

2018-28 10-YEAR PLAN PROSPECTIVE FINANCIAL STATEMENTS

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PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Forecast for year ended 30 June 2018-2028

		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Notes	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue												
Rates	2	160,765	181,303	202,608	215,139	228,356	242,211	256,770	272,069	288,139	304,995	322,698
Fees and user charges	3	34,098	35,596	37,097	38,724	39,848	40,947	42,177	43,267	44,515	45,806	47,152
Subsidies and grants	4	5,692	7,327	7,091	7,218	7,504	7,924	8,185	8,597	9,623	9,466	10,411
Interest revenue	5	2,000	2,475	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650
Other revenue	6	6,481	10,413	18,696	18,608	17,477	15,218	4,704	2,372	2,079	1,999	570
Development contributions	7	11,141	17,156	24,417	28,654	31,011	31,139	31,147	30,878	29,754	30,796	30,616
Capital revenue	8	6,702	42,638	62,886	41,065	53,540	49,857	32,285	23,822	28,948	30,855	25,421
Vested assets	9	8,581	30,000	31,230	32,479	33,291	34,057	34,874	35,746	36,640	37,592	38,607
Total revenue		235,460	326,908	385,675	383,537	412,677	423,003	411,792	418,401	441,348	463,159	477,125
Expenses												
Personnel costs		73,884	80,319	84,001	86,760	89,544	91,972	94,232	96,881	99,744	102,492	105,620
Depreciation and amortisation expense	10	63,870	67,780	70,643	76,566	79,844	84,453	89,174	93,718	96,605	101,976	105,882
Finance costs	11	21,819	23,968	27,633	31,220	32,925	33,428	32,620	31,262	30,298	29,516	28,936
Operating and maintenance costs		38,518	47,475	43,796	50,496	48,078	51,558	54,139	57,903	61,202	63,714	73,424
Professional costs		7,907	12,024	12,548	11,990	10,086	10,922	10,073	10,035	10,784	10,806	10,627
Administration costs		9,073	9,808	15,493	67,390	13,124	13,513	11,892	12,125	12,469	12,853	13,207
Property costs		11,808	12,259	12,573	12,943	13,319	13,724	14,133	14,568	15,036	15,508	16,016
Total expenses		226,879	253,633	266,687	337,365	286,920	299,570	306,263	316,492	326,138	336,865	353,712
Operating surplus/(deficit)		8,581	73,275	118,988	46,172	125,757	123,433	105,529	101,909	115,210	126,294	123,413
Gains		0	565	579	593	608	623	639	655	671	688	705
Losses		0	0	0	(8,293)	0	0	0	0	0	0	0
Surplus/(deficit)		8,581	73,840	119,567	38,472	126,365	124,056	106,168	102,564	115,881	126,982	124,118
Other comprehensive revenue and expense												
<i>Items that will not be reclassified to surplus/(deficit)</i>												
Gain on property, plant and equipment revaluations		52,857	227,644	85,110	143,896	149,223	72,792	145,656	128,452	68,165	166,120	157,740
Total other comprehensive revenue and expense		52,857	227,644	85,110	143,896	149,223	72,792	145,656	128,452	68,165	166,120	157,740
Total comprehensive revenue and expense		61,438	301,484	204,677	182,368	275,588	196,848	251,824	231,016	184,046	293,102	281,858

The accompanying notes form part of these financial statements.

Internal trade waste fees have been restated as fees and user charges for 2017/18.

Other expenses in 2017/18 have been restated as operating and maintenance costs, professional costs, administration costs and property costs.

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

Forecast for year ended 30 June 2018-2028

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Equity balance at 1 July	3,179,121	3,688,779	3,990,263	4,194,940	4,377,308	4,652,896	4,849,744	5,101,568	5,332,584	5,516,630	5,809,732
Total comprehensive revenue and expense for the period	61,438	301,484	204,677	182,368	275,588	196,848	251,824	231,016	184,046	293,102	281,858
Equity balance at 30 June	3,240,559	3,990,263	4,194,940	4,377,308	4,652,896	4,849,744	5,101,568	5,332,584	5,516,630	5,809,732	6,091,590
Accumulated comprehensive revenue and expense											
Balance at beginning of year	1,629,990	1,728,255	1,801,569	1,920,654	1,958,631	2,084,389	2,207,830	2,313,466	2,415,416	2,530,659	2,657,019
Operating surplus/(deficit)	8,581	73,840	119,567	38,472	126,365	124,056	106,168	102,564	115,881	126,982	124,118
Transfers (to)/from restricted and council created reserves	993	(526)	(482)	(495)	(607)	(615)	(532)	(614)	(638)	(622)	(639)
Balance at end of year	1,639,564	1,801,569	1,920,654	1,958,631	2,084,389	2,207,830	2,313,466	2,415,416	2,530,659	2,657,019	2,780,498
Revaluation reserves											
Balance at beginning of year	1,505,683	1,916,571	2,144,215	2,229,325	2,373,221	2,522,444	2,595,236	2,740,892	2,869,344	2,937,509	3,103,629
Revaluation gains	52,857	227,644	85,110	143,896	149,223	72,792	145,656	128,452	68,165	166,120	157,740
Balance at end of year	1,558,540	2,144,215	2,229,325	2,373,221	2,522,444	2,595,236	2,740,892	2,869,344	2,937,509	3,103,629	3,261,369
Restricted and council created reserves											
Balance at beginning of year	43,448	43,953	44,479	44,961	45,456	46,063	46,678	47,210	47,824	48,462	49,084
Transfers (to)/from reserves	(993)	526	482	495	607	615	532	614	638	622	639
Balance at end of year	42,455	44,479	44,961	45,456	46,063	46,678	47,210	47,824	48,462	49,084	49,723
Equity balance at 30 June	3,240,559	3,990,263	4,194,940	4,377,308	4,652,896	4,849,744	5,101,568	5,332,584	5,516,630	5,809,732	6,091,590

