

HAMILTON CITY COUNCIL'S 2009/10 ANNUAL REPORT SUMMARY



the year in review

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Message from the Mayor and Chief Executive

Council's 10-year plan (the 2009-19 Long-Term Council Community Plan) aims to strike a balance between affordability in tough economic times, and allowing for progress towards longer-term aspirations for the city. The 2009/10 Annual Report outlines Council's performance against the first year of this plan.

Despite a slower than anticipated recovery in the country's economy, careful planning and a cautious approach meant that Council has delivered on its commitments in 2009/10. The total funding surplus from general rates after rates funded carryovers of \$1.505 million was \$0.448 million. Reduced revenue streams and increasing external costs experienced in 2009/10 have further reinforced the focus on prioritisation. Council's internationally recognised AA- Fitch credit rating was also renewed in May 2010, ensuring greater discipline in financial management and decision-making.

As well as being a record of Council's performance, the Annual Report also highlights and acknowledges some of the exciting collaborative projects and initiatives happening in Hamilton. Council provides a wide range of facilities and services to the community, but is only one of many organisations and businesses whose actions and efforts contribute to making Hamilton a great city.

For the last four years Council, in partnership with a large group of city leaders, has developed and implemented eight City Strategies that work

towards achieving the vision of a *Vibrant Hamilton*. The City Strategies are based on the premise that achieving outcomes for Hamilton and comprehensive improvement to the city's well-being will not be achieved by the actions of any one sector or by any single layer of government alone. 2009/10 saw the completion and adoption of the final two strategies (Access Hamilton and Active Communities) to make up the full suite.

The full Annual Report provides a detailed overview of what has been achieved in 2009/10, including both financial performance and how well services and projects have been delivered to the community. It also outlines Council's priorities looking forward. This summary document provides a snapshot of the main issues and highlights.

Bob Simcock
MAYOR



Michael Redman
CHIEF EXECUTIVE



Overview of Council's Performance in 2009/10

■ ABOUT THE ANNUAL REPORT...

Council's Annual Report is produced at the end of the June financial year. The Annual Report shows how Council has performed against the commitments made in its 10-year Long Term Council Community Plan (LTCCP) and any subsequent Annual Plans. The report covers both financial performance and how well Council has delivered its services to the community.

The 2009/10 Annual Report reports on Year 1 of the 2009-19 LTCCP.

■ COUNCIL'S FOCUS IN 2009/10...

It is Council's job to get the balance right between meeting community expectations in the shorter term, and looking after the future interests of the city. Council's 2009-19 LTCCP was developed based on a prioritisation tool that reflects this sustainable development approach and divides the 10-year plan into three broad phases:

MEND	EXTEND	BLEND
<p>Early years of the LTCCP.</p> <p>Making the most of what we currently have.</p> <p>Alignment of key plans and policies (e.g. District Plan) to the city vision.</p> <p>Investment in key information systems.</p> <p>Gaining a better understanding of the condition of key assets.</p>	<p>Middle years of the LTCCP.</p> <p>Services expanded to address pressure on existing services and infrastructure.</p> <p>Deliverability still balanced with affordability.</p>	<p>Latter years of the LTCCP.</p> <p>Expansion of infrastructure to continue.</p> <p>Will also involve maintenance and upgrading of existing assets and planning for future growth cells.</p>

The prioritisation tool also recognises that there is an existing baseline of expenditure relating to projects and programmes already underway. These projects and programmes run throughout the three phases. For example, the City Heart revitalisation project, Claudelands redevelopment, Access Hamilton transportation projects, City Strategy flagship projects, and Council's asset renewal programme.

Other key projects that were progressed in the first year (2009/10) of the 'Mend' phase include:

- Further development planning and accelerated implementation of the upgrade to Council's information systems and processes.
- The Service Delivery Review, which is aimed at providing Council with information to consider the potential use of alternative structures, arrangements and/or methods for delivering services in the most effective and efficient way.
- Progression of the District Plan review, with draft outcomes and options for the review being presented to the community for comment.

- Completion of City Structure Plans and implementation of Future Proof (the sub-regional growth strategy).
- Development of greater knowledge of key Council assets (in particular the city's water supply, wastewater and stormwater networks) through various studies and data capture processes.

■ OPERATING IN DIFFICULT ECONOMIC TIMES...

Although the economy appears to be stabilising, the rate of recovery is slower than was anticipated in the 2009-19 LTCCP and Council remains relatively cautious.

As a result of the slump in the building sector, Council is experiencing a significant reduction in revenue from new rating growth and development fees. Revenue from development contributions was down 40% on that budgeted for 2009/10, from \$9.5 million to \$5.7 million. Expenditure was also lower than budgeted, with a net deficit of \$0.111million for Development Contributions being ring-fenced within the Development Contributions reserve, and the timing of future growth projects is being reviewed.

Residential development activity in Hamilton appears to be slowly strengthening. There were 728 building consents issued for new houses in 2009/10, compared to 394 in 2008/09. However, activity remains significantly lower than that of recent 'boom' years.

The reduction in revenue streams in 2009/10 was compounded by increasing costs (particularly plant and materials) that have impacted directly on Council's operations. The cost of legislative compliance has also increased, for example recent changes to water supply standards. Council has implemented some strategies to reduce operating costs where feasible, and has been able to offset the implication of the reduced revenue without affecting current levels of service in 2009/10.

