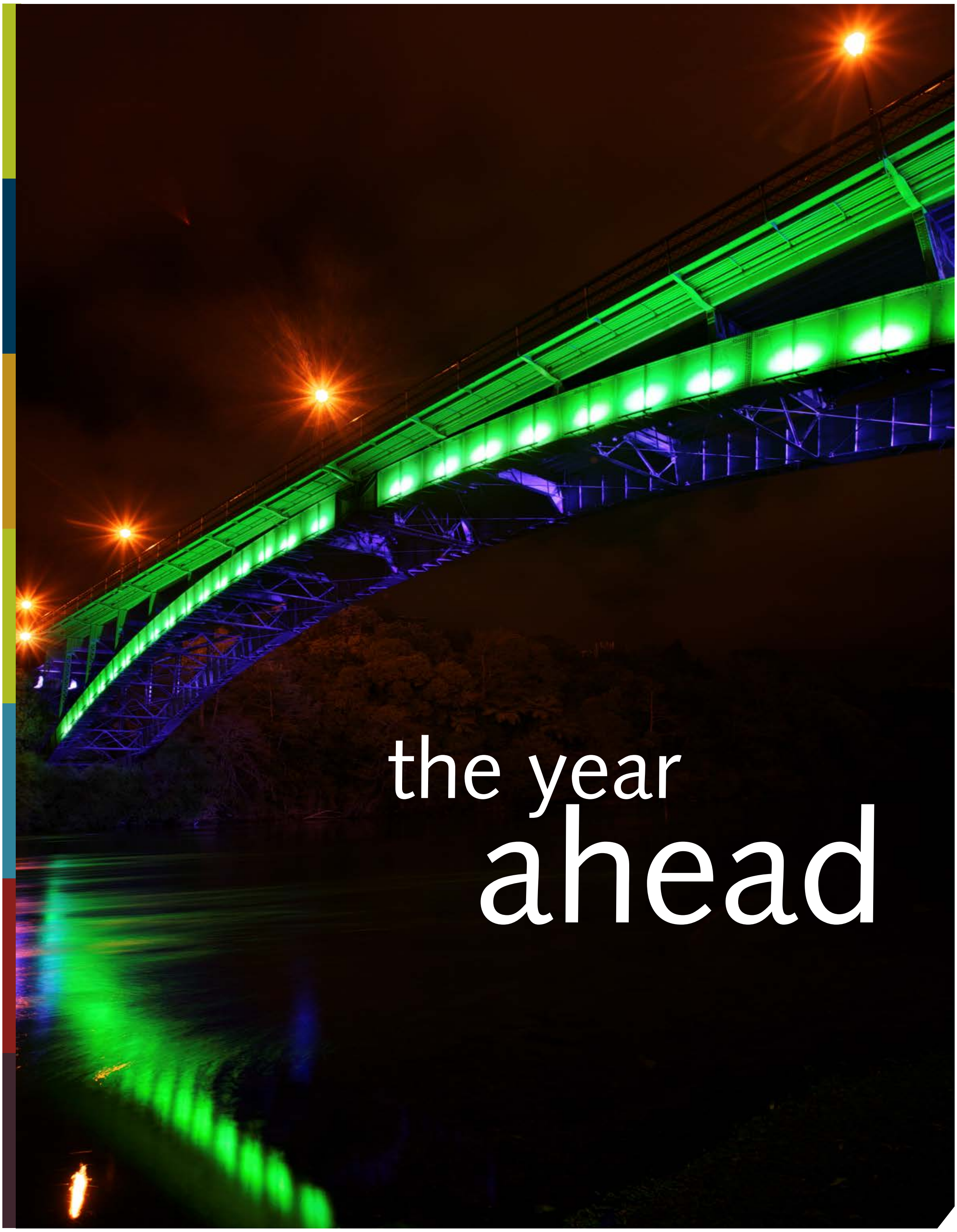
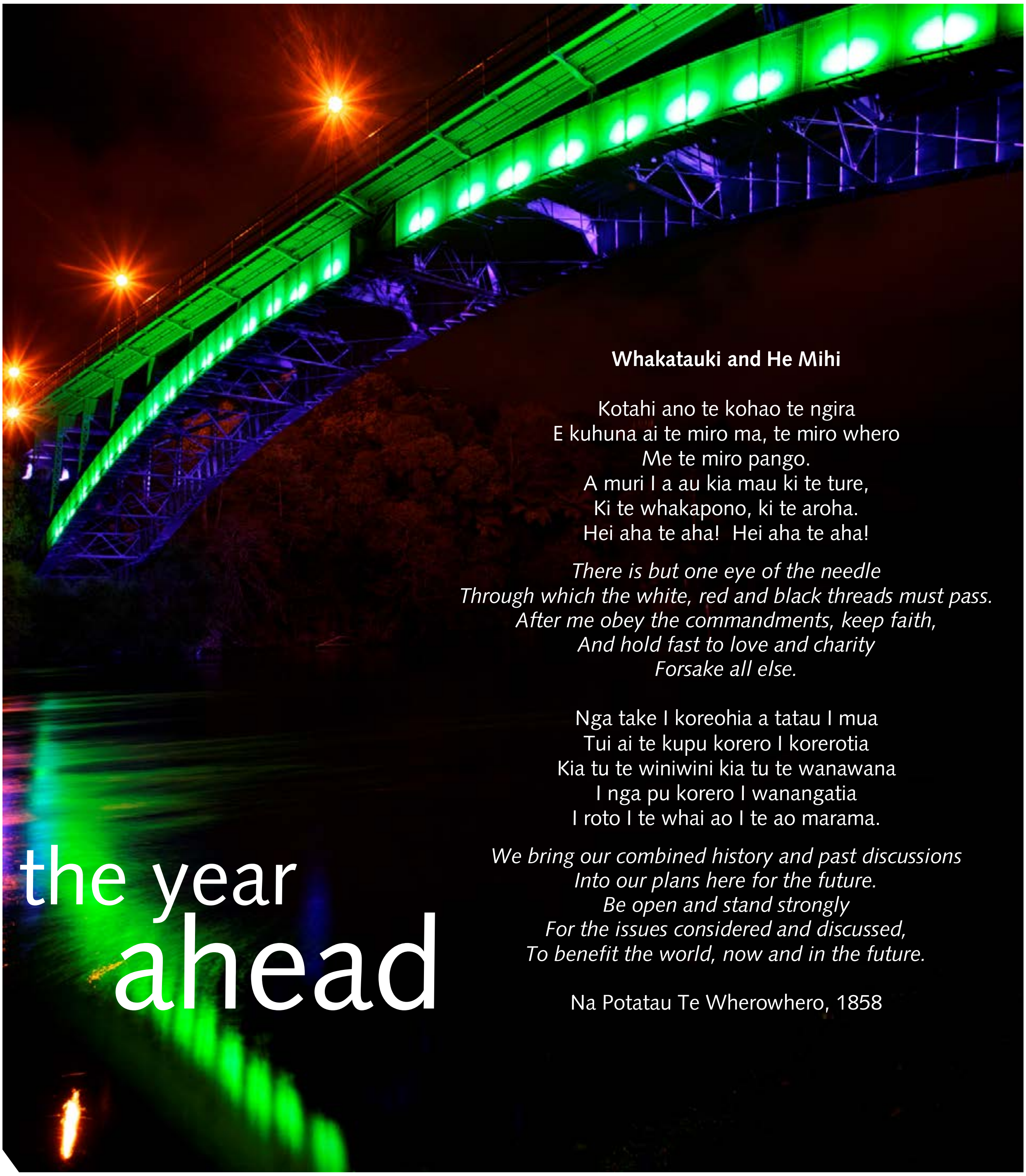
HAMILTON CITY COUNCIL'S **2011/12**
ANNUAL PLAN



Hamilton City Council
Te kaunihera o Kirikiriroa



the year ahead

Whakatauki and He Mihi

Kotahi ano te kohao te ngira
E kuhuna ai te miro ma, te miro whero
Me te miro pango.
A muri I a au kia mau ki te ture,
Ki te whakapono, ki te aroha.
Hei aha te aha! Hei aha te aha!

There is but one eye of the needle
Through which the white, red and black threads must pass.
After me obey the commandments, keep faith,
And hold fast to love and charity
Forsake all else.

Nga take I koreohia a tatau I mua
Tui ai te kupu korero I korerotia
Kia tu te winiwini kia tu te wanawana
I nga pu korero I wanangatia
I roto I te whai ao I te ao marama.

We bring our combined history and past discussions
Into our plans here for the future.
Be open and stand strongly
For the issues considered and discussed,
To benefit the world, now and in the future.

Na Potatau Te Wherowhero, 1858

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CONTENTS

1.0 MESSAGE FROM THE **MAYOR AND CHIEF EXECUTIVE**
HE KARERE MAI I TE **MANUKURA ME TE TUMU WHAKARAE**

Our city is currently facing some significant financial issues and some tough decisions are needed to ensure Council's long-term financial sustainability. This Annual Plan is the first step in addressing that long term financial sustainability.

Council has considered and made decisions on the 1,605 submissions to the Proposed 2011/12 Annual Plan. Many of the requests and information provided will be considered by Council in the development of its 2012-22 Long-Term Plan.

Council has confirmed the original proposed average 8% rate increase for existing ratepayers. It was a difficult decision for Council to approve a rate increase in the current wider financial environment. We understand the financial issues facing the community and the hardship that is being experienced in many sectors. It was with a great deal of thought, consideration and concern for the community's ability to pay that the increase was approved.

The reality is that Council is facing significant financial challenges with falling income through a reduction in building and land development e.g. originally $23 million in development contributions was anticipated to be received in 2011/12 — we are now budgeting to get $6.6 million. We also need to continue to pay for city infrastructure that has already been built - most of which is to meet the requirements of a growing city. While we've approved the 8% rate increase, Council realises that rates increases of this size are not sustainable for the community in the longer term.

Information about the current financial situation and the steps Council is taking is set out in the following pages. We would like to emphasise that this Annual Plan is part of the bigger picture approach that Council is taking to address these financial issues.

The next step is developing Council's 2012-22 Long Term Plan. Work for this plan has already commenced, with Council committed to carrying out a complete review of its business, the services it provides and the cost of this to the community and ratepayers. A number of options Council considered as part of the cost cutting exercise for this Annual Plan have been deferred to the Long-Term Planning process so that they can be properly considered. This will be the biggest review Council has undertaken for some time.

Council is also currently undertaking a rating system review as part of the Long-Term Plan process to develop a more equitable and fairer rating system. A separate consultation on the rating system review is programmed to take place in September 2011.

Many local authorities are also facing the same issues we are facing. The important thing is that we recognise and understand these issues and address them now, rather than defer tough decisions which will only worsen the situation.

We would like to thank all the people who took the time to have their say about what Council was proposing. It's an important part of the democratic process for the Council to hear from people and there were many submissions that were very well thought through.

Julie Hardaker

HAMILTON MAYOR

Barry Harris

CHIEF EXECUTIVE

HE KARERE MAI I TE **MANUKURA ME TE TUMU WHAKARAE**

E aata whakaarohia e te Kaunihera I ngaa take puutea kia taupuatia ai ngaa mahi moni mo te taaone. Ko wheenei Whakaritenga-aa-Tau te whakapae tuatahi mo wheenei take.

Ko ngaa whakatakotoranga me ngaa huatau aa te haapori e arataki nei I ngaa whakaarotanga me ngaa whakataunga aa te Kaunihera I roto tonu I wheenei whakaritenga. Ko ngaa tono me ngaa kaupapahere aa te haapori ka whakatinanahia ake I roto I ngaa whakaritenga mo te 2012-22 Long Term Plan.

Kua whakataungia hokitia e te Kaunihera te hikinga o ngaa reeti ki 8%. Engari, e mohio tonu ana e te Kaunihera I ngaa toimahatanga e ngau kino nei I a taatou katoa. Koia nei e waananga nuitia ake e te Kaunihera I runga anoo I te whakaaro hohonu, whakaaro mo te tangata me te whakaaro kotahi.

Ko te motuhenga o ngaa take puutea kua kitea I roto I ngaa mahi hanga whare me ngaa mahi tupunga whenua, ko nga hua e tumanakohia ana e te Kaunihera ko te $23 miriona taara I ngaa tau 2011/12, engari, ko ngaa whakakitenga inaianei ko te $6.6 miriona taara.

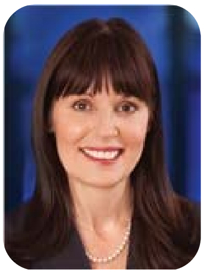
He maha tonu nga whakautunga mo ngaa mahi tupunga kua oti ke e te Kaunihera. Ahakoa kua whakataungia te hikinga o ngaa reeti, kaaore wheenei hikinga e ukauka ana mo ake tonu atu.

E muri ake nei ko ngaa whakaritenga aa te Kaunihera mo ngaa take puutea. Ko wheenei Whakaritenga-aa-Tau he waahanga tuatahi kia whakaangahia ake ngaa take puutea.

Ko te waahanga tuarua kua whakaritea I roto I te 2012-22 Long Term Plan. Kua timata ketia ngeenei mahi, kei te whewhera tonutia e te Kaunihera I aana mahinga me ngaa kawenga taangata me ngaa utunga ano hoki ki te haapori me nga kaiutu reeti mo ngeenei kaupapa. He aahua nui ake nga whiriwhiringa aa te Kaunihera kua tautuku atu ki te Long Term Plan, hei aha, hei aata whakaarotanga ake mo te Kaunihera. He roa rawa te waa kua whakamahia e te Kaunihera wheenei tu ahuatanga.

Kei te whakamahia tonutia e te Kaunihera he taatai tirohanga mo te Long Term Plan kia whakatika I ngaa nama. Kua whakaritea hokitia he waananga kia wetewete ai wheenei kaupapa a te marama o Mahuru.
E maha ngaa mana whakahaere e ariaa ana I ngeenei take puutea ki roto o Kirikiriroa. Ko te mea nui, kua kitea aa kua mohio taatou me peewhea te whakaangahia inaiatonu nei.

He mihi maioha teenei ki a koutou e taapae nei ou koutou whakaaro a ngaa whakaritenga nei. Koia nei tonu he kaupapa e ngaakau ana maatou ki te honotahi ana, ki te whakarongo ano hoki ki te reo o haapori.



Julie Hardaker

TE MANU KAAHUI O KIRIKIRIROA

Barry Harris

TE TUMU WHAKARAE O KIRIKIRIROA

2.0 ABOUT THE ANNUAL PLAN
NGAA WHAKARITENGA

WHAT IS THE ANNUAL PLAN?

Council is required by the Local Government Act 2002 (LGA) to put together a series of documents that communicate its plans for the city's future development. Council also reports annually on performance against these plans. The Annual Plan is one of these three documents.

PLANNING AND REPORTING DOCUMENTS

DOCUMENT	DESCRIPTION
10-year Long-Term Council Community Plan (LTCCP)	The LTCCP defines Council's intentions for Hamilton over a 10 year period, and is reviewed every three years. The current LTCCP is the 2009-19 LTCCP; the next one will be from 2012-22. Work on this plan has commenced.
Annual Plan	An Annual Plan describes, in the two years between each LTCCP, any key changes Council has made to the LTCCP.
Annual Report	The Annual Report shows how well Council has performed against the plans and budgets outlined in a specific year of the LTCCP or Annual Plan.

Although the LTCCP sets out Council's direction for the next 10 years, plans and budgets are reviewed each year. Changes are often needed because of budget revisions or to respond to particular issues or challenges facing the city. The 2011/12 Annual Plan focuses on changes to year three (2011/12) of the 2009-19 LTCCP.

CHANGES TO THE LTCCP

The LGA categorises changes to the LTCCP as either Amendments or Variations, depending on the nature and significance of the proposed change.

What is an Amendment?

An Amendment is where Council is proposing to significantly alter a service it provides for any significant activity; or to transfer the ownership or control of a strategic asset[1]; or to amend its Liability Management Policy or Investment Policy[2].

Council's Significance Policy also has a role in deciding what changes are Amendments. The objective of the Significance Policy is:

"To ensure that the community of Hamilton is fully consulted and able to actively participate in the consideration of issues, proposals, decisions or other matters which are significant, and/or which involve the community's strategic assets."

[1] Local Government Act 2002, Section 97(1) (a) and (b).
[2] Local Government Act 2002 Amendment Act 2010, Section 51(3).

What is a Variation?

Although Variations still show changes to Council's operations, the changes are not significant enough to trigger a formal Amendment to the LTCCP.

The criteria Council uses to define Variations are:

- A proposed change to total operational budgets for each of the 10 Activity Groups (either operating revenue or expenditure) where the amount has changed by $100,000 or more.
- A proposed change to the total capital expenditure for each of the 10 Activity Groups (where the amount has changed by $100,000 or more).
- A proposed change to an Activity Group performance measure.

Descriptions and reasons for these key Variations are outlined after each Cost of Service table for the 10 Activity Groups (refer to Section 4.0).

2011/12 ANNUAL PLAN PROCESS

The following table outlines the key steps involved in developing the 2011/12 Annual Plan.

KEY STEPS TO DEVELOP THE 2011/12 ANNUAL PLAN

DATE	DESCRIPTION
16 - 18 February	Council considers and makes decisions on the Proposed 2011/12 Annual Plan.
18 March	Council adopts the Proposed 2011/12 Annual Plan for consultation with the community.
21 March - 21 April	The Proposed 2011/12 Annual Plan is open for public submissions.
Late March/Early April	A Summary of the proposed plan is circulated to all Hamilton households.
Monday 28 March	Information Evening on the proposed plan from 6.00-7.30pm at the Hamilton City Council Reception Lounge in Garden Place.
Saturday 2 April	Information day on the proposed plan - 'Your City Expo' - 10am - 2pm at the Claudelands Grandstand.
Thursday 7 April	Information day on the proposed plan — 'Your City Expo' - from 11.30am - 2.00pm at the Hamilton City Council Reception Lounge in Garden Place.
10 - 13 May	Hearings are held for submitters who wish to speak to Council in support of their written submission.
1 June	Council makes decisions on submissions.

DATE	DESCRIPTION
30 June	Council adopts the final 2011/12 Annual Plan and confirms the rates strike for 2011/12.
By 30 July	The final 2011/12 Annual Plan is published and made publicly available.
Early July 2011	Letters are sent to submitters advising them of Council's decision on their submission.

MORE INFORMATION

Additional copies of the 2011/12 Annual Plan are available from the main Council office in Garden Place, at any branch of Hamilton City Libraries, or online at www.hamilton.co.nz/annualplan.

Alternatively, please contact staff from Council's Strategy and Research Unit (phone 07 838 6537).

KEY ISSUES RAISED IN PUBLIC SUBMISSIONS

Between 21 March and 21 April 2011 the community was invited to make submissions to Council's Proposed 2011/12 Annual Plan. A total of 1,605 submissions were received, with 208 submitters requesting to be heard in support of their written submission at the hearings, which were held on 10-13 May 2011.

Council considered and made decisions on all submissions on 1 June 2011. Many of the requests and information provided in submissions will be considered and/or form an input to the development of Council's 2012-22 Long-Term Plan.

The following provides a brief summary of the main issues raised by submitters and Council's decisions on these issues.

Proposed Cycling Velodrome

A total of 941 submissions raised the issue of the proposed cycling velodrome to be located at St. Peters School in Cambridge, with 919 supporting the proposed velodrome and 22 opposing it.

Council will not be making any funding provision in its 2011/12 Annual Plan towards this project.

Proposed Passenger Rail Service between Hamilton and Auckland

A total of 228 submitters raised the issue of the proposed Hamilton to Auckland Passenger Rail Service, with 226 supporting the proposed service and 2 opposing it.

Council will continue to support the work of the multi agency Rail Working Party established in September 2010 to look at the feasibility of introducing a Hamilton to Auckland passenger rail service.

Logistical, operational and infrastructural details of this proposed service are being worked through by the Rail Working Party. A preferred option is to be agreed by August/September 2011 which will allow consultation in early 2012. If there is sufficient community support and a realistic funding plan can be agreed, further consultation will then be undertaken as part of the 2012-22 Long-Term Plan planning process.

Fluoridation of Hamilton's Water Supply

120 submissions raised the issue of fluoride, with 117 opposed to the addition of fluoride to Hamilton's water supply, citing reasons such as fluoride being a poison, that the practice is 'mass medication' and that there would be cost savings if it was not added.

Council resolved to signal its intention to consult, including the possibility of a referendum, concerning the removal of artificial fluoridation from Hamilton's water supply as part of the 2012-22 Long-Term Plan.

Rates/Financial Issues

Issues of a 'rates/financial' nature were raised by a number of submitters, including the proposed 8% rate increase, staff levels, user fees and charges, Council's finances, Council's assets, debt levels and elected member expenses. A 2,162 signature petition was also received from the Hamilton Citizens and Ratepayers Association requesting that Council set the rates increase for 2011/12 at a maximum of 4% due to the current recession.

Council acknowledges the investigative work, analysis and comments on the various financial issues raised and will use this work to assist in the development of its 2012-22 Long-Term Plan. Council's long-term financial sustainability has been identified as a critical matter to address in the 2012-22 Long-Term Plan and work has already begun on this process. This work will continue throughout the remainder of 2011 and in 2012.

It was a difficult decision for Council to approve a rate increase in the current wider financial environment. While it has approved the 8% rate increase, Council realises that rates increases of this size are not sustainable for the community in the longer term. Work has already commenced on developing the 2012-22 Long-Term Plan, with Council committed to carrying out a complete review of its business, the services it provides and the cost of this to the community and ratepayers whilst balancing the need to provide services to the community over the long term under a sustainable financial model. This will be the biggest review Council has undertaken for some time.

The Events Sponsorship Fund and V8s

There were 48 submissions on this issue, with most saying that the Events Sponsorship Fund should be reduced or deleted and that they oppose Council's involvement in the likes of events such as the V8's and Rugby World Cup.

Submitters raising concerns about the V8's were advised that in the interest of improving the event a review of the Hamilton 400 Streetrace is undertaken after each event. Council has a contract with V8 Supercars Pty Ltd through to 2014, with a right of extension for a further three years.

When considering the submissions, Council noted that a deficit V8 reserve exists to the value of approximately $14.5 million. The V8 reserve has been used to fund infrastructure costs associated with establishing the V8 circuit prior to the first event in 2008 (including the track and pitlane assets that are put up and taken down for each event). The V8 reserve has a negative balance as it has 'pre-funded' the event infrastructure cost; effectively it is a loan. There are no further costs to be incurred against this reserve.

Council noted that having a negative reserve is unsustainable, and while the V8 event generates lease income that is transferred to the reserve to partially offset interest costs, this is not sufficient to meet all the interest costs or make any reduction in the deficit principal balance. The original intention when this deficit reserve was established prior to the first V8 event was that the income payable to Council from the event would be sufficient to pay off the interest and principal. This income received has not been as high as originally anticipated, and under the contract with V8 supercars will be insufficient in the future to reduce the balance of the reserve.

Council noted that the 2012-22 LTP will need to address the financial treatment of this negative reserve. It is anticipated that the balance will need to be transferred and funded as part of Council's debt, with a combination of V8 event revenue and rates to fund the financing costs associated with this debt.

Rating System Review

10 submissions covered various issues such as wanting a review to be undertaken of the differential rating system, creating a level playing field for commercial operators, having a system that attracts residents to the CBD and adoption of a capital value rating system.

Council is currently undertaking a rating review and separate consultation is programmed to take place on this in September 2011. Information received from submitters through the Annual Plan submission process will be used as an input to the rating review. Council is required by the Local Government Act 2002 to undertake a review of its rating system every three years as part of the Long-Term Plan review.

Development Contributions

Council decided not to make any changes to its Development and Financial Contributions Policy for 2011/12 and that a first principles review of the policy and approach to growth funding will be undertaken as part of the development of the 2012-22 Long-Term Plan.

The issue of sustainable growth funding is one of critical importance for Council and will need to be central in the development of its 2012-22 Long-Term Plan. The underlying assumptions relating to growth demand, the future spatial form of the city and the related capital programme are all essential elements that are brought together in the Long-Term Plan. A full review of the Development and Financial Contributions Policy requires an examination of all these factors.

Council revenues have been adversely affected by the economic downturn e.g. for the 2009/10 financial year, Council's development contributions revenue of $5.7 million fell significantly short of covering its interest charges of $6.2million (refer to the following table).

DEVELOPMENT CONTRIBUTION INCOME — FORECAST vs. ACTUAL OR ANTICIPATED REVENUE

JUNE FINANCIAL YEAR	FORECAST FROM 2009-19 LTCCP	ACTUAL OR ANTICIPATED REVENUE
2009/10	$9.5 million	$5.7 million
2010/11	$13.8 million	$5.8 million (as at May 2011)
2011/12	$23 million	$6.6 million

For 2010/11, revenue of $5.8 million (for the year to May 2011) is again well below covering the interest charges of $6.5 million. The shortfall in interest or in forecast revenue means that the development contributions loans are not being paid off as fast as expected, with the result that higher charges will be needed in future years.

The 2011/12 Annual Plan has now budgeted for $6.6 million of development contribution income (compared to the $23 million anticipated for 2011/12 in the 2009-19 LTCCP and the $10.672 million shown in the Proposed 2011/12 Annual Plan).

This outcome is not a sustainable means of funding debt related to growth in the future. This situation will be addressed through Council's 2012-22 Long-Term Plan process, which will seek to limit future development contribution increases in charges by reducing Council's growth-related capital expenditure. It will also look at the mix of growth expenditure funded by development contributions and rates so that the financing costs are fully funded.

Council Controlled Organisations

55 submissions commented on Council's proposal to establish two Council Controlled Organisations (CCOs). 26% were in favour of the CCO proposal, 40% were against and the balance (34%) were 'cautious' about the proposal.

Council acknowledged the issues raised by submitters and resolved that the Chief Executive will identify and take account of opportunities afforded by CCOs following his review and assessment of the organisation. He will then report back to Council on the opportunities, any agreed structures and timeframes for introducing CCOs.

Local Government Funding Agency Scheme

Due to the similar nature of local authorities and the large sector borrowing requirements, a number of local authorities are proposing to participate in a funding scheme specifically for local authorities. The design of this scheme is based on a number of similar schemes that have operated successfully in other countries for many years. The funding scheme proposed will be a Council Controlled Trading Organisation called the New Zealand Local Government Funding Agency (LGFA).

A Bill enabling the establishment of the LGFA has been introduced to Parliament and is anticipated to be enacted by September 2011. The LGFA will operate as a large-scale borrower which will then re-lend to councils, enabling a co-operative approach to borrowing and has the potential to save local authorities around $25 million a year.

It is expected that the LGFA will achieve lower interest rates and have better liquidity due to the agency's structure and because it will amalgamate the borrowing demands of many councils. To help with the establishment of the agency the Government has already allocated $5 million for investment. A further $20 million of establishment capital will be sourced from councils. All nine councils who have funded the development of the LGFA (including Hamilton City Council) have voted to include LGFA shareholding in their 2011/12 Annual Plan.

Council has resolved to participate in the LGFA as a Principal Shareholding Local Authority. It also decided that the Chief Executive will report back to Council on the final proposal and on the final participation arrangements in the LGFA.

Council is aware that for the LGFA to be successful it requires a high level of support from other councils. If this is not forthcoming to the level required, Council may choose not to proceed with this proposal.

Request for a Playground at Te Huia Drive Reserve

36 submissions requested that Council build a playground at Te Huia Drive Reserve.

Although Council declined this request, development of this playground will be considered within the current review of the playground refurbishment and development programme. This review is to be reported to the appropriate committee (and will consider options such as a shared approach to playground development e.g. a partnership with schools) for consideration as part of the 2012-22 Long-Term Plan.

Request for an Upgrade to the Ashurst Park Playground

A 615 signature petition said the Ashurst Park playground no longer meets current safety or Council standards, with submitters wanting immediate installation of a safe multigenerational playground.

Council decided that the playground at Ashurst Park will be refurbished in 2011/12 in consultation with Te Rapa School and the local community.

Installation of a Sprinkler and Irrigation System at Ashurst Park

37 submissions supported the Hamilton North Football Club's submission that a sprinkler and irrigation system be built at Ashurst Park.

Although Council has declined this request, staff have been asked to report to the appropriate committee on the scope, costs and ongoing operational impact of installing a sprinkler and irrigation system at Ashurst Park, with a view to this project being considered for inclusion in Council's 2012-22 Long-Term Plan.

In addition, a review is underway to define sports facility needs across the city. This review will provide an overview of the existing capacity of the sport parks, future provision requirements, gaps and associated costs. This review will be reported to the appropriate committee for consideration as part of the 2012-22 Long-Term Plan.

Transportation

33 submissions covered various transport related issues e.g. requests to extend public transport services/upgrades required to bus stops, concerns around proposed cuts to previously planned cycling/pedestrian projects and disappointment over deletion of the Hamilton Bus Super Stop project.

It was resolved that the investigative work, analysis and comments on the various transportation issues raised by submitters will be used to assist Council in the development of its 2012-22 Long-Term Plan. Staff will consider a number of the operational transport issues raised, including having discussions with staff from the Waikato Regional Council on various key issues.

Contribution to the Waikato Regional Tourism Organisation

10 submissions focused on Council's proposed contribution to the Waikato Regional Tourism Organisation (with 7 supporting Council's contribution to the proposal, 2 opposing it and one not commenting on funding).

Council confirmed its $390,000 contribution to the establishment of a Regional Tourism Organisation (RTO) in 2011/12 and that for 2011/12 the interim structure to deliver this service is to be a 100% subsidiary of the Hamilton International Airport. Council is also strongly of the view that the Board of Directors of this interim structure should provide their services for no remuneration.

This approach will ensure greater alignment with other stakeholder councils supporting the RTO and will allow the Hamilton International Airport to focus on its core business. The initiative will also ensure efficient and effective coordination of regional marketing activities for Hamilton and the Waikato Region, and for the continued success of increasing tourism numbers and opportunities in the city and region.

In addition to funding provision from various partner councils, funding will also be forthcoming from the tourism industry.