PROSPECTIVE BALANCING THE BOOKS MEASURE

Forecast for year ended 30 June 2018-2028

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Surplus/(deficit)	8,581	73,840	119,567	38,472	126,365	124,056	106,168	102,564	115,881	126,982	124,118
Remove capital revenue											
Vested assets	(8,581)	(30,000)	(31,230)	(32,479)	(33,291)	(34,057)	(34,874)	(35,746)	(36,640)	(37,592)	(38,607)
Part of development and financial contributions ¹	(7,242)	(11,151)	(15,871)	(18,625)	(20,157)	(20,240)	(20,246)	(20,071)	(19,340)	(20,017)	(19,900)
Capital subsidy (excluding subsidy on transport renewals) ²	(369)	(27,479)	(46,647)	(34,138)	(45,014)	(43,782)	(26,188)	(18,341)	(23,106)	(23,317)	(19,440)
Other capital contributions	(1,797)	(10,075)	(9,974)	(2,138)	(3,391)	(1,371)	(1,172)	(733)	(1,029)	(2,653)	(922)
Other items not considered everyday operating revenue ³	0	(4,100)	(12,459)	(12,362)	(11,206)	(8,920)	1,621	3,982	4,307	4,419	5,882
Remove (gains)/losses											
All (gains)/losses	0	(565)	(579)	7,700	(608)	(623)	(639)	(655)	(671)	(688)	(705)
Remove other expenses											
Other items not considered everyday operating expenses ⁴	0	0	6,132	58,069	2,134	2,184	0	0	0	0	0
Balancing the books surplus/(deficit)	(9,408)	(9,530)	8,939	4,499	14,832	17,247	24,670	31,000	39,402	47,134	50,426

¹ Development contributions contain an element of funding for interest costs that are part of every day expenses. An adjustment is made to match the revenue with the expense. The budget has assumed interest costs funded from development contributions represent 35% of development contributions revenue.

² Subsidy on transport renewals is adjusted to recognise that this is funding a portion of the depreciation on these renewals.

³ Adjustment for fair value calculation on the Housing Infrastructure Fund loans.

⁴ Adjustment for grants to other parties to invest in significant assets for the benefit of the city and adjustments for assets constructed by the Council to be transferred to other parties after construction.

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

Forecast as at 30 June 2018-2028

	Notes	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets												
Current assets												
Cash and cash equivalents		35,000	49,500	48,100	47,300	47,100	47,100	47,300	47,500	47,700	47,800	47,900
Receivables		19,142	17,910	18,360	18,810	19,260	19,760	20,210	20,710	21,210	21,810	22,310
Prepayments		1,563	1,670	1,712	1,755	1,798	1,843	1,889	1,937	1,985	2,035	2,086
Inventory		151	160	160	160	160	160	160	160	160	160	160
Other financial assets	12	17,975	2,125	0	0	0	0	0	0	0	0	0
Total current assets		73,831	71,365	68,332	68,025	68,318	68,863	69,559	70,307	71,055	71,805	72,456
Non-current assets												
Property, plant and equipment		3,608,249	4,450,740	4,774,314	5,044,552	5,364,212	5,583,380	5,819,261	6,029,366	6,196,457	6,478,509	6,751,637
Intangible assets		19,067	22,167	21,768	22,415	22,933	22,111	23,388	24,544	24,894	24,869	25,125
Investment property		19,420	23,175	23,754	24,348	24,957	25,581	26,221	26,877	27,549	28,238	28,944
Other financial assets	12	9,451	10,478	11,878	12,678	12,878	12,878	12,678	12,478	12,278	12,178	12,078
Investment in associates	13	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430	7,430
Investment in subsidiaries	13	8,422	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Total non-current assets		3,672,039	4,517,990	4,843,144	5,115,423	5,436,410	5,655,380	5,892,978	6,104,695	6,272,608	6,555,224	6,829,214
Total assets		3,745,870	4,589,355	4,911,476	5,183,448	5,504,728	5,724,243	5,962,537	6,175,002	6,343,663	6,627,029	6,901,670
Liabilities												
Current liabilities												
Payables and deferred revenue		25,470	33,250	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
Employee entitlements		5,994	6,420	6,520	6,620	6,720	6,820	6,920	7,020	7,120	7,220	7,320
Provisions		1,781	704	913	538	753	617	699	861	949	1,083	1,180
Borrowings	14	65,300	83,300	48,300	78,300	37,199	62,640	74,709	74,764	73,740	73,420	73,169
Total current liabilities		98,545	123,674	87,733	117,458	76,672	102,077	114,328	114,645	113,809	113,723	113,669
Non-current liabilities												
Employee entitlements		886	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Provisions		12,180	21,915	20,596	20,642	19,684	19,290	18,437	17,420	16,445	15,217	13,929
Borrowings	14	363,700	452,403	607,107	666,939	754,376	752,032	727,105	709,253	695,679	687,257	681,382
Derivative financial instruments		30,000	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities		406,766	475,418	628,803	688,681	775,160	772,422	746,642	727,773	713,224	703,574	696,411
Total liabilities		505,311	599,092	716,536	806,139	851,832	874,499	860,970	842,418	827,033	817,297	810,080
Net assets		3,240,559	3,990,263	4,194,940	4,377,308	4,652,896	4,849,744	5,101,568	5,332,584	5,516,630	5,809,732	6,091,590
Equity												
Accumulated funds		1,639,564	1,801,569	1,920,654	1,958,631	2,084,389	2,207,830	2,313,466	2,415,416	2,530,659	2,657,019	2,780,498
Other reserves		1,558,540	2,144,215	2,229,325	2,373,221	2,522,444	2,595,236	2,740,892	2,869,344	2,937,509	3,103,629	3,261,369
Restricted reserves	15	37,967	38,587	38,829	39,079	39,335	39,600	39,873	40,153	40,442	40,740	41,047
Council created reserves	15	4,488	5,892	6,132	6,377	6,728	7,078	7,337	7,671	8,020	8,344	8,676
Total equity attributable to Hamilton City Council		3,240,559	3,990,263	4,194,940	4,377,308	4,652,896	4,849,744	5,101,568	5,332,584	5,516,630	5,809,732	6,091,590
Total equity		3,240,559	3,990,263	4,194,940	4,377,308	4,652,896	4,849,744	5,101,568	5,332,584	5,516,630	5,809,732	6,091,590

The accompanying notes form part of these financial statements.

