For clarification, this means that each flat within a block of flats, or each shop within a block of shops, for example, would be charged the relevant targeted rate. The same would apply to a farm with more than one dwelling, (i.e. worker accommodation), or a residential property with a separate fully self-contained unit available for visitor accommodation.

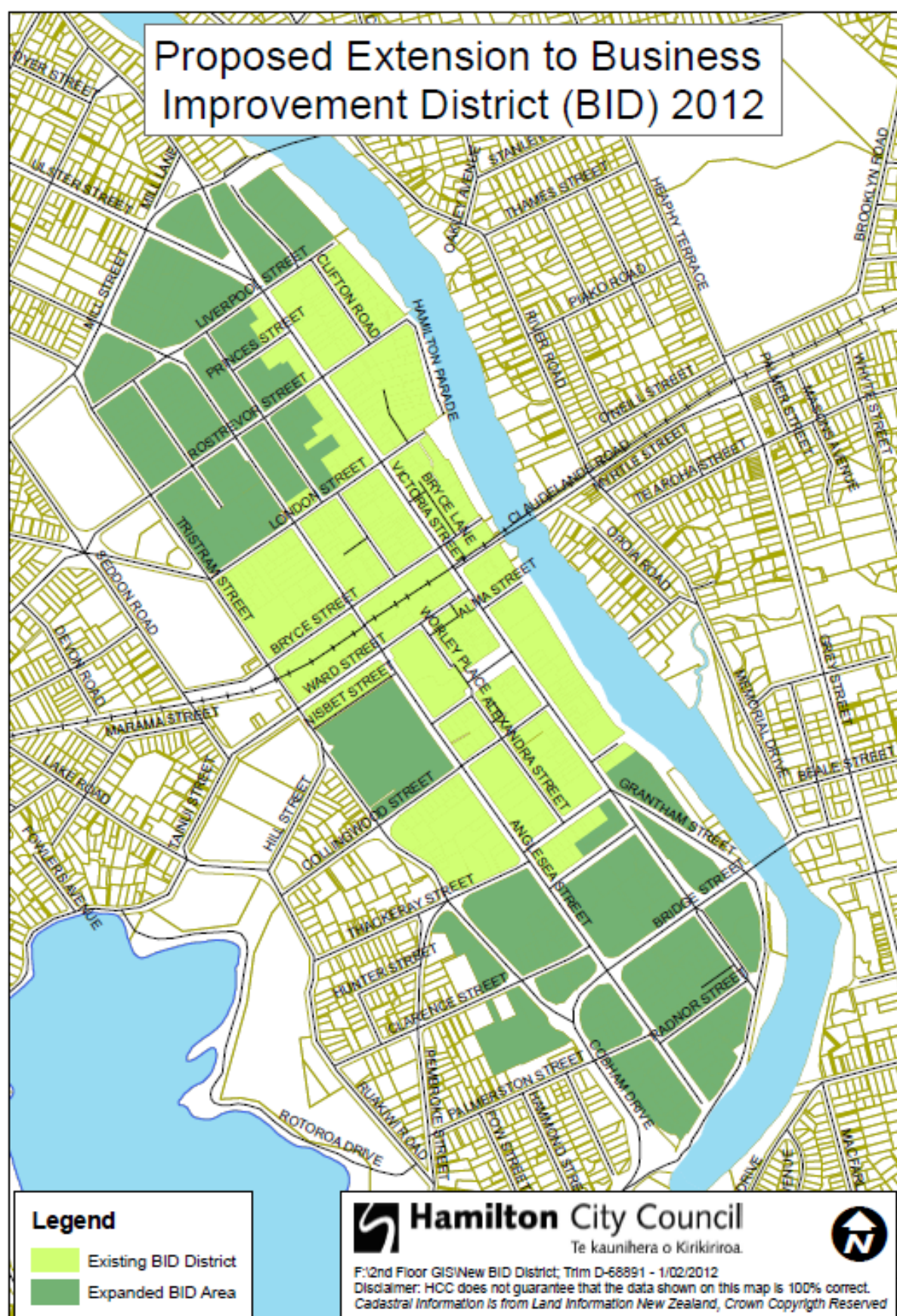
To avoid doubt, each use that involves a different activity that is conducted by a person, company, or organisation different to the ratepayer is considered to be a separate use. For example, if a photographic processing franchise operated within a store is operated by the store's staff, it is not a separate use. However if the same franchise is operated by a person, company, or organisation different to the store operator, it is considered a separate use.