Council will continue to monitor and analyse the economic environment in which it operates. The results of this ongoing analysis are one of the key inputs used by Council when undertaking its annual reassessment of the 2009-19 LTCCP work programme through the Annual Plan process and each three-yearly review of the 10-year LTCCP.

■ SUMMARY OF FINANCIAL PERFORMANCE...

The 2009-19 LTCCP makes funding provision of just over \$1 billion for capital projects over its 10 year period (as well as \$2.28 billion for operating and maintenance costs). Despite challenging times in 2009/10, Council delivered on the majority of its committed projects and programmes.

For the 2009/10 financial year, Council and its group of entities reported a deficit after tax of \$20.9 million. In comparison, a \$16.8 million deficit was recorded for 2008/09.

The deficit of \$20.9 million included \$11.6 million losses on various items including disposal of assets, valuation of investment properties, asset revaluation adjustments and interest rate swaps, as well as \$4.9 million deferred tax adjustments from our associates which were all non-cash items. The total funding surplus from general rates after

rates funded carryovers of \$1.505 million was \$0.448 million.

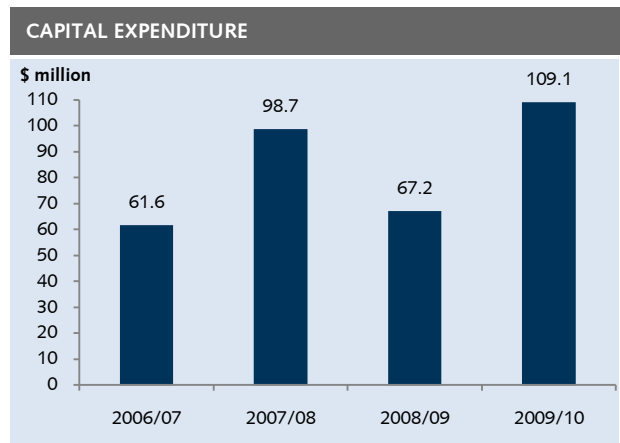
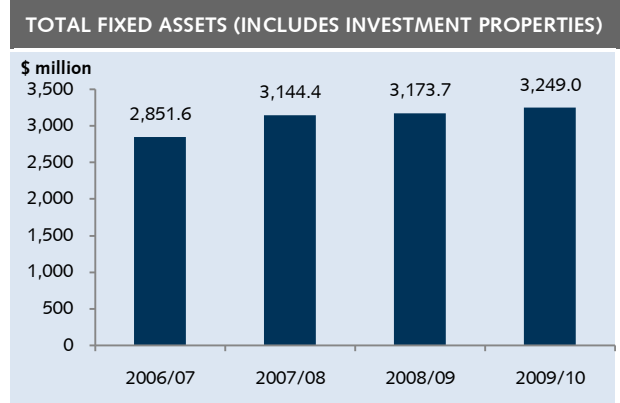
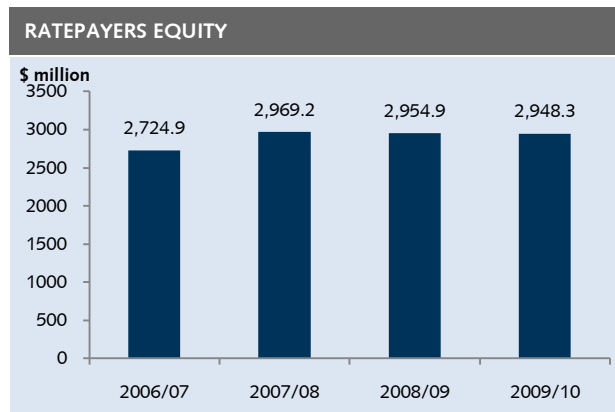
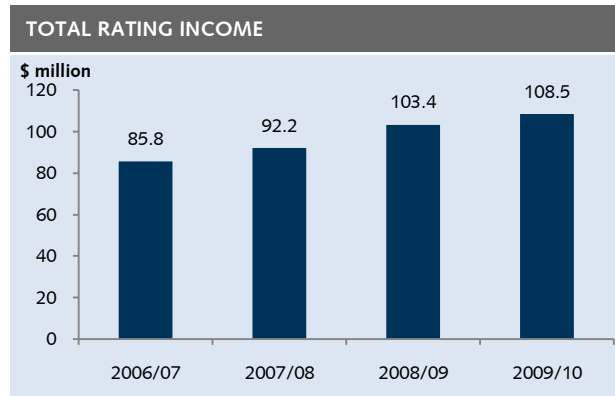
Although Council budgeted to spend \$78 million on capital items, the actual spend was \$109.1million (in comparison the actual capital spend 2008/09 was \$67.2 million). The additional capital spend was funded by way of budget carried over from the previous year.

Examples of significant projects undertaken during 2009/10 included work associated with upgrading Claudelands Events Centre (\$32.4 million); construction of the Pukete wastewater secondary treatment plant (\$4.5 million); CBD improvements (\$3.3 million); Property management (\$3.7 million); major roading projects at Wairere Drive (\$5.0 million), Rototuna (\$1.7 million) and Rotokauri (\$3.7 million); strategic property purchases (\$12.0 million); land purchases for reserves (\$5.6 million); cycleway construction (\$2.1 million), and Access to Hamilton E1 Arterial (\$1.4 million).