Requests for Direct Funding from External Organisations

A number of submitters requested direct funding provision from Council for various projects and programmes. Aside from where funding provision was already in place in 2011/12 for various organisations, no submitters were allocated additional funding.

3.0 AN OVERVIEW OF THE KEY ISSUES
TIROHANGA WHAANUI O NGAA KAUPAPA ME NGAA PUUTEA

COUNCIL'S FINANCIAL SITUATION

RISKS TO LONG-TERM FINANCIAL SUSTAINABILITY

Council's 2009-19 Long-Term Council Community Plan (LTCCP) aimed to balance affordability in the short-term with longer-term progress in the city. It included a large number of capital works projects, with a priority for projects that benefited the city's economy and lifestyle.

The LTCCP was put together in a period of economic uncertainty, which presented risks, particularly around revenue needed to fund a large capital expenditure programme.

The economic downturn has had, and is continuing to have, a serious impact on Council revenues — much more than what was anticipated in the LTCCP. Combined with increasing costs for everyday services and the city's high debt levels, this means that Council is now at the point where its revenue is not keeping pace with its spending.

If Council was to carry on with its current financial strategy, it would be placing its long-term financial sustainability at risk.

The LTCCP includes financial policy limits that Council must operate within. The policy limit of most concern is the ratio of debt to revenue. If Council does not begin to address its financial issues, it faces likely breaches to policy limits in coming years. Council's AA- credit rating, which provides greater access to more competitive borrowing rates, could also be affected if financial policy limits are breached.

As a first step, the Annual Plan gives Council the opportunity to alter budgets and priorities for 2011/12.

The next step will be a complete review of Council's overall direction, financial strategy and operations. This will occur as part of developing the next 10-year Long-term Plan, which has commenced and will be a priority during 2011.

WHY IS COUNCIL IN THIS POSITION?

There are four main factors, all interrelated, that have contributed to Council's current financial position:

1. Not Enough Rates Income

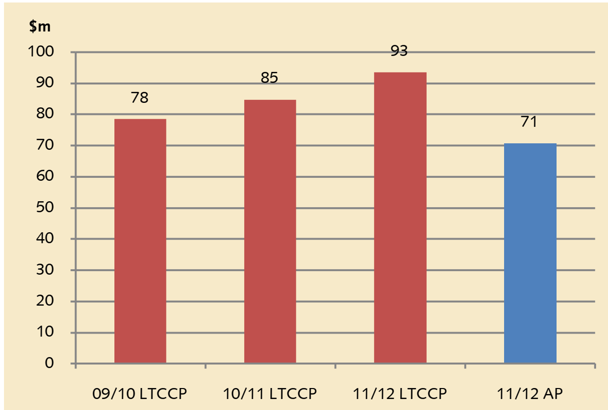
Over recent years, Council's rates income has not grown fast enough to keep up with expenses. Although we have had steady rates increases, they have not been high enough to cover our significant capital expenditure and ongoing costs.

Where we have planned for higher rates increases, these have not always been implemented at the planned levels.

Also, compared to other New Zealand cities facing similar challenges, Hamilton's rates increases have been low.

% RATES INCREASES — PLANNED VS ACTUAL

CAPITAL EXPENDITURE



2. Less Development in the City

Council revenues have been adversely affected by the economic downturn. In particular, revenue from development contributions has been severely reduced from what was anticipated in the 2009-19 LTCCP because of the significant reduction in developments in Hamilton.

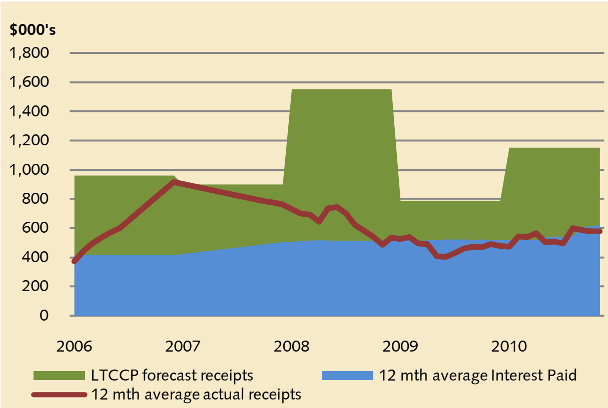
The 2009-19 LTCCP identified the substantial risks for Council around the funding of growth-related infrastructure, particularly in periods of slow growth. While much of this infrastructure is funded through loans paid for by development contributions, the majority of these funds are paid to Council at a relatively late stage in the subdivision process. That means Council takes on the responsibility of paying the loans in the first instance.

A 'just in time' approach to providing growth-related infrastructure was agreed to as part of the LTCCP. This means that growth infrastructure is only provided as and when it is needed, rather than taking on the financial risk of providing it too early and having infrastructural investment 'in the ground' and a lack of development happening to pay for it.

Since the LTCCP was adopted, Council has closely monitored growth projections and had delayed a significant number of growth-related projects.

Despite this approach, the level of development contributions revenue Council is receiving is not enough to pay for existing growth-related debt.

DEVELOPMENT CONTRIBUTIONS — RECEIPTS VS INTEREST



3. High Total Debt Levels

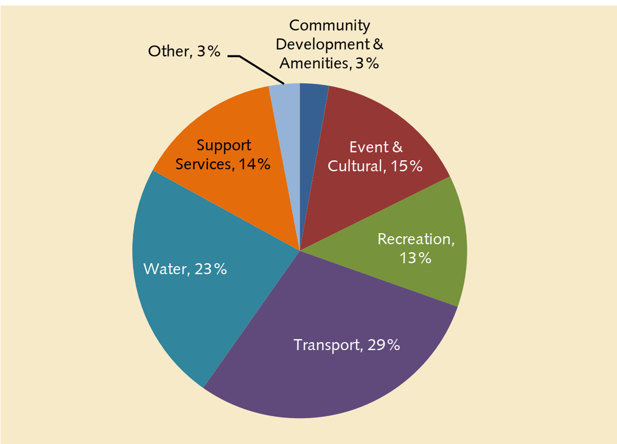
In addition to debt related to growth in the city, Council has also taken on debt with significant capital projects, for example the Claudelands Events Centre and roading projects such as Wairere Drive.

Council acknowledges that such projects bolster the city's economy during the recession. Large construction projects provide jobs, and in the case of the Wairere Drive roading project, a large government subsidy has helped to pay for this new road.

Debt levels were outlined in the LTCCP and the planned rates increases in the first seven years of the plan (2009/10 — 2015/16) were high (i.e. around 5%) to fund the associated debt financing costs.

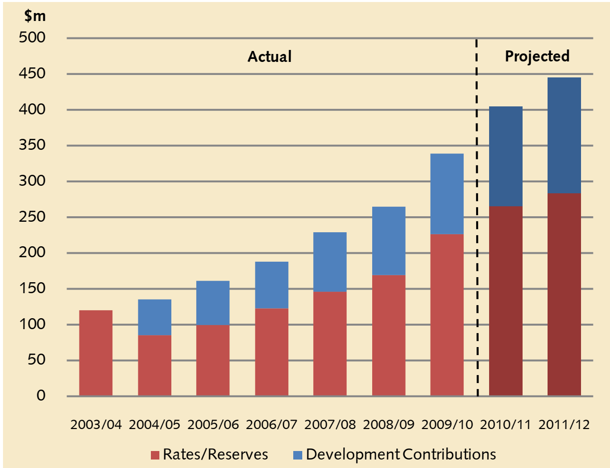
The graph below shows how capital expenditure has been spent across Council's services over the past seven years.

CAPITAL EXPENDITURE 2003/04 — 2009/10



There are two main types of Council debt — debt funded by rates and debt funded by development contributions. The following graph shows the amount of debt that is paid for by each of these.

NET DEBT FUNDING SOURCES



4. Looking after the City's Assets

In recent years, the value of Council's assets has increased significantly from $1.7 billion in June 2005 to $3.2 billion in June 2010. These large valuation increases suggest that it will cost more to replace our assets in the future.

In the past Council has not put enough money aside to be able to replace all its assets in the future when they wear out. As part of the 2009-19 LTCCP, Council began to address this issue through the creation of a dedicated asset replacement fund for this purpose. Money is put towards the fund each year to ensure that there is enough available when the time comes to replace assets that are at the end of their useful life.

This is a long-term issue and we must continue to put money aside to protect the future of the city's assets.

FINANCIAL STRATEGY FOR 2011/12

HOW COUNCIL IS PROPOSING TO ADDRESS ITS FINANCIAL SITUATION IN 2011/12

Essentially, Council does not have enough revenue coming in to cover its existing and future commitments.

Council has cut budgets for 2011/12, with savings of $1.2 million made to operating, maintenance and capital budgets, covering all areas of Council expenditure. $23 million in capital works projects have also been deferred or deleted from year 3 (2011/12) of the 2009-19 LTCCP.

As a result of these cuts and delays, the city's forecast debt has reduced from $463 million at June 2012 to $445 million.

Council is also proposing to transfer $2.9 million into the asset renewal reserve to pay for future asset replacements.

User fees and charges have also been increased where feasible, generally in line with inflation.

This approach will result in an average rates increase of 8% for existing ratepayers in 2011/12.

WHY HASN'T COUNCIL PUT THE SAVINGS TOWARDS A LOWER RATES INCREASE?

Council thinks that taking a longer term view is the right thing to do at this time. Making sure we have sufficient money in the future to replace worn-out assets is not an issue to put off for another day. Putting the savings towards future asset replacement is a financially responsible choice.

Hamilton's core infrastructure is still relatively young and Council has a comprehensive asset maintenance and renewal programme in place. However, there will be points in the future when substantial asset replacements will need to occur. The rapid rise in the value of Council's assets is of concern, as it makes it more expensive to plan for future asset replacement.

Council needs to make sure that it is in good financial health when these assets come up for renewal and has chosen to put the savings of $2.9 million towards the asset replacement fund.

WHY HASN'T COUNCIL CUT MORE FROM THE BUDGET?

A wide range of options were considered to reduce spending in 2011/12. When making decisions, Council had to balance short-term expectations for immediate savings with longer-term considerations, such as maintaining a high standard of services and facilities and future financial sustainability.

Many of the savings options considered would have substantially altered the services Council provides. Council's view is that these types of decisions cannot be made in isolation with a short-term focus. They need to be thoroughly and carefully considered as part of a complete review of Council's operations, including all of the services Council provides to the community.

This work will happen as part of developing the next 10-year Long-term Plan, which has commenced and will be a high priority during 2011. The proposals in this Annual Plan are a first step to better position the city's finances for this review.

WHICH PROJECTS AND PROGRAMMES HAVE BEEN DEFERRED, REDUCED OR DELETED?

Council has deferred a number of projects or parts of projects until 2012/13. These projects will be reassessed as part of the long-term planning process.

Funding has also been reduced or deleted for a range of other projects and programmes across Council's operations.

A list of these changes can be found on page 11.

PROJECTS REMAINING FOR 2011/12

Examples of key projects and programmes that are still planned to go ahead in 2011/12 are outlined in the following table.

A full list of capital expenditure projects planned for 2011/12 can be found in Section 5.0 of this document.

PROJECT/PROGRAMME	AMOUNT
Review of Hamilton's District Plan. Hamilton's District Plan sets out all of the rules and policies for anyone who wants to develop and use land in Hamilton. In early 2012 the Proposed District Plan will be publicly notified, giving a further opportunity for the community to make submissions.	$680,000
Hamilton Gardens Development Programme The staged development of the collection of Fantasy Gardens, which started in 2010, will continue during 2011/12. Council, working with the Hamilton Gardens Development Trust and sponsors, will develop the Surrealist Garden, the Tropical Garden and the Tudor Garden over a seven year development period.	$232,000
The Event Sponsorship Fund. This fund supports events to attract visitors to Hamilton, generates economic benefit for the local economy and creates a sense of pride for city residents. In 2011/12 key events supported by Council's event strategy will include the Rugby World Cup and the 2012 'ITM 400 Hamilton' V8 Supercar event.	$2.64m
Water Treatment Station Upgrade Current growth projections indicate that Hamilton's water treatment capacity will require expansion by 2016/17. Funding deferred from 2010/11 will be used to continue reviewing the options of increasing capacity, reducing demand and creating an alternative source of supply for the city. Ensuring consistency with Future Proof (the Sub-regional Growth Strategy) is key to any final decisions made in terms of future water supply for Hamilton.	$299,000
Wastewater Treatment Plant Upgrade In 2008/09 Council embarked on a 5-year, $25 million upgrade of the Wastewater Treatment Plant at Pukete. The overall project is aimed at increasing the Plant's capacity to cater for city growth, as well as increasing treatment potential to cater for new, more stringent, discharge consent conditions. In 2011/12 the project continues, with major works focused on upgrading the solids treatment stream of the plant.	$1.139m
Construction of Cycleways This project is part of a long-term programme to provide a safe cycle network across the city, combining both on-road and off-road routes within the road reserve. The programme includes localised improvements for pedestrians and all other road users where possible.	$600,000
Hamilton Ring Road (Wairere Drive) Continued work on the Crosby Road to Cambridge Road and Wairere Drive Four Laning (Pukete Road to Resolution Drive) projects, in partnership with the New Zealand Transport Agency.	$6.588m

PROJECT/PROGRAMME	AMOUNT
Contribution to the Northern Growth Corridor In partnership with the New Zealand Transport Agency and the Waikato District Council, Council is contributing to a managed package of works for the Northern Growth Corridor. The project aims to maintain the current level of network congestion in the north- west of the city, and is required as a consequence of urban growth in the area.	$2.730m
Upgrade of Information Systems and Processes This project aims to provide cross-Council integration and management of information. It will enhance service delivery to customers, making it easier and quicker for them to work with Council by producing more efficient processes that deliver time and cost savings. 2011/12 is the third year of this 10-year project.	$3.268m
Infrastructure to Support Rotokauri Growth Cell Continued investigation, planning, design and construction of key infrastructure (water supply, wastewater, stormwater and roading) necessary to enable the development of the Rotokauri Stage 1 growth cell for future employment areas.	$1.580m
Contribution to Waikato Regional Tourism Organisation Council has allocated funding towards establishing a Regional Tourism Organisation (RTO), which will lead tourism marketing for Hamilton and the Waikato Region. The region's other six territorial councils and the tourism industry will also contribute. Council agreed that the RTO is to be a 100% subsidiary of the Waikato Regional Airport for 2011/12. Any consideration of the RTO being a joint Council Controlled Organisation will be presented to Council as part of the 2012-22 Long-term Plan.	$390,000

THE LONG-TERM PLANNING PROCESS

WHAT IS THE LONG-TERM PLAN?

The Long-Term Plan[1] (LTP) is one of Council's most important documents. It outlines what Council plans to do over a 10-year period and determines how your rates money will be spent.

The current 10-year plan is for the period July 2009 — June 2019, and the next one will be for July 2012 — June 2022.

WHAT WILL THE LONG-TERM PLANNING PROCESS INVOLVE?

The groundwork for the LTP has commenced. You will start hearing more about the types of issues that Council will be considering throughout 2011. There will be opportunities to have a say as Council works through the different stages of the process in 2011/12.

The types of matters to be considered will include:

- Council's overall direction and priorities for the city.
- The services Council provides, and whether or not Council should be providing them.
- How they are provided, for example looking at other options such as Council Controlled Organisations.
- How Council will fund its services.

ASSUMPTIONS RELATING TO KEY INVESTMENTS

In its 2009-19 LTCCP, Council provided a number of assumptions and disclosures relating to either changes in ownership structure or sale in shareholding for a number of key Council investments. The following table updates Council's intentions regarding these investments.

ASSUMPTIONS RELATING TO KEY INVESTMENTS
Hamilton Fibre Network (HFN) Ltd The Waikato/BOP has recently been identified for priority government funding for ultrafast broadband. This has meant that the local environment in which Hamilton Fibre Network (HFN) will need to operate in the future has changed significantly and decisions about the future of HFN need to be made by the shareholder partners, including Council (Council owns 34.67% of HFN). A number of possible commercial options have been considered by the HFN shareholders and the operator, Velocity Networks Limited. Options considered include four broad high level strategic positions: • Status Quo • Divestment • Merger • Repatriation (of assets). Council has authorised the Chief Executive to enter into negotiations with WEL and Crown Fibre Holdings and options are to be presented for Council decision. The result of negotiations and options will likely be presented to Council in June/July 2011.
Waikato Regional Airport Limited Council currently has a 50% shareholding in Waikato Regional Airport Ltd. During 2010 Council and its shareholding partners undertook an indicative valuation of their shareholding. This exercise indicated that 2011/12 is not an appropriate time to consider a partial sale of shareholding to third party entities. In the LTCCP a partial sale had been assumed in 2011/12. This position will be reviewed by Council as part of its 2012-22 Long-Term Plan.
Land Behind ArtsPost Council owns land that is located behind the ArtsPost site and beside the Waikato Museum. This land is currently being used as an off-road pay and display car parking venue. Council is continuing discussions regarding selling or contributing this land towards a mixed use development over this site.
Hamilton Riverview Hotel Council's intention to sell its shareholding in the Hamilton Riverview Hotel in the 2013/14 financial year was included in Council's 2009-19 LTCCP budget forecasts. In light of the 2012-2022 LTP budget discussions that have already begun, it may be desirable to consider selling this asset at an earlier date. Accordingly, the 2011/12 Annual Plan document reflects the possibility of the asset being sold at an earlier date, including the 2011/12 financial year.

[1] The amendments to the Local Government Act 2002 changed the name of the 10-year plan from the Long-Term Council Community Plan (LTCCP) to the Long-Term Plan (LTP).

PROJECTS AND PROGRAMMES WITH FUNDING DEFERRED, REDUCED OR DELETED

FUNDING DEFERRED FROM 2011/12 TO 2012/13

PROJECT DESCRIPTION	AMOUNT DEFERRED
Hamilton Park Cemetery burial lawn extension.	$419,600
North-east sector library — planning and design.	$681,900
Hillcrest Library extension — planning and design.	$42,000
Rotokauri Passive Parks Development Programme.	$132,000
Repair and upgrade of Seddon Park Oval perimeter pathway.	$335,400
Gallagher Aquatic Centre carpark extension.	$117,200
Gallagher Aquatic Centre staff facilities upgrade.	$211,800
Minogue Park traffic precinct improvements — investigation and design.	$105,000
Cycleway construction programme.	$1.826m
Programme to improve pedestrian/cycling outcomes at 'hot spots' throughout the city.	$1.049m
Riverbank and parks shared walking/cycling routes programme (deferred to 2013/14).	$778,400
Rototuna and Rotokauri roading for future city growth.	$1.019m
Funding for contributions to developers for stormwater and wastewater pipe capacity increases associated with city growth projects.	$40,000
Rotokauri stormwater network pipes for future city growth.	$850,000
Rototuna and Ruakura wastewater trunk mains for future city growth.	$1.730m
Peacocke water supply trunk mains for future city growth.	$88,000

PROJECTS AND PROGRAMMES REDUCED OR DELETED

PROJECT/PROGRAMME DESCRIPTION	AMOUNT REDUCED OR DELETED
Reduction in the CityScope (Urban Design Strategy) implementation budget.	$50,000
Reduction of the City News publication budget.	$100,000
Deletion of the 'Youth Refocus' contract.	$47,000
Deletion of the community bus grant and community photocopying grant.	$13,000
Reduction in funding for the employment transition programme, which is also funded by the Ministry of Social Development.	$22,000
Deletion of the discretionary community sponsorship grant.	$3,000
Reduction in the Youth Council budget.	$5,000
Reduction in the University of Waikato WEL Academy of Performing Arts grant.	$20,000
Deletion of the riverside Kowhai tree planting programme for 2011/12 and reduction in associated planting costs.	$30,000
Reduction in advertising costs for refuse collection on public holidays. Flyers will no longer be distributed to residents.	$3,500
Deletion of recycling bins in the city for the Rugby World Cup.	$19,000
Reduction to the Councillors' operating budget.	$30,000
Deletion of Stormwater Project Watershed renewal funding for 2011/12.	262,300
Deletion of the Passenger Transport Bus Super Stop project and associated operating costs.	$371,600
Reduction in street lighting hours. Street lights to be turned off half-an-hour earlier at dawn, and turned on half-an-hour later at dusk.	$55,000
Reduction in the frequency of mowing grass verges.	$20,000
Reduction in the frequency of off-street carpark cleaning.	$29,000
Deletion of minor, one-off road legalisations budget.	$5,000
Reduction in road smoothing works and reduced maintenance at vehicle driveway crossings.	$27,500
Reduction in the frequency of road re-marking that is not required for legal purposes.	$27,500
Reduction in IT system maintenance budget.	$100,000
Reduction in the frequency of cleaning Council-owned buildings.	$64,500

4.0 COUNCIL'S 10 ACTIVITY GROUPS
TE KAUNIHERA TEKAU ROOPU-A-MAHI

INTRODUCTION TO THE ACTIVITY GROUPS

Council has structured its Activities by ten groups. The following table lists each of the Activity Groups and their corresponding Activities. It also includes the Community Outcomes and the City Strategies that each Activity Group primarily contributes to.

COUNCIL'S 10 ACTIVITY GROUPS

ACTIVITY GROUPS	ACTIVITIES	PRIMARY COMMUNITY OUTCOMES	PRIMARY CITY STRATEGIES	PAGE #
City Profile	• City Promotion • Economic Development • Strategic Property Investment	• Intelligent and Progressive City • Unique Identity	• Economic Development	15
City Safety	• Emergency Management • Animal Care and Control • Central City Safety • Environmental Health	• Safety and Community Spirit	• Social Well-being	17
Community Services and Amenities	• Community Development • Hamilton City Libraries • Community Centres and Halls • Housing for Older People • Cemeteries and Crematorium • Public Toilets	• Safety and Community Spirit • Healthy and Happy	• Social Well-being	19
Democracy	• Representation and Civic Affairs • Partnership with Maori	• Working Together	• Social Well-being	21
Event and Cultural Venues	• Waikato Stadium • Claudelands Events Centre • Hamilton City Theatres • Seddon Park • Waikato Museum	• Vibrant and Creative • Intelligent and Progressive City	• Creativity and Identity • Economic Development	23
Recreation	• Parks and Gardens • Sports Areas • Hamilton Zoo • Swimming Facilities	• Healthy and Happy	• Active Communities	25
Transportation	• Transportation Network • Parking Enforcement	• Sustainable and Well-planned	• Access Hamilton	28
Urban Development	• City Planning • Planning Guidance • Building Control • Sustainable Environment	• Sustainable and Well-planned	• Hamilton Urban Growth • CityScope • Environmental Sustainability	30
Waste Minimisation	• Refuse and Recycling	• Sustainable and Well-planned	• Environmental Sustainability	33
Water Management	• Water Supply • Wastewater • Stormwater	• Sustainable and Well-planned	• Environmental Sustainability	35

CONTENT OF THIS SECTION

The 2009-19 LTCCP includes detailed information for each of the Activity Groups. This section does not replicate all of the information contained in the LTCCP. It only includes the relevant performance measures and targets and financial information for 2011/12. Detailed information can be found in Sections 8.0 - 8.11 of the LTCCP.

INTRODUCTION

The introductory text at the beginning of each Activity Group outlines the focus for each Activity Group. It also lists the Activities that make up the Activity Group.

MEASURING SERVICE DELIVERY PERFORMANCE

This section includes the intended levels of service, performance measures and targets that Council will use to monitor the service delivery performance of the Activity Group.

Levels of service, performance measures and targets represent Council's service commitments to the community and outline what the community can expect to receive from the Activity Group.

Performance against the intended levels of service, performance measures and targets will be reported in Council's Annual Report.

Resident and Customer Surveys

A number of the performance measures and targets include satisfaction scores and performance categories derived from Council's Residents Survey and Customer Satisfaction Survey Programme.

The Residents Survey, which is completed each quarter, is one of the main methods of obtaining Hamilton residents' views on how effectively Council is operating, particularly in regard to its provision of key facilities and services. This survey has been carried out since 1984 by an independent research company, and provides a useful measure of community opinion over time. The survey is conducted by telephone and interviews 175 Hamilton residents each quarter, providing a sample size of 700 respondents annually. The annual results have a margin of error of plus or minus 3.7% at the 95% confidence level.

The use of satisfaction scores allows results to be compared from year-to-year. The scores are based on an 11 point satisfaction scale (0 = very dissatisfied to 10 = very satisfied). Scores from individual survey respondents are then aggregated into a single score out of 100.

For the majority of questions in the Residents Survey, respondents are only asked to rate their satisfaction with a facility/service if they have used that particular facility/service in the past 12 months. This approach significantly reduces the number of 'don't know' responses.

Council also operates a Customer Satisfaction Survey Programme for a number of its activities, to gain detailed customer feedback on an ongoing basis. This feedback is then used to implement changes that ensure continual improvement to Council's services and facilities.

The following framework has been developed to interpret the survey scores.

INTERPRETATION OF SURVEY SCORES

'CUSTOMER CHOICE' SATISFACTION SCORES	PERFORMANCE CATEGORIES	'NO CUSTOMER CHOICE' SATISFACTION SCORES
84 or higher	Exceptional performance	79 or higher
82 - 83	Excellent performance	77 - 78
78 - 81	Very good performance	73 - 76
73 - 77	Good performance, but with potential for improvement	68 - 72
67 - 72	Fair, needs improvement	62 - 67
66 or lower	Needs significant improvement	61 or lower

'Customer choice' facilities and services would normally expect to receive higher satisfaction scores, as dissatisfied customer can take their business elsewhere. For 'no customer choice' facilities and services, the customer cannot change service provider, therefore dissatisfied customers remain as user, which can result in a lower score.

Examples of 'customer choice' facilities and services include Hamilton Zoo, Waterworld, Hamilton Gardens and Waikato Museum. Examples of 'no customer choice' facilities and services include the water supply, footpaths, animal control services and household refuse collection.

COST OF SERVICE STATEMENTS

The Cost of Service Statements are designed to provide a comprehensive record of the budgeted expenditure, revenue and other funding sources associated with delivering on the operating activities and capital programmes of each Activity Group.

Note 11 of the financial statements (Section 5.0 of this document) includes an explanation of how the operating surplus/(deficit) reported in the Cost of Service Statements is reconciled to the net surplus reported in the Statement of Comprehensive Income.

The funding surplus/(deficit) in each Cost of Service Statement represents the difference between the total operating expenditure requirements and the total funding, including Group of Activity revenue.

Note 12 (Section 5.0 of this document) provides an overall summary of the surplus/(deficit).

VARIATIONS TO COUNCIL'S 2009-19 LTCCP

Council is required by the Local Government Act 2002 to disclose Variations to the 2009-19 LTCCP.

For an explanation of what constitutes a Variation, refer to Section 2.0 of this document.

CITY PROFILE
WHAKAATURANGA TAAONE-NUI

INTRODUCTION

Increasingly, cities and urban regions compete with other places for attention, investment, residents, visitors, shoppers, talent and events. Continuing to raise the profile of Hamilton, both nationally and internationally, allows the city to pursue economic development opportunities and at the same time enables residents to feel proud of their city.

Council has an important leadership role to play in making Hamilton a competitive, attractive and profitable place for businesses to operate. A healthy economy and employment base will in turn contribute toward improved living standards across the city. To fulfil this role, Council fosters and facilitates economic development through partnerships and initiatives that contribute to the city's sustainable economic future.

The City Profile Activity Group includes the following activities:

- City Promotion
- Economic Development
- Strategic Property Investment.

MEASURING SERVICE DELIVERY PERFORMANCE

LEVELS OF SERVICE	PERFORMANCE MEASURES	2011/12 TARGETS
Grant monies are used effectively.	Economic Development Agency achieves all annually set performance targets relating to the Hamilton Business Gateway Project.	Initiatives result in: • 1,000 website visits • 2 new businesses attracted to Hamilton.
Return on investment is appropriate.	Achieve an annual gross return on Municipal Endowment Fund investment properties that is typical for the Hamilton property market.	Gross return typical for Hamilton property market.
	Achieve an annual gross return on Domain Endowment Fund that is in line with the average market return of similar properties.	Gross return in line with average market return.
Buildings in the Municipal Endowment Fund (MEF) are appropriately utilised.	Commercial and Retail premises across the MEF portfolio return an annual occupancy level of 90%.	90% occupancy rate.
High quality information is provided.	Residents' Satisfaction with: • The Visitor Information Centre • The City News Publication.	Satisfaction score: 78 - 81 Satisfaction score: 73 - 77
	Number of unique visitors to the Hamilton City Council website.	An average of 25,000 visitors per month.

FORECAST COST OF SERVICE FOR THE YEAR ENDING 30 JUNE 2012

	VARIATION REFERENCE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
GROUP OF ACTIVITY - OPERATING STATEMENT			
OPERATING REVENUE			
Activity revenue - User charges and fees	1	9,204	6,697
General rates		4,146	4,198
Other general sources		33	0
Total operating revenue		**13,383**	**11,132**
OPERATING EXPENDITURE			
City Promotion		5,754	5,450
Economic Development		3,738	4,110
Strategic Property Investment		2,726	2,739
Total operating expenditure		**12,218**	**12,299**
Operating surplus/(deficit)		**1,165**	**(1,404)**
GROUP OF ACTIVITY - CAPITAL AND RESERVES FUNDING STATEMENT			
CAPITAL EXPENDITURE			
Growth		0	0
Increased level of service		157	149
Renewal		160	157
Total capital expenditure		**317**	**306**
Loan repayments		703	215
Transfers to reserves		3,185	666
Operating deficit		0	1,404
Total funding required		**4,205**	**2,591**
Funded by:			
Operating surplus		1,165	0
Funding from non-cash expenses		2,085	2,148
Loans raised		161	117
Transfers from reserves		448	5
Total funding applied		**3,859**	**2,270**
Funding surplus/(deficit)		**(346)**	**(321)**

'General rates' funding above includes rates from all sources excluding Access Hamilton and water rates which are shown separately where applicable.