#### **Inspection of Rating Information Database**

In accordance with the Local Government (Rating) Act 2002, the District Valuation Roll and Rates Records are available for public inspection at the Council Offices, Garden Place, Hamilton, between the hours of 8.00am and 4.45pm on all business days of the week.

#### **Objections**

The Local Government (Rating) Act 2002 provides for the right of objection to Council's implementation of their rating policies. Any objections to the allocation of property use to the council differential categories needs to be in writing to the Revenue Manager for consideration.



# Rates Sample

				2011/12	2012/13	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
				Total	Total	Total	General	General	BID Rates	BID Rates	Access	Access
	Land	Capital	SUIP	Rates	Rates	Change	Rate	Rate	(incl	(incl	Hamilton	Hamilton
	Value	Value	(units)			In rates			UAC)	UAC)	Rate	Rate
<b>RESIDENTIAL</b>												
Templeview	80,000	220,000		907	953	46	893	897			14	56
Hamilton Central	115,000	175,000		1,294	1,334	40	1,283	1,289			11	45
Forest Lake	134,000	380,000		1,519	1,599	80	1,495	1,502			24	97
Huntington	170,000	445,000		1,925	2,020	95	1,897	1,906			28	114
Fairfield	205,000	550,000		2,322	2,439	117	2,288	2,298			35	141
Flagstaff	310,000	770,000		3,508	3,672	164	3,459	3,475			48	198
Riverlea	315,000	675,000		3,558	3,704	146	3,515	3,531			42	173
St Andrews	530,000	850,000		5,968	6,159	191	5,914	5,941			54	218
Flagstaff	750,000	1,850,000		8,486	8,881	395	8,369	8,407			116	475
Lake area	900,000	1,025,000		10,108	10,351	243	10,043	10,088			65	263
Queenwood	1,300,000	3,500,000		14,636	15,470	834	14,507	14,572			129	898
<b>INNER CITY RESIDENTIAL</b>												
Central City	118,000	200,000		1,246	1,291	45	1,234	1,239			13	51
Central City	235,000	465,000		2,486	2,588	102	2,457	2,468			29	119
<b>INDUSTRIAL</b>												
Te Rapa Park	650,000	1,875,000		15,018	15,637	619	14,900	15,156			118	481
Frankton Industrial	1,200,000	2,150,000		27,643	28,533	890	27,508	27,981			135	552
Nawton Industrial	1,750,000	5,750,000		40,477	42,281	1,804	40,115	40,806			362	1,475
Te Rapa Industrial	4,750,000	9,750,000		109,498	113,260	3,762	108,884	110,759			614	2,501
<b>COMMERCIAL</b>												
Suburban Commercial	1,300,000	3,400,000		30,014	31,185	1,171	29,800	30,313			214	872
Hamilton East Commercial	2,450,000	11,000,000		56,854	59,950	3,096	56,161	57,128			692	2,822
Suburban Large Retail	11,120,000	207,700,000		265,303	312,574	47,271	254,904	259,292			10,399	53,282
Suburban Large Retail	10,100,000	160,000,000		241,594	276,553	34,959	231,522	235,508			10,072	41,045