Rates income (after penalties and remissions) of \$108.5 million accounted for 41% of Council's revenue stream in 2009/10, with the balance comprising fees and charges, government subsidies and loans. In comparison, the income from rates in 2008/09 was \$103.4 million.

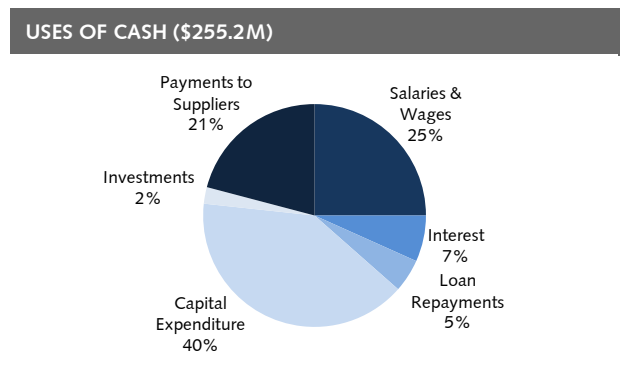
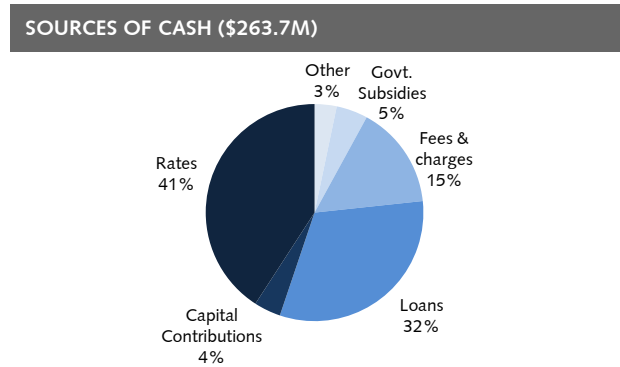
Other revenue was \$70.1 million, a decrease of \$6 million over 2008/09 (\$76.1 million). This was due to a lower value of assets being vested to Council compared to the previous year.

Trend data for the city's rating income, ratepayer's equity, total fixed assets and capital expenditure between 2006/07 and 2009/10 is outlined in the following graphs.



Cash Flow

The sources and uses of cash for the year ended 30 June 2010 is summarised as follows:



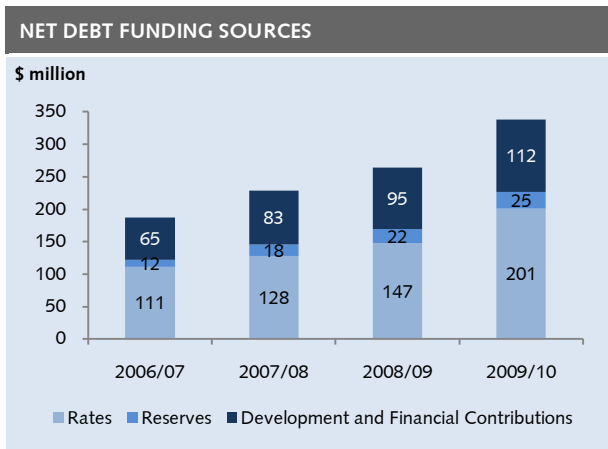
City Debt

Rather than sourcing all of its borrowing externally, Council utilises funds from reserves and working capital cash to reduce external borrowing. Internal interest is charged on these funds, which is then added to the reserves.

Council introduced a policy of development and financial contributions from 1 July 2005, which provides a dedicated funding stream to support urban growth. In line with the introduction of this policy, Council has analysed the overall net debt based on sources of funding used to repay the principal and interest costs for subsequent years.

Overall net debt (which includes internal borrowing) increased from \$264.3 million in 2008/09 to \$338.5 million in 2009/10 due to further loan funded capital expenditure. Of this latter figure, \$201.3 million was funded by rates, \$112.1 million by development and financial contributions, and \$25.1 million was funded from reserves. The increased level of debt funding has resulted in total finance costs increasing in 2009/10 by \$2.1 million to \$18.1 million. Interest cost incurred in servicing debt (excluding internal borrowing interest) increased to \$17.0 million (2008/09 \$15.3 million).

The following graph shows the net debt levels (including internal borrowing) from 2006/07 to 2009/10 and how it is funded.



Debt Servicing Performance Targets

POLICY LIMITS - COUNCIL NET DEBT (EXCLUDING DC DEBT)	
<p>1. Interest on Council debt (excluding interest on Development and Financial Contributions Levy (DC debt)) shall not exceed 20% of total rating income.</p> <p>Interest on Council's debt for the year ended 30 June 2010 was \$11.74 million, with rating income of \$108.9 million (before remissions and penalties).</p> <p>■ The target has been met at 10.8%.</p>	
<p>2. Net debt (Council) shall not exceed 180% of total income (excluding total DC contributions received per annum in income).</p> <p>(Total income excludes vested assets)</p> <p>Council's net debt as at 30 June 2010 was \$226.4 million, with total income of \$164.8 million.</p> <p>■ The target has been met at 137%.</p>	
<p>3. Net debt (Council) per capita shall not exceed \$2,000.</p> <p>Council's net debt as at 30 June 2010 was \$226.4 million, with the estimated population of Hamilton of 144,000.</p> <p>■ The target has been met at \$1,574.</p>	