VARIATIONS TO COUNCIL'S 2009-19 LTCCP

VARIATION REFERENCE	DESCRIPTION	REASON
1	Reduction of $2.50 million in revenue from City Profile activities (budget of $6.697 million).	Lower revenue than previously forecast relates mainly to revised projections associated with the V8 event and new promoter V8 Supercars; the slower property market is impacting on rental income from Council owned properties; and lower revenue is forecast from iSite operations.

CITY **SAFETY**
HAUMARU TAAONE-NUI

INTRODUCTION

Feeling and being safe are key to overall health in the community. Safety and perceptions of safety feature highly in people's view of their living and working environments, their sense of well-being and their quality of life. Public safety and security is increasingly recognised as a central aspect of economic and social development.

Public confidence in the safety of the central city and suburbs is a priority for Hamilton. In response to Council's Residents Survey, Hamiltonians have identified 'law and order' (which includes factors such as safety and crime) as an important issue that Council needs to consider.

As Hamilton grows and evolves, the need to plan and deliver safe social and physical environments where people are able to participate fully in their communities becomes increasingly important.

The City Safety Activity Group includes the following activities:

- Animal Care and Control
- Central City Safety
- Emergency Management
- Environmental Health.

MEASURING SERVICE DELIVERY PERFORMANCE

LEVELS OF SERVICE	PERFORMANCE MEASURES	2011/12 TARGETS
Emergency management response systems have been tested.	Number of preparedness exercises held each year.	One exercise.
Dog Control and CitySafe Patrol Services are effective in protecting the community.	Residents' satisfaction with: • Dog Control Service • CitySafe Patrol Team.	• Satisfaction score: 77 - 78 • Satisfaction score: 73 - 76
A reliable and timely response is provided.	Percentage of complaints relating to excessive noise responded to within 30 minutes.	95%
	Residents' satisfaction with the handling of noise complaints.	Satisfaction score: 77 - 78
	Percentage of urgent requests for service involving dog threats to public safety responded to within one hour.	80%
	Percentage of routine requests for service relating to dog control responded to within 48 hours.	90%
	Number of inspections of licensed premises per year.	200 inspections.
	Percentage of licensed food premises complying with notices of improvement within agreed timeframes.	100%

FORECAST COST OF SERVICE FOR THE YEAR ENDING 30 JUNE 2012

	VARIATION REFERENCE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
GROUP OF ACTIVITY - OPERATING STATEMENT			
OPERATING REVENUE			
Activity revenue - User charges and fees		1,667	1,619
Activity revenue - Subsidy for operating expenditure		61	35
General rates		2,310	2,339
Other general sources		0	0
Total operating revenue		**4,038**	**3,993**
OPERATING EXPENDITURE			
Emergency Management		462	540
Animal Care and Control		1,343	1,392
Central City Safety		1,063	976
Environmental Health		1,164	1,239
Total operating expenditure		**4,032**	**4,147**
Operating surplus/(deficit)		**6**	**(154)**
GROUP OF ACTIVITY - CAPITAL AND RESERVES FUNDING STATEMENT			
CAPITAL EXPENDITURE			
Growth		0	0
Increased level of service		75	70
Renewal		110	109
Total capital expenditure		**185**	**179**
Loan repayments		2	0
Transfers to reserves		34	61
Operating deficit		0	154
Total funding required		**221**	**394**
Funded by:			
Operating surplus		6	0
Funding from non-cash expenses		42	54
Loans raised		1	0
Transfers from reserves		2	2
Total funding applied		**51**	**56**
Funding surplus/(deficit)		**(170)**	**(338)**

'General rates' funding above includes rates from all sources excluding Access Hamilton and water rates which are shown separately where applicable.

VARIATIONS TO COUNCIL'S 2009-19 LTCCP

There are no major changes to the City Safety Activity Group that constitute a Variation. The definition of what constitutes a Variation is provided in Section 2.0 of this document.

COMMUNITY SERVICES AND AMENITIES
HE RATONGA TIKANGA-A-IWI

INTRODUCTION

A sense of community and belonging are values that are sometimes difficult to define and will mean different things to different people. Even so, they are an important aspect of the city and of residents' overall quality of life.

The Community Services and Amenities activities are provided in response to identified community needs and expectations and a desire from the community for Council to provide services that support the city's social and cultural well-being.

The Community Services and Amenities Activity Group includes the following activities:

- Cemeteries and Crematorium
- Community Development
- Community Centres and Halls
- Hamilton City Libraries
- Housing for Older People
- Public Toilets.

MEASURING SERVICE DELIVERY PERFORMANCE

LEVELS OF SERVICE	PERFORMANCE MEASURES	2011/12 TARGETS
Community centres and halls are fit for purpose.	Stakeholders' satisfaction with community centres and Fairfield Hall.	Satisfaction score: 77 - 78.
Employment opportunities are provided through the transition-to-work programme.	Percentage of long-term unemployed who complete the transition-to-work programme, placed in employment.	25% placed in employment.
Up-to-date, relevant library resources are provided to meet customer needs.	Number of items held in the collection per capita.	2.45 items per capita.
	Number of items in the collection renewed each year per capita.	0.34 items renewed per capita.
Libraries provide a good quality experience for customers.	Customer satisfaction with the library services overall.	Satisfaction score: 84 or above.
Housing units are maintained to an appropriate level.	Housing tenants' overall satisfaction with the housing units and service provision.	This survey is carried out every two years. There is no survey in 2011/12.
	Occupancy rate of housing units.	Minimum of 90% occupancy rate.
Cemetery and Crematorium facilities are provided to an appropriate level, are well maintained and provide a quality service.	Key stakeholders' satisfaction with the overall service provided by Hamilton Park Cemetery and Crematorium.	Satisfaction score: 79 or above.
Public toilets are maintained to an appropriate level.	Residents' satisfaction with the public toilets in the city.	Satisfaction score: 62 - 67.
A range of library services and resources are provided and customers are aware of how to access them.	Number of visits to the Libraries' website per annum.	Greater than 240,000 website visits.
	Number of physical visits to the Libraries per annum.	Greater than 1 million physical visits.
	Percentage of city residents who are active registered library borrowers.	Between 47% - 50%.
Graffiti is removed promptly.	Percentage of requests for graffiti removal responded to within 2 working days of reporting.	85% - 95%.
	Residents' satisfaction with Council's graffiti clean-up programme.	Satisfaction score: 68 - 72.
Social well-being outcomes are improved through work with key community stakeholders.	Stakeholders' satisfaction with the service provided by the Community Development Team.	Satisfaction score: 77 - 78.
Housing units are provided at an affordable level.	Housing tenants' satisfaction with the value for money of their rental unit.	This survey is carried out every two years. There is no survey in 2011/12.

FORECAST COST OF SERVICE FOR THE YEAR ENDING 30 JUNE 2012

	VARIATION REFERENCE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
GROUP OF ACTIVITY - OPERATING STATEMENT			
OPERATING REVENUE			
Activity revenue - User charges and fees		4,118	3,851
Activity revenue - Subsidy for operating expenditure		256	249
General rates		15,577	15,772
Other general sources		6	0
Total operating revenue		**19,957**	**19,872**
OPERATING EXPENDITURE			
Community Development		4,620	4,549
Libraries		9,452	9,403
Community Centres and Halls		1,130	1,139
Housing for Older People		1,852	1,699
Cemeteries and Crematorium		1,360	1,415
Public Toilets		768	780
Total operating expenditure		**19,182**	**18,985**
Operating surplus/(deficit)		**775**	**887**
GROUP OF ACTIVITY - CAPITAL AND RESERVES FUNDING STATEMENT			
CAPITAL EXPENDITURE			
Growth		450	47
Increased level of service		1,399	627
Renewal		2,343	2,151
Total capital expenditure	**1**	**4,192**	**2,825**
Loan repayments		125	53
Transfers to reserves		221	406
Operating deficit		0	0
Total funding required		**4,538**	**3,284**
Funded by:			
Operating surplus		775	887
Funding from non-cash expenses		1,218	1,244
Loans raised		1,370	225
Transfers from reserves		8	7
Total funding applied		**3,371**	**2,363**
Funding surplus/(deficit)		**(1,167)**	**(921)**

'General rates' funding above includes rates from all sources excluding Access Hamilton and water rates which are shown separately where applicable.

VARIATIONS TO COUNCIL'S 2009-19 LTCCP

VARIATION REFERENCE	DESCRIPTION	REASON
1	Reduction of $1.367 million of capital expenditure for Community Services and Amenities (2011/12 budget of $2.825 million).	The reduction in capital expenditure relates to the deferral of capital projects to future years.

DEMOCRACY

TAA TE NUINGA I WHAKATAU AI

INTRODUCTION

The participation of citizens in decision-making processes at community, local government and national levels is a critical component of democracy. Enabling democratic decision-making is one of the key purposes of local government.

The Mayor of Hamilton and the City Councillors have been elected by the community and given responsibility for the overall governance of the city. This includes setting Hamilton's long-term direction and ensuring that Council acts in the best interests of Hamilton residents.

Council has an important role in supporting its local communities, including working to improve the opportunities for Maaori to contribute to and play an active role in the city's development. The Local Government Act (LGA) 2002 reinforces the importance of continuing to foster such relationships; the necessity of good communication; and the importance of Maaori heritage and values in the development of the country. Council is committed to the principles of Te Tiriti o Waitangi/The Treaty of Waitangi and its partnership relationship with Maaori.

The Democracy Activity Group includes the following activities:

- Partnership with Maaori
- Representation and Civic Affairs.

MEASURING SERVICE DELIVERY PERFORMANCE

LEVELS OF SERVICE	PERFORMANCE MEASURES	2011/12 TARGETS
Robust and transparent decision-making processes are used.	Residents' satisfaction with the processes used for Council decision-making.	Satisfaction score: 68 - 72
Legislative requirements are met.	Legislative requirements for the LTCCP, Annual Plan and Annual Report are met and Council receives unqualified audits.	Unqualified audits received.
	Council committee and sub-committee meetings are held in accordance with the provisions of the Local Government Official Information and Meetings Act 1987.	No successful challenges.
Opportunities are provided for community involvement in Council decision-making.	Residents' satisfaction with opportunities Council provides for community involvement in decision-making.	Satisfaction score: 62 — 67
	Advice is sought from tangata whenua on all notified resource consent applications.	Advice sought on 100% of applications.
	Representation of Maaori organisations on City Strategy leadership forums.	Minimum of 1 Maaori organisation represented on each leadership forum.
Access to funding is provided through the Maaori/Pacific Projects Fund.	Percentage of projects allocated Maaori/Pacific project funding that align with the principles and objectives of the Social Well-being Strategy.	100%
Official Information Requests are responded to in a timely manner with accurate information.	All Official Information Requests are responded to within the statutory timeframe (20 working days).	All requests responded to within 20 working days.
	No complaints are upheld that are received under the Local Government Official Information and Meetings Act 1987.	No complaints upheld.
The community are informed about triennial election results in a timely manner.	Timeframes for confirmation of triennial election results.	No election during 2011/12. The next election is in October 2013.

FORECAST COST OF SERVICE FOR THE YEAR ENDING 30 JUNE 2012

	VARIATION REFERENCE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
GROUP OF ACTIVITY - OPERATING STATEMENT			
OPERATING REVENUE			
Activity revenue - User charges and fees		34	29
General rates		5,488	5,557
Other general sources		0	0
Total operating revenue		**5,522**	**5,586**
OPERATING EXPENDITURE			
Representation and Civic Affairs		5,268	5,891
Partnership with Maaori		265	265
Total operating expenditure	**1**	**5,533**	**6,156**
Operating surplus/(deficit)		**(11)**	**(570)**
GROUP OF ACTIVITY - CAPITAL AND RESERVES FUNDING STATEMENT			
CAPITAL EXPENDITURE			
Growth		0	0
Increased level of service		177	166
Renewal		212	208
Total capital expenditure		**389**	**374**
Loan repayments		0	0
Transfers to reserves		77	143
Local Government Funding Agency Investment	**2**	0	2,500
Operating deficit		11	570
Total funding required		**477**	**3,587**
Funded by:			
Operating surplus		0	0
Funding from non-cash expenses		0	0
Loans raised	**2**	0	2,500
Transfers from reserves		2	2
Total funding applied		**2**	**2,502**
Funding surplus/(deficit)		**(475)**	**(1,085)**

'General rates' funding above includes rates from all sources excluding Access Hamilton and water rates which are shown separately where applicable.

VARIATIONS TO COUNCIL'S 2009-19 LTCCP

VARIATION REFERENCE	DESCRIPTION	REASON
1	Increase of $623,000 operating expenditure for Democracy (2011/12 budget of $6.156 million)	Additional operating expenditure relates to an increase in organisational overheads driven by increased depreciation, interest and salaries.
2	Increase of $2.5 million in funding required for investment purposes (2011/12 budget of $2.5 million).	Establishment of a Local Government Funding Agency for access to competitive interest rates.
	Loan raised of $2.5 million (2011/12 budget of $2.5 million).	Loan raised for initial investment in the Local Government Funding Agency.

EVENT AND CULTURAL VENUES
TAIWHANGA TIKANGA-A-IWI

INTRODUCTION

A thriving events and cultural scene contributes to the identity and attraction of a city; creating a sense of energy and vibrancy and offering residents and visitors entertainment and cultural experiences. It also raises the profile of the city and fosters a sense of pride and place for residents, creates economic benefits through jobs and visitors and enhances the lifestyle of residents.

Council has a strategic goal to promote the city through the support of events in Hamilton. This goal is based on positioning Hamilton as New Zealand's premier events destination staging high-quality events and developing, retaining and supporting strategically important events, some of these being recognised as world class.

In many cases, to achieve this, the city needs to have the right venues. The venues need to cater for variety - sports, music, theatre, exhibitions, conferences and expos. They need to be at a standard that is fit for local, national and in some cases international events. Most importantly, they need to reflect the expectations that residents have for lifestyle opportunities in the city.

The Event and Cultural Venues Activity Group includes the following activities:

- Claudelands Events Centre ('Claudelands')
- Hamilton City Theatres
- Seddon Park
- Waikato Museum
- Waikato Stadium.

MEASURING SERVICE DELIVERY PERFORMANCE

LEVELS OF SERVICE	PERFORMANCE MEASURES	2011/12 TARGETS
The venues provide a quality experience for customers/patrons.	Customer satisfaction with the Waikato Museum exhibitions.	Satisfaction score: 78 - 81.
	Customer satisfaction with: • Waikato Stadium • Seddon Park • Hamilton City Theatres • Claudelands.	• Satisfaction score: 84 or above. • Satisfaction score: 67 - 72. • Satisfaction score: 78 - 81. • Satisfaction score: 78 - 81.
ArtsPost provides a channel to facilitate the promotion and development of local artists.	Number of exhibitions by local artists in the galleries per annum.	Greater than 30 exhibitions.
The venues provide for a wide range of events and interests.	Equal percentage of Waikato Museum exhibitions for each of the following categories: Visual Arts, Social History, Tangata Whenua, Sciences.	25% balance for each category.
	Number of visitors to Waikato Museum and ArtsPost.	• Waikato Museum: Minimum of 110,000 visitors. • ArtsPost: Minimum of 38,000 visitors.
	Number of international events/shows held at: • Claudelands • Waikato Stadium and Seddon Park • Hamilton City Theatres.	• 5 events. • 10 events • 10 events.
	Number of national/local events/shows held at: • Claudelands • Waikato Stadium and Seddon Park • Hamilton City Theatres.	• 40 events. • 25 events. • 150 events.
The Waikato Museum collection is accessible to the community.	Percentage of high value items in the collection digitised.	100%
	Percentage of items in the total collection digitised.	54%
The Claudelands redevelopment will incorporate sustainable design features.	Equivalent Green Star rating for the upgraded facilities at Claudelands.	Equivalent of a 4-5 NZ Building Council Green Star rating achieved.

FORECAST COST OF SERVICE FOR THE YEAR ENDING 30 JUNE 2012

	VARIATION REFERENCE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
GROUP OF ACTIVITY - OPERATING STATEMENT			
OPERATING REVENUE			
Activity revenue - User charges and fees	1	17,421	15,824
General rates		11,782	11,929
Other general sources		21	8
Total operating revenue		**29,224**	**27,745**
OPERATING EXPENDITURE			
Waikato Stadium		8,033	8,311
Claudelands Event Centre		10,216	10,896
Hamilton City Theatres		3,751	3,741
Seddon Park		1,475	1,682
Waikato Museum		5,584	5,646
Total operating expenditure	2	**29,059**	**30,276**
Operating surplus/(deficit)		**165**	**(2,531)**
GROUP OF ACTIVITY - CAPITAL AND RESERVES FUNDING STATEMENT			
CAPITAL EXPENDITURE			
Growth		0	0
Increased level of service		578	555
Renewal		1,330	999
Total capital expenditure		**1,908**	**1,554**
Loan repayments		450	143
Transfers to reserves		206	346
Operating deficit		0	2,531
Total funding required		**2,564**	**4,574**
Funded by:			
Operating surplus		165	0
Funding from non-cash expenses		1,287	2,597
Loans raised		286	207
Transfers from reserves		12	11
Total funding applied		**1,750**	**2,815**
Funding surplus/(deficit)		**(814)**	**(1,759)**

'General rates' funding above includes rates from all sources excluding Access Hamilton and water rates which are shown separately where applicable.

VARIATIONS TO COUNCIL'S 2009-19 LTCCP

VARIATION REFERENCE	DESCRIPTION	REASON
1	Decrease of $1.597 million in revenue for Event and Cultural Venues (2011/12 budget of $15.824 million).	Lower revenue than previously forecast relates to an overall re-assessment of the activities at Claudelands and its revenues.
2	Increase of $1.217 million operating expenditure for Event and Cultural Venues (2011/12 budget of $30.276 million).	Additional operating expenditure relates to an increase in depreciation for Claudelands Event Centre not included in the forecast; and an increase in organisational overheads driven by increased depreciation, interest and salaries. These costs are offset by an overall re-assessment of the activity and its costs.

RECREATION
HAAKINAKINA

INTRODUCTION

Recreation is an important component of a balanced and healthy lifestyle. Recreation often involves physical activities such as sport, walking or cycling; and also includes passive leisure, which brings rest, relaxation and opportunities to enjoy nature. Both are equally important to people's physical and mental well-being. Providing open green spaces for recreation purposes also has a wider benefit of contributing to the ecological health and visual appeal of the city.

The type of activities people undertake in their leisure time can vary greatly depending on their personal circumstances and the opportunities available to them in the area that they live. Location, access to facilities and affordability are factors that impact on people's use and enjoyment of their recreation time. Council aims to provide open green spaces and facilities where residents of all ages and abilities can meet and participate in both active and passive recreation.

The Recreation Activity Group includes the following activities:

- Hamilton Zoo
- Parks and Gardens
- Sports Areas
- Swimming Facilities.

MEASURING SERVICE DELIVERY PERFORMANCE

LEVELS OF SERVICE	PERFORMANCE MEASURES	2011/12 TARGETS
Recreation facilities are accessible to everyone.	Provide one neighbourhood playground within 500m of every home.	90% of homes within 500m of a neighbourhood playground.
	Percentage of residents who use walkways per year.	70%.
	Variation 1: Number of customer visits to Council owned and operated swimming pools per year. *(Refer to "Variations to Council's 2009-19 LTCCP" on the following page.*	~~600,000 - 630,000 visits.~~ 550,000 - 570,000 visits.
	Number of customer visits to Hamilton Zoo per year.	110,000 visits.
Provide attractive and well-maintained parks, gardens and walkways.	Residents' satisfaction with: • Hamilton Gardens • Parks and gardens • Walkways • Hamilton Lake Domain.	 • Satisfaction score: 84 or above. • Satisfaction score: 79 or above. • Satisfaction score: 78 - 81. • Satisfaction score: 78 - 81.
Sports areas and playground equipment provided are fit for purpose.	Residents' satisfaction with: • Sports areas • Playground equipment.	 • Satisfaction score: 67 - 72. • Satisfaction score: 67 - 72.
Swimming facilities and Hamilton Zoo provide a quality experience for customers/patrons.	Residents' satisfaction with: • Hamilton Zoo • Waterworld • Gallagher Aquatic Centre.	 • Satisfaction score: 82 - 83. • Satisfaction score: 73 - 77. • Satisfaction score: 67 - 72.
Facilities comply with safety standards.	Council owned and operated swimming pools meet Pool Safe Accreditation standards.	Standards met.
	Zoo operations comply with MAF Zoo License standards.	Standards met.

FORECAST COST OF SERVICE FOR THE YEAR ENDING 30 JUNE 2012

	VARIATION REFERENCE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
GROUP OF ACTIVITY - OPERATING STATEMENT			
OPERATING REVENUE			
Activity revenue - User charges and fees		4,785	4,938
Activity revenue - Subsidy for operating expenditure		89	89
Development and financial contributions	2	4,559	1,443
General rates		25,054	25,367
Other general sources		1,658	1,302
Total operating revenue		**36,145**	**33,139**
OPERATING EXPENDITURE			
Parks and Gardens		14,951	15,006
Sports Areas		5,713	5,805
Hamilton Zoo		3,188	3,254
Swimming Facilities		7,182	7,195
Total operating expenditure		**31,034**	**31,260**
Operating surplus/(deficit)		**5,111**	**1,879**
GROUP OF ACTIVITY - CAPITAL AND RESERVES FUNDING STATEMENT			
CAPITAL EXPENDITURE			
Growth		4,444	3,681
Increased level of service		8,787	8,817
Renewal		2,295	2,279
Total capital expenditure	3	**15,526**	**14,777**
Loan repayments		4,709	1,678
Transfers to reserves		7,192	3,900
Operating deficit		0	0
Total funding required		**27,427**	**20,355**
Funded by:			
Operating surplus		5,111	1,879
Funding from non-cash expenses		1,951	2,245
Loans raised		7,271	5,968
Proceeds from sale of assets		200	200
Transfers from reserves		11,081	8,425
Total funding applied		**25,614**	**18,717**
Funding surplus/(deficit)		**(1,813)**	**(1,638)**
Included in the group of activity expenditure above are these costs of maintaining assets		9,061	8,638

'General rates' funding above includes rates from all sources excluding Access Hamilton and water rates which are shown separately where applicable. The general rate requirement is lower than previously forecast and hence the unfavourable variance.

VARIATIONS TO COUNCIL'S 2009-19 LTCCP

VARIATION REFERENCE	DESCRIPTION	REASON
1	The performance target for the Swimming Facilities performance measure *"number of customer visits to Council owned and operated swimming pools per year"* has been revised to correct an error. The revised target for the remaining years of the LTCCP (2011/12 - 2018/19) is shown in the following table.	The target has been revised due to an error that occurred when the target was set. The performance measure is based on Council owned and operated swimming pools only and does not include partner pools that Council funds. This is because Council does not have any influence over the number of visits to partner pools. The target in the LTCCP of 600,000 - 630,000 visits per year incorrectly includes visits to partner pools. It has been revised to include Council owned and operated pools only (i.e. Gallagher Aquatic Centre and Waterworld).

PERFORMANCE MEASURE	TARGETS		
	BASELINE	2011/12	PROJECTED YR 10 2018/19
2009-19 LTCCP Number of customer visits to Council owned and operated swimming pools per year.	2007/08 result: 624,899 visits.	600,000 - 630,000 visits.	600,000 - 630,000 visits.
Variation to the 2009-19 LTCCP - Revised Targets Number of customer visits to Council owned and operated swimming pools per year.	2009/10 result: 552,551 visits.	550,000 - 570,000 visits.	550,000 - 570,000 visits.

VARIATIONS TO COUNCIL'S 2009-19 LTCCP

VARIATION REFERENCE	DESCRIPTION	REASON
2	Reduction of $3.116 million revenue in Recreation activities (2011/12 budget of $1.443 million).	Lower revenue than previously forecast relates mainly to the slowing down of growth resulting in reduced income from development contributions.
3	Decrease of $749,000 of capital expenditure for Recreation (2011/12 budget of $14.777 million)	The reduction in capital expenditure relates to the rephasing of capital budgets for Rotokauri and Rototuna, and land purchases across future years.

TRANSPORTATION
HARIA I NGAA WAKA

INTRODUCTION

We tend to take travelling in and around Hamilton for granted; expecting to get to and from where we need to go with ease. However, with traffic volumes rising and the city's population set to grow further, the number of cars on our roads and the travel issues we experience will undoubtedly get worse.

The city's Access Hamilton Strategy, developed in partnership with key transport agencies, identifies a vision for transport development and commits the city to integrated transport and land-use planning. The strategy's approach focuses on balance in the areas of transport planning, infrastructure provision, transport demand management and the ability to respond to a changing environment.

Council's Transportation Activities are about enabling good access around the city by providing and managing an efficient and well-planned transport system that is safe, fit for purpose, provides consistent travel times and carefully addresses parking issues. This ensures that there are good networks for all travellers whether they use cars, public transport, walk or cycle.

The Transportation Activity Group includes the following activities:

- Transportation Network
- Parking Enforcement.

MEASURING SERVICE DELIVERY PERFORMANCE

LEVELS OF SERVICE	PERFORMANCE MEASURES	2011/12 TARGETS
The road network is in good condition and is 'fit for purpose'.	The percentage of roads defined as smooth by the New Zealand Transport Agency.	85%.
	Residents' satisfaction with: • Streets in the city in general • Cycling facilities • Pedestrian areas and facilities.	 • Satisfaction score: 68 - 72. • Satisfaction score: 68 - 72. • Satisfaction score: 68 - 72.
The pedestrian network feels safe to use.	Residents' satisfaction with the safety of pedestrian areas.	Satisfaction score: 68 - 72.
Traffic signs and markings are easy to see and understand.	Residents' satisfaction with traffic management (e.g. road markings, lights, signs and traffic islands).	Satisfaction score: 73 - 76.
Lighting is provided to enhance safety for all road users and to aid navigation and security.	Residents' satisfaction with street lighting in general.	Satisfaction score: 73 - 76.
Parking spaces are carefully managed to support the economic viability of the city and the promotion of alternate transport modes.	Coverage of Parking Officer patrols on a continuous scheduled basis throughout the CBD and suburbs.	75% or greater.
	Turnover of parking spaces in the city that is less than or equal to the time limits set for those areas.	75% or greater.
City streets and footpaths are easy to use and promote cycling and walking.	Residents' satisfaction with the convenience of the location of pedestrian crossings, paths and access ways.	Satisfaction score: 68 - 72.
	Kilometres of cycle lanes of existing city roads.	102.4km
Motor vehicle travel times are predictable.	Average travel speed on 5 key routes.	• Peak AM/PM: 24km/ph. • Non peak: 35 km/ph.
	Residents' satisfaction with getting around in peak and non-peak traffic.	• Peak traffic satisfaction score: 45 - 61. • Non-peak traffic satisfaction score: 73 - 76.

FORECAST COST OF SERVICE FOR THE YEAR ENDING 30 JUNE 2012

	VARIATION REFERENCE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
GROUP OF ACTIVITY - OPERATING STATEMENT			
OPERATING REVENUE			
Activity revenue - User charges and fees		8,111	8,068
Activity revenue - Subsidy for operating expenditure		3,665	4,684
Targeted rates - Access Hamilton		1,800	1,200
Development and financial contributions	1	5,341	1,604
Subsidy for capital works		9,619	8,185
General rates		19,241	19,482
Other general sources		292	1,727
Total operating revenue		**48,069**	**44,950**
OPERATING EXPENDITURE			
Transportation Network		40,111	45,874
Parking Enforcement		3,869	3,475
Total operating expenditure	2	**43,980**	**49,349**
Operating surplus/(deficit)		**4,089**	**(4,399)**
GROUP OF ACTIVITY - CAPITAL AND RESERVES FUNDING STATEMENT			
CAPITAL EXPENDITURE			
Growth		4,586	4,747
Increased level of service		19,698	15,813
Renewal		10,357	7,994
Total capital expenditure	3	**34,641**	**28,554**
Loan repayments		7,862	2,924
Transfers to reserves		7,851	3,743
Operating deficit		0	4,399
Total funding required		**50,354**	**39,620**
Funded by:			
Operating surplus		4,089	0
Funding from non-cash expenses		16,981	16,157
Loans raised		18,288	15,542
Transfers from reserves		9,798	5,669
Total funding applied		**49,156**	**37,368**
Funding surplus/(deficit)		**(1,198)**	**(2,252)**
Included in the group of activity expenditure above are these costs of maintaining assets		6,814	6,496

'General rates' funding above includes rates from all sources excluding Access Hamilton and water rates which are shown separately where applicable.

VARIATIONS TO COUNCIL'S 2009-19 LTCCP

VARIATION REFERENCE	DESCRIPTION	REASON
1	Reduction of $3.737 million revenue in Transportation activities (2011/12 budget of $1.604 million).	Lower revenue than previously forecast relates mainly to the slowing down of growth resulting in reduced income from development contributions.
2	Increase of $5.369 million operating expenditure for Transportation (2011/12 budget of $49.349 million).	Funding for signalisation at The Base intersection of $4.5 million. Additional costs are due to an increase in organisational overheads driven by increased depreciation, interest and salaries.
3	Decrease of $6.087 million capital expenditure for Transportation (2011/12 budget of $28.554 million).	The reduction in capital expenditure relates to the re-phasing of the growth programme, and deferral of capital projects to future years.

URBAN DEVELOPMENT
TAPU A-TE-TAONE

INTRODUCTION

Hamilton has experienced rapid urban change in recent years and with this has come a renewed focus on how development takes place. Greater focus is now being placed on the quality of the urban growth that is occurring in Hamilton, how our design and land use affect the way we live our lives, the resources we use and the resulting effects on our natural environment.

It is Council's vision that Hamilton's evolving urban form and built environment will deliver positive social, economic and environmental outcomes that have sometimes been missing from ad-hoc development in the past.

The Urban Development Activity Group includes the following activities:

- Building Control
- City Planning
- Planning Guidance
- Sustainable Environment.