				2011/12	2012/13	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
				Total	Total	Total	General	General	BID Rates	BID Rates	Access	Access
	Land	Capital	SUIP	Rates	Rates	Change	Rate	Rate	(incl	(incl	Hamilton	Hamilton
	Value	Value	(units)			In rates			UAC)	UAC)	Rate	Rate
<b>COMMERCIAL WITH BID RATE</b>												
CBD Small Retail	133,000	220,000	1	3,627	3,240	-387	3,049	2,946	237	237	14	56
CBD Small Retail	320,000	960,000	1	7,983	7,597	-386	7,335	7,089	260	262	60	246
CBD Small Retail	500,000	900,000	1	11,776	11,567	-209	11,462	11,076	258	260	57	231
CBD Retail	1,175,000	10,250,000	7	28,126	30,612	2,486	26,935	26,028	546	1,954	645	2,629
CBD Large Retail	2,400,000	15,900,000	10	58,807	60,077	1,270	55,015	53,164	2,791	2,834	1,001	4,079
CBD Large Retail	4,450,000	16,600,000	1	103,794	103,621	-173	102,007	98,575	742	787	1,045	4,258
CBD Large Retail	12,000,000	108,600,000	64	299,884	312,045	12,161	275,076	265,821	18,038	18,365	6,770	27,859
<b>MULTI UNITS</b>												
Frankton - 4 Units	185,000	455,000	4	2,970	3,071	101	2,941	2,954			29	117
Hamilton East - 10 Units	225,000	970,000	10	3,638	3,842	204	3,577	3,593			61	249
Whitiora - 4 Units	425,000	670,000	4	6,799	6,959	160	6,757	6,787			42	172
<b>RURAL RESIDENTIAL</b>												
Rotokauri	265,000	610,000		1,408	1,532	124	1,370	1,376			38	156
Rototuna North	917,000	917,000		4,797	4,996	199	4,739	4,761			58	235
Rotokauri	1,325,000	1,530,000		6,944	7,272	328	6,848	6,879			96	392
<b>RURAL SMALL (&gt; 0.2 AND &lt; 10</b>												
Melville	485,000	500,000		1,840	1,945	105	1,809	1,816			31	128
Te Kowhai	840,000	1,200,000		3,208	3,454	246	3,132	3,146			76	308
Enderley	1,800,000	1,810,000		6,826	7,205	379	6,712	6,741			114	464
<b>RURAL LARGE (&gt; 10 HECTARES)</b>												
Glenview- 23.137Ha	1,400,000	2,100,000		2,694	3,112	418	2,562	2,573			132	539
Te Kowhai	2,900,000	3,100,000		5,502	6,125	623	5,307	5,330			195	795
Peacocks - 167.89Ha	9,750,000	10,570,000		18,508	20,630	2,122	17,843	17,919			665	2,712

Rates for sample properties of various types in various locations (properties are chosen to illustrate a range of values, and may not be typical of the stated location).