POLICY LIMITS - TOTAL NET DEBT (INCLUDING DC DEBT)	
<p>1. Net debt shall not exceed 25% of total assets.</p> <p>Total net debt as at 30 June was \$338.5 million, with total assets of \$3,322.2 million.</p> <p>■ The target has been met at 10.2%.</p>	
<p>2. Net debt shall not exceed 300% of total income (including total DC contributions received per annum in income).</p> <p>Total net debt as at 30 June 2010 was \$338.5 million, with total income of \$170.5 million (total income excludes vested assets).</p> <p>■ The target has been met at 198.5%.</p>	
<p>3. Interest (total) shall not exceed 20% of total income (including total DC contributions received per annum in income).</p> <p>Total interest as at 30 June 2010 was \$17.9 million, with total income of \$170.5 million.</p> <p>■ The target has been met at 10.5%.</p>	
<p>4. Liquidity (on total net debt and working capital) will be at least 110%.</p> <p>■ The target has been met at 114.4%.</p>	

The Summary Financial Statements for the year ended 30 June 2010 can be found at the end of this document.

AA- Credit Rating

In July 2009 Council was awarded an internationally recognised credit rating of AA- by Fitch Ratings, one of three internationally recognised credit rating agencies along with Standard & Poors and Moodys. Fitch Ratings has provided ratings for a number of large New Zealand companies such as Telecom, Contact Energy and Fonterra.

The AA- rating, which was renewed in May 2010, ensures greater discipline of Council's financial management and decision-making. It also provides Council with greater access to more competitive borrowing rates as well as providing more flexibility when raising loans.

■ SERVICE DELIVERY PERFORMANCE...

Council has structured its activities by 10 groups, which comprise a total of 34 activities. The 10 Activity Groups provide the main means of delivering Council's services and work programmes.

Section 4.0 of the full 2009/10 Annual Report provides a detailed assessment of how well Council's activities performed during year 1 (2009/10) of the 2009-19 LTCCP. It covers both financial results and how effectively services have been delivered to the community.

The performance measures and targets in the LTCCP take into account the diversity of Council's facilities and services and were developed from a wide range of sources. They are based on service provision attributes such as quality, safety, sustainability, accessibility and reliability/responsiveness. The 2009-19 LTCCP performance measurement framework was also independently assessed by Council's auditors, Audit New Zealand.

Performance against 2009/10 Targets

Results for 2009/10 are coded using the following key:

KEY:

- = target achieved
- = within 5% of target
- = Not achieved

PERFORMANCE AGAINST 2009/10 TARGETS				
ACTIVITY GROUP				TOTAL
City Profile	7		1	8
City Safety	7	2		9
Community Services and Amenities	13		4	17
Democracy	7	1	1	9
Event and Cultural Venues	14	2		16
Recreation	12	1	2	15
Transportation	13	3		16
Urban Development	3	2	2	7
Waste Minimisation	5			5
Water Management	16			16
Total	97	11	10	118

Of the 118 performance measures for 2009/10 across Council's 10 Activity Groups, 97 were 100% achieved, 11 were achieved within 5% of the target, and 10 were not achieved.

Section 4.0 provides detailed information for all the performance measures, including why targets were not achieved. In the majority of cases where targets were not met, significant progress was made towards their achievement, resulting in minimal impact on the services delivered to the community.

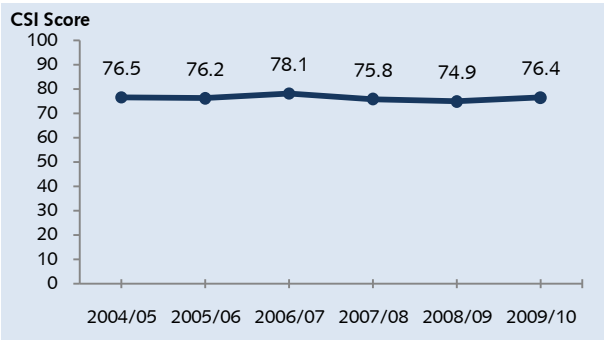
■ RESIDENTS' SATISFACTION ...

Council's Residents Survey, which is undertaken each quarter, is one of the main methods of obtaining Hamilton residents' views on how effectively Council is operating, particularly in regard to its key facilities and services. The survey has been carried out since 1984 by an independent research company, and provides a useful measure of community opinion over time.

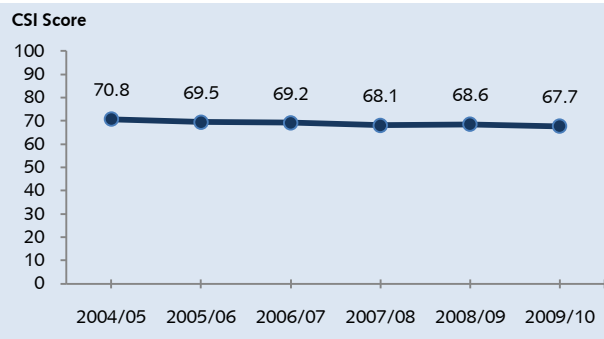
The use of satisfaction scores allows results to be compared from year-to-year. The scores are based on an 11 point satisfaction scale (0 = very dissatisfied to 10 = very satisfied). Scores from individual survey respondents are then aggregated into a single Customer Satisfaction Index score (CSI score)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

The following graphs include a summary of results for residents' satisfaction with the overall performance of Council, the quality of Council facilities and services, and value received from residential rates.