MEASURING SERVICE DELIVERY PERFORMANCE

LEVELS OF SERVICE	PERFORMANCE MEASURES	2011/12 TARGETS
Opportunities are provided for the community to be involved in environmental education initiatives.	Percentage of gully owners who are involved in the gully restoration programme.	27%.
A high standard of building control and planning guidance services are provided.	**Variation 1:** Customer satisfaction with the Building Unit and Planning Guidance Unit. *(Refer to "Variations to Council's 2009-19 LTCCP" on the following page.*	
	• Building Unit	• ~~Satisfaction score: 73 — 76.~~ • Survey not undertaken in this year.
	• Planning Guidance Unit.	• ~~Satisfaction score: 73 — 76.~~ • Survey not undertaken in this year.
Building consents and resource consents are processed within statutory timeframes.	Percentage of building consents issued within 20 working days from receipt of the application.	100%.
	Percentage of non-notified resource consents issued within 20 working days from receipt of the application.	100%.
Funding support is provided for projects that benefit the environment.	Provide annual funding of environmental projects through the Envirofund.	Funding allocated.
Managing urban growth and planning for good outcomes around city planning.	Existing District Plan made operative.	Existing District Plan made operative.
	Review of Hamilton City District Plan.	Anticipated notification of new District Plan.

FORECAST COST OF SERVICE FOR THE YEAR ENDING 30 JUNE 2012

	VARIATION REFERENCE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
GROUP OF ACTIVITY - OPERATING STATEMENT			
OPERATING REVENUE			
Activity revenue - User charges and fees		5,225	5,197
General rates		4,542	4,599
Other general sources		0	0
Total operating revenue		**9,767**	**9,796**
OPERATING EXPENDITURE			
City Planning		2,561	3,166
Planning Guidance		2,177	2,194
Building Control		4,219	4,318
Sustainable Environment		761	647
Total operating expenditure	**2**	**9,718**	**10,325**
Operating surplus/(deficit)		**49**	**(529)**
GROUP OF ACTIVITY - CAPITAL AND RESERVES FUNDING STATEMENT			
CAPITAL EXPENDITURE			
Growth		0	0
Increased level of service		147	138
Renewal		176	173
Total capital expenditure		**323**	**311**
Loan repayments		0	0
Transfers to reserves		66	120
Operating deficit		0	529
Total funding required		**389**	**960**
Funded by:			
Operating surplus		49	0
Funding from non-cash expenses		0	0
Loans raised	**3**	0	680
Transfers from reserves		4	4
Total funding applied		**53**	**684**
Funding surplus/(deficit)		**(336)**	**(276)**

'General rates' funding above includes rates from all sources excluding Access Hamilton and water rates which are shown separately where applicable.

PERFORMANCE MEASURE	TARGETS		
	BASELINE	2011/12	PROJECTED YR 10 2018/19
2009-19 LTCCP Customer satisfaction with the Building Unit.	2007/08 result: Very good performance (score of 76.7).	Score of 73 - 76.	Survey not undertaken in this year.
Customer satisfaction with the Planning Guidance Unit.	2007/08 result: Very good performance (score of 74.4).	Score of 73 - 76.	Survey not undertaken in this year.
Variation to the 2009-19 LTCCP - Revised Targets Customer satisfaction with the Building Unit.	2008/09 result: Very good performance (score of 74.3)	Survey not undertaken in this year.	Score of 73 - 76.
Customer satisfaction with the Planning Guidance Unit.	2008/09 result: Very good performance (score of 70.8)	Survey not undertaken in this year.	Score of 73 - 76.

VARIATIONS TO COUNCIL'S 2009-19 LTCCP		
VARIATION REFERENCE	DESCRIPTION	REASON
2	Increase of $607,000 operating expenditure for Urban Development (2011/12 budget of $10.325 million).	Additional operating expenditure relates to Future Proof and the District Plan review.
3	Increase of $680,000 loan requirement for Urban Development (2011/12 budget of $680,000).	The loan relates to the funding of the District Plan review work which was allocated across other activities in the LTCCP.

WASTE **MINIMISATION**
HE PARAWHAKAKINO

INTRODUCTION

In recent years, the issue of what to do with our waste has been gaining prominence. Solid waste is material that is perceived to have no further use and which is disposed of in the environment.

A suitable waste collection and disposal system and recycling service is essential for maintaining public health and minimising effects on the environment. Providing refuse and recycling services helps to create a healthy environment for people and contributes to keeping Hamilton's air, soil and water free from pollution.

If waste is not effectively managed it can create a range of adverse environmental and human effects, undermining our ability to live more sustainably.

By reducing our resource consumption and reusing products, we can minimise the amount we need to recycle or dispose of and ultimately the waste we generate.

Refuse and Recycling is the only Activity in this Activity Group.

MEASURING SERVICE DELIVERY PERFORMANCE

LEVELS OF SERVICE	PERFORMANCE MEASURES	2011/12 TARGETS
Household refuse and recycling collections are reliable.	Residents' satisfaction with: • Household recycling collection • Household refuse collection.	 • Satisfaction score: 79 or above. • Satisfaction score: 79 or above.
Requests for service are responded to promptly.	Percentage of requests relating to non-collection of household refuse resolved within 24 hours.	95%.
	Percentage of requests relating to non-collection of household recyclables resolved within 24 hours.	90%.
Adverse effects of waste on the environment are managed.	High level of compliance with resource consent conditions.	High level of compliance.

FORECAST COST OF SERVICE FOR THE YEAR ENDING 30 JUNE 2012

	VARIATION REFERENCE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/112 $000
GROUP OF ACTIVITY - OPERATING STATEMENT			
OPERATING REVENUE			
Activity revenue - User charges and fees		959	850
General rates		5,181	5,245
Other general sources		548	392
Total operating revenue		**6,688**	**6,487**
OPERATING EXPENDITURE			
Refuse and Recycling		6,420	6,292
Total operating expenditure		**6,420**	**6,292**
Operating surplus/(deficit)		**268**	**195**
GROUP OF ACTIVITY - CAPITAL AND RESERVES FUNDING STATEMENT			
CAPITAL EXPENDITURE			
Growth		0	0
Increased level of service		167	307
Renewal		271	268
Total capital expenditure		**438**	**575**
Loan repayments		409	149
Transfers to reserves		603	535
Operating deficit		0	0
Total funding required		**1,450**	**1,259**
Funded by:			
Operating surplus		268	195
Funding from non-cash expenses		268	306
Loans raised		80	65
Transfers from reserves		444	443
Total funding applied		**1,060**	**1,009**
Funding surplus/(deficit)		**(390)**	**(250)**
Included in the groups of activity expenditure above are these costs of maintaining assets		174	166

'General rates' funding above includes rates from all sources excluding Access Hamilton and water rates which are shown separately where applicable.

VARIATIONS TO COUNCIL'S 2009-19 LTCCP

There are no major changes to the Waste Minimisation Group that constitute a Variation. The definition of what constitutes a Variation is provided in Section 2.0 of this document.

WATER **MANAGEMENT**
WHAKAHAERE-WAI

INTRODUCTION

As Hamilton's population continues to grow, issues of water availability and conservation are becoming more important. There are around 140,000 people living in Hamilton now, but by 2050 that number is expected to grow to around 240,000. This has significant implications for how we manage our water resources.

Council's Water Management Activities are essential for the well-being of the community. Wastewater, stormwater and water supply networks are necessary to maintain public health and safety, minimise impacts on the environment and protect property from flood damage. Reliable and high quality water services are a fundamental part of any modern city and a basic day-to-day necessity that is expected by residents and businesses.

However, despite the size of the Waikato River allowable water supply is not infinite and the demand for water is increasing. The less effectively we use water as our population grows the greater possibility of water shortages and negative environmental effects in the future. It is important to treat water as a valuable resource and to conserve it as much as possible. The Water Management Activity Group includes the following activities:

- Stormwater
- Wastewater
- Water Supply.

MEASURING SERVICE DELIVERY PERFORMANCE

LEVELS OF SERVICE	PERFORMANCE MEASURES	2011/12 TARGETS
A high quality water supply is provided.	Achieve a high rating from the Ministry of Health for the city's water supply.	Hamilton Zone: Aa. Temple View Zone: Aa.
	Residents' satisfaction with: • The taste and odour of the water supply • Clarity of the water supply.	• Satisfaction score: 73 - 76. • Satisfaction score: 79 or above.
Water pressure is appropriate for its intended use.	Percentage of water flow and pressure tests that comply with set standards.	95% compliance.
	Residents' satisfaction with water pressure.	Satisfaction score: 79 or above.
Reliable water supply, wastewater and stormwater networks are provided.	**Variation 1:** Water supply interruption targets: *(Refer to "Variations to Council's 2009-19 LTCCP" on the following page.* • Average time a customer can expect to be without water during an unplanned interruption to supply. • ~~Average time for unplanned shutdowns per customer, per year.~~ • Percentage of planned shutdowns within 4 hours.	• An average of 60 minutes per customer connection. • ~~An average of 7 minutes per customer connection.~~ • 90% within 4 hours.
	Annual number of wastewater blockages per 100km of the network.	No more than 60 blockages per 100km.
	Residents' satisfaction with: • Continuity of the water supply • The wastewater network • The stormwater network.	• Satisfaction score: 79 or above. • Satisfaction score: 79 or above. • Satisfaction score: 73 - 76.
Water resources are used efficiently and sustainably.	Level of compliance for the Water Treatment Plant's resource consents.	Achieve a high level of compliance.
	Hamilton's maximum daily water take is within consented limits.	Maximum water take less than 105,000m^3 per day.
Effects on the natural environment are minimised.	Level of compliance for the stormwater resource consents.	Achieve a high level of compliance.
Wastewater is managed without risk to public health.	Level of compliance for the Wastewater Treatment Plant's resource consents.	Achieve a high level of compliance.

FORECAST COST OF SERVICE FOR THE YEAR ENDING 30 JUNE 2012

	VARIATION REFERENCE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
GROUP OF ACTIVITY - OPERATING STATEMENT			
OPERATING REVENUE			
Activity revenue - User charges and fees		3,545	3,567
Targeted rates - Water by meter		7,075	6,849
Development and financial contributions	2	12,786	3,553
General rates		21,009	21,271
Other general sources		1,935	1,209
Total operating revenue		**46,350**	**36,449**
OPERATING EXPENDITURE			
Water Supply		17,001	16,625
Wastewater		19,936	20,227
Stormwater		8,530	8,128
Total operating expenditure		**45,467**	**44,980**
Operating surplus/(deficit)		**883**	**(8,531)**
GROUP OF ACTIVITY - CAPITAL AND RESERVES FUNDING STATEMENT			
CAPITAL EXPENDITURE			
Growth		18,252	6,303
Increased level of service		10,943	6,270
Renewal		6,366	8,702
Total capital expenditure	3	**35,561**	**21,275**
Loan repayments		10,155	3,725
Transfers to reserves		13,509	4,480
Operating deficit		0	8,531
Total funding required		**59,225**	**38,011**
Funded by:			
Operating surplus		883	0
Funding from non-cash expenses		16,931	14,990
Loans raised		26,875	12,425
Transfers from reserves		13,259	3,894
Total funding applied		**57,948**	**31,309**
Funding surplus/(deficit)		**(1,277)**	**(6,702)**
Included in the groups of activity expenditure above are these costs of maintaining assets		7,010	6,683

'General rates' funding above includes rates from all sources excluding Access Hamilton and water rates which are shown separately where applicable.

VARIATIONS TO COUNCIL'S 2009-19 LTCCP

VARIATION REFERENCE	DESCRIPTION	REASON
1	The performance measure and targets for the Water Supply performance measure *"average time for unplanned shutdowns per customer, per year"* have been revised. The revised performance measure and targets for the remaining years of the LTCCP (2011/12 - 2018/19) are shown in the following table.	This revision has been made to better reflect the level of service customers can expect to receive, and to improve service performance reporting. The new performance measure wording is *"average time a customer can expect to be without water during an unplanned interruption to supply"*. The target *"an average of 7 minutes per customer connection"* was based on the total time for a shutdown divided by the number of properties affected. This does not reflect the time without service for individual customers. The target has been revised to *"an average of 60 minutes per customer connection"* to better reflect how the customer would experience the disruption to service. It is a change to the way in which the result is calculated, not a change to the level of service Council is providing.

PERFORMANCE MEASURE	TARGETS		
	BASELINE	2011/12	PROJECTED YR 10 2018/19
2009-19 LTCCP Average time for unplanned shutdowns per customer, per year.	2007/08 result: Average of 5 minutes per customer connection.	An average of 7 minutes per customer connection.	An average of 7 minutes per customer connection.
Variation to the 2009-19 LTCCP - Revised Targets Average time a customer can expect to be without water during an unplanned interruption to supply.	2009/10 result: An average of 54 minutes per customer connection	An average of 60 minutes per customer connection.	An average of 60 minutes per customer connection.

VARIATIONS TO COUNCIL'S 2009-19 LTCCP

VARIATION REFERENCE	DESCRIPTION	REASON
2	Reduction of $9.233 million revenue in Water Management activities (2011/12 budget of $3.553 million).	Lower revenue than previously forecast relates mainly to the slowing down of growth resulting in reduced income from development contributions.
3	Decrease of $14.286 million of capital expenditure for Water Management (2011/12 budget of $21.275 million).	The reduction in capital expenditure relates to the re-phasing of the programme to reflect the current development environment, and deferral of capital projects to future years.

5.0 FINANCIALS
TE WAAHANGA PUTEA

FINANCIAL OVERVIEW

RATES LEVIED

For the 2011/12 financial year, the Council has budgeted income from rates (inclusive of targeted rates) of $116.7m (2010/11 $107.2m). Refer to Note 2 in the Financial Statements, on page 53, which explains the breakdown of rates levied.

Rates income will increase by 9.0% for the 2011/12 financial year, which includes the Access Hamilton targeted rate.

Taking account of growth in the city's rating base, this represents an average increase of 8.0% to existing Hamilton ratepayers.

RATES LEVIED

	LTCCP 2011/12	ANNUAL PLAN 2011/12
Total rates levy in $m	115.9	116.7
Rates levy (total increase)*.	6.5%	9.0%
Less rating growth (new ratepayers) in $m	(1.0)	(1.1)
Rate levy increase to existing ratepayers	5.5%	8.0%
Inflation adjustment	2.9%	2.9%
Rate increase to existing ratepayers above inflation adjustment	2.6%	5.1%

* Excludes consumption based rates.

RATES BY PROPERTY SECTOR

The indicative rates levy for 2011/12 on the average value of each property sector is:

RATES BY PROPERTY SECTOR

	ANNUAL PLAN 2011/12
Residential	$1,775
Inner city	$1,144
Commercial	$10,779
Multi-unit	$4,584
Rural residential	$3,256
Rural large	$6,125
Rural small	$2,475

RATES AFFORDABILITY

For 2011/12, Hamilton City Council's average residential rates as a percentage of the Waikato region median family household income is 2.7%.

RATES AFFORDABILITY

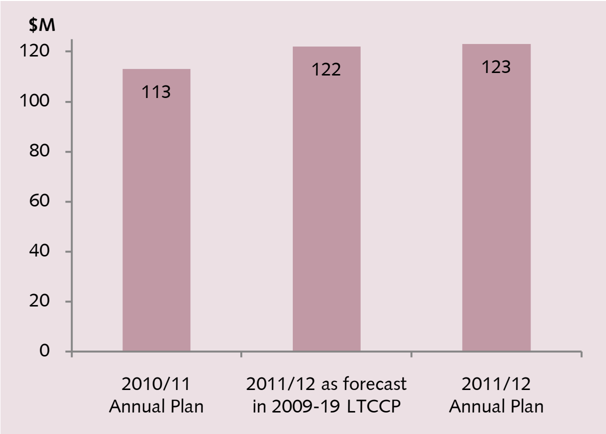
	ANNUAL PLAN 2011/12
Average residential rate	$1,775
Median family household income*	$65,768
Average residential rate as % of income	2.7%

* BERL Economics - Projections of National and Regional Household Income to 2019. Nov 2008.

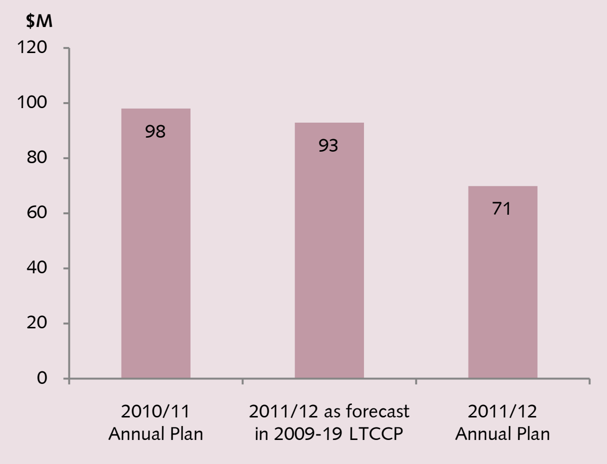
FINANCIAL SUMMARY

A graphical presentation of key financial statistics for June 2012 as indicated in the 2009-19 LTCCP and the 2011/12 Annual Plan is shown as follows:

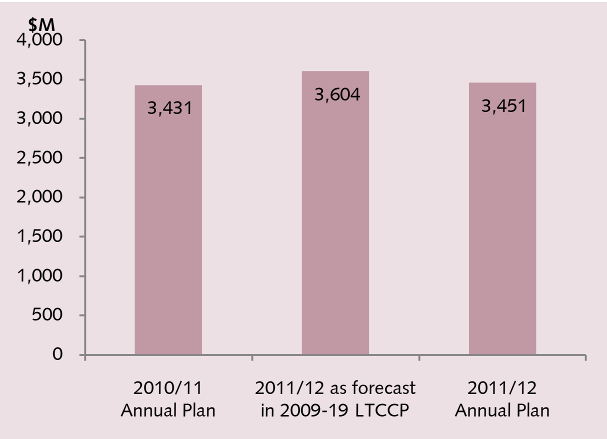
RATES REVENUE



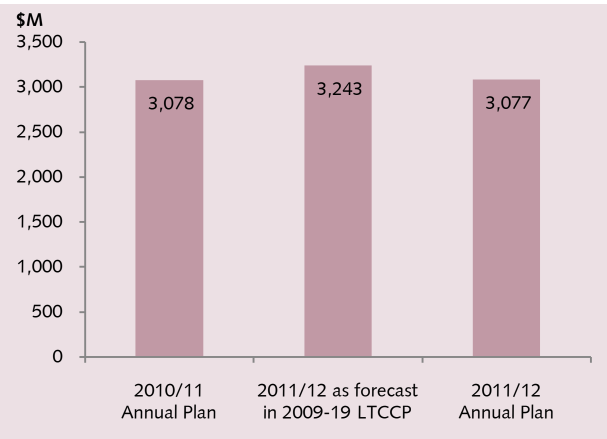
CAPITAL EXPENDITURE



TOTAL FIXED ASSETS



EQUITY



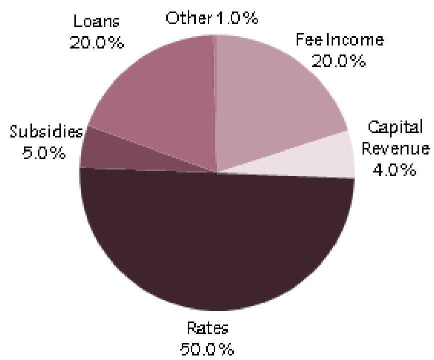
FINANCIAL SUMMARY

	LTCCP 2011/12 ($M)	ANNUAL PLAN 2011/12 ($M)
Rates revenue (incl penalties less remissions and rates charged to Council properties)	122	123
Total fixed assets	3,604	3,451
Equity	3,243	3,077
Capital expenditure	93	71

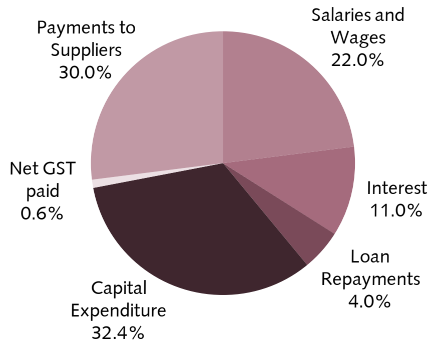
CASH FLOW

The estimated sources and uses of cash for the year ended 30 June 2012 is summarised as follows:

SOURCES OF CASH ($245M)



USES OF CASH ($245M)



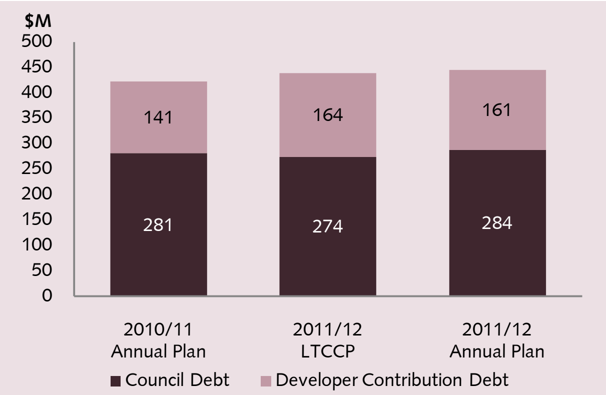
CITY DEBT

The Total Debt graph shows the total debt for June 2012 as indicated in the LTCCP and in the 2011/12 Annual Plan, split between Council debt funded by rates and debt to be funded by development contributions.

The overall level of total debt including internal borrowing is forecast to be $445m by the end of the 2011/12 financial year. This compares to $438m for 2011/12 as indicated in the LTCCP.

Debt funded by development contributions at the end of the 2011/12 financial year is estimated to be $161m. This compares to $164m for 2011/12 as indicated in the LTCCP.

TOTAL DEBT 2011/12



DEBT BALANCES (INCLUDING INTERNAL BORROWING)

DEBT BALANCES (INCLUDING INTERNAL BORROWING)	LTCCP 2011/12 ($M)	ANNUAL PLAN 2011/12 ($M)
Funded by Access Hamilton	43	41
Funded by Rates	231	243
Closing Balance - Council Debt	**274**	**284**
Funded by Development Contributions	164	161
CLOSING BALANCE TOTAL DEBT (including internal borrowing)	**438**	**445**

DEBT SERVICING PERFORMANCE LIMITS

DEBT SERVICING PERFORMANCE LIMITS	LTCCP 2011/12	ANNUAL PLAN 2011/12
Policy Limits - Council Debt		
• Interest on total Council debt (excluding interest on DC debt) as % of total rating income (Max 20%)	13%	14%
• Total Council debt as % of total income (Max 180%) (excluding total DC contributions received p.a. in income)	148%	152%
• Total Council debt per capita (Max $2,000) (expressed in 2009 $)	$1,729	$1,780
Policy Limits - Total debt		
• Total debt as % of total assets (Max 25%)	12%	13%
• Total debt as % of total income (Max 250%)	213%	230%
• Interest (total) as % of total income (Max 20%) (including total DC contributions received p.a. in income)	12%	14%
• Liquidity (on total debt & working capital) (Min 110%)		117%

INDICATIVE RESIDENTIAL RATES

For 2011/12, the rates levy on the average value Hamilton home will be $1,775 that is, about $34 per week. The indicative rates levy per week is presented graphically below for each service of Council.

INDICATIVE RESIDENTIAL RATES PER WEEK

FORECAST FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

The forecast financial statements are for Hamilton City Council and do not include transactions related to the group as the differences are minimal to the Council financial statements.

This forecast financial information has been prepared to meet the requirements of the Local Government Act 2002. This information may not be suitable for use in any other context.

The actual results achieved for the period covered by this Annual Plan are likely to vary from the information presented in this document, and these variations may be material.

The actual statement of financial position at 30 June 2010 has been used to give an opening position for the forecast statement of financial position. This is the extent to which actual financial results have been incorporated into this Annual Plan.

The forecast financial statements comply with Financial Reporting Standard 42 - Prospective Financial Statements.

FORECAST STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
REVENUE			
Rates	2	122,467	123,079
Revenue from activities	3	57,566	54,176
Capital subsidies	3	9,619	8,185
Development contributions	3	22,686	6,600
Other contributions/grants	3	3,972	2,943
Vested assets	3	11,539	7,900
Sundry revenue	3	780	2,378
Total operating revenue		**228,629**	**205,261**
EXPENDITURE			
Depreciation and amortisation		48,755	55,282
Employee benefit expenses		56,338	55,472
Finance costs	4	28,226	26,433
Other expenses	5	70,204	74,587
Total operating expenditure		**203,523**	**211,774**
Net Surplus/(deficit)		**25,106**	**(6,513)**
OTHER COMPREHENSIVE INCOME			
Net increase in revaluation of assets		103,312	99,426
Total other comprehensive income		**103,312**	**99,426**
Total comprehensive income for the year		**128,418**	**92,913**

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

FORECAST STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
EQUITY BALANCE AT 1 JULY		3,115,076	2,984,195
Total comprehensive income for the year		128,418	92,913
Equity balance at 30 June		**3,243,494**	**3,077,108**
COMPONENTS OF EQUITY			
Retained earnings at beginning of year		1,622,633	1,578,509
Net surplus/(deficit)		25,106	(6,513)
Transfers (to)/from restricted and council created reserves		609	3,318
Retained earnings at end of year		**1,648,348**	**1,575,314**
Revaluation reserves at beginning of year		1,474,198	1,389,529
Revaluation gains		103,312	99,426
Revaluation reserves at end of year		**1,577,510**	**1,488,955**
Restricted and council created reserves at beginning of year		18,245	16,157
Transfers to/(from) reserves		(609)	(3,318)
Restricted and council created reserves at end of year		**17,636**	**12,839**
Equity balance at 30 June	9	**3,243,494**	**3,077,108**

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

FORECAST STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	NOTE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
EQUITY			
Retained earnings	9	1,648,348	1,575,314
Revaluation reserves	9	1,577,510	1,488,955
Restricted reserves	9	5,728	5,503
Council created reserves	9	11,908	7,336
Total equity		**3,243,494**	**3,077,108**
ASSETS			
Current assets			
Cash and cash equivalents		250	250
Debtors and other receivables		13,637	13,600
Inventories		629	674
Total current assets		**14,516**	**14,524**
Non-current assets			
Property, plant and equipment		3,603,796	3,450,773
Investment property		67,340	53,827
Intangible assets		9,258	16,968
Other financial assets	6	2,347	6,283
Investment in associates	7	6,449	13,430
Total non-current assets		**3,689,190**	**3,541,281**
Total assets		**3,703,706**	**3,555,805**
LIABILITIES			
Current Liabilities			
Creditors and other payables		26,225	27,823
Employee entitlements		5,245	5,800
Borrowings	8	105,838	108,395
Provisions		292	2,200
Total current liabilities		**137,600**	**144,218**
Non-current liabilities			
Employee entitlements		1,574	1,800
Borrowings	8	317,077	324,879
Provisions		3,961	7,800
Total non-current liabilities		**322,612**	**334,479**
Total liabilities		**460,212**	**478,697**
Net assets		**3,243,494**	**3,077,108**

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

FORECAST STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash will be provided from:			
Rates revenue	2	122,467	123,079
Fees, rents and charges	3	53,808	50,464
Government operating subsidies and grants	3	3,758	3,712
Government capital subsidies and grants	3	9,619	8,185
Other capital contributions	3	26,658	9,543
Dividends	3	251	251
Sundry revenue	3	529	2,127
		217,090	**197,361**
Cash will be applied to:			
Salaries and wages		56,338	55,472
Payments for supplies and services		68,630	73,087
Interest paid		28,226	26,433
Net GST paid		1,574	1,500
		154,768	**156,492**
Net cash flow from operating activities		**62,322**	**40,869**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash will be provided from:			
Proceeds from sale of assets		9,948	200
		9,948	**200**
Cash will be applied to:			
Purchase of fixed assets		103,501	79,673
		103,501	**79,673**
Net Cash outflow from investing activities		**(93,553)**	**(79,473)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash will be provided from:			
Loans uplifted		65,398	47,491
		65,398	**47,491**
Cash will be applied to			
Loan repayments		34,167	8,887
		34,167	**8,887**
Net cash inflow from financing activities		**31,231**	**38,604**
Net increase/(decrease) in cash held		0	0
Plus opening cash balance 1 July		250	250
Closing cash and cash equivalents balance		**250**	**250**

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

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 Hamilton City Council is to provide goods or services for the community or social benefit rather than making a financial return.

Accordingly, Hamilton City Council has designated itself as a public benefit entity as defined under New Zealand International Financial Reporting Standards (NZ IFRS).

Basis of Preparation

The financial statements of Hamilton City Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP.

The 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).

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

Foreign currency transactions 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 statement of financial performance.

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 Council's only subsidiary. The company is inactive.

The parent 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 parent financial statements show investment in associates at cost.

Revenue Recognition

Revenue is measured at the fair value of consideration received.

Rates Revenue

Rates are set annually by a resolution from 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.

NZTA 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 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 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 Council provides, or is able to provide, the service.

Borrowing Costs

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

Goods and Services Tax (GST)

All items in the 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 charged or credited to the statement of financial performance, 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 Council. Each asset type includes all items that are required for the network to function.

Property, plant and equipment is 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 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 included in the statement of financial performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

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 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.

Where the carrying amount of a class of assets is increased as a result of a revaluation, the net revaluation increase is credited to the revaluation reserve. The net revaluation increase shall be recognised in the statement of comprehensive income to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the statement of comprehensive income.

A net revaluation decrease for a class of assets is recognised in the statement of comprehensive income, except to the extent that it reverses a revaluation increase previously recognised in the revaluation reserve provided a credit balance exists for the same class of asset in the revaluation reserve.

Assets have been valued as follows:

- *Operational Buildings* have been valued at fair value as determined from market-based evidence by independent valuers, otherwise depreciated replacement cost. SPM Consultants Ltd performed the most recent valuation and was effective as at 1 July 2006.
- *Parks and Garden Improvements* have been valued at replacement value by MWH and the valuation was effective as at 1 July 2006.
- *Plant and Equipment (excluding vehicles)* was valued based on market value by Beca and the valuation was effective as at 1 July 2001. This is deemed to be cost.
- *Zoo Animals* was valued based on estimated replacement cost by the Zoo Manager and the valuation was effective as at 1 July 2001. This is deemed to be cost.
- *Heritage Assets* have been valued by professionally qualified library staff (library collection) and an independent consultant (museum collection). The most recent valuation was effective as at 1 July 2006.
- *Infrastructure Assets (excluding land)* have been valued at depreciated replacement cost by independent valuers.