## Council Funding Impact Statement for the 10 years ended 30 June 2013-2022

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000	2021/22 \$000
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	114,509	115,498	120,546	125,883	131,008	136,931	143,068	148,938	155,628	162,591	169,836
Targeted rates(other than targeted rate for water supply)	2,334	6,258	6,301	6,341	6,888	6,934	6,985	7,535	7,591	7,646	7,706
Subsidies and grants for operating purposes	4,969	3,380	3,508	3,831	3,952	4,079	4,208	4,342	4,482	4,626	4,772
Fees charges and targeted rates for water supply	53,647	44,543	47,398	49,288	50,884	52,522	54,209	55,947	57,776	59,647	61,572
Interest and dividends from investments	237	275	275	325	325	325	325	325	325	325	325
Local authorities fuel tax, fines, infringement fees, and other receipts	6,131	4,174	4,305	4,446	4,587	4,734	4,884	5,038	5,200	5,367	5,538
<b>Total operating funding</b>	<b>181,827</b>	<b>174,128</b>	<b>182,333</b>	<b>190,114</b>	<b>197,644</b>	<b>205,525</b>	<b>213,679</b>	<b>222,125</b>	<b>231,002</b>	<b>240,202</b>	<b>249,749</b>
<b>Applications of operating funding</b>											
Payments to staff & suppliers	131,681	117,964	120,972	122,483	125,627	130,181	134,423	138,542	143,314	148,417	153,580
Finance costs	26,434	23,733	24,812	25,677	26,304	26,869	26,680	26,863	27,227	27,444	27,429
Other operating funding applications	449	1,273	1,553	1,587	1,624	1,658	1,696	1,235	1,273	1,313	1,355
<b>Total applications of operating funding</b>	<b>158,564</b>	<b>142,970</b>	<b>147,337</b>	<b>149,747</b>	<b>153,555</b>	<b>158,708</b>	<b>162,799</b>	<b>166,640</b>	<b>171,814</b>	<b>177,174</b>	<b>182,364</b>
<b>Surplus/(deficit) of operating funding</b>	<b>23,263</b>	<b>31,158</b>	<b>34,996</b>	<b>40,367</b>	<b>44,089</b>	<b>46,817</b>	<b>50,880</b>	<b>55,485</b>	<b>59,188</b>	<b>63,028</b>	<b>67,385</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	8,185	1,029	3,714	10,156	4,576	5,341	5,263	4,634	3,397	5,037	5,226
Development and financial contributions	8,679	7,897	7,964	8,290	9,053	9,935	10,745	11,492	11,591	11,759	11,519
Increase/(decrease) in debt	28,842	20,673	2,382	7,010	(3,528)	(6,421)	(809)	4,949	2,292	(1,342)	1,260
Gross proceeds from the sale of assets	200	2,741	625	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>45,906</b>	<b>32,340</b>	<b>14,685</b>	<b>25,456</b>	<b>10,101</b>	<b>8,855</b>	<b>15,199</b>	<b>21,075</b>	<b>17,280</b>	<b>15,454</b>	<b>18,005</b>
<b>Application of capital funding</b>											
Capital expenditure											
-to meet additional demand	14,781	12,420	6,537	9,161	12,110	8,422	11,661	16,257	15,760	18,945	7,169
-to improve the level of service	51,607	23,177	15,695	26,526	10,472	13,907	17,797	21,518	21,342	16,162	31,651
-to replace existing assets	4,343	25,138	27,593	30,106	33,127	34,852	37,487	39,467	40,645	44,018	47,175
Increase/(decrease) in reserves	(4,062)	1,116	(1,818)	(1,995)	(1,487)	(1,432)	(869)	(739)	(1,378)	(612)	(611)
Increase/(decrease) of investments	2,500	1,647	1,674	2,025	(32)	(77)	3	57	99	(31)	6
<b>Total application of capital funding</b>	<b>69,169</b>	<b>63,498</b>	<b>49,681</b>	<b>65,823</b>	<b>54,190</b>	<b>55,672</b>	<b>66,079</b>	<b>76,560</b>	<b>76,468</b>	<b>78,482</b>	<b>85,390</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(23,263)</b>	<b>(31,158)</b>	<b>(34,996)</b>	<b>(40,367)</b>	<b>(44,089)</b>	<b>(46,817)</b>	<b>(50,880)</b>	<b>(55,485)</b>	<b>(59,188)</b>	<b>(63,028)</b>	<b>(67,385)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## SUMMARY OF SIGNIFICANCE POLICY

The significance policy guides the Council on when it should be consulting with the community on large or important matters. The policy applies to all decisions the council intends to make and to certain decisions on strategic assets.

The more significant the decision the more likely the council will need to:

- Consider the long-term implications.
- Consider the consistency of the decision with previous council decisions.
- Consider the financial implications.
- Engage and consult with the community on their views.