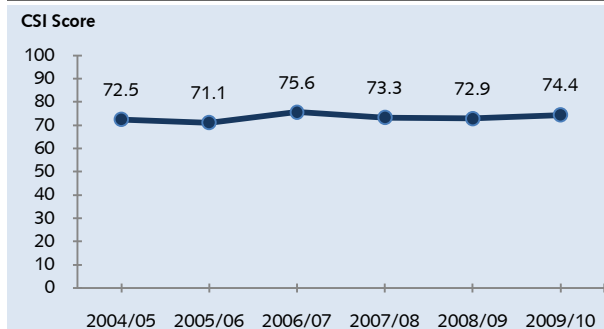
OVERALL PERFORMANCE OF COUNCIL



VALUE FOR RESIDENTIAL RATES



QUALITY OF COUNCIL FACILITIES AND SERVICES



■ PROGRESS OF MAJOR PROJECTS...

Claudelands Redevelopment

The first component of the redevelopment - enhanced exhibition facilities, consisting of two 2,000m² exhibition halls - was completed in 2009/10. Claudelands continued to host events through out the construction, with shows like the Waikato Home and Garden Show, the Motor Home and Caravan Show, and others, having successfully worked around the build programme.

With an integrated indoor exhibition trade space of up to 6,000m² (comprising 4,000m² new and 2,000m² existing), complemented by an expansive outdoor hard surfaced exhibition space of up to 3,000m², the halls will provide an enhanced offering to the centre's existing exhibition business, while also enabling the venue to cater to a new range of events.

The establishment of the new 1,200 delegate conference facilities and a 5,000 capacity indoor arena continues. Work on both components is currently underway, with the conference facilities due for completion in March 2011 and the arena scheduled to be completed by mid-2011.

The arena will provide opportunities to host music concerts, live performances, major sporting events, conference conventions, large presentation, award dinners and flat floor exhibitions.

Both the physical build and the financial budget are on track. \$32.5 million was spent in 2009/10. The total spend as at 30 June 2010 was \$35 million, of the budgeted \$68.4 million.

'Fast Forward' — District Plan Review

'Fast Forward' is the name of Hamilton's District Plan review; one of Council's most significant long-term projects. The District Plan affects all Hamilton residents and organisations, as it sets out the rules and policies for how people can develop and use land in the city.

The two-year review of the Hamilton City District Plan commenced in 2009/10 and saw the publication of a discussion document released for public feedback in November 2009 to identify the most significant resource management issues for Hamilton that will eventually be addressed by the District Plan. This was followed up with a number of public exhibitions explaining the review process.

Following on from the November 2009 discussion document, a range of options have been developed to address significant issues. An Outcomes and Options discussion document, entitled 'Big Picture', was produced in August 2010, seeking residents' feedback on Council's thinking so far. It covers a range of issues, including what could happen in the areas of facilities and events, natural environments, transport, public space, culture and heritage, design guidance and residential and business areas. A summary flyer, entitled 'Snapshot' was also distributed to all Hamilton residents in late August 2010.

Council will consider results of the consultation in February/March 2011 so that a final direction on options to be taken forward can be confirmed. The new District Plan will be drafted during 2011 and is intended to be formally notified in early 2012.

More information about the District Plan review can be found at www.fastforwardhamilton.co.nz.

Implementation of Future Proof

Formal implementation of the Sub-regional Growth Strategy - Future Proof - commenced in 2009/10, with Hamilton City Council being appointed as the administering authority for the first three years.

Future Proof covers the administrative areas of Hamilton City, Waikato and Waipa District Councils and the associated area of Environment Waikato. It sets out how these councils will manage growth and land use for the sub-region over the next 50 years.

An Implementation Committee has been established, comprising two elected members from each of the partner councils, along with two tangata whenua representatives.

Implementation of the strategy is occurring by way of a number of joint projects and initiatives, with the Future Proof partners also giving effect to the strategy through their own planning processes.

Council Decisions on District Plan Variations

Variations 7, 13 and 14 to the existing District Plan were progressed to formal hearings of Council, where final decisions were made in respect of public submissions. A number of appeals have been lodged against these decisions and work is now underway to resolve these.

Variation 7: Temple View - brings the Temple View area of the city under the provisions of the Hamilton City Proposed District Plan, whereas previously it had been administered under the provisions of the Waipa District Plan.

Variation 13: Residential Centres - controls the way in which residential centres and managed care facilities are able to establish in the city.

Variation 14: Peacocke Growth Cell - introduces a Structure Plan for the Peacocke growth cell into the Proposed District Plan. The Structure Plan provides the framework for controlling how urban development in the Peacocke area should occur over time.

Variation 20: Hamilton East Character Area - aims to address concerns regarding inappropriate forms of development in terms of subdivision, building form,

intensity of development, lack of design controls and the need to recognise the special character of the area in terms of its heritage buildings, streetscape and landscape. The variation was notified in September 2009, hearings were held on 12 and 13 August 2010, and decisions made on 13 August 2010. The decisions will be notified in September 2010.

New Promoter for the Hamilton ITM 400

Australian and international motorsport leader, V8 Supercars Australia, is to run Hamilton's ITM 400 from 2011. The deal, announced on 6 May 2010, sees V8 Supercars Australia take over from current promoter Caleta Streetrace Management (CSM). CSM has stepped aside from their role as promoter as they are no longer in a financial position to run and grow the event.