MWH performed the valuations of the Water Treatment Station and Wastewater Treatment Station and the valuations were effective as at 1 July 2006.

MWH performed the most recent valuations of other Infrastructure assets and they were effective as at 1 July 2007.

- *Land (excluding land under roads)* was valued at fair value as determined from market-based evidence by independent valuers Quotable Value and the valuation was effective as at 1 July 2006.
- *Land Under Roads* was valued based on fair value of adjacent land determined by Beca and the valuation was effective as at 1 July 2001. Under NZ IFRS, Council has elected to use the fair value of land under roads as at 1 July 2001 as deemed cost.
- *Work in Progress* All costs associated with the development of land and buildings and other assets are initially recognised as work in progress. On completion, the total cost of the project is transferred to the appropriate asset class and then depreciated.
- *Vested Assets* Certain infrastructure assets and land have been vested in Council as part of the sub-divisional consent process. The vested reserve land has been valued at the latest appropriate valuation or at a mutually agreed market value or at a value determined through arbitration. Vested infrastructure assets have been based on the actual quantities of infrastructure components vested and current 'in the ground' cost of providing identical services.

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:

MAJOR ASSET CLASSES
USEFUL LIVES AND DEPRECIATION RATES

ASSETS	USEFUL LIFE	DEPRECIATION RATE
Buildings - structure/fit out/services	40-100yrs	1%-2.5%
Plant and Vehicles	3-15 yrs	6.6%-33.3%
Furniture, Fittings an Equipment	5-10 yrs	10%-20%
Library Books	14 yrs	7.1%
Zoo Animal (acquisition costs)	10 yrs	10%
Roads and Traffic Network:		
• Top surface (seal)	6 - 18 yrs	5.5% - 16.6%
• Pavement (basecourse)	25 - 50 yrs	2% - 4%
• Catchpits	50 yrs	2%
• Culverts	60 - 80 yrs	1.25% - 1.6%
• Footpaths	50 - 70 yrs	1.4% - 2%
• Kerbs and traffic islands	70 yrs	1.4%
• Signs	12 yrs	8.3%
• Street lights	25 yrs	4%
• Bridges	150 yrs	0.6%
• Traffic signals	15 yrs	6.6%
• Barriers	25 - 40 yrs	2.5% - 4%
• Bus shelters and parking meters	4 - 10 yrs	10% - 25%
• Verge, embankment and retaining walls	60 yrs	1.6%
Wastewater Reticulation:		
• Pipes	60 - 100 yrs	1% - 1.6%
• Manholes	75 years	1.3%
• Treatment Plant	5 - 100 yrs	1% - 20%
• Bridges	75 - 100 yrs	1% - 1.3%
• Pump stations	15 - 100 yrs	1% - 6.6%

ASSETS	USEFUL LIFE	DEPRECIATION RATE
Stormwater System:		
• Pipes	100 yrs	1%
• Manholes, cesspits	100 yrs	1%
• Service connections and outlets	30 - 100 yrs	1% - 3.3%
Water Reticulation:		
• Pipes	60 - 80 yrs	1.25% - 1.6%
• Butterfly valves	50 - 75 yrs	1.3% - 2%
• Treatment plant	10 - 120 yrs	0.8% - 10%
• Meters	20 yrs	5%
• Hydrants	50 yrs	2%
• Reservoirs	30 - 80 yrs	1.25% - 3.3%

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
- Properties 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 Council, funded either from Corporate Funds, the Domain Sales Endowment Fund or the Municipal Crown Endowment Fund.

Gains or losses arising from changes in the fair value of investment property are included in the Statement of Financial Performance for the period in which they arise.

The investment property portfolio is valued on an annual basis by two independent valuers, Telfer Young (Waikato) Limited and Darroch Valuations.

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 statement of financial performance.

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 statement of financial performance, a reversal of that impairment loss is also recognised in the statement of financial performance.

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 statement of financial performance 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

- *Trade and Other Receivables*

  Trade and other receivables are stated at cost less 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.

  Held-to-Maturity Investments

  Held-to-maturity investments, such as the Sinking Fund, are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. They are measured at initial recognition at fair value, and subsequently carried at amortised cost less impairment losses.

  Other Investments

  Investments other than held-to-maturity are 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 statement of financial performance. 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 equity 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*

  At each balance sheet date Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of financial performance.

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 statement of financial performance 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.

- *Debt*

  Debt is categorised as follows:

  Total Debt includes all external and internal borrowing

  Net Debt is equal to total debt less internal borrowing

  Total Council Debt is equal to total debt less debt funded by development contributions

  Note that internal borrowing is eliminated in the financial statements.

- *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. 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 Statement of Financial Performance.

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 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.

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 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”.

Landfill Post-Closure Costs

Council, as operator of the Horotiu landfill, which was closed on 31 December 2006, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill site after closure. A 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 Council.

All subsequent changes in the liability shall be recognised in the statement of financial performance and the periodic unwinding of the discount will also be recognised in the statement of financial performance 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:

- *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 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.

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 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 Council.

Cost of Service Statements

The cost of service statements report the costs and revenues relating to the significant activities of Council.

Expenditure includes an allocation of support services and an allocation of interest.

- Support services are those activities, which are not considered to be direct services to the public and are allocated across the significant activities on a basis, which reflects usage of the support services. Included in the allocation for support services is an allocation of the business unit surpluses/deficits. These are allocated where possible on a usage basis.
- Interest is allocated to the outcome area on the basis of the book value of land and buildings employed for each item in the cost of service statements except for water, wastewater, stormwater, refuse, transport centre, outdoor stadium, community assistance grants, economic development grants, property improvements and any other specific projects where the interest on the value of loans appropriated for those activities are allocated entirely to the outcome area.

Critical Judgements and Estimations in Applying the Council's Accounting Policies

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

Management has made the following judgements and estimations that have the most significant effect on the amounts recognised in the financial statements:

Property Plant and Equipment

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 costs 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 the measurement of qualitative standards which could affect the results of future periods.

The depreciation method used reflects the service potential of assets and is reviewed each year to ensure that there is no under maintenance of assets which could affect the results of future periods.

Landfill Post-closure Provision

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

NOTE 2: RATES REVENUE

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
General rates	112,773	114,403
Targeted rates		
• Business Improvement District	300	200
• 100% non-rateable land	835	835
• 50% non-rateable land	104	104
• Access Hamilton	1,800	1,200
• Ruakura	100	0
Rates Levied	**115,912**	**116,742**
Water by meter	7,075	6,849
Rate penalties	626	626
Less rates remissions	(408)	(408)
Less rates charged to Council properties	(738)	(730)
Total rates revenue	**122,467**	**123,079**
Less consumption based rates:		
Targeted rates — water by meter	(7,075)	(6,849)
Total rates revenue excluding consumption based rates	**115,392**	**116,230**

NOTE 3: OTHER REVENUE

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
Revenue from activities		
City profile	9,204	6,697
City safety	1,728	1,654
Community development and amenities	4,374	4,100
Democracy	34	29
Event and cultural venues	17,421	15,824
Recreation	4,874	5,027
Transportation	11,776	12,752
Urban development	5,225	5,197
Waste minimisation	959	850
Water management	3,545	3,567
Less internal revenue	(1,574)	(1,521)
Total revenue from activities	**57,566**	**54,176**
Capital contributions		
Capital subsidies	9,619	8,185
Vested assets	11,539	7,900
Development contributions	22,686	6,600
Other contributions/grants	3,972	2,943
Total capital contributions	**47,816**	**25,628**
Sundry revenue		
Dividends	251	251
Other income	529	2,127
Total sundry revenue	**780**	**2,378**
Total other revenue	**106,162**	**82,182**

NOTE 4: FINANCE COSTS

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
Interest on bank borrowings	28,002	26,209
Interest on leased assets	224	224
Total finance costs	**28,226**	**26,433**

NOTE 5: OTHER EXPENSES

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
City profile	12,218	12,299
City safety	4,032	4,147
Community development and amenities	19,182	18,985
Democracy	5,533	6,156
Event and cultural venues	29,059	30,276
Recreation	31,034	31,260
Transportation	43,980	49,349
Urban development	9,718	10,325
Waste minimisation	6,420	6,292
Water management	45,467	44,980
Less internal expenditure	(1,574)	(1,521)
Less rates charged to Council properties	(738)	(730)
Less interest on internal borrowing	(1,067)	(744)
Total expenses from activities	**203,264**	**211,074**
Other expenditure	259	700
Less finance costs	(28,226)	(26,433)
Less employee benefit expenses	(56,338)	(55,472)
Less depreciation and amortisation	(48,755)	(55,282)
Total other expenses	**70,204**	**74,587**

NOTE 6: OTHER FINANCIAL ASSETS

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
NON-CURRENT PORTION:		
Loans and receivables		
Loan to Hamilton Fibre Network Ltd	1,011	0
Loan to CTC Aviation Training (NZ) Ltd	0	208
Loan to Local Government Funding Agency	0	2,500
Other investments		
Unlisted shares in Innovation Waikato Ltd	0	2,400
Unlisted shares in Hamilton Properties Ltd	1	1
Unlisted shares in Local Authority Shared Services Ltd	727	728
Unlisted shares in NZ Local Government Insurance Co Ltd	608	446
Total non-current portion	**2,347**	**6,283**
Total other financial assets	**2,347**	**6,283**

NOTE 7: INVESTMENT IN ASSOCIATES

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
Hamilton Riverview Hotel Ltd (Novotel & Ibis)	6,000	6,000
Waikato Regional Airport Ltd	182	7,430
Hamilton Fibre Network Ltd	267	0
Estimated balance at 30 June 2012	**6,449**	**13,430**

NOTE 8: BORROWINGS

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.

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
Current		
Secured loans	105,181	107,940
Lease liabilities	657	455
Total current borrowings	**105,838**	**108,395**
Non-current		
Secured loans	315,544	323,819
Lease liabilities	1,533	1,060
Total non-current borrowings	**317,077**	**324,879**
Total borrowings	**422,915**	**433,274**

Total borrowings disclosed on the statement of financial position exclude borrowing from internal reserves. The table below shows Council's loans including borrowing from internal reserves.

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
Secured loans - current	105,181	107,940
Secured loans - non-current	315,544	323,819
	420,725	**431,759**
Add internal borrowings	17,637	12,839
Total debt (excluding lease liabilities)	**438,362**	**444,598**

Council's debt servicing performance limits disclosed below include both total borrowings (external debt) and borrowing from internal reserves.

DEBT SERVICING PERFORMANCE LIMITS

	POLICY LIMITS	LTCCP 2011/12	ANNUAL PLAN 2011/12
POLICY LIMITS - TOTAL COUNCIL DEBT			
1. Interest on total Council debt (excluding interest on DC debt) as % of total rating income	Max 20%	13%	14%
2. Total Council debt as % of total income (excluding total DC contributions received p.a. in income)	Max 180%	148%	152%
3. Total Council debt per capita (expressed in 2009 $)	Max $2,000	$1,729	$1,780
POLICY LIMITS - TOTAL DEBT			
1. Total debt as % of total assets	Max 25%	12%	13%
2. Total debt as % of total income	Max 250%	213%	230%
3. Interest (total) as % of total income (including total DC contributions received p.a. in income)	Max 20%	12%	14%
4. Liquidity (on total debt & working capital)	Min 110%		117%

Council uses synthetic instruments (swaps and FRAs) to manage its interest rate risk profile based on independent professional advice.

NOTE 9: EQUITY

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
Retained earnings		
Opening balance	1,622,633	1,578,509
Net surplus	25,106	(6,513)
Transfers (to)/from restricted and council created reserves	609	3,318
Total retained earnings	**1,648,348**	**1,575,314**
REVALUATION RESERVES		
General asset revaluation reserves		
Opening balance	1,474,198	1,389,529
Revaluation gains	103,312	99,426
Total revaluation reserves	**1,577,510**	**1,488,955**
Restricted and council created reserves (detailed below)		
Opening balance	18,245	16,157
Transfers (to)/from restricted and council created reserves	(609)	(3,318)
Total restricted and council created reserves	**17,636**	**12,839**
Total equity	**3,243,494**	**3,077,108**

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
RESTRICTED AND COUNCIL CREATED RESERVES		
Restricted reserves		
Cemetery plot maintenance in perpetuity	2,115	2,075
Domain endowment fund	2,797	1,924
Waikato Art Gallery Endowment Reserve	0	7
Municipal crown endowment reserve	816	1,497
Total restricted reserves	**5,728**	**5,503**
Council created reserves		
Access Hamilton reserve	2,280	1,390
Asset renewal reserve	5,015	6,395
Berm levy reserve	37	119
Bus shelter (Adshel) reserve	13	69
Dame Hilda Ross library memorial reserve	1	1
Disaster recovery reserve	6,148	6,124
Hotel dividend equalisation reserve	(269)	0
Housing upgrade reserve	251	0
Museum collection reserve	345	239
Peachgrove lounge site development reserve	51	0
Project watershed emergency reserve	0	1,144
Project watershed operating reserve	473	275
Reserves contribution fund	972	3,885
Retiring gratuity service	624	393
Roman Catholic schools library reserve	2	2
Rotokauri/Te Rapa land sale reserve	0	1,500
Septic tank reserve	58	106
Storm damage reserve	290	61
V8 event reserve	(4,732)	(14,680)
Waste minimisation reserve	140	0
WINTEC recreation area development reserve	(2)	0
Public Art Reserve	0	167
Zoo animal acquisition reserve	211	146
Total council created reserves	**11,908**	**7,336**
Total restricted and council created reserves	**17,636**	**12,839**

NOTE 10: CAPITAL EXPENDITURE

	EXPENDITURE TYPE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000	FUNDED BY: LOANS BY RESERVES	LOANS BY DCL	LOANS BY RATES	RESERVES	SUBSIDIES	OTHER REVENUE	RATES
CITY PROFILE										
City Promotion										
Christmas decorations programme	C	23	23			23				
Total City Profile		**23**	**23**			**23**				
CITY SAFETY										
Central City Safety										
Maintaining City Safe technology	R	21	21							21
Total City Safety		**21**	**21**							**21**
COMMUNITY DEVELOPMENT & AMENITIES										
Cemeteries and Crematorium										
Hamilton Park cemetery burial lawn extension **D**	C	419								
Cemeteries and Crematorium		**419**								
Libraries										
Library collection purchases **R**	R	1,636	1,453							1,453
Libraries asset renewal	R	94	94							94
Libraries minor development programme	C	42	42			42				
North east library construction **D**	C	682								
Hillcrest library expansion **D**	C	42								
Libraries		**2,496**	**1,589**			**42**				**1,547**
Social Development										
Community facility assets renewal	R	12	12							12
Social Development		**12**	**12**							**12**
Toilets										
Public toilets programme	C	160	160		47	113				
Toilets		**160**	**160**		**47**	**113**				
Total Community Development & Amenities		**3,087**	**1,761**		**47**	**155**				**1,559**
EVENT & CULTURAL VENUES										
Hamilton City Theatres										
Theatres equipment and asset renewals	R	217	217							217
Hamilton City Theatres		**217**	**217**							**217**
Claudelands Events Centre										
Claudelands equipment purchase programme	C	103	103			103				
Claudelands equipment & asset renewal programme	R	75	75							75
Claudelands Events Centre		**178**	**178**			**103**				**75**
Waikato Museum										
Museum development fund	C	42	42			42				
Museum equipment renewal	R	27	27							27
Public art funding	C	53	53							53
Waikato Museum		**122**	**122**			**42**				**80**
Waikato Stadium										
Waikato Stadium grounds renewals programme	R	27	27							27
Waikato Stadium equipment and asset renewals programme **R**	R	111	123							123
Waikato Stadium		**138**	**150**							**150**
Seddon Park										
Seddon Park equipment and asset renewals programme	R	54	54							54
Seddon Park grounds renewals programme	R	27	27							27
Seddon Park renewal & upgrade of path surrounding oval **D**	R	335								
Seddon Park		**416**	**81**							**81**
Total Event & Cultural Venues		**1,071**	**748**			**145**				**603**
RECREATION										
City Beautification										
City beautification asset renewals programme	R	14	14							14
Fountain asset renewal programme	R	8	8							8
City Beautification		**22**	**22**							**22**
Hamilton Gardens										
Hamilton Gardens grounds development	C	232	232		49	115			68	

	EXPENDITURE TYPE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000	FUNDED BY						
				LOANS BY RESERVES	LOANS BY DCL	LOANS BY RATES	RESERVES	SUBSIDIES	OTHER REVENUE	RATES
programme										
Hamilton Gardens asset renewals	R	180	180							180
Hamilton Gardens		**412**	**412**		**49**	**115**			**68**	**180**
Parks and Gardens										
Land purchase for future reserves **R**	C	6,869	9,206		3,436		5,770			
Esplanade reserve acquisition & development	C	66	66		20	46				
Gully park development programme **R**	C	127								
Passive park programme development	C	103	103		99	4				
Hamilton Lake Domain renewal programme	R	48	48							48
Amenity parks asset renewals	R	45	45							45
Riverbank stability programme	R	126	126				126			
Pedestrian linkages on parks programme	C	94	94			94				
Recreation equipment programme	C	213	213			213				
Municipal nursery asset renewal programme	R	9	9							9
Carpark maintenance programme	R	303	303							303
Natural area parks asset renewals	R	47	47							47
Park signposting programme	C	6	6		2	4				
Park seats programme	C	12	12		4	8				
Rototuna passive park development programme **D**	C	132								
Rotokauri central green corridor **D**	C	900								
Land acquisition for reserves in infill areas	C	210	210				210			
Waiwhakareke Natural Heritage Park development programme	C	21	21		6	15				
Wintec City Gate site purchase & development of reserve N	C		460				460			
Parks and Gardens		**9,331**	**10,969**		**3,567**	**384**	**6,566**			**452**
Sports Areas										
Changing rooms on sports park programme	C	222	222		65	157				
Rototuna sports area development programme **D**	C	2,203								
Sports Areas asset renewals programme	R	100	100							100
Sports Areas		**2,525**	**322**		**65**	**157**				**100**
Swimming Facilities										
Waterworld asset renewals	R	133	133							133
Gallagher Aquatic Centre asset renewals	R	48	48							48
Gallagher Aquatic Centre carpark extension	C	117								
Gallagher Aquatic Centre plant renewals	R	60	60							60
Gallagher Aquatic Centre new UV water treatment system	C	60	60			60				
Swimming Facilities		**418**	**301**			**60**				**241**
Zoo										
Zoo exhibit programme (minor)	C	416	416			416				
Zoo renewal animal enclosures	R	96	96							96
Zoo renewal buildings structures etc	R	109	108							108
Zoo purchase of land	C	420	420			420				
Zoo		**1,041**	**1,040**			**836**				**204**
Total Recreation		**13,749**	**13,066**		**3,681**	**1,552**	**6,566**		**68**	**1,199**
SUPPORT SERVICES										
Communication and Marketing										
City Heart I-site establishment **D**	R	32								
Communication and Marketing		**32**								
Information Services										
Project Phoenix IT systems upgrade	C	3,268	3,268			3,268				
Network equipment renewal and growth	R	42	42							42
IS additional data storage **D**	C	21								
Information Services		**3,331**	**3,310**			**3,268**				**42**
Property (support)										
Fleet renewals programme	R	1,031	1,031							1,031
Facilities renewals programme	R	2,526	2,526							2,526
Pensioner housing health & safety building programme	C	100	100			100				
Pensioner housing renewals programme	R	606	606							606
Public toilet renewal programme	R	138	138							138
Staff facilities upgrade programme **R**	C	252	41			41				
Building and site security improvements	C	52	52			52				
Property (support)		**4,705**	**4,494**			**193**				**4,301**

	EXPENDITURE TYPE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000	FUNDED BY						
				LOANS BY RESERVES	LOANS BY DCL	LOANS BY RATES	RESERVES	SUBSIDIES	OTHER REVENUE	RATES
Utilities										
Tools of trade renewals R	R	44								
Utilities		**44**								
Total Support Services		**8,112**	**7,804**			**3,461**				**4,343**
TRANSPORTATION										
Transport: Access Hamilton										
E1 land purchase (Tainui and others) N	C		437		416	21				
Shared walking, cycling route development programme D	C	778								
Peachgrove, Hukanui intersection upgrades and minor improvements	C	105	105					105		
E1-Peachgrove East St, Te Aroha-Peachgrove intersections R	C	554	528		194	334				
Ruakura Rd upgrade R	C	269	256	162	94					
Wairere Dr (designation, land, intersection, 4 laning etc) R	C	6,910	6,588	1,928	1,037			3,623		
Cycleway construction (Access Hamilton) R	C	2,426	600	390	210					
School speed zones (signage and education)	C	157	157	157						
Northern growth corridor	C	2,730	2,730	1,028	1,702					
Minogue Park traffic precinct improvements D	C	150								
Pedestrian cycling improvement works R	C	2,098	1,049	1,049						
Transport: Access Hamilton		**16,177**	**12,450**	**4,714**	**3,653**	**355**		**3,728**		
Carriageways Management										
Subdivision associated works R	C	131	125		119	6				
Miscellaneous land purchases R	C	53	50			50				
Kerb & channel replacement	R	1,521	1,521					684		837
Area wide treatment R	R	1,970	1,800					809		991
Carriageways resurfacing R	R	3,485	3,250					1,464		1786
Peacockes roading future growth R	C	1,115	1,252		394	169		689		
Rotokauri roading future growth N	C		839		545	294				
Rototuna roading growth D	C	3,168								
Ruakura growth cell N	C		100		35	65				
CityHeart Claudelands Bridge clip-on	C	1,993	1,993	1,993						
Purchase of Nisbet St section of the Wintec city gate N	C		209			209				
Carriageways Management		**13,436**	**11,139**	**1,993**	**1,093**	**793**		**3,646**		**3,614**
Central Area Off-street Parking										
Off street carpark resurfacing	R	11	11							11
Central Area Off-street Parking		**11**	**11**							**11**
Footpaths, Cycleways and Verges										
Footpath replacement	R	1,924	1,924							1,924
Footpath construction and improvements	C	29	29			29				
Footpaths, Cycleways and Verges		**1,953**	**1,953**			**29**				**1,924**
Hamilton Transport Centre										
Transport Centre capacity improvement	C	53	53	53						
Hamilton Transport Centre		**53**	**53**	**53**						
Parking Enforcement										
Parking Meter renewal R	R	21	10							10
Electronic handheld ticket machines renewal	R	21	21							21
Parking Enforcement		**42**	**31**							**31**
Traffic Services/Street Lighting										
Safety improvements	C	577	577			260		317		
Traffic calming	C	210	210			94		115		
Installation of new street lights	C	157	157			77		80		
Replacement of existing street lights	R	367	367					165		202
Traffic signal renewal	R	210	210					94		115
Street signs renewal	R	53	52					24		29
Safety barriers renewal	R	31	31					14		17
Traffic Services/Street Lighting		**1,605**	**1,604**			**431**		**810**		**363**
Total Transportation		**33,277**	**27,241**	**6,760**	**4,746**	**1,608**		**8,184**		**5,943**
WASTE MINIMISATION										
Refuse Collection/Recycling										
Closed landfills - renewals (resource)	R	71	71							71
Closed landfills — capital N	C		150							150

	EXPENDITURE TYPE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000	FUNDED BY LOANS BY RESERVES	LOANS BY DCL	LOANS BY RATES	RESERVES	SUBSIDIES	OTHER REVENUE	RATES
Total Waste Minimisation		**71**	**221**							**221**
WATER MANAGEMENT										
Stormwater Reticulation										
Stormwater customer connections to the network	C	301	301						301	
Stormwater impact mitigation	C	60	60			60				
Stormwater contributions for increasing pipe sizes in subdivisions N	C		25		25					
Stormwater Project Watershed emergency works	C	103	103				103			
Rotokauri stormwater trunk pipes & overland flowpaths R	C	6,217	198		186	12				
Peacocke stormwater trunk pipes & overland flowpaths R	C	427	407		407					
Stormwater renewals	R	591	591							591
Stormwater capacity upgrades (pipe & overland flowpaths) enabling infill development R	C	52	52		50	2				
Ruakura stormwater N	C		100		100					
Stormwater Project Watershed renewals Kirikiriroa D	C	262								
Stormwater Reticulation		**8,013**	**1,837**		**768**	**74**	**103**		**301**	**591**
Wastewater Reticulation										
Wastewater customer connections to the network	C	325	325						325	
Wastewater contributions for increasing pipe size in subdivisions R	C	53	15		14	1				
Wastewater capacity upgrades for infill development	C	734	734		698	36				
Wastewater corrosion venting of interceptors	C	84	84			84				
Rotokauri trunk wastewater D	C	1,345								
Peacocke wastewater trunk R	C	162	154		154					
Wastewater pump station renewals	R	1,007	1,007							1,007
Wastewater renewals D	R	2,182	2,182							2,182
Ruakura trunk wastwater	C	2,518								
Wastewater Reticulation		**8,410**	**4,501**		**866**	**121**			**325**	**3,189**
Wastewater Treatment Plant										
Telemetry and SCADA upgrade	C	157	157		8	149				
Wastewater treatment plant upgrade R	C	5,561	1,139		626	513				
WWTP capital improvements	C	53	53			53				
WWTP asset renewals	R	1,194	1,194							1,194
WWTP bypass treatment	C	472	472		166	306				
Wastewater Treatment Plant		**7,437**	**3,015**		**800**	**1,021**				**1,194**
Water Reticulation										
Water supply customer connections to the network	C	414	414						414	
Rototuna trunk watermains D	C	255								
Water supply contribution for increasing pipe size in subdivisions N	C		30		30					
Water supply Rototuna reservoir and associated bulkmains D	C	1,560								
Citywide water reticulation upgrades	C	330	330			330				
Watermain renewals	R	1,718	1,718							1,718
Renewal water meters valves & hydrants	R	272	272							272
Rotokauri water reservoirs & associated bulkmains N	C		300		300					
Eastern bulk watermain augmentation & extension N	C		1,400		1,400					
Rotokauri trunk watermain R	C	207	244		244					
Water supply citywide backflow device installation	C	210	210			210				
Peacocke trunk watermains R	C	176	81		81					
Watermain upgrades for infill development	C	489	489		465	24				
Water works associated with state highways	R	105	105						53	52
Ruakura trunk watermains N	C		100		100					
Water Reticulation		**5,736**	**5,693**		**2,620**	**564**			**467**	**2,042**
Water Treatment Station										
Reservoir asset renewals	R	42	42							42
Water treatment station asset renewal	R	795	795							795

		EXPENDITURE TYPE	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000	FUNDED BY						
					LOANS BY RESERVES	LOANS BY DCL	LOANS BY RATES	RESERVES	SUBSIDIES	OTHER REVENUE	RATES
Reservoir capital improvements (compliance)		C	357	357			357				
Water treatment station capital improvements (resource)		C	659	659		574	85				
WTS capital improvements (growth)	N	C		299		284	15				
Alum sludge dewatering		C	2,623	2,623		393	2,230				
Plants Security Upgrades	N	C		23			23				
Water Treatment Station			**4,476**	**4,798**		**1,251**	**2,710**				**837**
Total Water Management			**34,072**	**19,844**		**6,305**	**4,490**	**103**		**1,093**	**7,853**
Total Capital Expenditure			**93,483**	**70,729**	**6,760**	**14,779**	**11,434**	**6,669**	**8,184**	**1,161**	**21,742**

KEY	
Variance To LTCCP	
Deleted/Deferred	D
Revised costings/expenditure type	R
New	N
Expenditure Type	
Capital	C
Maintenance	M
Renewal	R

NOTE 11: RECONCILIATION OF NET COST OF GROUP ACTIVITIES TO THE NET SURPLUS

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
Operating surplus/(deficit) from cost of service statements		
City profile	1,165	(1,404)
City safety	6	(154)
Community development and amenities	775	887
Democracy	(11)	(570)
Event and cultural venues	165	(2,531)
Recreation	5,111	1,879
Transportation	4,089	(4,399)
Urban development	49	(529)
Waste minimisation	268	195
Water management	883	(8,531)
add vested assets	11,539	7,900
remove interest on internal borrowing	1,067	744
Net surplus/(deficit) per statement of comprehensive income	**25,106**	**(6,513)**

NOTE 12: COST OF SERVICE FUNDING SURPLUS/(DEFICIT)

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000
Funding surplus/(deficit) from cost of service statements		
City profile	(346)	(321)
City safety	(170)	(338)
Community development and amenities	(1,167)	(921)
Democracy	(475)	(1,085)
Event and cultural venues	(814)	(1,759)
Recreation	(1,813)	(1,638)
Transportation	(1,198)	(2,252)
Urban development	(336)	(276)
Waste minimisation	(390)	(250)
Water management	(1,277)	(6,702)
Cost of service funding surplus/(deficit)	**(7,986)**	**(15,542)**

UNFUNDED SPECIAL AND CAPITAL PROJECTS

The unfunded Special and Capital Projects refer to projects that have merit but Council's financial resources do not allow these projects to proceed. Some unfunded projects will be considered for funding in subsequent years whilst for others, Council will endeavour to find alternative sources of funding.

Refer to the Schedule of Unfunded Special and Capital Projects included in Volume 2 of Council's 2009-19 LTCCP.

FUNDING IMPACT STATEMENT

INTRODUCTION

In terms of the Local Government (Rating) Act 2002, and the Local Government Act 2002, each Council is required to prepare a Funding Impact Statement disclosing the revenue and financing mechanisms it intends to use.

The information in the following sub-sections is intended to achieve compliance with this legislation by, among other things, giving ratepayers full details of how rates are calculated.