The thresholds below guide the council on when a matter is likely to be significant:

- Any decision to incur unbudgeted operational expenditure exceeding 1% of budgeted operating expenditure. (2012/13 \$19.6m)
- Any decision to incur unbudgeted capital expenditure exceeding 5% of budgeted capital expenditure. (2012/13 \$3.04m)
- Any decision to spend more than 25% of the strategic assets value on a strategic asset.
- Any transfer of ownership or control, and any proposal to construct or abandon a strategic asset.
- Any sale of greater than 25% of council's shareholding in any council controlled trading organisation or other equity investment exceeding \$5m in value.
- Any decision to alter the service level of a significant activity that, in council's assessment, impacts on more than 10% of the residents. (12,925 people)
- Any amendment to the Revenue and Financing Policy or Funding Needs Analysis that increases the revenue collected from more than 10% of the residents by more than 10% for that activity and/or that increases rates from more than 5% of rating units by more than 10% on their current rates.

Any matter that breaches one or more of the above thresholds will then be considered against the following criteria to determine whether it has a high level of significance and must be consulted upon:

- The decision affects a large portion of the community in a way that is not inconsequential.
- The impact of the decision on affected people is substantial.
- The financial implications of the decision on the council's overall resources are substantial.
- The outcomes will dramatically impact on the level of service for any significant activity, and/or will affect the council's capacity to continue to carry out an established significant activity.
- The degree to which the decision is difficult to reverse.
- The extent to which the decision flows logically and consequentially from a significant decision already made.

The Council can choose to consult on any matter at anytime, even if these thresholds are not met.

The full Significance Policy, including definitions can be found at [www.hamilton.co.nz](http://www.hamilton.co.nz) keyword "Significance Policy"

## STATEMENT OF SIGNIFICANT VARIATION:

### Water and Sanitary Services Assessment and Waste Management Plan

Council is required under the Local Government Act 2002 to identify any significant variations between the proposals outlined in its 10-Year Plan and its:

- a. Assessment of Water and Other Sanitary Services.
- b. Waste Management and Minimisation Plan.

The only significant variation identified is Council's decision not to introduce a user pays kerbside refuse bag collection service as part of the 10-Year Plan. This initiative is included in the draft Waste Minimisation and Management Plan. This variation is also noted in Volume 1 of the 2012-22 10-Year Plan in the Solid Waste section (page 59).

#### **Assessment of Water and Other Sanitary Services**

Council's 'Water and other Sanitary Services' Assessment was adopted on 27 June 2005. It includes all services relating to water supply, wastewater and stormwater services, waste disposal, public toilets and cemeteries and crematoria. This assessment is required by the Local Government Act 2002 and aims to determine whether public health in the city is adequately protected through the provision of these services, both now and in the future.

#### **Waste Management and Minimisation Plan**

Under the Waste Minimisation Act 2008, Council has a legal responsibility to promote effective and efficient waste management and minimisation. Council's draft 2012 Waste Management and Minimisation Plan (required by the Waste Minimisation Act) provides a strategic framework for how this will be achieved. Council's vision is to become recognised as a national leader in the minimisation of waste and to ensure that innovative and sound waste management practices underpin the city's environmental, social, economic and cultural well-being.

#### **Statement of Significant Variation**

The proposals contained in Council's 2012-22 10-Year Plan have been reviewed against the Assessment of Water and Other Sanitary Services and the Waste Minimisation and Management Plan. Overall, the proposals in the 10-Year Plan are consistent with the direction in these documents.

## SIGNIFICANT FORECASTING ASSUMPTIONS

This section is designed to identify the significant assumptions made and explain the risks associated with those assumptions. Where there is a high level of uncertainty the potential effects of the assumptions being incorrect are also identified.

### Interest Rates

The interest rates used are a combination of what we know due to fixing the interest rate through the use of financial instruments, and an estimate of what will occur in the future. The interest rates used include consideration of borrowing margins that Council will incur when borrowing from the Local Government Funding Agency as well as other lenders. Rates used are as follows:

12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
5.85%	6.0%	6.15%	6.3%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%

There is a high degree of uncertainty around borrowing costs due to the fluctuations of interest rates.