The deal is a further coup for Hamilton, entering a partnership with an event organiser of such calibre, and guaranteeing the only New Zealand leg of the series in the city for at least a further four years with a new three-year extension.

Council will continue to sponsor the event and will share in its financial success but with no exposure to trading losses. V8 Supercars Australia has a proven track record of promoting successful and profitable streetrace events.

Other new initiatives include substantially increasing the spend promoting the ITM 400 in New Zealand and Australia, and introducing a rock 'n race theme. It is the largest single sporting event in New Zealand, and despite the recent economic downturn, still attracted more than 100,000 people through the gates over three days in April 2010.

V8 Supercars Australia is in the process of securing key local staff, suppliers and contractors, and planning is already well underway for the 2011 ITM 400 around a street circuit in Frankton.

Te Parapara Garden

Work on Te Parapara Garden, New Zealand's first and only traditional Maori garden, continued during 2009/10. Focusing on plants, techniques and culture associated with pre-European Maaori horticulture, food gathering and food preparation and storage, Te Parapara sits alongside the Sustainable Backyard, the Kitchen Gardens and the Herb Garden in Hamilton Gardens' Productive Garden Collection.

Te Parapara's design comprises traditional carvings created by artisan local carvers and plants with cultural significance. A joint project between the Te Parapara Garden Trust, Nga Mana Toopu of Kirikiriroa and Hamilton City Council, Te Parapara is due to re-open in late Spring 2010.

Advancement of the Waikato Expressway Development and the Te Rapa Bypass

Council is continuing to work with the New Zealand Transport Agency (NZTA) to deliver the Te Rapa Bypass. The NZTA has awarded a design and build contract, with physical work expected to commence in the Avalon Drive area during the 2010/11 summer period.

Council is procuring significant wastewater infrastructure to enable Rotokauri growth cell development as part of the Te Rapa Bypass contract. The phasing of costs will be determined by the contractor's programme, and it is expected that the first costs will be incurred during 2010/11. The work is expected to be completed by 2013.

The NZTA has tendered the designated Hamilton section of the Waikato Expressway for secondary investigation and this will commence in 2010/11. Council will be working with the NZTA in a key stakeholder role to ensure good integration with the city and its transport network.

Continued Development of the City Ring Road

During 2009/10, Council took advantage of an advanced funding offer from the New Zealand Transport Agency and accelerated the design of the Wairere Drive four-laning between Pukete Road and Resolution Drive, and also the Ring Road extension from the new roundabout at Tramway Road to Cobham Drive.

The construction funding has now been approved for both of these transportation projects and a contract is expected to be awarded early in 2010/11.

New Roundabout at Wairere Drive

The new roundabout being built on Wairere Drive (at the intersection with Tramway Road) commenced construction in 2010 as part of the Wairere Drive extension contract (Hukanui Road to Tramway Road). It will be a key feature of the Access Hamilton ring road transport corridor. The innovative design contains a spoked hub for pedestrians and cyclists within the roundabout, with underpasses under its mid-sections. The design also incorporates the provision for a fifth leg connection for a possible link to the Waikato Expressway and a corridor into the Ruakura area.

Prior to commencing the roundabout's construction, the contractors continued to construct the Wairere Drive extension while undertaking pavement works and relocating underground services. It is anticipated that the \$20 million project will be operational by the end of 2010. The Wairere Drive Roundabout concept plan can be viewed at www.hamilton.co.nz/waireredrive.

Year 2 of the 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.

Construction of the bioreactor and clarifier tanks was completed in 2009/10. The project will continue in 2010/11 with major works focused on upgrading the solids treatment stream of the plant. This work will involve the installation of new technologies to enhance solids quality, minimise solids volume and increase gas production for use in the onsite electrical generation facility.

Garden Place Activation and Redesign

2009/10 saw the roll out of 'Summer in Garden Place', a programme of events and activities designed to breathe

life and bring people back into this public space. To support this activation, on 19 May 2010 Council endorsed a design brief for Garden Place to guide the planning of physical works to help upgrade the space. The scope of the design brief is to make the best use of existing facilities and environs, and build upon these elements rather than undertake a total revamp of this precinct.

The resulting concept plans include a range of improvements to the existing square, and provide an option to develop a pedestrian-vehicle shared environment that will reconnect Worley Place with Alexandra Street. The design process involved consultation with Garden Place business and building owners, along with other key stakeholders and the public. The Garden Place upgrade will include an outdoor reading room outside the Central Library, a permanent covered stage, an interactive water feature, a creative play area (for the likes of petanque and chess) and vendor kiosks. The upgrade also includes additional angle parking outside the retail stores in Worley Place.

Stage one of the physical works is scheduled to commence August 2010 and be completed by 1 December 2010. The remainder of physical works will continue after the 'Summer in Garden Place' programme has finished and is expected to be completed by the end of June 2011. The overall budget for the project is \$3.7 million. The 'Summer in Garden Place' programme is being developed in conjunction with a Garden Place management group comprising Garden Place property owners, the Hamilton Central Business Association and Council. It will commence during December 2010 - March 2011.



First Year of the Targeted BID Rate

The targeted rate for the Business Improvement District (BID) area began on 1 July 2009. The BID is financially

supported by the levying of a targeted rate and collected from all non-residential properties within the defined boundary. Council also contributed \$100,000 in 2009/10 to support the formation of the BID, and will do the same in 2010/11.