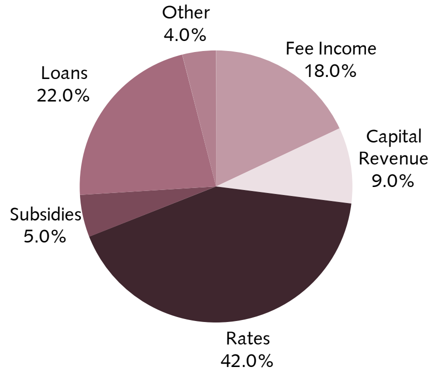
SUMMARY OF FUNDING MECHANISMS AND INDICATION OF LEVEL OF FUNDS TO BE PRODUCED BY EACH MECHANISM

This statement should be read in conjunction with Council's Revenue and Financing Policy (Section 2) of Volume II of the 2009-19 LTCCP which sets out Council's policies in respect of each source of funding of operating and capital expenses - i.e. the revenue and financing mechanisms to be used to cover the expenses of the Council.

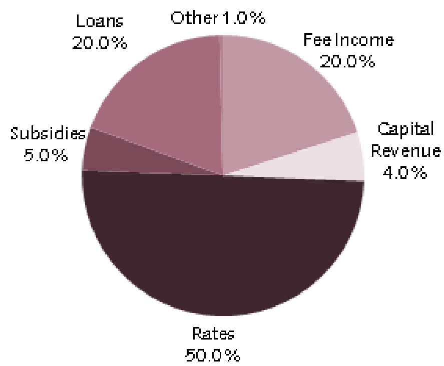
2011/12 Funding Mix

The mix of funding mechanisms for the City as a whole for the 2011/12 financial year is summarised graphically below.

SOURCES OF CASH FUNDING ($292M) 2011/12 (LTCCP)



SOURCES OF CASH FUNDING ($245M) 2011/12 (ANNUAL PLAN)



The particular revenue and financing mechanisms selected by Council, including the amount to be produced by each mechanism to meet the budgeted costs (as outlined in the 2011/12 Annual Plan), are set out in the Funding Impact Statement on the following page.

Details of user charges, other funding sources and rating mechanisms, and the proportion applicable to each service are outlined further in the Revenue and Financing Policy (Section 2) and the Appendices (Section 16) to the 2009-19 LTCCP.

The Funding Impact Statement below summarises Council's expenditure and funding plans for 2011/12.

FUNDING IMPACT STATEMENT 2011/12 ANNUAL PLAN

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000	VARIANCE FAV/(UNFAV) $000	NOTE
OPERATING STATEMENT				
Operating Revenue				
Rates	122,987	123,591	604	1
Fees and Charges	53,708	49,335	(4,373)	2
Operating Subsidies	3,913	4,901	988	3
Capital Subsidies	9,619	8,185	(1,434)	4
Development Contributions	22,686	6,600	(16,086)	5
Sale of other assets	9,948	200	(9,748)	6
Other Contributions/Grants	3,973	2,883	(1,090)	7
Rates Penalties	626	626	0	
Other Income	780	2,378	1,598	8
Total operating revenue	**228,240**	**198,699**	**(29,541)**	
Operating Expenditure				
Operating expenditure	128,810	131,941	(3,131)	9
Deprecation and amortisation	48,755	55,282	6,527	10
Interest Expense	28,229	26,433	(1,796)	11
Total operating expenditure	**205,794**	**213,656**	**7,862**	
Operating surplus/(deficit)	**22,446**	**(14,957)**	**(37,403)**	
CAPITAL AND RESERVES FUNDING STATEMENT				
Capital Expenditure				
Growth	27,731	14,778	(12,953)	
Increased level of service	39,777	30,977	(8,800)	
Renewal	25,970	24,974	(996)	
Total capital expenditure	**93,478**	**70,729**	**(22,749)**	12
Loan repayments	34,167	8,887	(25,280)	13
Transfers to reserves	32,942	14,399	(18,543)	14
Local Government Funding Agency Investment	0	2,500	2,500	
Total funding required	**160,587**	**96,515**	**(64,072)**	
Funded by:				
Operating Surplus	22,446	(14,957)	(37,403)	
Non cash expenses	48,755	55,282	6,527	15
Net cash funding from operations	**71,201**	**40,325**	**(30,876)**	
Loans raised	54,330	37,728	(16,602)	16
Transfers from reserves	35,056	18,462	(16,594)	17
Total Funding Applied	**160,587**	**96,515**	**(64,072)**	

NOTES

NOTE 1	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000	VARIANCE FAV/(UNFAV) $000
RATES BREAKDOWN			
Non consumption based rates			
General rate	112,773	114,403	1,630
Targeted rate:			
• Ruakura	100		(100)
• Business Improvement District	300	200	(100)
• 100% non rateable properties	835	835	0
• 50% non rateable properties	104	104	0
• Access Hamilton	1,800	1,200	(600)
Consumption based rates			
Targeted rate — water supply	7,075	6,849	(226)
Total rates	**122,987**	**123,591**	**604**

NOTE	VARIANCE
2	Lower revenue from fees and charges than previously forecast driven mainly by lower V8 reserve event revenue, revised opening date for the new Claudelands Event Centre.
3	Increased subsidies associated with the transportation operating programme and budget.
4	Decreased capital subsidies associated with budgeted renewals.
5	Reduced developers contributions than previously forecast driven mainly by economic downturn.
6	No sale of Waiwhakareke land subdivision and no WRAL share sell-down.
7	Reduced other contributions and grants primarily driven by no contribution for the Guardians River Cleanup fund.
8	Contribution towards the signalisation of the intersection at the Base.
9	Increased operating expenditure reflects a range of general operating costs across Council, such as insurance, power, petrol.
10	Combined impact of revaluations for some asset types and revised useful lives.
11	Lower interest expense is driven mainly by deferring capital programme.
12	Reduced capital expenditure mainly driven by deferred projects e.g. Rotokauri central green corridor, Rototuna sports development programme, Rototuna roading growth, Rotokauri stormwater pipe network and Rotokauri trunk wastewater.
13	Lower loan repayments driven mainly by lower payments on DC funded debt.
14	Lower transfers to reserve mainly due to lower development contributions, V8 reserve event income, no sale from of Waiwhakareke land subdivision, lower contributions to waste minimisation reserve and WRAL capital revenue contribution.
15	$15.542m of funding from non cash expenses represents Council's depreciation funding shortfall (see Calculation of Depreciation Funding table below).
16	Reduced loan funding primarily associated with the deferment of infrastructural projects in Rotokauri and Rototuna.
17	Lower transfers from reserve driven primarily by development contributions to fund loan repayments.

CALCULATION OF DEPRECIATION FUNDING SHORTFALL

	LTCCP 2011/12 $000	ANNUAL PLAN 2011/12 $000	VARIANCE FAV/(UNFAV) $000
Net surplus	22,446	(14,957)	(37,403)
Add Depreciation	48,755	55,282	6,527
Operating Cash Flow	**71,201**	**40,325**	**(30,876)**
Less capital revenues	(28,230)	(3,290)	24,940
Other funding adjustments	(3,768)	(223)	3,545
Operating Cash Flow available to fund depreciation	**39,203**	**36,812**	**(2,391)**
Shortfall	(9,552)	(18,470)	(8,918)
Transfer to asset renewal reserve	1,566	2,928	1,362
Total depreciation funding shortfall	**(7,986)**	**(15,542)**	**(7,556)**

Council's Revenue and Financing Policy, which was last reviewed for the 2009-19 LTCCP, explains Council's current depreciation funding shortfall as well as the expected improvement in this figure over the 10 year period.

For the 2011/12 Annual Plan budget, Council's depreciation funding shortfall of $15.542 million compares with the LTCCP figure of $7.986 million. The deterioration is driven by a combination of the $6.527 million increase in forecast depreciation and reduced loan principal repayment budgets on growth related projects funded from loans.

DETAILED DESCRIPTION OF RATE FUNDING MECHANISMS

Setting of Rates for 2011/12

That the Hamilton City Council sets the following rates for the year commencing 1 July 2011 and ending 30 June 2012 in pursuance of the powers conferred on it by the Local Government Act 2002 and the Local Government (Rating) Act 2002.

General Rate

A general rate is set and assessed on the land value of all rateable land in the City.

General rates are set under Section 13 of the Local Government (Rating) Act 2002 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 2011/12 is $114,403m (GST exclusive) or $131,563m (GST inclusive).

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

RATE FUNDING MECHANISMS

SOURCE	DIFFERENTIAL CATEGORIES	DIFFERENTIAL FACTOR	GENERAL RATE IN THE DOLLAR OF LAND VALUE FOR 2011/12 (GST INCLUSIVE)	REVENUE (GST INCLUSIVE) 2011/12
Rates				
General Rate	Residential	1.0000	$0.011159	$83,086,590
	Inner City Residential	0.9370	$0.010456	$325,238
	Commercial/Industrial	2.0542	$0.022923	$44,259,122
	Multi Unit Residential	1.4247	$0.015898	$2,379,563
	Rural Residential	0.4632	$0.005168	$67,107
	Rural Small	0.3341	$0.003729	$1,050,004
	Rural Large	0.1640	$0.001830	$395,826

CATEGORY DEFINITIONS - GENERAL RATE DIFFERENTIAL

Each rating unit is allocated to a differential rating category (based on the land use) 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 categorised as Category B, Category C or Category 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 chartered clubs used for the restaurant, bar and gaming machines, will be rated at 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.

Definition

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.

Definition

A hostel is the residence or lodging place for persons.

Category D - Multi Unit Residential

All rating units used solely or principally for residential purposes as the home or residence of three or more households 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 - (Schedule 1, Part 1).

Category E- Rural Residential

All rating units -

(i) Used solely or principally for residential purposes as the home or residence of not more than two households; or

(ii) Receive all the services of a residential property apart from stormwater, footpaths and traffic/streetlighting services.

Category F - Rural Small Holding

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

Category G - Rural Large Holding

All rating units over 10 hectares in area, which are used solely or principally for rural purposes.

For categories A, E, F and G, rural purposes include agricultural, horticultural or pastoral purposes and the keeping of bees or poultry or other livestock.

Note: Subject to the right of objection in Sections 29 and 39 of the Local Government (Rating) Act 2002, it shall be at the sole discretion of the Council to determine the sole use or principal use of any separately rateable property within the district.

UNIFORM ANNUAL GENERAL CHARGE

The current policy is that Council will not use a uniform annual general charge.

TARGETED RATES

Targeted Rate - Non-Domestic Water Supply

(a) Pursuant to Section 19(2)(b) and Clause 7 of Schedule 3 of the Local Government (Rating) Act 2002, Hamilton City 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 parts of a rating unit supplied with non-domestic water in accordance with the following scale (GST inclusive):

- $328 for commercial/industrial properties, non-rateable properties, or other properties with metered supply;
- $270 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 (GST inclusive):

- commercial/industrial properties, non-rateable properties, or other properties with metered supply -

  $1.37 per kilolitre of water supplied after the first 240 kilolitres of consumption or supply;
- rural properties receiving a restricted flow supply -

  $1.12 per kilolitre of water supplied after the first 240 kilolitres of consumption or supply.

Properties in the Waikato District Council and Waipa District Council supplied with water under contractual arrangements will be charged at equivalent rates per unit of water, but outside the rating system.

The Targeted Rate - Non-Domestic Water Supply is summarised in the table below.

SUMMARY OF TARGETED RATE NON-DOMESTIC WATER SUPPLY		
CATEGORY	RATE PER UNIT OF WATER (COST PER KILOLITRE) (GST INC.)	MINIMUM CHARGE (GST INC.)
Non-Domestic Supply Rateable/Non Rateable City (Commercial/Industrial Properties and Non-Rateable Properties)	$1.37 (after the first 240 kilolitres of consumption or supply)	$328
Non-Domestic Supply Rural Restricted Flow Supply (Rural Large & Rural Small Properties which receive the service)	$1.12 (after the first 240 kilolitres of consumption or supply)	$270
Outside City (Waipa District Council & Waikato District Council properties)	$1.37 (after the first 240 kilolitres of consumption or supply)	$328
Waikato District Council (supply agreement)	$1.12 (after the first 240 kilolitres of consumption or supply)	$270

(b) General Information - Targeted Rate for Non-Domestic Water Supply:

Each rating unit, or part of a rating unit, assessed a targeted rate for non-domestic water supply will be charged a rate per unit of water supplied in accordance with the scale of charges above. Where the six monthly consumption is less than 50% of the annual minimum charge, a fixed amount of 50% of the annual minimum charge will be charged to every rating unit or every separately used or inhabited part of a rating unit supplied with non-domestic water.

The charge per unit of water consumed or supplied is on a scale that reflects the difference between City full pressure supply and rural restricted flow supply.

Non-Domestic Supply is defined in the Bylaw as any water supplied for all purposes other than domestic supply (domestic supply is generally limited to City based domestic use).

This funding mechanism covers the Water Supply service. The total revenue sought for 2011/12 is $7.876m (GST inclusive).

Commercial properties without meters will be charged the minimum annual charge of $328 (GST inclusive) per property or separately used inhabited part of a property.

The total revenue sought for 2011/12 is estimated to be $193,848 (GST inclusive).

The revenue from this targeted rate will be applied to fund the operation, and maintenance of capital works, depreciation and financing costs of the water supply service.

The meters on properties with a total annual consumption of less than 30,000 kilolitres are read twice during the year. The charges will be due and payable in two instalments per year, on receipt of an invoice from the Council.

Meters on properties with a total annual consumption of more than 30,000 kilolitres are read monthly. These charges will be due and payable in twelve instalments per year, on receipt of an invoice from the Council.

All amounts stated above include Goods and Services Tax and are for the period commencing 1 July 2011 and ending 30 June 2012.

Targeted rate - Access Hamilton

A targeted rate relating to Access Hamilton set and assessed at a uniform rate per dollar of capital value (GST inclusive) 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 special reserve 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.

These targeted rates are assessed in accordance with Sections 16(3)(b) & 16(4)(a) and Schedule 2 Clause 1 of the Local Government (Rating) Act 2002.

The targeted rate will be $0.000062954 per dollar of capital value (GST inclusive). The total revenue sought for 2011/12 is $1,380,000 including (GST inclusive).

Targeted Rate - Business Improvement District (BID)

The defined area of the Business Improvement District is described in the Rating Policy of the 2009-19 LTCCP.

All rating units, or 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 2011/12 rating year is $230,000 (GST inclusive).

(a) a fixed amount of $230 (GST inclusive) per rating unit, or 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 estimated to be $0.000030850 (GST inclusive).

The targeted rate income will be transferred to the Business Association to fund the respective programmes for the 2011/12 financial year as outlined in their Business Plan.

Targeted Rate - 100% (fully) Non-rateable properties

Council rates a number of categories of non-rateable land assessed under the Local Government (Rating) Act 2002.

The properties which are 100% (fully) non-rateable (excluding water, refuse and wastewater rates) are:

- Educational Institutions
- Churches (Place of Worship)
- Community Organisations (Needs Based)
- any land which falls within Part 1 of Schedule 1 of the Local Government (Rating) Act 2002, e.g. Health Services (public hospitals and related services).

Where the land is 100% (fully) non-rateable, three targeted rates will be set and assessed on a differential basis for water supply, waste collection (refuse), and sewerage disposal (wastewater), in accordance with Sections 8, 9 & 16(3)(b) and Schedules 2 & 3 (Clauses 3, 7 & 8) of the Local Government (Rating) Act 2002.

These funding mechanisms cover the Water, Refuse and Wastewater services. The total revenue sought for 2011/12 is $960,250 (GST inclusive).

CATEGORY DEFINITIONS 100% (FULLY) NON-RATEABLE PROPERTIES

Educational Institutions

Educational Institutions are defined in Clause 6 of Part 1 of Schedule 1 of the Local Government (Rating) Act 2002.

Churches (Place of Worship)

Land and buildings that are to be used as a place of religious worship (Part 1 of Schedule 1 of the Local Government (Rating) Act 2002) not including associated rooms, halls or buildings which are used for meetings, accommodation and preparation of food. These are classified under the Community Organisations' category.

Community Organisations (Needs Based)

Community Organisations (Needs Based) (as defined in Clause 21 of Part 1 of Schedule 1 of the Local Government (Rating) Act 2002) with a not-for-profit status, existing to deliver social benefits to the community where neither government nor business is best or appropriately placed.

(Refer: A Good Practice Guide, LGNZ, January 2000, page 20).

Any land (other than Educational Institutions, Churches (Place of Worship), or Community Organisations (Needs Based)) defined within Part 1 of Schedule 1 of the Local Government (Rating) Act 2002 will be rated the same as a Community Organisation (Needs Based).

DETAILS OF TARGETED RATES

To give effect to the foregoing policies on the rating of 100% (fully) non-rateable properties, the Council will set and assess the following targeted rates:

Non-Rateable Water Targeted Rate

A targeted rate for water on all 100% (fully) non-rateable properties as follows (GST inclusive):

(a) a fixed amount of $328 per rating unit, or separately used or inhabited part of a rating unit; and

(b) a rate per dollar of land value of the property:

- Educational Institutions
- Churches (Place of Worship)
- Community Organisations (Needs Based) (and any other land defined within Part 1 of Schedule 1 of the Local Government (Rating) Act 2002)

The rate per dollar of land value required to meet the full cost of the service (after allowing for the total revenue raised by the fixed amount of $328 (GST inclusive) per property, is $0.002325 (GST inclusive).

Non-Rateable Refuse Targeted Rate

A targeted rate for refuse on all 100% (fully) non-rateable properties as follows (GST inclusive):

(a) a fixed amount of $129 (GST inclusive) per rating unit, or separately used or inhabited part of a rating unit; and

(b) a rate in cents in the dollar of land value of the property:

- Educational Institutions
- Churches (Place of Worship)
- Community Organisations (Needs Based) (and any other land defined within Part 1 of Schedule 1 of the Local Government (Rating) Act 2002)

The rate per dollar of land value required to meet the full cost of the service (after allowing for the total revenue raised by the fixed amount of $129 (GST inclusive) per property, is $0.000893 (GST inclusive).

Non-Rateable Wastewater Targeted Rate

A targeted rate for wastewater on all 100% (fully) non-rateable properties as follows (GST inclusive):

(a) a fixed amount of $370 (GST inclusive) per rating unit, or separately used or inhabited part of a rating unit; and

(b) a rate per dollar of land value of the property:

- Educational Institutions
- Churches (Place of Worship)
- Community Organisations (Needs Based) (and any other land defined within Part 1 of Schedule 1 of the Local Government (Rating) Act 2002).

The rate per dollar of land value required to meet the full cost of the wastewater services (after allowing for the total revenue raised by the fixed amount of $370 (GST inclusive) per property, is $0.002085 (GST inclusive).

Note: These targeted rates apply only to properties which are 100% (fully) non-rateable in terms of Part 1 of Schedule 1 of the Local Government (Rating) Act 2002 and only to those properties supplied with the relevant service.

To calculate each sector's proportion of the cost of each service, the total cost of the service for the relevant year is multiplied by the proportion that the total rateable value of the sector bears to the total rateable value of the City.

TARGETED RATES AND ACTIVITIES

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

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

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.

RATING OF 50% NON-RATEABLE LAND

Council rates a number of categories of non-rateable land assessed under the Local Government (Rating) Act 2002.

The properties which are 50% non-rateable (excluding water, refuse and wastewater rates if applicable) are:

- Community Organisations (Arts Based)
- Sporting and Cultural Organisations
- any land which falls within Part 2 of Schedule 1 of the Local Government (Rating) Act 2002

Where the land is 50% non-rateable as defined under Part 2 of Schedule 1 of the Local Government (Rating) Act 2002, Council will rate these properties at 50% of the residential general rate (mandatory rates) in accordance with Section 8(2) of the Local Government (Rating) Act 2002.

This funding mechanism covers all the services of Council. The total revenue sought for 2011/12 is $119,600 (GST inclusive).

TARGETED RATE - RATING OF COMMUNITY ORGANISATIONS (ARTS BASED) - 50% NON-RATEABLE

Definition

Community Organisations (Arts Based) (as defined in Clause 3 of Part 2 of Schedule 1 of the Local Government (Rating) Act 2002) with a not-for-profit status, existing to deliver social benefits to the community where neither government nor business is best or appropriately placed.

(Ref: A Good Practice Guide, LGNZ, January 2000, page 20).

Land in the category of Community Organisations (Arts Based) - 50% non-rateable will be rated at the 50% general residential rates, which is a rate per dollar of land value of $0.005579 (GST inclusive).

Unless otherwise stated, any land:

- which is entitled to a 50% rates exemption under Part 2 of Schedule 1 of the Local Government (Rating) Act 2002; but
- to which the rating policy for Community Organisations (Arts Based); and Sporting and Cultural Organisations do not apply

will be rated in accordance with the rating policy for Community Organisations (Arts Based) - 50% non-rateable.

TARGETED RATE - RATING OF SPORTING AND CULTURAL ORGANISATIONS - 50% NON-RATEABLE

Definition

An organisation whose principal object is to promote games, sports, recreation, arts or instructions, for the benefit of residents or any group or groups of residents of the district, not for private pecuniary profit in accordance with the definition provided in Part 2 of Schedule 1 of the Local Government (Rating) Act 2002. If applicable, no commercial rating apportionment will be applied to the liquor licence portion of the premises.

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 $0.005579 (GST inclusive).

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, but excluding uses of a minor or incidental nature; for example, including, but not limited to, vending and ATM machines.

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.

HORSHAM DOWNS HALL RATE

Council invoices and collects the following rate on behalf of Waikato District Council. For further information refer to their 2009-19 LTCCP. The 2011/12 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.

DUE DATE FOR PAYMENT OF RATES

The due dates for rates covering the financial period 1 July 2011 to 30 June 2012 are as follows:

INSTALMENTS				
AREA	1	2	3	4
North East	25 Aug 2011	17 Nov 2011	16 Feb 2012	17 May 2012
South East	1 Sep 2011	24 Nov 2011	23 Feb 2012	24 May 2012
North West	8 Sep 2011	1 Dec 2011	1 Mar 2012	31 May 2012
South West	15 Sep 2011	8 Dec 2011	8 Mar 2012	7 June 2012

PENALTIES

Pursuant to Section 57 and 58 of the Local Government (Rating) Act 2002:

(a) A penalty of 10% of the amount outstanding on each instalment to be added on the day after the due date.

(b) A penalty of 10% to be added under Section 58(1)(b) to the amount of any rates assessed in any previous year which remain outstanding on 1 September 2011.

(c) A penalty of 10% to be added under Section 58(1)(c) to the amount of any rates assessed in any previous year which remain outstanding on 1 March 2012.

(d) A penalty of 10% of the amount outstanding for water-by-meter rates charged under Section 19(2)(b) to be added on the day after the due date.

Note:

The amount of unpaid rates to which any penalty is added includes:

(i) Any additional charges previously added to the amount of unpaid rates under Section 132 of the Rating Powers Act 1988; and

(ii) Any penalties previously added to unpaid rates under Section 58 of the Local Government (Rating) Act 2002.

PAYMENT OPTIONS

(a) By pre-arranged automatic payment, direct debit, telephone banking or internet desktop banking - (weekly, fortnightly, monthly or quarterly). Credit card payments via internet only - convenience fee applies - www.hamilton.co.nz

(b) By post, using the prepaid envelope enclosed with this account.

(c) At any branch of the Bank of New Zealand within the Waikato.

(d) In person at the Council Municipal Building, Garden Place, Hamilton, during the hours of 8.00am-4.45pm, Monday to Friday, or Branch Library drop-off boxes. (EFTPOS debit cards accepted, not credit cards).

INSPECTION OF RATING INFORMATION DATABASE

In accordance with Section 28 of 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. The owners' names and postal addresses of the properties are available for inspection unless Council has received a request in writing withholding the owners' names or postal addresses (or both) from the database.

All requests for suppression of names and postal addresses must be sent in writing to the Revenue Manager, Hamilton City Council, Private Bag 3010, Hamilton 3240.

FUNDING RATIONALE

In selecting the rate funding mechanisms outlined in Section 3.3, the Council applied the matters in Section 101 (3) of the Local Government Act 2002 and the funding of each service of Council is further explained in the Revenue and Financing Policy (Section 2) of Volume II of the 2009-19 LTCCP.

SALE OF MUNICIPAL ENDOWMENT INVESTMENT PROPERTIES

Council holds commercial investment properties listed in the table below, which were acquired by Council with funds from the Municipal Endowment Investment Fund to provide revenue for the general purposes of the district of Hamilton City Council.

Council may dispose of any individual property listed in the table below at any time to take advantage of market conditions or commercial opportunities as and when they may arise and the proceeds shall be reinvested in the Municipal Endowment Investment Fund. Such disposals shall be effected in accordance with the relevant provisions of the Local Government Act 2002 at current market value based on independent valuation.

MUNICIPAL ENDOWMENT INVESTMENT FUND PROPERTIES

PROPERTY REF	PROPERTY ADDRESS	LEGAL DESCRIPTION	LAND AREA
21100	354 Victoria St BNZ Building	Lot 2 DPS 80554	4459m^2
21300	455 Te Rapa Rd National Bank Te Rapa	Lot 1 DPS 26345	1465m^2
21400	1 Ward St Beggs Wiseman Building	Lot 1 DPS 15240	276m^2
21600	32 Kaimiro St CI Munroe Building	Lot 1 DPS 76960	1.46ha
21700	49 Foreman Rd SCA Hygiene Building	Lot 2 DPS 88522	1.7ha
21900	378 Avalon Dr Iron Mountain Building	Lot 4 DPS 91882	7655m^2
20027	58 Masters Ave Masters Avenue Shops	Lots 11 & 12 DPS 8656	417m^2

SALE OF COUNCIL OWNED LAND

From time to time Council identifies land that no longer supports its business operations and has become surplus to requirements e.g. properties purchased for roading construction where part of the land is subsequently not required.

Where such land is identified, Council may elect to sell the surplus land with any sale proceeds applied to debt repayment or transferred to reserve.

Any surplus land sales that are deemed to be significant as per Council's Significance Policy, are subject to the requirements of that policy with regards to decision-making and public consultation.

INDICATIVE INCREASES TO RATES ON A SAMPLE OF PROPERTIES

Include Access Hamilton and BID Targeted Rates. (Excluding Targeted Rate for Non Domestic Water (i.e. water by meter charges).

INDICATIVE INCREASES TO RATES ON A SAMPLE OF PROPERTIES

BASKET OF PROPERTIES CATEGORY	LAND VALUE	CAPITAL VALUE	CURRENT YEARS RATES AT 13.75% GST (INCL ACCESS HAM & BID RATE) 2010/11	GENERAL RATE 2011/12 AT 15% GST	ACCESS HAMILTON RATE 2011/12	BID RATE 2011/12	TOTAL RATE INCL GST 2011/12	RATES INCREASE 2011/12
Residential								
Templeview	80,000	220,000	831	893	14		907	76
Fow St	115,000	175,000	1,172	1,283	11		1,294	122
Storey Ave	134,000	380,000	1,392	1,495	24		1,519	127
Caversham Drive	160,000	440,000	1,661	1,785	28		1,813	152
Wellington St	185,000	540,000	1,918	2,064	34		2,098	180
Casey Ave	205,000	550,000	2,127	2,288	35		2,323	196
Balfour Cres	315,000	675,000	3,258	3,515	42		3,557	299
Arcus St	530,000	850,000	5,457	5,914	54		5,968	511
Munro St	750,000	1,850,000	7,772	8,369	116		8,485	713
Lake Domain Dr	900,000	1,025,000	9,148	10,043	65		10,108	960
River Rd	1,300,000	2,050,000	13,397	14,507	129		14,636	1,239
Inner City Residential Apartments								
Collingwood Street	118,000	200,000	1,141	1,234	13		1,247	106
Garden Place	235,000	465,000	2,277	2,457	29		2,486	209
Industrial								
Frankton Industrial	1,200,000	2,100,000	25,292	27,508	132		27,640	2,348
Te Rapa Industrial	4,750,000	9,750,000	100,194	108,884	614		109,498	9,304
Commercial								
CBD Retail	1,175,000	10,250,000	25,832	26,935	645		27,580	1,748
Ulster Street Motel	1,300,000	3,400,000	27,469	29,800	214		30,014	2,545
Te Rapa Hotel	2,400,000	12,500,000	51,112	55,015	787		55,802	4,690
Grey Street	2,450,000	11,000,000	52,063	56,161	692		56,853	4,790
CBD Medical	3,700,000	12,150,000	78,339	84,815	765		85,580	7,241
Suburburban Commercial	10,100,000	128,000,000	219,949	231,522	8,058		239,580	19631
Commercial with BID Rate								
Victoria St (1 SUIP)	133,000	220,000	3,342	3,359	14	237	3,610	268
London Street (1 SUIP)	500,000	900,000	10,794	11,462	57	258	11,777	983
Victoria Street (10 SUIP's)	2,400,000	15,900,000	54,095	55,015	1,001	2,791	58,807	4,712
Bryce Street (64 SUIP's)	12,000,000	107,550,000	276,326	275,076	6,771	18,038	299,885	23,559
Multi Units								
Firth St - 10 units	225,000	970,000	3,333	3,577	61		3,638	305
Charlemont St - 4 units	425,000	670,000	6,221	6,757	42		6,799	578
Rural Residential								
Baverstock Rd	820,000	820,000	3,886	4,238	52		4,290	404
Horsham Downs	917,000	917,000	4,394	4,739	58		4,797	403
Gilchrist Rd	1,325,000	1,530,000	6,362	6,848	96		6,944	582
Rural Small (>0.2 and < 10 hectares)								
Weston Lea	295,000	550,000	1,041	1,100	35		1,135	94
State Highway 3	485,000	500,000	1,686	1,809	31		1,840	154
Te Kowhai Rd	840,000	1,200,000	2,941	3,132	76		3,208	267
Tramway Rd	1,800,000	1,810,000	6,254	6,712	114		6,826	572
Rural Large (>10 hectares)								
Ohaupo Rd - 23.137Ha	1,400,000	2,100,000	2,478	2,562	132		2,694	216
Te Kowhai	2,900,000	3,100,000	5,052	5,307	195		5,502	450
Te Kowhai	5,850,000	6,100,000	10,182	10,706	384		11,090	908
Peacockes Rd - 167.89Ha	9,750,000	10,570,000	16,996	17,843	665		18,508	1,512

6.0 PROPOSAL TO ESTABLISH COUNCIL CONTROLLED ORGANISATIONS
TE WHAKATUUNGA O NGA ROOPU MOTUHAKE O TE KAUNIHERA

INTRODUCTION

Through its Proposed 2011/12 Annual Plan, Council consulted on a proposal to introduce two new Council Controlled Organisations to manage swimming and indoor recreation services, and event services.