PROSPECTIVE STATEMENT OF CASH FLOWS

Forecast for the year ended 30 June 2018-2028

	Notes	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities												
Cash will be provided from:												
Rates revenue	2	160,765	181,303	202,608	215,139	228,356	242,211	256,770	272,069	288,139	304,995	322,698
Fees and user charges	3	39,867	35,596	37,097	38,724	39,848	40,947	42,177	43,267	44,515	45,806	47,152
Government operating subsidies and grants	4	5,692	7,327	7,091	7,218	7,504	7,924	8,185	8,597	9,623	9,466	10,411
Government capital subsidies and grants	8	4,905	32,563	52,912	38,927	50,149	48,486	31,113	23,089	27,919	28,202	24,499
Other capital contributions	7 & 8	12,938	27,231	34,391	30,792	34,402	32,510	32,319	31,611	30,783	33,449	31,538
Interest received	5	2,000	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650
Dividends received	6	100	104	104	104	104	104	104	104	104	104	104
Sundry revenue	6	1,089	6,209	6,133	6,142	6,167	6,194	6,221	6,250	6,282	6,314	6,348
Total		227,356	291,983	341,986	338,696	368,180	380,026	378,539	386,637	409,015	429,986	444,400
Cash will be applied to:												
Payments to employees		73,884	80,319	84,001	86,760	89,544	91,972	94,232	96,881	99,744	102,492	105,620
Payments for suppliers		67,783	81,566	84,410	98,322	84,607	89,717	90,237	94,631	99,491	102,881	113,274
Interest paid	11	21,819	22,752	26,489	30,124	31,868	32,410	31,649	30,338	29,419	28,689	28,167
Net GST paid		(657)	0	0	0	0	0	0	0	0	0	0
Total		162,829	184,637	194,900	215,206	206,019	214,099	216,118	221,850	228,654	234,062	247,061
Net cash flow from operating activities		64,527	107,346	147,086	123,490	162,161	165,927	162,421	164,787	180,361	195,924	197,339
Cash flows from investing activities												
Cash will be provided from:												
Proceeds from sale of shares		0	2,125	2,125	0	0	0	0	0	0	0	0
Proceeds from maturity of NZLGFA borrower notes		0	0	0	0	0	0	200	200	200	100	100
Proceeds from sale of investment property		0	18,800	0	0	0	0	0	0	0	0	0
Proceeds from sale of property, plant and equipment		0	0	0	0	0	0	0	0	0	0	0
Total		0	20,925	2,125	0	0	0	200	200	200	100	100
Cash will be applied to:												
NZLGFA borrower notes		0	460	1,400	800	200	0	0	0	0	0	0
Purchase of property, plant and equipment		89,884	219,882	281,374	225,685	223,602	202,283	152,351	147,472	164,896	185,882	188,201
Total		89,884	220,342	282,774	226,485	223,802	202,283	152,351	147,472	164,896	185,882	188,201
Net cash flow from investing activities		(89,884)	(199,417)	(280,649)	(226,485)	(223,802)	(202,283)	(152,151)	(147,272)	(164,696)	(185,782)	(188,101)
Cash flows from financing activities												
Cash will be provided from:												
Loans raised		110,782	185,722	180,463	180,495	94,741	94,656	60,230	52,985	54,835	60,258	61,162
Total		110,782	185,722	180,463	180,495	94,741	94,656	60,230	52,985	54,835	60,258	61,162
Cash will be applied to:												
Loan repayments		95,000	83,000	48,000	78,000	33,000	58,000	70,000	70,000	70,000	70,000	70,000
Finance lease repayments		425	300	300	300	300	300	300	300	300	300	300
Total		95,425	83,300	48,300	78,300	33,300	58,300	70,300	70,300	70,300	70,300	70,300
Net cash flow from financing activities		15,357	102,422	132,163	102,195	61,441	36,356	(10,070)	(17,315)	(15,465)	(10,042)	(9,138)
Net increase/(decrease) in cash held		(10,000)	10,351	(1,400)	(800)	(200)	0	200	200	200	100	100
Opening cash and cash equivalents balance		45,000	39,149	49,500	48,100	47,300	47,100	47,100	47,300	47,500	47,700	47,800
Closing cash and cash equivalents balance		35,000	49,500	48,100	47,300	47,100	47,100	47,300	47,500	47,700	47,800	47,900

The accompanying notes form part of these financial statements.

PROSPECTIVE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

The primary objective of the Council is to provide goods or services for community or social benefit rather than making a financial return. Accordingly, for the purposes of financial reporting, Hamilton City Council is a public benefit entity.

These prospective financial statements are for Hamilton City Council (the Council) as a separate legal entity. Consolidated prospective financial statements comprising the Council and its subsidiaries and associates have not been prepared as the income and expenditure is not material to the long-term planning of Council.

BASIS OF PREPARATION

The Council authorised the prospective financial statements on 30 June 2018. The Council which is authorised to do so and, believes that the assumptions underlying these prospective financial statements are appropriate, approved the 10-Year 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. Council do not intend to update the prospective financial statements subsequent to presentation.

Statement of compliance

The prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The prospective financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 1 entity. The Council is adopting the PBE standards for the first time.