During 2009/10, the Hamilton Central Business Association (HCBA) appointed a General Manager and an Executive Committee. A three-year Strategic Business Plan was also finalised, identifying where the HCBA will be focusing its efforts.

The HCBA has secured commitment from the Hamilton branch of the New Zealand Historic Places Trust to provide conservation architect's recommendations on colour and repair to historic buildings (as well as newer buildings) at no cost to property owners. Through this collaborative project, local paint providers are also offering professional services at a substantial discount, with paint being provided to building owners at no cost. HCBA has secured these ongoing partnerships and will market these success stories as they unfold.

Downtown Plaza Underground Car Park Purchase

On 1 September 2009 Council purchased the Downtown Plaza 460-space underground car park for \$9 million. While not a specific City Heart initiative, the car park will have a significant role in influencing the central city's overall parking strategy, with the purchase being a key response to challenges facing the central city with increased competition from large outlying retail precincts. Once physical changes to the carpark are complete and Council has implemented its Parking Management Plan, Council may consider divesting this asset.

This parking asset, combined with other significant Council sites including the Knox Street car park, River Road car park and parking spaces available at the Victoria on the River site (at the end of Collingwood Street) will provide Council the ability to shape how off-street parking operates in the City Heart.

Funding provision of \$2.4 million has been made in 2010/11 for detailed design and construction of physical works related to the reconfiguration of the car park. This work will include ingress/egress changes, including the relocation of the parking building entrances. Any changes will be designed to enable the best use to be made of existing spaces within the central city environs and be integrated with other works to be undertaken as part of the Garden Place upgrade.

Parking Survey

In April 2010 Council began a two month survey of parking behaviour around the city, focussing on the central city. The survey collected quantitative information on where vehicles park and how long they park there for. The information was collected via temporary sensors in parking bays and vehicles designed to take automatic photographic records of cars throughout a set circuit at set times.

Data from the survey helped Council identify the areas of highest demand, understand how long vehicles are parked and show at what times of the day visitor numbers to the

city centre are at their highest. This has provided Council with a better understanding of the city's parking situation and will assist in planning for future parking requirements and regulations. The Parking Management Plan will continue to be implemented in 2011.

As a result of the parking survey, Council developed a parking model for the city centre and approved a new parking trial on 11 August 2010. This will reduce the cost of parking in Council-owned off-street car parks to just \$1 an hour for the first four hours, effective from 1 September 2010. The trial is not intended to be the ultimate solution to parking issues in the central city, but will provide Council with further information on how pricing in particular influences parking behaviour.

Service Delivery Review

On 4 November 2009, Council resolved to undertake a service delivery review of a range of services it provides. The review is aimed at providing Council with the necessary information to consider the potential use of alternative structures, arrangements and/or methods for delivering services in the most effective and efficient way.

The basis for the review is Council's Service Delivery Review Policy - also adopted on 4 November 2009. The policy requires that a two-stage process be used to conduct the review. Stage 1 is intended to identify which services and service delivery arrangements are suitable to proceed to Stage 2 for detailed analysis and final recommendations, prior to any necessary public consultation.

Stage 1 was completed in June 2010 and identified that the following seven services will be the focus of a more detailed evaluation in Stage 2: City Delivery; City Parks; Nursery; Event Facilities; Swimming; Indoor Recreation; and Parking.

The review of the Information Services Support Team was fast-tracked due to parallel IT projects, and concluded that the core server room infrastructure and support activities be provided through a managed service. A contract was awarded to Axon who has commenced the delivery of the outsourced core server infrastructure and support.

Further work on Council's Neighbourhood Development and Youth Development service will be put on hold pending the outcome of the recommended level of service review across Council's Community Development Unit.

Similarly, further work on Council's i-SITE service has been put on hold pending the outcome of discussions concerning the delivery of regional tourism services that are likely to occur early in 2011.

Throughout 2010/11 Council will progress with Stage 2 of the service delivery review for the seven selected Council activities. In all cases, Stage 2 work will also include an evaluation of the status quo.

Upgrade of Council's Information Systems and Processes

Council is investing \$19 million over the next 10 years in a comprehensive overhaul of its information processes and systems to ensure greater cross-Council integration and management of information. The project will enhance

service delivery to customers, making it easier and quicker for them to work with Council by producing more efficient processes that deliver both time and cost savings and ensure Council is compliant with the Public Records Act.

Following Civica New Zealand being confirmed as Council's prime vendor for the supply of key software applications in December 2009, a number of the Change Programmes have commenced. These include the Microsoft Office 2007 upgrade, Geographic Information System (GIS), Bookings and Point of Sale (Centaman), Library Management System, Financial Information Management System and an Electronic Document Management System.

The upgrade to Microsoft 2007 was completed in February 2010 and the District Plan iteration of the GIS project was completed in May 2010. It is expected that the remainder of Council will be transitioned to the new GIS platform by June 2011.

The Centaman point of sale and booking system has been implemented at the Zoo and Artspost. The roll out of Centaman to Parks and Gardens (including Hamilton Gardens), Museum and Community Facilities will enable the project to be closed before the end of 2010. The library management system and financials information management system are both scheduled to go live in November 2010.

Planning is well underway for the year two change programmes and for deployment of an Electronic Document Records Management System (EDRMS). The EDRMS will enable Council to manage its records in a more accessible, secure and manageable fashion and is a key technology for assisting the organisation achieve a 'single view of the customer'.