After considering the various issued raised in submissions to the proposed plan on this topic, Council authorised the Chief Executive to identify and take account of opportunities afforded by CCOs following his review and assessment of the organisation. This is to ensure that any move to introduce CCO's is fully aligned with the future direction of the organisation.

The Chief Executive will then report back to Council on the opportunities, any agreed structures and timeframes for introducing CCOs.

The following replicates the Statement of Proposal around CCO's that was contained in Section 6.0 of Council's Proposed 2011/12 Annual Plan.

It should be noted that the detail/arrangements for the two proposed CCOs outlined in the following Statement of Proposal may change as a result of the Chief Executive's review.

SUMMARY OF THE PROPOSAL

WHAT IS A COUNCIL CONTROLLED ORGANISATION (CCO)?

A Council Controlled Organisation (CCO) is an independent organisation led by a Council appointed board of directors that is accountable to Council as its shareholder.

WHAT ARE THE BENEFITS OF SETTING UP A CCO?

Placing certain activities in CCOs can provide advantages, particularly around achieving more efficient ways of delivering services to the community.

Councils are large and complex organisations with many competing objectives. Essentially, CCOs are a smaller, simpler organisation, with a dedicated focus. In contrast to councils, they are able to focus their efforts on achieving a more narrow set of business objectives.

CCOs are also a model for introducing, through board appointments, commercial disciplines and specialist expertise that may not be available within the council itself.

WHAT IS COUNCIL PROPOSING?

Council is proposing to create two new Council Controlled Organisations (CCOs) to manage swimming and indoor recreation services, and event services.

Swimming and indoor recreation services are currently provided in-house by Council's Leisure Facilities Unit. The facilities included in this CCO proposal are:

- Waterworld
- Gallagher Aquatic Centre
- The Municipal Pool
- Hamilton Leisure Centre
- Te Rapa Sportsdrome.

Event services are also currently provided in-house by Council's Event Facilities Unit. The facilities included in this CCO proposal are:

- Claudelands Events Centre
- Founders Theatre
- Meteor Theatre
- Clarence Street Theatre
- Waikato Stadium
- Seddon Park.

While the CCOs will manage operations at these facilities, ownership of all facilities will remain with Council and Council will retain responsibility for long-term asset maintenance and renewal.

Existing Council staff will transfer to the CCO so that important knowledge is retained and there is no disruption to services.

OPTIONS CONSIDERED

Alternative options were considered by Council, including the status quo option of in-house delivery and outsourced management contracts.

In both cases, Council's preferred option is to establish a CCO. The CCO model creates the opportunity for specialist governance, for high levels of transparency and accountability, as well as more flexible management practices. The CCO structure also allows for shared service opportunities throughout the wider region.

HOW WILL THE CCO'S ACTIVITIES BE CONTROLLED?

The council, in conjunction with the community, sets the objectives and is accountable to ratepayers for the performance of the CCO.

CCOs must prepare a Statement of Intent (SOI) each financial year. The CCO agrees on annual objectives and performance targets with Council and is accountable for delivering these. The CCO's performance will be audited by the Auditor General each year.

HOW WILL THE CCOs BE FUNDED?

Council currently provides rates funding support for these services and will continue to do so for both CCOs. However, a key objective of the CCOs will be to reduce the level of Council funding over time by operating as efficiently as possible.

WHEN WILL THE CCOs BE IN PLACE?

If Council makes a decision to proceed with the proposals, the new CCO for swimming and indoor recreation services is expected to be established and managing the facilities during the 2011/12 financial year. The new CCO for event services would be up and running during the 2012/13 financial year.

TELL US WHAT YOU THINK

Council is encouraging feedback on these proposals. Further details about providing feedback can be found in Section 2.0 of this document. The following 'full statements of proposal' also include contact details if you would like to discuss the proposals directly with staff.

FULL STATEMENT OF PROPOSAL

Council is proposing to create two new Council Controlled Organisations (CCOs) to manage swimming and indoor recreation services, and event services.

A CCO is an independent organisation led by a Council appointed board of directors that is accountable to Council as its shareholder.

Section 56 of the Local Government Act (LGA 2002) requires that a proposal by Council to establish a CCO must be adopted in accordance with a special consultative procedure.

This statement of proposal, prepared in accordance with the LGA 2002 requirements, includes the following information:

- Background to the proposal.
- A description of the proposal.
- Reasons for the proposal.
- Analysis of the alternative options considered, including analysis of the costs and benefits.
- The extent to which community outcomes would be promoted or achieved.

Council is seeking public feedback on this proposal prior to making a final decision on 30 June 2011.

BACKGROUND TO THE PROPOSAL

During 2010 Council undertook a detailed evaluation of alternative service delivery models for both its swimming and indoor recreation services, and event services.

The purpose of the evaluation was to assess whether improvements could be made to the way in which these services are delivered to the community.

The evaluation was undertaken in line with the following core principles of Council's Service Delivery Policy:

- That services are delivered effectively and efficiently and in a manner which meets or exceeds customer expectations.
- That Council is measuring itself against best practice, including industry benchmarking, for both in-house and alternative service delivery options.
- That growth and development of Council's workforce is focused on the critical in-house service provision, and that appropriate levels of in-house capability and capacity are preserved.
- That Council's corporate services, overhead costs and allocation of those is focused on core in-house activities and services so that in the event of alternative structures being established for service delivery the possibility of stranded overhead costs is minimised.
- That a framework exists to enable management to present options for optimising service delivery.
- That alternative methods of delivery of Council services are given appropriate consideration.

The evaluation concluded that significant benefits could be obtained by delivering both swimming and indoor recreation services and event services through a CCO structure rather than the current in-house service delivery model.

THE PROPOSAL

Council proposes that two new CCOs be established to undertake the management of swimming and indoor recreation services, and event services.

The proposed CCOs will be companies that are 100% owned by Council and with Council appointing all directors to the company board. Ensuring a strong governance and accountability framework, Council and the proposed CCO will comply with all requirements outlined in Part 5 of the LGA 2002 as follows:

- Appointment of directors who have the necessary skills, knowledge and experience to guide the company and contribute to the achievement of its objectives;
- All decisions of the company must be made by the company's board of directors in accordance with its constitution and a Statement of Intent (SOI) approved by the Council;
- The board of directors must prepare, adopt and adhere to an annual SOI that is approved by the Council;
- The Council will be required to regularly undertake performance monitoring of the company;
- The company must provide annual and half yearly reports to the Council;
- The Auditor General will be the auditor of the company.

The implementation of the proposal comprises the following principles and actions:

- Ownership of all built assets utilised by the services outlined in this proposal will be retained by Council along with the ongoing responsibility for asset management, maintenance and renewals. The facilities included in this proposal are:

  Swimming and Indoor Recreation Facilities:

  - Waterworld
  - Gallagher Aquatic Centre
  - The Municipal Pool
  - Hamilton Leisure Centre
  - Te Rapa Sportsdrome.

  Event Facilities:

  - Claudelands Events Centre
  - Founders Theatre
  - Meteor Theatre
  - Clarence Street Theatre
  - Waikato Stadium
  - Seddon Park.

- Following community consultation, if the proposal is approved, a transition working group will be appointed to oversee the transition of the management of services from an in-house service delivery model to a new CCO.
- The SOI and management contracts will be agreed between Council and the new CCO, outlining the respective responsibilities of each, taking into account operational management and maintenance of associated assets. The SOI and management contracts will be where Council specifies required service level standards, pricing and other related performance criteria.

REASONS FOR THE PROPOSAL

The evaluation of alternative service delivery models concluded that there are considerable advantages to transferring the delivery of swimming and indoor recreation services and events services to CCOs.

Benefits gained include significant financial improvements; increased efficiency in management of risks and opportunities; enhanced agility and responsiveness; and a strong basis for accountability, transparency and delivery of community outcomes.

In contrast to many other councils across the local government sector, Hamilton City Council has shown a strong bias toward the use of in-house structures in the delivery of services. CCOs are used by Auckland, Christchurch, Tauranga, Wellington and other local authorities to deliver a range of similar services with considerable success.

Swimming and indoor recreation services and event services are supported by significant capital assets with net book values of around $29.5 million and $164 million respectively. Associated with these large capital investments are significant operating budgets and a significant rates funded subsidy.

These large operating budgets represent both opportunity and risk for Council. The opportunity is to manage expenditures and revenues as efficiently as possible to ensure that the rates funding support required by these services is minimised. Risk arises where operating efficiencies are not being realised, leading to an over reliance on rates funding to support these activities.

The proposed CCO structure offers a number of benefits when it is compared to the in-house service delivery model, particularly in the areas of governance, transparency and accountability. The proposed CCO structure would result in the appointment of a board of directors able to focus solely on achieving the objectives of the CCO as agreed with Council. This is in contrast with the current in-house model wherein the governance focus able to be applied to these same activities is often diluted by the competing demands of a wide range of Council services. The directors of the CCOs will be appointed based on their ability to provide governance, industry and commercial expertise

Council is a large and multi-faceted organisation required to operate across a diverse range of services delivering to an equally diverse range of community needs. Achieving high levels of transparency and accountability within specific services can be a significant challenge in this structure.

The CCO structure provides a ring-fence around the financial outcomes of a particular service. When coupled with clear reporting requirements, this creates very high levels of transparency around both the financial and non-financial outcomes.

ANALYSIS OF OPTIONS

Council considered the following three options for the delivery of swimming and indoor recreation services:

- Retain the status quo.
- Establish a new CCO.
- Deliver services through an outsourced management contract.

The following two options were considered for the delivery of event services.

- Retain the status quo.
- Establish a new CCO.

The preferred option in both cases is to establish a CCO.

Benefits and Costs

In analysing each option, Council is required to consider the benefits and costs of each option in terms of the present and future social, economic, environmental and cultural well-being of the city.

The main benefits and disadvantages/costs of each option are summarised in the following table.

OPTIONS: BENEFITS AND DISADVANTAGES/COSTS	
BENEFITS	**DISADVANTAGES/COSTS**
Status Quo:	
• Council retains full governance and strategic control of services.	• Ongoing high administrative costs. • Limited agility in decision-making. • Lack of specific and focused expertise at governance level.
Establishment of a CCO:	
• Council retains control over governance and strategic direction. • Opportunities are provided to reduce costs associated with in-house administrative functions. • Strong accountability and transparency mechanisms, including an annual Statement of Intent and regular financial reporting. • High levels of industry knowledge and expertise available from directors. • Enhanced levels of commercial discipline. • Ability to easily wind up a CCO if warranted and return to in-house delivery.	• Additional cost of governance and audit (however, these costs are projected to be easily absorbed and more than offset by potential cost savings).
Outsourced Management Contract: **(Only Considered for Swimming and Indoor Recreation Services)**	
• Potential for the transfer of risk (of business operations) from Council to the contractor. (However, the evasion of risk is not guaranteed if the contractor defaults on the contract, as the risk defaults back to Council). • Establishment of a contract and tendering for a contractor is a process that Council is familiar with.	• Reduced level of control over the strategic direction and operation of services, thereby limiting accountability to the community. • Contractor will have the intent of delivering a profit and return for shareholders, as opposed to reducing the management fee.

The CCO option is considered the most effective option for delivering swimming and indoor recreation and event services, for the reasons outlined earlier in this proposal.

The CCO option strikes an appropriate balance between allowing for more efficient and flexible ways of delivering services to the community, and ensuring that Council retains sufficient control to ensure that community expectations are still met.

Pricing Considerations

The evaluation of service delivery options has been undertaken on the principle that most of Council's current policy settings regarding the pricing of various services would remain in place under the proposed CCO structure.

For example, pool admission charges will remain controlled by Council and price movements would generally reflect normal inflationary cost pressures only.

Similarly, those community groups currently benefitting from Council's community grant scheme to assist with affordable access to Theatre venues would continue to receive these benefits.

However, the evaluation has also investigated opportunities for enhanced financial outcomes such as the opportunity to develop a more focussed pricing policy in conjunction with the Council.

Statutory Responsibilities

As required by the LGA 2002, Council has also considered the possible impact of each option on its capacity to meet any of its present and future needs in relation to its statutory responsibilities.

None of the options considered would impact on Council's ability to meet present and future needs in relation to its statutory responsibilities.

COMMUNITY OUTCOMES

Council must also have regard to the extent to which the community outcomes described in its 2009-19 Long-term Council Community Plan (LTCCP) would be promoted or achieved by each option.

The LTCCP groups Council's activities into ten groups, and identifies the primary contribution that each activity group makes to Hamilton's Community Outcomes.

Swimming and indoor recreation services are included as part of Council's Recreation Activity Group. This activity group primarily contributes to the 'Healthy and Happy' Community Outcome. Swimming and indoor recreation services primarily contribute to the following community outcome goals:

Healthy and Happy Community Outcome

"Active and healthy people with access to affordable facilities and services"

Hamilton people want a city that:

- Provides opportunities for people of all ages and abilities to participate in sport and leisure activities that meet their diverse needs.
- Provides affordable, responsive and accessible activities and health care for people of all ages and abilities.
- Is an ideal place for family and whanau, with lots of activities and places for tamariki and rangatahi to enjoy.

Event services are included as part of Council's Event and Cultural Venues Activity Group. This activity group primarily contributes to the 'Vibrant and Creative' and 'Intelligent and Progressive' Community Outcomes. Event services primarily contribute to the following community outcome goals:

Vibrant and Creative Community Outcome

"A city that encourages creativity for a vibrant lifestyle"

Hamilton people want a city that:

- Is recognised for its wide range of events, activities, attractions and entertainment for everyone, including iconic events.
- Has a vibrant arts and music scene and supports and celebrates its artists, festivals and facilities.

Intelligent and Progressive City Community Outcome

"Business growth that is in harmony with the city's identity and community spirit"

Hamilton people want a city that:

- Is progressive and cosmopolitan, creating an environment for business success.
- Attracts and retains people and investment and grows great ideas.

It is considered that the establishment of CCOs to manage swimming and indoor recreation services and event services will enable increased utilisation of facilities and significant enhancement of services and will continue to contribute to the desired community outcomes.

In addition, Council understands that the provision of sport, recreation and leisure activities is also provided for across a wide variety of organisations and communities, and therefore acknowledges the need to work collaboratively with key partners, such as sporting codes, to achieve the objectives of these activities.

7.0 AMENDMENTS TO THE 2009-19 LTCCP
NGAA WHAKATIKATIKA O TE MAAHERE 2009-19 LTCCP

AUDIT NOTE

The following 2011/12 Amendments to Council's 2009-19 LTCCP are an update of the existing 2009-19 LTCCP. These Amendments should be read in conjunction with the 2009-19 LTCCP.

The original Audit opinion on Council's 2009-19 LTCCP and the supporting Audit Statement for the 2011/12 Amendments can be found in Volume 1 of the web version of the 2009-19 LTCCP at www.hamilton.co.nz/ltccp

OVERVIEW OF THE NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY SCHEME

Due to the similar nature of local authorities and the large sector borrowing requirements, a number of local authorities are proposing to participate in a funding scheme specifically for local authorities. The design of this scheme is based on a number of similar schemes that have operated successfully in other countries for many years.

The funding scheme proposed will be a Council Controlled Trading Organisation called the New Zealand Local Government Funding Agency (LGFA).

A Bill enabling the establishment of the LGFA has been introduced to Parliament and is anticipated to be enacted by September 2011. The LGFA will operate as a large-scale borrower which will then re-lend to councils, enabling a co-operative approach to borrowing and has the potential to save local authorities around $25 million a year.

It is expected that the LGFA will achieve lower interest rates and have better liquidity due to the agency's structure and because it will amalgamate the borrowing demands of many councils. To help with the establishment of the agency the Government has already allocated $5 million for investment. A further $20 million of establishment capital will be sourced from councils. All nine councils who have funded the development of the LGFA (including Hamilton City Council) have voted to include LGFA shareholding in their 2011/12 Annual Plan.

For the agency to be successful some legislative and regulatory issues need to be settled and there needs to be support from councils. By achieving these two things the agency will be in a strong position to achieve a high credit rating.

Council signalled its intent to participate in the LGFA in Section 7.0 of the Proposed 2011/12 Annual Plan. Through the public submission process, Council has resolved to participate in the LGFA as a Principal Shareholding Local Authority. It also decided that the Chief Executive will report back to Council on the final proposal and on the final participation arrangements in the LGFA.

PARTICIPATION IN THE LGFA SCHEME

Council has evaluated a number of options to assess the pros and cons of participating in the scheme. Based on this evaluation, Council has decided that the best option is full participation in the scheme as a Principal Shareholder.

In selecting this option, Council has considered the benefits alongside the costs and risks that are associated with becoming a principal shareholder.

The full Statement of Proposal and associated documentation that follows is replicated from that consulted on with the community through Council's Proposed 2011/12 Annual Plan.

It contains a detailed explanation of these benefits, costs and risks. In summary the benefits are represented by significant interest cost savings and the costs and risks arise from the requirement to become a shareholder in the scheme as well as enter into guarantee arrangements in favour of other participating councils and the LGFA itself. Council's evaluation has concluded that the benefits are significant and that the costs and risks are reasonable.

Council is aware that for the LGFA to be successful it requires a high level of support from other councils. If this is not forthcoming to the level required, Council may choose not to proceed with this proposal.

AMENDMENTS TO COUNCIL POLICIES

In order for Council to participate in the LGFA Scheme as a Principal Shareholder, Council has amended its Investment and Liability Management Policies.

The Investment Policy has been amended to make it clear that Council's investment activity includes participating as a Principal Shareholder in the LGFA Scheme (refer Appendix 1 for amended wording).

The Liability Management Policy has been amended to make it clear that Council may participate in the LGFA Scheme, including borrowing from the LGFA and entering into the necessary related contracts (refer Appendix 2 for amended wording).

Note: While both these appendices show the wording as proposed, the wording was adopted unchanged by Council on 30 June 2011.

FULL STATEMENT OF PROPOSAL

INTRODUCTION

The Council is considering participating as a "Principal Shareholding Local Authority" in the New Zealand Local Government Funding Agency Limited (LGFA), which will be a council-controlled trading organisation (CCTO).

The LGFA is being established by a group of local authorities and the Crown to enable local authorities to borrow at lower interest margins than would otherwise be available. The LGFA will be recognised in legislation, which will modify the effect of some statutory provisions.

All local authorities will be able to borrow from the LGFA, but different benefits apply depending on the level of participation. Generally all local authorities borrowing from LGFA will be required to have some shareholding and enter into guarantees in favour of LGFA and other local authorities. This is certainly the case for Principal Shareholding Local Authorities. The exceptions will apply to some local authorities with much lower levels of borrowing, but those local authorities will only be able to borrow a limited amount, and will be required to pay higher funding costs.

Principal Shareholding Local Authorities will be required to invest capital in the LGFA, but are expected to receive a return on that capital. The Principal Shareholding Local Authorities will be required to meet a certain proportion of their borrowing needs through the LGFA Scheme for an initial period.

The Information Memorandum, describing the arrangements in detail, forms part of this proposal. A number of terms which are used in this proposal are defined in that Information Memorandum.

STATUTORY CONSIDERATIONS

Section 56 of the Local Government Act 2002 (LGA 2002) provides that a proposal to establish a council-controlled organisation (CCO) (which includes a CCTO) must be adopted by special consultative procedure before a local authority may establish or become a shareholder in the CCO.

Section 102(6) of the LGA 2002 requires any amendment to a liability management policy or investment policy to be by way of an amendment to the Long Term Plan (LTP).

Both of these provisions are relevant in the present case. The Council's involvement in the LGFA as a Principal Shareholding Local Authority is not provided for in the Investment Policy, and specifics of the debt raising arrangements with the LGFA go beyond what is currently provided in the Liability Management Policy (particularly the guarantee commitments). It is therefore appropriate to amend these policies (by amending the LTP) using the same special consultation procedure required to comply with section 56. (Section 83A of the LGA 2002 expressly authorises combined special consultative procedures.)

REASONS FOR PROPOSAL

The Council is proposing participating in the LGFA Scheme because it believes that it will enable it to borrow at lower interest margins, and that this benefit outweighs the costs and risks associated with the LGFA Scheme. A discussion of these costs and benefits is included as Part C of the Information Memorandum.

The Council is proposing that its participation be as a Principal Shareholding Local Authority for two reasons:

(a) As discussed in the Information Memorandum (in Part C), a return will be paid on the capital investment made by Principal Shareholding Local Authorities.

(b) A certain amount of capital (expected to be around $20,000,000) will need to be invested by local authorities for the LGFA Scheme to be viable. As a Principal Shareholding Local Authority, the Council will be contributing some of this amount, which increases the chance that the LGFA Scheme will be viable, and the Council will be able to gain the benefits of participating in it. The Council understands that eight other local authorities are currently considering participating in the LGFA Scheme as Principal Shareholding Local Authorities.

The Council is consulting on this proposal for the reasons set out above under "Statutory Considerations".

ANALYSIS OF REASONABLY PRACTICABLE OPTIONS

The reasonably practicable options are as follows:

(a) Participate in the LGFA Scheme as a Principal Shareholding Local Authority.

(b) Participate in the LGFA Scheme as a Guaranteeing Local Authority, but not a Principal Shareholding Local Authority.

(c) Participate in the LGFA Scheme, but not as a Principal Shareholding Local Authority or as a Guaranteeing Local Authority.

(d) Not participate in the LGFA Scheme.

Part C of the Information Memorandum sets out an analysis of the costs and benefits of participating in the LGFA Scheme. That analysis is supplemented by some consideration of the Council's specific circumstances below.

Should the Council participate in the LGFA Scheme as a borrower?

The level of the Council's borrowing was $311million as at 30 June 2010.[1] This is projected to grow to $612million by 30 June 2019.[2] Consequently, the benefits of lower interest margins are significant. On the basis of the modelling done by Cameron Partners and Asia Pacific Risk Management to date, the Council anticipates saving approximately $40,000 per $10 million of debt, per annum. This is $1.2million per annum based on the level of borrowing as at 30 June 2010, and those savings are projected to rise to $2.4million by 30 June 2019 based on the projected increase in Council debt. Although the modelling is based on a number of assumptions, this number gives an indication of the scale of potential

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1 Total external borrowing as at 30 June 2010

2 Total forecast external borrowing as at 30 June 2019 as disclosed in Council's 2009/19 LTCCP

savings. The Council believes that the benefit of these savings outweigh the costs referred to in the cost/benefit analysis in Part C of the Information Memorandum.

Consequently, the Council proposes that option (d) is not adopted.

Should the Council participate in the LGFA Scheme without being a Guaranteeing Local Authority?

If the Council was to join the LGFA Scheme without being a Guaranteeing Local Authority, the cost of participating would be less. However, it would face higher funding costs, reducing the benefit of participating, and it is likely that it would only be able to borrow up to $20,000,000, meaning the benefits would be limited to a small portion of its borrowing.

Consequently, the Council is proposing to participate as a Guaranteeing Local Authority, and therefore proposes that option (c) is not adopted.

Should the Council participate in the LGFA Scheme as a Principal Shareholding Local Authority?

The Council believes that investing in the LGFA Scheme as a Principal Shareholding Local Authority is justified here for the two reasons set out above. That is:

(a) As discussed in the Information Memorandum (in Part C), a return will be paid on the capital investment made by Principal Shareholding Local Authorities.

(b) If the Council participates as a Principal Shareholding Local Authority, that increases the chance that the LGFA Scheme will be viable, and that the Council will be able to gain the benefits of participating in it.

Consequently, the Council is proposing that option (a) be adopted.

What is the risk of the Council participating in the LGFA Scheme as a Principal Shareholding Local Authority as a result of the guarantee?

The Council is intending to provide a guarantee in support of the LGFA and to all participating Local Authorities. Council has considered the risks associated with the guarantee and consider it to be low because:

- The only borrowers from LGFA will be Local Authorities and there has been no default by a Local Authority in New Zealand. In the event of a default, the LGFA will immediately be able to appoint a receiver and assess a special rate against all ratepayers in the defaulting Local Authority's district.
- The LGFA will have considerable sources of capital and liquidity available to meet any shortfall in timing of payments before any call is made under the guarantee.
- Operational risk is minimal due to the conservative borrowing and lending policies proposed as part of the LGFA scheme. Furthermore, it is proposed that all borrowing, investing, back office and hedging functions will be undertaken on behalf of LGFA by the Debt Management Office of the New Zealand Treasury.

Why can we not quantify the guarantee exposure?

Council cannot quantify the guarantee exposure at this time because it depends upon the size of the LGFA, the lending profile and the operating structure. This information is not available until such time that the LGFA is established and these factors are more certain. At inception of the LGFA, Council will assess its exposure to the guarantee and review the exposure on an annual basis. This exposure may have to be included in the annual financial statements.

PARTS OF INVESTMENT POLICY AND LIABILITY MANAGEMENT POLICY TO BE AMENDED

The Council proposes that sections be added to the end of each of its Investment Policy and Liability Management Policy. The suggested additions are attached as Appendices 1 and 2, and form part of this proposal.

INVESTMENT POLICY

The Investment Policy will be amended to make it clear that the Council's investment activity includes participating as a Principal Shareholder in LGFA.

There will be a direct return on this investment, but it is acknowledged that this may be less than might be achieved by alternative investments. There is an additional benefit to the Council in that the Council's investment of capital makes it more likely that the LGFA Scheme, which will deliver benefits to the Council, will become viable.

The primary objective for Council's interest in LGFA is to lower the Council's cost of borrowing.

There are no consequential changes to any other provisions in the LTP, though there is a related change to the Liability Management Policy discussed below.

LIABILITY MANAGEMENT POLICY

The Liability Management Policy will be amended to make it clear that the Council may participate in the LGFA Scheme, including borrowing from the LGFA and entering into the transactions relating to that borrowing described in paragraph 63 of the Information Memorandum.

The primary objective of these changes is to allow borrowing by the Council at lower interest margins than it currently faces.

APPENDIX 1 — PROPOSED INVESTMENT POLICY WORDING

The following wording would be added at the end of the current Investment Policy:

"NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED INVESTMENT

Despite anything earlier in this Investment Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (**LGFA**), and may borrow to fund that investment.

The Council's objective in making any such investment will be to:

(a) obtain a return on the investment; and

(b) ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA."

APPENDIX 2 — PROPOSED LIABILITY MANAGEMENT POLICY WORDING

The following wording would be added at the end of the current Liability Management Policy:

"NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED INVESTMENT

Despite anything earlier in this Liability Management Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (**LGFA**) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

(a) contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;

(b) provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;

(c) commit to contributing additional equity (or subordinated debt) to the LGFA if required;

(d) subscribe for shares and uncalled capital in the LGFA; and

(e) secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue."

INFORMATION MEMORANDUM

PART A — INTRODUCTION AND PURPOSE

Purpose of Information Memorandum

1. This Information Memorandum provides a description of a proposed funding structure for local authorities (LGFA Scheme), which is designed to enable participating local authorities (Participating Local Authorities) to borrow at lower interest margins than they would otherwise pay.

2. The purpose of this Information Memorandum is to provide information to supplement any consultation materials prepared by local authorities consulting on whether to participate in the LGFA Scheme.

3. This Information Memorandum is divided into three parts:

    a. This Part A (Introduction and Purpose), which sets out the purpose of the Information Memorandum and provides some background on the purpose of, and rationale for, the LGFA Scheme.

    b. Part B (How the LGFA Scheme Works), which sets out the characteristics of the LGFA Scheme, and the transactions that Participating Local Authorities will be entering into as part of their participation in the LGFA Scheme.

    c. Part C (Local Authority Costs and Benefits), which sets out the costs and benefits to individual local authorities of participating in the LGFA Scheme.

Origin of the LGFA Scheme

4. The LGFA Scheme has been developed by a group of New Zealand local authorities and central government over the last 18 months. That development has involved:

    a. undertaking a detailed review and analysis of:

        I. the current borrowing environment in which New Zealand local authorities borrow; and

        II. centralised local authority debt vehicle structures that have been developed offshore to successfully lower the cost of local authority borrowing;

    b. using this review and analysis to develop a funding structure (the LGFA Scheme), which is anticipated to deliver significant benefits to New Zealand local authorities;

    c. confirming with rating agencies that the proposed LGFA Scheme can achieve a high enough credit rating to deliver the anticipated benefits;

    d. obtaining formal central government support to facilitate establishment of the LGFA Scheme.

Rationale for LGFA Scheme

New Zealand Local Authority debt market

5. New Zealand local authorities face a number of debt related issues.

6. First, local authorities have significant existing and forecast debt requirements. Current long-term council community plans indicate that local authority debt will double over the next five years to over $9 billion.

7. Secondly, pricing, length of funding term and other terms and conditions vary considerably across the sector and are less than optimal. This is due to:

    a. Limited debt sources — Local authorities' debt funding options are limited to the banks, private placements and wholesale bonds (issuance to wholesale investors), and, to a lesser extent, retail bonds. Increasing local authority sector funding requirements and domestic funding capacity constraints are likely to further negatively impact pricing, terms and conditions and flexibility of local authority sector debt.

    b. Fragmented sector — There are 78 local authorities. Individually, a significant proportion of these local authorities lack scale - the 10 largest account for ~68% of total sector borrowings with average borrowings of ~$470 million and the remaining 68 have average debt of ~$33million.

    c. Regulatory restrictions - Offshore (foreign currency) capital markets are closed to local authorities and the compliance process for local authority retail bond issuance is burdensome and generally restricts issuance to a six month window.

Addressing the local authority debt issues

8. Each of these issues needs to be addressed to rectify this situation. This is not likely to happen without an intervention like the LGFA Scheme for the following reasons:

    a. The New Zealand debt markets (at least in the foreseeable future) are likely to maintain the status quo.

    b. Individually, local authorities will not be able to attain significant scale (except organically in the long-term).

    c. At a sector level it may be possible to address the issue regarding regulation, but regulators are likely to remain reluctant to significantly ease restrictions on financial management across the sector without gaining significant comfort as to the sophistication of the financial management of all local authorities. Even if this issue was addressed by regulators, this change alone would be insufficient to provide a major step change.