The reporting period for these prospective financial statements is for ten years ending 30 June 2028. The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand (\$000), unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

The purpose of the prospective financial information is to support the long-term planning of Council.

Measurement base

The measurement basis applied is historical cost, modified by the revaluation of certain assets and liabilities as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated.

For the assets and liabilities recorded at fair value, fair value is defined as the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's-length transaction. For investment property, non-current assets classified as held for sale and items of property, plant and equipment which are revalued, the fair value is determined by reference to market value. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction.

Amounts expected to be recovered or settled more than one year after the end of the reporting period are recognised at their present value. The present value of the estimated future cash flows is calculated using applicable inflation factors and a discount rate. The inflation rates used are obtained from the latest relevant BERL21 forecasts and the discount rate is the Council's forecast long-term cost of borrowing.

Judgements and estimations

The preparation of prospective financial statements using PBE standards requires the use of judgements, estimates and assumptions. Where material, information on the main assumptions is provided in the relevant accounting policy.

The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis and adjustments are made where necessary.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes. Significant judgements and estimations include landfill post-closure costs, asset revaluations, impairments, certain fair value calculations and provisions.

SIGNIFICANT ACCOUNTING POLICIES

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

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

Revenue

Revenue comprises rates, revenue from operating activities, investment revenue, gains, finance and other revenue and is measured at the fair value of consideration received or receivable.

Revenue may be derived from either exchange or non-exchange transactions.

Exchange transactions

Exchange transactions are transactions where the Council receives assets (primarily cash) or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the Council either receives value from or gives value to another entity without directly giving or receiving approximately equal value in exchange.

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Council satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Gains

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

Goods and Services Tax (GST)

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

Taxation

Income tax expense on the surplus or deficit for the year comprises current and deferred tax.

Current tax is the expected tax payable based on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, plus any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the assets and liabilities, and the unused tax losses using tax rates enacted or substantively enacted at the end of the reporting period. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

Financial instruments

Financial instruments include financial assets (loans and receivables and financial assets at fair value through other comprehensive revenue and expense), financial liabilities (payables and borrowings) and derivative financial instruments. Financial instruments are initially recognised on trade-date at their fair value plus transaction costs. Subsequent measurement of financial instruments depends on the classification determined by the Council. Financial assets are derecognised when the rights to

receive cash flows have expired or have been transferred and the Council has transferred substantially all of the risks and rewards of ownership.

Financial instruments are classified into the categories outlined below based on the purpose for which they were acquired. The classification is determined at initial recognition and re-evaluated at the end of each reporting period.

Financial assets

Financial assets are classified as loans and receivables or financial assets at fair value through other comprehensive revenue and expense.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and loans and deposits.

Cash and cash equivalents comprise cash balances and call deposits with maturity dates of three months or less.

Trade and other receivables have fixed or determinable payments. They arise when the Council provides money, goods or services directly to a debtor, and has no intention of trading the receivable.

Loans and deposits include loans to other entities (including subsidiaries and associates), and bank deposits with maturity dates of more than three months.

Financial assets in this category are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for assets of a similar maturity and credit risk. Trade and other receivables due in less than 12 months are recognised at their nominal value. A provision for impairment is recognised when there is objective evidence that the asset is impaired. As there are statutory remedies to recover unpaid rates, penalties and water meter charges, no provision has been made for impairment in respect of these receivables.

Financial assets at fair value through other comprehensive revenue and expense relate to equity investments that are held by the Council for long-term strategic purposes and therefore are not intended to be sold. Financial assets at fair value through other comprehensive revenue and expense are initially recorded at fair value plus transaction costs. They are subsequently measured at fair value and changes, other than impairment losses, are recognised directly in a reserve within equity. On disposal, the cumulative fair value gain or loss previously recognised directly in other comprehensive revenue and expense is recognised within surplus or deficit.

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.

Impairment of a receivable is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidations, and default in payments are considered indicators that the debt 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. 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 for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Inventory

Inventories consumed in the provision of services (such as botanical supplies) are measured at the lower of cost and current replacement cost.

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.

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or 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.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Revaluation

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

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

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

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 this would result in 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	5 - 100 yrs	1% - 20%
Plant and vehicles	3 - 15 yrs	6.6% - 33.3%
Furniture, fittings and equipment	5 - 10 yrs	10% - 20%
Library books	3 - 8 yrs	12.5 - 33.3%
Zoo animal (acquisition costs)	10 yrs	10%
Improvements – Parks & Gardens	5 - 150 yrs	0.7% - 20%
Roads and traffic network		
Top surface (seal)	5 - 20 yrs	5% - 20%
Pavement (basecourse)	50 - 140 yrs	0.7% - 4%
Drainage	60 - 70 yrs	1.4% - 1.7%
Carparks	15 - 110 yrs	0.9% - 6.7%
Footpaths and cycleways	5 - 75 yrs	1.3% - 20%
Kerbs and traffic islands	20 - 60 yrs	1.7% - 5%
Signs	15 yrs	6.7%
Street lights	25 - 50 yrs	2% - 4%
Bridges and culverts	40 - 150 yrs	0.7 - 2.7%
Underpasses	80 yrs	1.3%
Traffic signals	15 yrs	6.7%
Guarding and railing	20 - 25 yrs	4% - 5%
Bus shelters and fences	20 yrs	5%
Verge, embankment and retaining walls	50 - 100 yrs	1% - 2%
Wastewater		
reticulation Pipes	30 - 100 yrs	1% - 3.3%
Manholes	100 yrs	1%
Treatment plant	15 - 100 yrs	1% - 6.7%
Valves	40 - 75 yrs	1.3% - 2.5%
Pump stations	20 - 100 yrs	1% - 5%
Stormwater system		
Pipes	30 - 100 yrs	1% - 3.3%
Manholes, inlets, outlets	100 yrs	1%
Soakage trench	50 yrs	2%
Channels	90 yrs	1.1%
Erosion control	100 yrs	1%

Water reticulation		
Bulkmain chambers	100 yrs	1%
Backflow devices	40 yrs	2.5%
Pipes	40 - 100 yrs	1% - 2.5%
Valves	40 - 75 yrs	1.3% - 2.5%
Treatment plant	15 - 100 yrs	1% - 6.7%
Meters	15 yrs	6.7%
Hydrants	50 - 75 yrs	1.3% - 2%
Reservoirs	15 - 100 yrs	1% - 6.7%
Refuse – rubbish and recycling	10 - 100 yrs	1% - 10%

The residual value and useful life of an asset is reviewed and adjusted if applicable at each financial year end.