Interest costs average around \$26 m per year over the 10-Year Plan. A 1% change in interest rates would result in a change of around \$4.4m per annum.

### Inflation treatment

The preparation of the budget has included the following inflation assumptions (based on BERL forecasting for the Local Government sector).

Year 1, 2% on wages and salaries and 3.2% on some revenue lines which were not increased through the service evaluations.

Years 2-10, 3.2% on all operating expense and revenue lines, and 4% on capital expenditure.

There is a high level of uncertainty associated with these inflation assumptions.

If the impact of inflation on Council's budgets turns out to be higher than forecast and Council did not wish to generate additional revenue by increasing

rates, then either additional operational efficiencies or reduction in service levels or planned capital expenditure would need to be considered.

Should the impact of inflation turn out to be lower than forecast then there would be a favourable impact on Council's operating and capital expenditure budgets.

### Debt funding

It is assumed that 80% of our debt funding will be accessed through the Local Government Funding Agency.

Capital expenditure to upgrade or build new assets is funded through debt, while capital expenditure to replace assets is funded from rates. The timing of loan repayments has been set at a level to achieve debt levels of around \$440 million or less. In previous years, loan repayments have been set at 4% of the principal amount outstanding.

### Development Contributions revenue

The amount of DC revenue to be received has been calculated in line with the DC model and assumptions. The revenue included is as follows (in millions):

12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
6.256	6.362	6.571	7.383	8.233	9.031	9.650	9.747	9.777	9.536

Assumptions included in the DC model:

There will be development on vacant sections that will not incur DC charges, and also on legacy sections consented at cheaper historical rates that will incur lower than current DC charges when titled – an adjustment has been made for this

A reduced ( $\frac{2}{3}$ ) charge for higher density residential development has been factored in, with the higher density residential development being assumed to constitute 21% of total development.

The growth assumptions (below) inform the shape of the revenue line.

A variable "leakage" factor has been applied to the revenue output to allow for credits (through special assessments), remissions, delayed and late payment,



development that may be unlikely to eventuate, and other undetermined leakage.

It is assumed that the projected DC revenue will not alter significantly due to any subsequent minor changes that may be needed in the DC model or capital programme.

### **Dwelling growth rates**

Assumption: low dwelling growth is expected until at least past the medium-term.

Previous 2009-19 long term plan: 2009/19 LTP growth forecasts were based on population projections done by the University of Waikato Population Studies Centre in 2008 that generated high growth forecasts, reflecting the credit bubble and migration trends during the economic boom leading up to 2007.

Rationale/methodology: dwelling growth in Hamilton has stalled since 2008 following the economic downturn in the US and Europe impacting New Zealand following the onset of the 2007 Global Financial Crisis, leading to constrained credit, a substantial downturn in the construction industry, and lower general economic activity. An internal review of these projections has been undertaken as part of the 2012-22 10-Year Plan underlying assumptions work. The review has used latest economic forecasts by external economists to inform the revision of population forecasts. There has been no census since the original demographic forecasts were undertaken in 2008 to inform the testing of the previous demographic assumptions. Therefore input data for this exercise was limited to recent development activity data and independent economic growth forecasts.

Uncertainty: that future dwelling growth differs materially from forecasts.

Potential effects: substantial variations will impact DC revenue, rates revenue, and potentially capital expenditure levels. The downside risk is significantly mitigated by very conservative dwelling growth projections and the application of several growth 'discounts'. If the forecasts used in the 2012-22 10-Year Plan turn out to be significantly lower than actual growth, Council has ability to respond by increasing growth related capital expenditure to accommodate this growth, if an additional capital project response is required. Any increase in capital expenditure will need to be moderated by what can be funded by revenue increases from unbudgeted development contributions and new rates revenue. There may be an impact on debt ratios if unplanned capital expenditure is funded from loans noting that from years 5-10 of the plan an unallocated sum

of \$32.4m has been allowed to fund growth contingency costs such as this described.