9. The LGFA Scheme has been developed because of the homogenous nature of local authorities; the large sector borrowing requirements and the high credit

quality / strong security position (ie charge over rates) of local authorities, creates the opportunity for a centralised local authority debt vehicle to generate significant benefits.

10. There are numerous precedents globally of successful vehicles which pool local authority debt and fund themselves through issuing their own financial instruments to investors. Such vehicles achieve success through:
    a. "Credit rating arbitrage" — Attaining a credit rating higher than that of the individual underlying assets (local authority borrowers) and therefore being able to borrow at lower margins.
    b. "Economies of scale" — By pooling debt the vehicles can access a wider range of debt sources and spread fixed operating costs, thereby reducing the $ cost per $ of debt raised.
    c. "Regulatory arbitrage" — The vehicles can receive different regulatory treatment than the underlying local authorities, improving their ability to efficiently raise debt eg through access to offshore foreign currency debt markets.
11. The offshore precedents are typically owned by the local authorities in the relevant jurisdiction (often with central government involvement), and that is what is proposed here through the LGFA Scheme.

PART B — HOW THE LGFA SCHEME WORKS

Basic structure of the LGFA Scheme

12. The basic structure of the LGFA Scheme is that a company is established which will borrow funds and lend them on to local authorities at lower interest margins than those local authorities would pay to other lenders. For a number of reasons discussed below, it is expected that the company will be able to borrow at low enough interest margins to be able to do this.

New Zealand Local Government Funding Agency Limited

13. The company which will be lending to local authorities under the LGFA Scheme has not yet been established, but it is expected to be called the New Zealand Local Government Funding Agency Limited (LGFA). It will be a limited liability company, and its shares will be held entirely by central government and by local authorities.
14. At this stage the exact percentage of shares that will be held by central government has not been finalised, but it will be less than or equal to 20%, meaning more than 80% or more of the shares will be held by local authorities. Consequently, the LGFA will be a council-controlled organisation. Further, it is intended that the LGFA turn a small profit, at least in the medium to long term, so it will be a council-controlled trading organisation.
15. The LGFA will be established solely for the purposes of the LGFA Scheme, and its activities will be limited to performing its function under the LGFA Scheme.
16. It is anticipated that a small number of local authorities (Principal Shareholding Local Authorities) will hold most, if not all, of those shares that are not held by central government. The Principal Shareholding Local Authorities will contribute capital and, as compensation for their capital contribution, will receive a pre-determined return on this capital. However, the over-arching objective is that the benefits of the LGFA Scheme are passed to local authorities as lower borrowing margins, rather than being passed to shareholders as maximised profits.
17. As discussed below, it is possible that the local authorities outside the Principal Shareholding Local Authority group will hold some shares in the LGFA as well, but this aspect of the LGFA Scheme has not yet been finalised.

Design to minimise default risk

18. One of the things which is critical to the LGFA Scheme delivering its anticipated benefits is the achievement of a high credit rating for the LGFA (to achieve the credit rating arbitrage referred to in paragraph a. Consequently there are a number of features of the LGFA Scheme which are included to provide the protections for creditors which rating agencies require before agreeing to a high credit rating. These features are described in paragraphs 19 to 54 below.
19. Before agreeing to a high credit rating, rating agencies will consider the risks of both short term and long term default. Short term default is where a payment obligation is not met on time. Long term default is where a payment obligation is never met. In many cases short term default will inevitably translate into long term default, but this is not always the case — a short term default may be caused by a temporary liquidity problem (ie a temporary shortage of readily available cash).

Features of the LGFA Scheme designed to reduce short term default risk

20. When a local authority borrows, the risk of short term default, although low, is probably significantly higher than its risk of long term default. In the long term it can assess and collect sufficient rates revenue to cover almost any shortfall, but such revenue cannot be collected quickly. Consequently, there is a risk that inadequate liability and revenue management could lead to temporary liquidity problems and short term default.
21. The principal asset of the LGFA will be local authority debt, so such temporary liquidity risks are effectively passed on to the LGFA. Consequently, the rating agencies will look for safeguards to ensure that liquidity problems of a Participating Local Authority will not lead to a default by the LGFA.
22. There are two principal safeguards that the LGFA will put in place to manage short term default (liquidity) risk:

a. It will hold a certain amount of cash and other liquid investments (investments which can be quickly turned into cash).

b. It will have a borrowing facility with central government which allows it to borrow funds from central government if required.

23. It is expected that these safeguards will sufficiently reduce any short term default risk.

Features of the LGFA Scheme designed to reduce long term default risk

24. There are a number of safeguards that the LGFA will put in place to manage long term default risk, the most important of which are set out below:

a. The LGFA will require all local authorities that borrow from it to secure that borrowing with a charge over that local authority's rates and rates revenue (Rates Charge).

b. The LGFA will maintain a minimum capital adequacy ratio (or have some equivalent capital adequacy safeguard).

c. The Principal Shareholding Local Authorities will be required to subscribe for uncalled capital in an equal amount to their paid up equity contribution.

d. The LGFA will require most, or possibly all, Participating Local Authorities (Guaranteeing Local Authorities) to guarantee the obligations of all other Guaranteeing Local Authorities and the obligations of the LGFA.

e. The Guaranteeing Local Authorities will commit to contributing additional equity to the LGFA if there an imminent risk that the LGFA will default.

f. The LGFA will hedge any exposure to interest rate and foreign currency fluctuations to ensure that such fluctuations do not significantly affect its ability to meet its payment obligations.

g. The LGFA will put in place risk management policies in relation to its borrowing and lending designed to minimise its risk. For example, it will impose limits on the percentage of lending which is made to any one local authority to ensure that its credit risk is suitably diversified.

h. The LGFA will ensure that its operations are run in a way which minimises operational risk. It will do this from commencement of operations by outsourcing its operations to the New Zealand Debt Management Office (NZDMO) (which is a part of The Treasury). NZDMO manages the capital raising for central government, and has robust processes in place to manage operational risk. It is possible that at some point the operations function will be moved from NZDMO, but this will not be done unless the LGFA is satisfied that it has alternative robust processes in place.

25. Additional detail in relation to the features referred to in paragraphs a to e is set out below.

Rates Charge

26. All local authorities borrowing from the LGFA will be required to secure that borrowing with a Rates Charge. Many but not all, local authorities have a Rates Charge in place already.

27. This is a powerful form of security for the LGFA, because it means that, if the relevant local authority defaults, a receiver appointed by the LGFA can assess and collect sufficient rates in the relevant district or region to recover the defaulted payments. Consequently, it significantly reduces the risk of long term default by a local authority borrower.

28. From a local authority's point of view it is also advantageous, because, so long as the local authority does not default, it is entitled to conduct its affairs without any interference or restriction. This contrasts with most security arrangements, which involve restrictions being imposed on a borrower's use of its own assets by the relevant lender.

Minimum capital

29. One important safeguard against long-term default for the LGFA will be having a minimum capital adequacy ratio (a ratio which measures the relative amounts of equity and debt-based assets which an entity has). This ratio is important, because it provides an indication of the ability of the LGFA to ultimately repay all of its debts despite local authorities that have borrowed from it defaulting or some other loss occurring.

30. The minimum capital adequacy ratio requirement is likely to be that the equity of the LGFA is an amount equal to at least 1.6% of its total assets.

Sources of equity for capital adequacy purposes

31. The equity held by the LGFA to ensure that it meets its minimum capital adequacy ratio requirement will come from two sources. First, central government and the Principal Shareholding Local Authorities will contribute initial equity as the issue price of their initial shareholdings. Secondly, it is anticipated that each Participating Local Authority will, at the time that it borrows from the LGFA, contribute some of that borrowing back as equity.

32. The way the second source of equity will work is that, whenever a Participating Local Authority borrows, it will not receive the full amount of the borrowing in cash. Instead, a small percentage of the borrowed amount will remain with the LGFA as equity. That percentage is expected to be 1.6% of the amount borrowed.

33. The equity contributed in this way will be repaid when the borrowing is repaid, so, in effect, the amount which must be repaid will equal the cash amount actually advanced.

34. The equity will be contributed by subscribing for "Borrower Notes". It is likely, though not yet finally decided, that these Borrower Notes will be redeemable preference shares in the LGFA.

35. To illustrate with an example, if a local authority borrowed $1,000,000 for five years from the LGFA, it would receive $984,000 in cash and $16,000 of Borrower Notes (likely to be redeemable preference shares in the LGFA). At the end of the five years, it would repay $1,000,000, but would simultaneously redeem its Borrower Notes for $16,000, meaning its net repayment was equal to the $984,000 it initially received in cash.

36. A return will be paid on the Borrower Notes, which will be in the form of a dividend if they are redeemable preference shares. The exact amount of that return is not yet finally decided, but is likely to be equal to the cost of funds of the LGFA. While it is anticipated that this return will be paid, it will be paid at the discretion of the LGFA. It is likely that this return will be capitalised and paid at maturity.

37. There is some additional risk to Participating Local Authorities from this arrangement, because redemption of the Borrower Notes will only occur if the LGFA is able to pay its other debts. For example, if at the end of five years, the LGFA was insolvent, the local authority would have to repay $1,000,000, but would not receive its $16,000 back for redeeming its Borrower Notes.

Uncalled capital

38. Each Principal Shareholding Local Authority will be required to subscribe for uncalled capital which is equal in amount to its paid up equity contribution (Uncalled Capital).

39. It is anticipated that the Uncalled Capital will only be able to be called by the LGFA if it determines that there is a risk of imminent default if the call is not made. However, such a call is likely to be made before the Guarantee or additional equity commitment described below are utilised.

Guarantee

40. Most, if not all, Participating Local Authorities will be required to enter into a guarantee when they join the LGFA Scheme (Guarantee). Under the Guarantee the Guaranteeing Local Authorities guarantee the payment obligations of other Guaranteeing Local Authorities to the LGFA (Cross Guarantee), and guarantee the payment obligations of the LGFA itself (LGFA Guarantee).

41. The purpose of the Guarantee is to provide additional comfort to lenders (and therefore credit rating agencies) that there will be no long term default, though it may also be used to cover a short term default if there is a default which cannot be covered using the protections described in paragraphs 20 to 23 above, but which will ultimately be fully covered using the rates charge described in paragraphs 26 to 28. The Guarantee allows the LGFA to draw upon the resource of all Guaranteeing Local Authorities to avoid defaults.

Risk from Cross Guarantee

42. There are five factors which mitigate the risk to Guaranteeing Local Authorities under the Cross Guarantee:

    a. The risk only materialises if another Participating Local Authority defaults on its debt obligations. It is believed that no such default has ever occurred, which suggests that the risk of a local authority default is very low.

    b. If a Participating Local Authority defaults, but it is because of temporary liquidity problems only, the safeguards in place to cover temporary liquidity shortages may be sufficient for the LGFA never to have to call upon the Cross Guarantee. The detail of when the LGFA will be able to call upon the Cross Guarantee is not yet finalised, but it is likely that it will be restricted to situations in which there is a risk of an imminent default by the LGFA.

    c. It is anticipated that the Guarantee will only be called if a call on the Uncalled Capital does not generate sufficient funds to eliminate the risk of an imminent default by the LGFA.

    d. If a Participating Local Authority defaults, the burden will be shared by all Guaranteeing Local Authorities.

    e. If a Participating Local Authority defaults, the LGFA will exercise its rights under the Rates Charge to recover the payments defaulted on. The funds recovered through that exercise of rights will be passed on to the local authorities who have made payment under the Cross Guarantee, so those local authorities should, in the long term, be reimbursed for a significant portion, if not all, of the amount they have paid under the Cross Guarantee. The statutory processes involved in exercising these rights suggest that funds will be able to be recovered within 18 months of default.

LGFA Guarantee

43. The LGFA Guarantee will only ever be called if the LGFA defaults. Consequently, a call on the LGFA Guarantee will only occur if the numerous safeguards put in place to prevent an LGFA default fail. This is highly unlikely to happen.

44. If any such default did occur, and the Guaranteeing Local Authorities were called on under the LGFA Guarantee they could potentially be called on to cover any payment obligation of the LGFA. Such payment obligations may (without limitation) include obligations under the following transactions:

    a. A failure by the LGFA to pay its principal lenders.

    b. A failure by the LGFA to repay drawings under the liquidity facility with central government.

    c. A failure by the LGFA to make payments under the hedging transactions referred to in paragraph 24f.

Guarantee risk shared

45. Although the detail is not yet finalised, there will be a mechanism to ensure that payments made under the Guarantee are shared between all Guaranteeing Local Authorities. The proportion of any payments borne by a single Guaranteeing Local Authority is likely to be based on the number of ratepayers in its district or region, or on some other statistic which is a proxy for its relative ability to make payments.

Rates Charge

46. It is possible that Guaranteeing Local Authorities will be required to provide a Rates Charge to secure their obligations under the Guarantee.

Benefits of being a Guaranteeing Local Authority

47. If some Participating Local Authorities are permitted not to be Guaranteeing Local Authorities it will be on the basis that their borrowings are only allowed to reach a limited level. The exact limitation is not yet finalised, but is likely to be less than $20,000,000. Such local authorities will also be required to pay higher funding costs, either by paying higher interest margins or through some other mechanism.

48. Guaranteeing Local Authorities will, therefore, have the benefit of not having this low limit on borrowing, and paying lower funding costs.

Additional equity commitment

49. In addition to the equity contributions made in conjunction with borrowing, all Guaranteeing Local Authorities are likely to be required to commit to contributing equity if required under certain circumstances. It is expected that calls on any such commitments will be limited to situations in which there is a risk of imminent default by the LGFA.

50. A call for additional equity contributions will only be made if calls on the uncalled Capital and on the Cross Guarantee will not be sufficient to eliminate the risk of imminent default by the LGFA. Consequently, the factors which limit the risk in relation to the Cross Guarantee also apply here.

51. It is not yet finalised what form the additional equity contributions will take.

52. If an additional equity contribution is required, the LGFA will lend the money required to make that contribution to the relevant local authority. For example, if $100,000 was required, the LGFA might issue $100,000 of shares to the local authority and, in return, the local authority would owe it a debt of $100,000. Consequently, there would be no requirement on the local authority to immediately make a cash payment. However, such a debt would ultimately have to be paid if the LGFA never regained a position in which it could buy back the shares.

53. It is possible that Guaranteeing Local Authorities will be required to provide a Rates Charge to secure their obligations to contribute additional equity.

Initial purchase of a single share

54. It is possible that Guaranteeing Local Authorities may be required to initially subscribe for 1 share in the LGFA. This is so that, if they have an ongoing commitment to subscribe for shares when required, they will already be a shareholder in the LGFA. The significance of this is that they will not be required, when subscribing for further shares, to go through the special consultative process associated with becoming a shareholder in a council-controlled organisation.

Characteristics designed to make the LGFA Scheme fair for all Participating Local Authorities

55. The principal risk involved with the LGFA Scheme is that Participating Local Authorities will default on their payment obligations. The greater this risk is, the less attractive participation in the LGFA Scheme is for all Participating Local Authorities.

56. The Participating Local Authorities do not create this risk in equal amounts. There are some that carry a greater default risk than others, and therefore contribute disproportionately to the overall risk in the LGFA Scheme. Those local authorities are also the local authorities that would be likely to pay the highest interest margins if they borrowed outside the LGFA Scheme, and so potentially benefit the most from the LGFA Scheme.

57. To avoid, or at least minimise, what is effectively cross subsidisation of the higher risk local authorities by the lower risk local authorities, it is anticipated that different interest margins will be paid by different local authorities when they borrow from the LGFA, with those carrying the higher default risk paying the higher interest margins.

Viability of the LGFA Scheme dependent on participation levels

58. The modelling and other analysis done by Cameron Partners and Asia Pacific Risk Management (APRM) suggests that the LGFA Scheme will be viable (in that it will deliver sufficient benefits to justify its establishment and continued existence) if:

    a. the LGFA attains a high enough credit rating; and

    b. sufficient funds are borrowed through it to obtain the economies of scale benefits referred to in paragraph b.

59. Discussions with rating agencies to date about the credit rating have been promising, and considerable work has gone into a design which will achieve this credit rating. However, a high credit rating will only be attainable if, among other things, sufficient capital is initially contributed.

60. Consequently, the participation of sufficient local authorities, both initially as Principal Shareholding Local Authorities (to contribute initial capital) and in meeting their ongoing borrowing requirements through the LGFA Scheme is critical.

61. It is anticipated that Principal Shareholding Local Authorities will need to collectively contribute $20 million by way of initial capital contribution. What this amounts to on a per-local authority basis will depend on the number of Principal Shareholding Local Authorities.

62. It is likely that Principal Shareholding Local Authorities will be required to meet a certain proportion of their borrowing needs through the LGFA Scheme for an initial period, to ensure that the critical amount of utilisation is achieved.

Summary of transactions a Council will enter into if it joins the LGFA Scheme

63. If a Council joins the LGFA Scheme as a Principal Shareholding Local Authority, it will:

    a. subscribe for shares in the LGFA to provide it with capital (see paragraphs 16 and 31);

    b. possibly commit to meeting a certain proportion of its borrowing needs from the LGFA (see paragraph 61);

    c. borrow from the LGFA;

    d. subscribe for Uncalled Capital in the LGFA (see discussion in paragraphs 38 to 38 above);

    e. subscribe for Borrower Notes (see discussion in paragraphs 31 to 36);

    f. enter into the Guarantee (see discussion in paragraphs 40 to 45 above);

    g. commit to providing additional equity to the LGFA under certain circumstances (see discussion in paragraphs 49 to 52 above);

    h. possibly purchase one share in the LGFA at the time of joining the LGFA Scheme (see discussion in paragraph 54 above); and

    i. provide a Rates Charge to secure some or all of its obligations under the LGFA Scheme (see discussion in paragraphs 26 to 28, 46 and 52 above).

64. If a Council joins the LGFA Scheme as a Guaranteeing Local Authority, but not as a Principal Shareholding Local Authority, it will enter into the transactions described in paragraph 62, other than those described in paragraphs a, b and d.

65. If a Council joins the LGFA Scheme, but not as a Guaranteeing Local Authority (and therefore also not as a Principal Shareholding Local Authority) it will only enter into the transactions described in paragraph e and h.

PART C - LOCAL AUTHORITY COSTS AND BENEFITS

66. The costs and benefits to a Participating Local Authority will depend on whether it participates as a Principal Shareholding Local Authority, a Guaranteeing Local Authority, or as neither.

Benefits to local authorities that borrow through the LGFA Scheme

67. It is anticipated that the LGFA will be able to borrow at a low enough rate for the LGFA Scheme to be attractive because of the three key advantages the LGFA will have over a local authority borrower described in paragraph 10. That is — exploiting a credit rating arbitrage, economies of scale and a regulatory arbitrage.

68. In addition, the LGFA will provide local authorities with increased certainty of access to funding and terms and conditions (including the potential access to longer funding terms eg ~ 10 yrs+).

69. The potential savings for a local authority in terms of funding costs will depend on the difference between the funding cost to that local authority when it borrows from the LGFA and the funding cost to the local authority when it borrows from alternative sources. This difference will vary between local authorities.

70. The funding costs each local authority pays when it borrows from the LGFA will be affected by the following factors, some of which are specific to the local authority:

    a. the borrowing margin of the LGFA;

    b. the operating costs of the LGFA;

    c. any price adjustment made by the LGFA for that specific local authority as a result of:

        I. the credit quality of the local authority;

        II. the size of the borrowings of that local authority from the LGFA; and

        III. the local authority being a Guaranteeing Local Authority or not.

71. A diagram which shows what will affect the amount of any funding cost savings is set out as Annex 1.

72. Cameron Partners and APRM have developed a detailed financial model of the LGFA Scheme and analysed the current debt markets. The table set out in Annex 2 summarises the potential savings for local authorities depending on their credit status. (The modelling is based on conditions prevailing at December 2010 and on a number of assumptions regarding the LGFA, including its credit rating and the amount of loans it makes to local authorities.)

Costs to local authorities that borrow through the LGFA Scheme

73. The costs to Participating Local Authorities as a result of their borrowing through the LGFA Scheme take two forms:

    a. First, there are some risks that they will have to assume to participate in the scheme, which create contingent liabilities (ie costs which will only materialise in certain circumstances).

    b. Secondly, there is some cost associated with the Borrower Notes.

Risks

74. The features of the LGFA Scheme described above which are included to obtain a high credit rating are essentially steps which remove risk from lenders to make their residual risk low enough to justify the high credit rating. These features remove risk, in part, by transferring it to Participating Local Authorities.

75. These risks are that:

    a. in the case of Guaranteeing Local Authorities, a call is made under the Guarantee (see discussion in paragraphs 40 to 45 above);

    b. in the case of Guaranteeing Local Authorities, a call is made for a contribution of additional equity to the LGFA (see discussion in paragraphs 49 to 52 above); and

    c. in the case of all Participating Local Authorities, the LGFA is not able to redeem their Borrower Notes (see discussion in paragraphs 31 to 36).

76. Each of these risks is discussed in some detail in the paragraphs indicated next to the relevant risk. For the reasons set out in those discussions, it is anticipated that each of the risks is low.

Cost of Borrower Notes

77. As discussed in paragraphs 31 to 36, all Participating Local Authorities will be required to invest in Borrower Notes when they borrow from the LGFA. This carries a cost in addition to the risk referred to in paragraph c, because the investment in Borrower Notes will be funded by borrowing from the LGFA, and the cost of this funding will be higher than the return paid on the Borrower Notes.

78. It is anticipated that the Borrower Notes will pay a discretionary payment equal to the LGFA's own cost of funds. Any discretionary payment is likely to be capitalised until maturity.

79. As noted in paragraph 35, while it is the intention for the LGFA to always pay the proposed annual payment on the Borrower Notes, such payments are at the LGFA's discretion so, in some situations, those payments may not be made.

Cost/benefit analysis for the investment by Principal Shareholding Local Authorities

80. In addition to those costs and benefits that all Participating Local Authorities are expected to receive in relation to their borrowing from the LGFA, Principal Shareholding Local Authorities will also hold shares in the LGFA (Establishment Shares).

81. Establishment shares will pay a discretionary annual payment, which is an amount up to the LGFA's own cost of funds plus 200 bps[3].

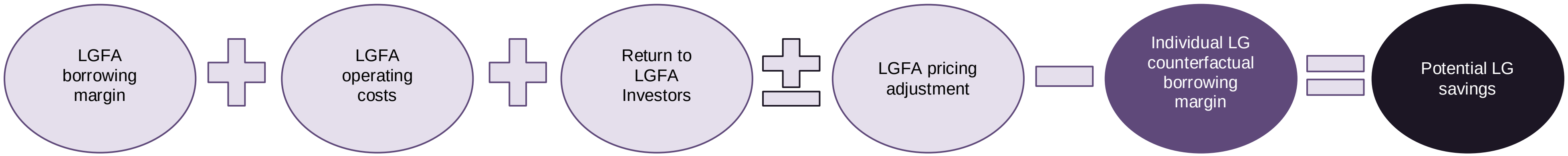
82. While it is the intention for the LGFA to always pay the proposed annual payment on the Establishment Shares, this payment will not be made, or will be reduced, if the performance of the LGFA means that the LGFA does not consider it appropriate to make the payment.

83. Any local authority investor in Establishment Shares will also be required to subscribe for the same amount of Uncalled Capital in the LGFA. This Uncalled Capital can be called at the discretion of the LGFA under certain circumstances to ensure the ongoing viability of the LGFA. Once called the Uncalled Capital is called, it will have the same characteristics as Establishment Shares. This is an additional risk (and therefore contingent cost) for Principal Shareholding Local Authorities. Uncalled Capital is discussed in more detail in paragraphs 38 to 38 above.

[3] A "bp" is a "basis point", which is a term that means "0.01%". 200 bps therefore refers to 2% of the amount invested.

ANNEX 1

DIAGRAM SHOWING FACTORS AFFECTING POTENTIAL SAVINGS



ANNEX 2

TABLE SHOWING ANTICIPATED PRICING BENEFITS

Cameron Partners and APRM have developed a detailed financial model of the LGFA Scheme and analysed the current debt markets. The following table summarises the potential savings for local authorities depending on their credit status and based on conditions prevailing at December 2010 and a number of assumptions regarding the LGFA (including its credit rating and the amount of loans it makes to local authorities).

POTENTIAL LGFA 5 YEAR PRICING BENEFITS (ALL BPS*)

LA BORROWERS	LGFA BORROWING MARGIN	LGFA OPERATING COSTS & INVESTOR RETURNS	LGFA PRICING ADJUSTMENT	LGFA PRICING	STANDALONE LA BORROWING RATE	POTENTIAL LA SAVINGS
AA+ rated	65	25	-10	80	120	40
AA rated	65	25	-5	85	125	40
AA- rated	65	25	0	90	130	40
A+ rated	65	25	5	95	135	40
A rated	65	25	10	100	140	40
Un-rated	65	25	15	105	155	50

As at December 2010

* A "bp" is a "basis point", which is a term that means "0.01%".

8.0 COUNCIL'S GOVERNANCE **AND MANAGEMENT**

KO TE KAUNIHERA POARI WHAKAHAERE ME TA ROOPU WHAKAHAERE

GOVERNANCE STRUCTURE

Hamilton's Mayor Julie Hardaker and the 12 Hamilton City Councillors are members of the community who have been elected by the city's residents and given responsibility for the overall governance of Hamilton. This includes planning and deciding on Hamilton's long-term direction and ensuring that Council acts in the best interests of the community.

With the Mayor elected 'at large' from across the city, six councillors represent the West Ward and six councillors represent the East Ward, with the two wards divided by the Waikato River.

The following table shows the elected members and which Council committees they sit on.

ELECTED MEMBERS

MAYOR

JULIE HARDAKER
Phone: 838 6976
Mobile: 021 284 8618
Email:mayor@hcc.govt.nz
Council Committees: 1, 2, 3.

KEY TO COUNCIL COMMITTEES

1. Strategy and Policy Committee
Chairperson: Councillor Westphal
Deputy Chairperson: Councillor Bell

2. Finance and Monitoring Committee
Chairperson: Councillor Macpherson
Deputy Chairperson: Councillor Chesterman

3.Operations and Activity Performance Committee
Chairperson: Councillor Gallagher
Deputy Chairperson: Councillor O'Leary

4. Statutory Management Committee
Chairperson: Councillor Gower
Deputy Chairperson: Councillor Forsyth

(C) = Chairperson, (DC) = Deputy Chairperson

WEST WARD COUNCILLORS

MARTIN GALLAGHER
Phone: 838 6699
Home: 838 1135
Mobile: 0212 418 434
Email: martin.gallagher@council.hcc.govt.nz
Council Committees: 1, 2, 3 (C).

JOHN GOWER
Phone 838 6450
Home: 847 7465
Mobile: 021 318 789
Email: john.gower@council.hcc.govt.nz
Council Committees: 1, 2, 3, 4(C).

DAVE MACPHERSON
Phone: 838 6438
Home: 824 5992
Mobile: 021 477 388
Email: dave.macpherson@council.hcc.govt.nz
Council Committees: 1, 2 (C), 3.

ANGELA O'LEARY
Phone: 838 5981
Mobile: 021 343 774
Email: angela.oleary@council.hcc.govt.nz
Council Committees: 1, 2, 3 (DC).

MARIA WESTPHAL
Phone: 838 6657
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Council Committees: 1(C), 2, 3, 4.

EWAN WILSON
Phone: 838 6982
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Council Committees: 1, 2, 3, 4.

EAST WARD COUNCILLORS

DAPHNE BELL
Phone: 838 6859
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Council Committees: 1(DC), 2, 3, 4.

PETER BOS
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Council Committees: 1, 2, 3, 4.

COUNCIL COMMITTEES

Council's four committees and their roles are outlined below.

COUNCIL COMMITTEES

COMMITTEE	ROLE
1. Strategy and Policy Committee	Ensures development of all strategy, policy and planning frameworks.
2. Finance and Monitoring Committee	Monitors all financial and non-financial performance against the Annual Plan and Long-Term Plan components.
3. Operations and Activity Performance Committee	Undertakes operational activity and performance monitoring of all Council activities.
4. Statutory Management Committee	Hears and considers applications and objections to applications under various Acts and Bylaws. Considers and makes recommendations to Council on regulatory matters.

Further detail on Council's committees (and subcommittees), as well as elected member representation on external organisations, joint committees, Council Controlled Organisations and Council Organisations can be found at the website www.hamilton.co.nz/representation

MANAGEMENT STRUCTURE

COUNCIL'S STRATEGY MANAGEMENT TEAM

Council is supported by a corporate organisation, led by Chief Executive Barry Harris and five General Managers who comprise the Strategy Management Team.

COUNCIL'S OPERATIONAL GROUPS

GROUP	GENERAL MANAGER
City Planning and Environmental Services	Brian Croad
Community Services	Lance Vervoort
People and Performance	Sue Duignan
Programme and Finance/Public Affairs	Blair Bowcott (Deputy Chief Executive)
Works and Services	Chris Allen

For more details on Council's organisational structure, refer to the website www.hamilton.co.nz/managementteam

RELATIONSHIP OF THE SENIOR MANAGEMENT TEAM TO THE ELECTED MEMBERS

The Strategy Management Team manages organisation-wide issues and liaises between the elected members and staff. They are responsible for monitoring operational performance, giving policy advice, implementing policy, strategic planning and service delivery. By working collaboratively, the Strategy Management Team ensures that actions undertaken within the various operational groups are consistent with Council's vision, mission, values and the City Strategic Framework (including the Long-Term Council Community Plan and the Annual Plan).

Council's elected members and management and staff work together at different levels to decide what activities should be undertaken to enable progress towards Council's vision for the city, and to plan how these activities can best be delivered. This takes place within a framework of consultation with the community and affected parties, competing priorities, timeframes, resources, affordability and decisions of Council. It occurs within the overall framework of growing and developing the city in a way that enhances its social, economic, environmental and cultural well-being.