Heritage assets are not depreciated.

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

Investment properties

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

These assets consist of investment properties owned by the Council, funded either from Corporate Funds, the Domain Endowment Fund or the Municipal Endowment Fund.

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

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

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

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 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.

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

- **Financial assets at fair value through surplus or deficit**

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together

and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy below.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.

- **Fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are those that are designated into this category at initial recognition or are not classified in any of other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The Council includes in this category;

- Investments that it intends to hold long-term but which may be realised before maturity; and
- Shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive income, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

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 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 debtor 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). Impairment in term deposits, local authority stock, government stock bonds, general and community loans are recognised directly against the instruments' carrying amount.

- **Financial assets at fair value through surplus or deficit**

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.

Creditors and other payables

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

Borrowings

Borrowings 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.

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

Employee entitlements

Short-term employee entitlements

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

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

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

Long-term employee entitlements

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

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

- the present value of the estimated future cash flows.

Presentation of employee entitlements

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

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

Derivative financial instruments

The Council's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. 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.

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

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

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”.

- **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the Council to make specified payments to reimburse the holder of the contract for loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value, even if a payment under the guarantee is not considered probable. If a financial guarantee contract was issued in a stand-alone arms length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, a liability is recognised based on the probability that the Council will be required to reimburse a holder for a loss incurred discounted to the present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation. However, if it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

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 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:

- Accumulated funds

- Revaluation reserves
- Restricted reserves
- Council created reserves

Accumulated funds 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 Council, which may not be revised by Council without reference to the Courts or a third party.

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

Prospective Statement of cash flows

Cash and cash equivalents for the purposes of the cashflow statement comprises bank balances, cash on hand and short-term deposits with a maturity of three months or less.

Operating activities include cash received from all non-financial revenue sources of the Council and record the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets and investment revenue. Financing activities relate to activities that change the equity and debt capital structure of the Council and financing cost.

Public Benefit Entity Financial Reporting Standard 42 Prospective Financial Statements (PBE FRS 42)

The Council has complied with PBE FRS 42 in the preparation of these draft prospective financial statements. In accordance with PBE FRS 42, the following information is provided:

- (i) Description of the nature of the entity's current operation and its principal activities
The Council is a territorial local authority, as defined in the Local Government Act 2002. The Council's principal activities are outlined within this Long-term Plan.
- (ii) Purpose for which the prospective financial statements are prepared
It is a requirement of the Local Government Act 2002 to present prospective financial statements that span 1 year and include them within the Long-term Plan. This provides an opportunity for ratepayers and residents to review the projected financial results and position of the Council. Prospective financial statements are revised annually to reflect updated assumptions and costs.
- (iii) Bases for assumptions, risks and uncertainties
The financial information has been prepared on the basis of best estimate assumptions as the future events which the Council expects to take place. The Council has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined within this Long-term Plan.
- (iv) Cautionary note
The financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

(iv) Other disclosures

These draft prospective financial statements were adopted as part of the assumptions that form the 2018-2028 Long-term Plan consultative documents for Hamilton City Council. The Council is responsible for the draft prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The Long-term Plan is prospective and as such contains no actual operating results.

Note 2: Rates

Accounting policy

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

Rates penalties

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

Rates remissions

The Council's rates remission policy allows rates to be remitted on condition of a ratepayer's extreme financial hardship, and land protected for historical or cultural purposes. Commercial and residential properties in rural areas where services are not available are also covered under the rates remission policy.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
General rates											
General rates	44,679	179,995	201,819	214,469	227,814	241,795	256,487	271,922	288,125	305,123	322,965
Rates charges to Council properties	(414)	(443)	(485)	(503)	(522)	(542)	(563)	(584)	(606)	(630)	(653)
Targeted rates											
Metered water supply	8,111	8,107	8,286	8,468	8,654	8,853	9,057	9,274	9,506	9,744	9,997
Metered water charges to Council properties	(418)	(461)	(472)	(484)	(494)	(507)	(519)	(533)	(547)	(562)	(576)
Business improvement district rate	291	297	303	310	317	324	332	340	348	357	366
Service category rates (water, refuse and sewerage)	1,020	1,116	1,222	1,268	1,316	1,366	1,418	1,472	1,528	1,586	1,647
Hamilton Gardens	620	648	660	673	685	697	709	722	735	748	761
CBD parking	109	145	145	145	145	145	145	145	145	145	145
Transitional rate	104,251	0	0	0	0	0	0	0	0	0	0
Access Hamilton	5,000	0	0	0	0	0	0	0	0	0	0
Penalties and remissions											
Rates penalties	950	1,040	1,139	1,182	1,227	1,274	1,322	1,373	1,425	1,479	1,535
Rates remissions											
- Hardship	(250)	(274)	(300)	(311)	(323)	(335)	(348)	(361)	(375)	(389)	(404)
- HCC utilities	0	(7,692)	(8,422)	(8,742)	(9,075)	(9,420)	(9,777)	(10,149)	(10,535)	(10,935)	(11,351)
- HCC other	(3,184)	(1,017)	(1,113)	(1,156)	(1,200)	(1,245)	(1,292)	(1,342)	(1,393)	(1,445)	(1,500)
- Community shop 50%	0	(51)	(56)	(58)	(61)	(63)	(65)	(68)	(70)	(73)	(76)
- Sewerage/water/refuse	0	(107)	(118)	(122)	(127)	(131)	(136)	(142)	(147)	(153)	(158)
Total rates	160,765	181,303	202,608	215,139	228,356	242,211	256,770	272,069	288,139	304,995	322,698