### **Job and population growth rates**

Assumption: less than 1% job growth per year, leading to low migration and hence constrained population growth.

Rationale/methodology: a major driver of migration into Hamilton is job growth, and since 2007 the number of employees in the city has not increased. Accordingly, the low series of the 2008 population projections has been taken as the most appropriate base data, and this has further been constrained to job growth to align with independent economic forecasts for Hamilton from Infometrics, which indicate that job growth is projected to track at less than 1% per annum over the longer term.

Uncertainty: significant uncertainty exists due the delay of the 2011 census preventing updated reliable population numbers. Intercensal estimates of region specific population flows and growth are hard to determine and generally need to be revised after each census.

Potential effects: reduced DC revenue, rates revenue, and potentially lower capital expenditure costs resulting from low actual population growth driven by low job growth.

### **Non-residential growth rates**

Assumption: low constrained core non-residential projected growth.

Rationale/methodology: projections for core non-residential growth (new hectares, jobs, and floor area by sector) were derived from the 2010 low series population projections by Property Economics. These were again further constrained to align with Infometrics (considerably lower) 2011 long term job forecasts for Hamilton.

Uncertainty: that non-residential growth differs materially from forecasts due to 'lumpy' growth, and a somewhat unpredictable non-residential growth environment.

Potential effects: substantial variations will impact DC revenue, rates revenue, and potentially capital expenditure levels. Low growth assumptions have been used to mitigate potential adverse effects if growth is lower than projected.

### Development uptake of currently vacant sections

Assumption: that 'equivalent vacant sections' discount future growth assumptions at a determined reducing rate over future years.

Rationale/methodology: 'equivalent vacant sections' are the combination of known existing vacant sections, and 'legacy sections' consented at lower rates and converted at today's rates. These have been added to residential supply capacity for growth assumptions, with an assumed rate of uptake based on recent history, but decreasing over time.

Uncertainty: uptake of equivalent vacant sections is difficult to predict, and depends on market conditions and individual developer strategies. Equivalent vacant section numbers represent a material proportion of total developable land, however good information of vacant and legacy sections is held.

Potential effects: if the uptake of sections classified as 'equivalent vacant sections' is higher than projected, this will soak up demand from new developments, and have a negative impact on DC revenue, rates revenue, and potentially capital expenditure levels.

### Ageing population

People aged 60 years and above constitute Hamilton's fastest growing age group. Population projections indicate that this group will increase from 15% of Hamilton's population to around 20% over the next 10 years. This has been factored into the dwelling and population projections upon which Hamilton City's growth projections are based. It has been assumed that the growth in this group will not substantially offset the impact of lower employment growth that is forecast to constrain overall growth.

### Impact from outlying districts

Growth rates in the surrounding districts are also expected to be lower than assumed at the last LTP, and these districts are not expected to grow significantly faster than Hamilton City. For this reason it is expected that the impact on Hamilton City of growth in the surrounding districts will be in line with that experienced in recent years, and no special allowance has been made to accommodate any changes in this regard.

### Property Investment

Return on investment in property is based on the objective to maximize the financial return to the city by operating these property assets to achieve the market or better than the market rate of return through maximum rental income, high levels of building occupancy and with quality tenants. Rents have been set in line with prevailing market conditions.

### Asset Sales

Council has budgeted for housing asset sales of \$2.476m in the 2012/13 financial year on the basis that these assets will only be sold if Council receives a fair price. Council is prepared to wait until the right buyer makes that fair offer. Proceeds from the sale of some assets will be applied to debt. These decisions will be considered over the next year.

### Revaluation of Non-Current Assets

Revaluations have only been calculated on Property Plant and Equipment as they are Council's largest area of non-current assets. The revaluation has been calculated on the proceeding years balance as disclosed in the Statement of Financial Position with an inflation allowance of 4% per annum.