Note 3: Fees and charges

Accounting policy

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

Sale of goods

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

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Animal control charges	1,053	1,050	1,073	1,096	1,120	1,147	1,173	1,201	1,232	1,262	1,295
Building and resource consent charges	9,448	9,844	10,246	10,883	11,233	11,548	11,952	12,355	12,785	13,254	13,718
Cemetery and crematorium charges	1,681	1,895	1,937	1,979	2,022	2,070	2,117	2,168	2,223	2,278	2,337
Event facilities charges	3,982	3,730	3,856	3,993	4,117	4,213	4,349	4,479	4,629	4,781	4,942
Hamilton Gardens charges	231	568	994	1,102	1,149	1,203	1,207	1,212	1,216	1,221	1,226
Parking fees	1,608	1,386	1,392	1,397	1,403	1,410	1,417	1,424	1,431	1,439	1,448
Swimming pools charges	2,463	2,860	3,011	3,191	3,374	3,542	3,714	3,897	4,033	4,169	4,314
Trade waste charges	2,893	2,898	3,003	3,111	3,220	3,335	3,449	3,572	3,703	3,833	3,972
Zoo charges	1,547	1,741	1,779	1,818	1,857	1,901	2,000	2,048	2,101	2,152	2,208
Other fees and charges	2,439	2,383	2,439	2,487	2,536	2,596	2,649	2,706	2,766	2,828	2,893
Commission received	778	913	918	893	899	904	909	914	919	925	930
Sale of goods	2,108	2,252	2,318	2,394	2,447	2,504	2,562	2,623	2,690	2,757	2,835
Shared services recoveries	3,103	3,253	3,324	3,555	3,632	3,718	3,805	3,897	3,995	4,097	4,202
Adshel contribution	53	120	120	120	120	120	120	0	0	0	0
Environment Waikato Contribution (project watershed)	392	392	401	410	419	428	438	449	460	472	484
Other income	319	311	286	295	300	308	316	322	332	338	348
Total fees and charges	34,098	35,596	37,097	38,724	39,848	40,947	42,177	43,267	44,515	45,806	47,152

Note 6: Other revenue

Accounting policy

Infringement fees and fines

Revenue from fines and penalties (e.g. traffic and parking infringements, library overdue book fines, rates penalties) is recognised when infringement notices are issued or when the fines/penalties are otherwise imposed.

Dividends

Dividends are classified as exchange revenue and are recognised when the Council's right to receive a payment has been established.

Investment property rental revenue

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

Bequests and other donations

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

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Infringements and fines - traffic & parking	1,348	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
Infringements and fines - other	31	30	30	30	30	30	30	30	30	30	30
Rental revenue from investment properties	3,160	2,841	2,841	2,826	2,826	2,826	2,826	2,826	2,826	2,826	2,826
Rents - residential	232	268	268	268	268	268	268	268	268	268	268
Other rental income	507	596	591	591	591	591	591	591	591	591	591
Dividend revenue	100	104	104	104	104	104	104	104	104	104	104
Petrol tax income	1,089	1,090	1,114	1,138	1,163	1,190	1,217	1,246	1,278	1,310	1,344
Sponsorship income	0	22	22	22	22	22	22	22	22	22	22
Insurance claims	2	0	0	0	0	0	0	0	0	0	0
Donations received	12	101	6	6	6	6	6	6	6	6	6
Housing Infrastructure Fund - fair value benefit	0	4,100	12,459	12,362	11,206	8,920	(1,621)	(3,982)	(4,307)	(4,419)	(5,882)
Total other revenue	6,481	10,413	18,696	18,608	17,477	15,218	4,704	2,372	2,079	1,999	570

Note 7: Development contributions

Accounting policy

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

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Reserves	1,818	686	1,046	1,314	1,613	1,724	1,819	1,923	2,080	2,606	2,741
Stormwater	589	1,400	2,074	2,528	3,099	3,238	3,307	3,333	3,267	4,839	5,224
Transport	3,116	7,038	10,866	12,807	14,037	14,132	14,061	13,817	13,066	12,070	11,588
Wastewater	3,372	5,552	6,899	7,955	8,154	8,045	8,040	7,999	7,827	8,249	8,239
Water	2,246	2,480	3,532	4,050	4,108	4,000	3,920	3,806	3,514	3,032	2,824
Total development contributions	11,141	17,156	24,417	28,654	31,011	31,139	31,147	30,878	29,754	30,796	30,616

Note 8: Capital revenue

Accounting policy

New Zealand Transport Agency roading subsidies - capital

Reimbursements (e.g. NZTA roading claim payments) are recognised upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Capital contributions - general	1,797	10,075	9,974	2,138	3,391	1,371	1,172	733	1,029	2,653	922
New Zealand Transport Authority roading subsidy - capital	4,905	32,563	52,912	38,927	50,149	48,486	31,113	23,089	27,919	28,202	24,499
Total capital revenue	6,702	42,638	62,886	41,065	53,540	49,857	32,285	23,822	28,948	30,855	25,421

Note 9: Vested assets

Accounting policy

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

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Vested assets - Land	3,464	12,111	12,607	13,112	13,440	13,748	14,079	14,430	14,792	15,175	15,585
- Stormwater	1,455	5,088	5,297	5,508	5,646	5,776	5,915	6,063	6,214	6,376	6,548
- Transport	2,286	7,992	8,320	8,652	8,869	9,073	9,290	9,523	9,761	10,015	10,285
- Wastewater	868	3,036	3,160	3,287	3,369	3,447	3,529	3,617	3,708	3,804	3,907
- Water supply	507	1,773	1,846	1,920	1,967	2,013	2,061	2,113	2,165	2,222	2,282
Total vested assets	8,581	30,000	31,230	32,479	33,291	34,057	34,874	35,746	36,640	37,592	38,607

Note 10: Depreciation and amortisation expense by group of activity

Accounting policy

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

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

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Directly attributable depreciation and amortisation expense by group of activity											
Arts and Community	3,101	3,290	3,231	3,282	2,557	2,938	3,156	3,363	3,517	3,589	4,005
City Planning and Development	6	4	2	0	0	0	0	0	0	0	0
Democracy Services	0	0	0	0	0	0	0	0	0	0	0
Parks and Recreation	4,662	5,743	6,233	6,764	7,411	7,608	7,923	8,184	8,707	9,368	10,235
Rubbish and Recycling	426	433	454	485	479	474	503	512	528	570	581
Safety	79	175	192	205	219	206	207	210	216	221	222
Stormwater	8,256	9,128	9,176	9,946	10,176	10,154	10,855	10,956	11,125	11,996	12,060
Transport	18,309	18,867	20,178	22,196	24,005	27,685	29,568	32,279	33,492	35,050	36,981
Venues, Tourism and Major Events	5,411	5,245	5,315	5,237	5,024	4,912	5,152	5,320	5,576	5,917	6,020
Visitor Attractions	1,944	2,172	2,519	2,533	2,694	2,782	2,929	3,049	3,129	3,231	3,347
Wastewater	9,313	9,983	10,211	11,415	11,928	12,345	13,369	14,022	14,240	15,275	15,442
Water Supply	7,146	7,569	8,020	8,765	9,130	9,297	10,266	10,452	10,590	11,323	11,559
Total	58,653	62,609	65,531	70,828	73,623	78,401	83,928	88,347	91,120	96,540	100,452
Depreciation and amortisation expense not directly attributable to a group of activity	5,217	5,171	5,112	5,738	6,221	6,052	5,246	5,371	5,485	5,436	5,430
Total depreciation and amortisation expense	63,870	67,780	70,643	76,566	79,844	84,453	89,174	93,718	96,605	101,976	105,882

Note 11: Finance costs

Accounting policy

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

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Interest on borrowings	21,744	22,682	26,419	30,054	31,798	32,340	31,579	30,268	29,349	28,619	28,097
Interest on finance leases	75	70	70	70	70	70	70	70	70	70	70
Discount unwind on provisions	0	1,216	1,144	1,096	1,057	1,018	971	924	879	827	769
Total finance costs	21,819	23,968	27,633	31,220	32,925	33,428	32,620	31,262	30,298	29,516	28,936

Note 14: Borrowings

Accounting policy

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

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

Finance Leases

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

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

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

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Current portion:											
Secured loans - general	65,000	83,000	48,000	78,000	33,000	58,000	70,000	70,000	70,000	70,000	70,000
- Housing Infrastructure Fund	0	0	0	0	3,899	4,340	4,409	4,464	3,440	3,120	2,869
Finance leases	300	300	300	300	300	300	300	300	300	300	300
Total current portion	65,300	83,300	48,300	78,300	37,199	62,640	74,709	74,764	73,740	73,420	73,169
Non-current portion:											
Secured loans - general	361,850	439,132	570,366	605,803	671,613	648,400	617,047	595,843	577,968	564,791	555,743
- Housing Infrastructure Fund	0	12,621	36,091	60,486	82,113	102,982	109,408	112,760	117,061	121,816	124,989
Unsecured loans	1,200	0	0	0	0	0	0	0	0	0	0
Finance leases	650	650	650	650	650	650	650	650	650	650	650
Total non-current portion	363,700	452,403	607,107	666,939	754,376	752,032	727,105	709,253	695,679	687,257	681,382
Total external debt	429,000	535,703	655,407	745,239	791,575	814,672	801,814	784,017	769,419	760,677	754,551
Adjustments required to determine overall debt:											
External debt	429,000	535,703	655,407	745,239	791,575	814,672	801,814	784,017	769,419	760,677	754,551
Less cash held and cash investments	(35,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
Net debt	394,000	480,703	600,407	690,239	736,575	759,672	746,814	729,017	714,419	705,677	699,551

Debt servicing performance indicators

Financial ratios

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Liquidity ratio (target >110%)	>110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%	>110%
Net debt / Total revenue (target 200% by 2020)	183%	174%	189%	223%	218%	218%	215%	205%	188%	177%	169%
Net interest on external debt / Total revenue (target <20%)	11%	8%	8%	9%	9%	9%	9%	8%	7%	7%	6%
Net debt as a multiple of cash flow (target <15)	7.7	6.1	5.7	15.8	6.0	6.0	5.8	5.3	4.8	4.3	4.2

Liquidity is defined as external term debt plus committed bank facilities plus liquid investments divided by current external debt.

Cash flow is defined as net surplus (or deficit) plus depreciation, less vested assets, and capital subsidies.

Net debt is defined as total external debt less cash and cash equivalents.

Total revenue is defined as total revenue less vested assets, development contributions, and fair value benefit of Housing Infrastructure Fund loans.

Net interest on external debt is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period.

Note 15: Reserves

Accounting policy

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into accumulated funds, restricted and Council created reserves, revaluation reserves and fair value through other comprehensive revenue and expense reserve.

Restricted and Council created reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned.

Restricted reserves include those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Council created reserves are restricted in their application by a Council Resolution for internal management decision.