### Third party funding - New Zealand Transport Agency Subsidies

Council has assumed that operating and capital expenditure programs which have in the past received NZTA subsidies and/or satisfy the criteria that NZTA require in order to provide subsidy will continue to receive subsidy funding over the course of the 10-Year Plan.

The subsidy rates that have generally been applied are 45% for programs defined by NZTA to be of an operational nature and 55% for programs defined by NZTA to be of a capital nature.

Council has also assumed that the level of these subsidies will be adjusted up over the course of the 10 Year Plan by an inflation factor consistent with the inflation factors shown in table 4 above.

### Third party funding - Waste minimisation levy

Over the full term of 10-Year Plan Council has assumed that levy contributions from central government under the relevant provisions of the Waste Minimisation Act 2008 will still be received. Council will apply these funds to projects that meet the criteria set out in the same Act.

### Third party funding - Project Watershed funding

Over the full term of 10-Year Plan Council has assumed that contributions will still be received from Waikato Regional Council for Project Watershed projects. These contributions are sourced from the Waikato Regional Council targeted rate for Project Watershed. Council will apply these funds to projects that meet the criteria set out in the project Watershed agreement between Council and Waikato Regional Council.

### Useful lives of significant assets

Assets are depreciated on a straight-line basis over their useful lives with annual depreciation expense included in the total costs for each significant service. The Council has made a number of assumptions about the useful lives of its assets. These are disclosed in the depreciation note within Note 1 Statement of Accounting Policies included earlier in this document.

### Sources of funds for replacement of significant assets

Replacement of assets (renewals) are primarily funded from rates, and capital expenditure is funded by loans.

### Climate Change

The New Zealand Climate Change Office (NZCCO) has been established as a business unit within the Ministry for the Environment responsible for leading the development, coordination and implementation of whole-of-government climate change policy. Climate trends are monitored by the NZCCO, which has predicted impacts of a moderate rate of climate change for the Waikato, including changes in average temperature, sea level rise and rainfall patterns. In general, Waikato, like much of the west coast of the New Zealand, is likely to become warmer and wetter.

There is variation with different predictions of likely changes to climate from different agencies and organisations. However the impact on Council's infrastructure is considered acceptable when compared with the currently used design standards for new infrastructure if the NZCCO predicted impacts are generally accurate for:

- average temperature increases of 0.5 - 0.7°C, strongest warming in winter, temperatures up to 3°C warmer over the next 70 - 100 years and
- Up to 20% wetter with more varied rainfall patterns and flooding up to four times as frequent by 2070

The topography and general lack of natural hazards in Hamilton is considered an advantage of other parts of the country (such as coastal communities) that will be more directly impacted by changes to climate.

### Future Legislative changes

The details of future legislative changes are unclear and therefore unable to be anticipated with any level of certainty.

The information that has been made available through various policy announcements to date suggests that the potential risks to materially impact the 10-Year Plan are moderate in scale. However given the lack of detail available on future legislative changes and their timing, the projects contained in the 10-Year Plan have been planned based on the current legislative regime.

Changes to other legislation affecting the operation of Council cannot be anticipated at this point and therefore the 10-Year Plan has been developed based on current legislation and policy.

### Resource Consents

It has been broadly assumed that the necessary consents will be able to be obtained and funding provision and time has been made within the relevant capital project budget and programme plan to facilitate obtaining the necessary planning permissions. The provision made has been determined by the relevant asset / budget manager based on previous experience and expert knowledge of the contemporary planning framework and legislation.

Throughout New Zealand there is a developing trend for resource consents and designations to be more difficult to obtain, and for more severe conditions of approval to be imposed. Within the wider Hamilton area, the passage of the

Waikato-Tainui Raupatu Claims (Waikato River) Settlement Bill will also impact the gaining of resource consents and the processes required. However as the Bill has yet to be enacted and the final details of process determined - the 10-Year Plan has been developed based on the current legislative regime.