Revaluation Reserves

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

Fair value through other comprehensive revenue and expense reserve

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

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Restricted reserves											
Cemetery plot maintenance in perpetuity	1,800	1,876	1,876	1,876	1,876	1,876	1,876	1,876	1,876	1,876	1,876
Municipal endowment fund	28,639	28,639	28,639	28,639	28,639	28,639	28,639	28,639	28,639	28,639	28,639
Domain endowment fund	7,518	8,061	8,303	8,553	8,809	9,073	9,346	9,626	9,914	10,212	10,518
Waikato Art Gallery endowment reserve	10	11	11	11	11	12	12	12	13	13	14
Total restricted reserves	37,967	38,587	38,829	39,079	39,335	39,600	39,873	40,153	40,442	40,740	41,047
Council created reserves											
Bus shelter (adshel) reserve	81	369	442	517	592	669	746	768	791	815	839
Project watershed operating reserve	571	912	939	939	967	996	1,026	1,057	1,089	1,121	1,155
Waste minimisation reserve	532	614	633	680	800	913	931	1,073	1,224	1,344	1,466
Hamilton Gardens reserve	432	918	946	974	1,004	1,034	1,064	1,096	1,129	1,163	1,198
Reserves contribution fund	2,872	3,079	3,172	3,267	3,365	3,466	3,570	3,677	3,787	3,901	4,018
Total council created reserves	4,488	5,892	6,132	6,377	6,728	7,078	7,337	7,671	8,020	8,344	8,676
Total restricted and council created reserves	42,455	44,479	44,961	45,456	46,063	46,678	47,210	47,824	48,462	49,084	49,723

Note 15: Reserves

	Activities to which the reserve relates	Opening balance July 2018	Transfers into reserve	Transfers out of reserve	Closing balance June 2028
Restricted reserves		\$000	\$000	\$000	\$000
Cemetery plot maintenance in perpetuity - to maintain and provide for improvements to the cemeteries.	Cemeteries and Crematorium	1,876	563	(563)	1,876
Municipal endowment fund - to provide a capital fund for crown endowment land vested in the Council for investment	Strategic Property Investment	28,639	0	0	28,639
Domain endowment fund - 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.	Parks and Recreation Stormwater	7,827	2,691	0	10,518
Waikato Art Gallery endowment reserve - to provide funds for the acquisition of works of art for the Waikato Museum of Art and History.	Visitor Attractions	10	4	0	14
Total restricted reserves		38,352	3,258	(563)	41,047
Council created reserves					
Bus shelter (adshel) reserve - to manage the income generated from advertising in bus shelters to provide, maintain and enhance passenger infrastructure.	Transport	297	900	(358)	839
Project watershed operating reserve - to fund works relating to river flood protection and erosion control (project watershed). Waikato Regional Council is the funding agency and Hamilton City Council carries out agreed works within the city boundary.	Parks and Recreation Stormwater	885	270	0	1,155
Waste minimisation reserve - to encourage a reduction in the amount of waste generated and disposed of in New Zealand, and to lessen the environmental harm of waste. The reserve was created in 2009 as a result of the Waste Minimisation Act 2008. Funding is distributed to local authorities by the Ministry of Environment and expenditure includes grants to others, waste minimisation initiative operating expenses and recycling contract.	Rubbish and Recycling	538	6,259	(5,331)	1,466
Hamilton Gardens reserve - to provide funds for the development of Hamilton Gardens. Funds are being sourced from a targeted rate.	Parks and Recreation	891	7,345	(7,038)	1,198
Reserves contribution fund - this fund receives contributions from Council policy on levying sub-dividers and developers for provision of reserves. Payment may be in kind (land) or a pro rata levy on the value of the development. The balance of the fund is used for the purchase of land for reserves (or the development of same). Reserve contributions were levied on sub-divisions approved prior to the advent of development contributions for reserves which came into effect on 1 July 2006.	Strategic Property Investment	2,990	1,028	0	4,018
Total council created reserves		5,601	15,802	(12,727)	8,676
Total restricted and council created reserves		43,953	19,060	(13,290)	49,723

Note 16: Reconciliation between prospective statement of comprehensive revenue and expense and prospective funding impact statement

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating surplus/(deficit) per prospective statement of comprehensive revenue and expense	8,581	73,840	119,567	38,472	126,365	124,056	106,168	102,564	115,881	126,982	124,118
Items recognised as revenue in the statement of comprehensive revenue and expense and as capital expenditure funding sources in funding impact statements:											
Capital subsidies	(4,905)	(32,563)	(52,912)	(38,927)	(50,149)	(48,486)	(31,113)	(23,089)	(27,919)	(28,202)	(24,499)
Development, financial and capital contributions	(12,938)	(27,232)	(34,391)	(30,792)	(34,402)	(32,509)	(32,320)	(31,610)	(30,783)	(33,449)	(31,538)
Non-cash items recognised in prospective statement of comprehensive revenue and expense and not included in funding impact statements											
Depreciation	63,870	67,780	70,643	76,566	79,844	84,453	89,174	93,718	96,605	101,976	105,882
Recognition of revenue from vested assets	(8,581)	(30,000)	(31,230)	(32,479)	(33,291)	(34,057)	(34,874)	(35,746)	(36,640)	(37,592)	(38,607)
Gain on fair value of investment properties	0	(565)	(579)	(593)	(608)	(623)	(639)	(655)	(671)	(688)	(705)
Housing Infrastructure Fund - fair value benefit	0	(4,100)	(12,459)	(12,362)	(11,206)	(8,920)	1,621	3,982	4,307	4,419	5,882
Property, plant and equipment loss on sale	0	0	0	8,293	0	0	0	0	0	0	0
Transfer of assets constructed but not owned	0	0	0	44,498	0	0	0	0	0	0	0
Operating funding surplus/(deficit) per prospective funding impact statement	46,027	47,160	58,639	52,676	76,553	83,914	98,017	109,164	120,780	133,446	140,533
Balance as per Council FIS operating surplus/(deficit) of operating funding	46,027	47,160	58,639	52,676	76,553	83,914	98,017	109,164	120,780	133,446	140,533