■ LOOKING AHEAD — PRIORITIES FOR 2010/11 AND BEYOND...

Key components of the Service Delivery Review, the upgrade of Council's information systems and processes, and the Organisational Development Strategy will continue to be developed and rolled out throughout the organisation in 2010/11 and beyond.

Concurrently, Council will continue to progress a range of other key projects and issues throughout 2010/11 and beyond, particularly those that comprise part of the 'Mend' phase of the 2009-19 LTCCP.

Developing the 2011/12 Annual Plan

Towards the end of 2010 Council will commence developing its 2011/12 Annual Plan, which will focus on identifying key changes made by the newly elected Council to the work programme shown in Year 3 (2011/12) of the 2009-19 LTCCP. The Proposed 2011/12 Annual Plan will be available for public submissions in March 2011. Decisions on submissions will be made in early June and the final plan adopted at the end of June 2011.

Preparation for the 2012-22 Long-Term Plan

Early planning and background work on the review of the 2009-19 Long Term Council Community Plan (LTCCP) and development of the 2012-22 Long Term Plan (LTP)

commenced in mid 2010. The substantive LTP development phase will take place from mid 2011, with the 2012-22 LTP planned to be adopted in June 2012.

The fundamental assumptions and principles underpinning the 2009-19 LTCCP will form a key part of the review process, particularly around ensuring that the new 2012-22 LTP is affordable for the city's residents and ratepayers while at the same time provides the necessary infrastructure and services for a growing city. The review will also take into account provisions in the new Amendment to the Local Government Act 2002.

Review of the Rating System

As part of developing the 2009-19 LTCCP, Council investigated the impact of different rating scenarios on the city's ratepayers. It concluded that in the current economic environment, any change to the existing land-based rating system would have some significant impact and affordability issues for a large number of ratepayers.

Although Council acknowledges that no rating system is fair and equitable to all ratepayers, it considers that continuation of the current land-based rating system at this stage will provide more certainty of rating levels for existing Hamilton residents and ratepayers. It will also ensure an adequate provision of rates to support and deliver on the projects and programmes in the 2009-19 LTCCP.

However, during consideration of the 2009-19 LTCCP, Council resolved that it would be desirable when introducing any new targeted rates in the future, to have these based on a capital value rating system. This would have the effect of reducing the incidence of rating on land value and change the overall percentage split between land value and capital value over a period of time.

Through the Local Government Act 2002, Council is required to consider the tools and mechanisms for rating within the city as part of developing its 2012-22 LTP. A report looking at options and strategies for Hamilton's rating system will be considered by Council prior to June 2011 as early input for the 2012-22 LTP.

Preparation for the October 2010 Elections

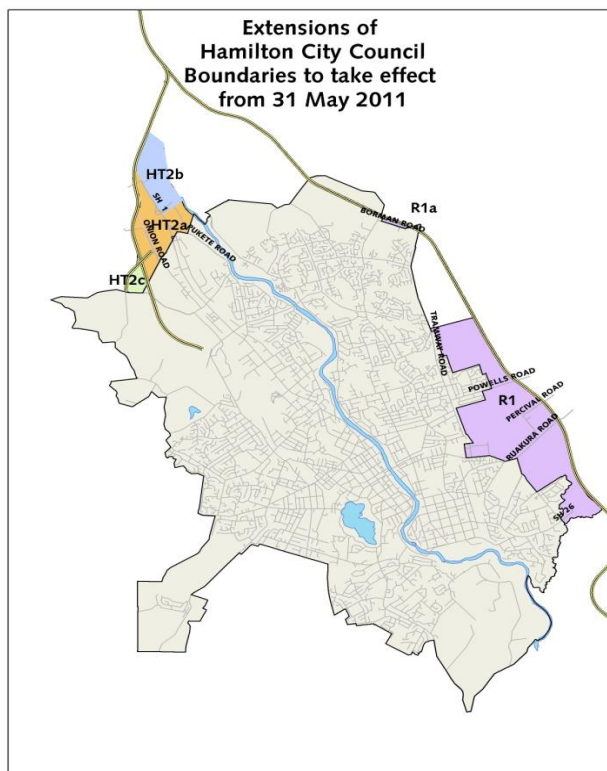
Elections for Hamilton City Council are to be held on 9 October 2010 and will operate under the First Past the Post (FPP) voting system. The order of candidate names on voting papers will appear in a Pseudo-random order i.e. names are randomly selected by drawing candidate names out of a hat.

Ensuring that the newly elected Council is inducted efficiently and are able to exercise their governance role quickly and effectively following the October 2010 elections is a key priority for the organisation. Newly elected members will be provided with a comprehensive induction pack, which includes procedures and standing orders of standing committees, KnowHow professional development programmes, and agenda/minutes of recent Council meetings. Administration arrangements, including workspace and technology resources, will also be incorporated into the induction programme.

Formalising Recent City Boundary Changes

During 2010/11 work that commenced in 2009 to expand the city's boundaries in the east and northwest in order to align them with the paths of the planned Waikato Expressway and Ngaruawahia and Te Rapa Bypasses will be completed. The five areas of land to be transferred include:

- Horotiu 2a (HT2a), an area between the Te Rapa Bypass and the Waikato River to the south of the Fonterra Dairy Factory site and between the Te Rapa Bypass and State Highway 1 to the north of the Fonterra Dairy factory site.
- Horotiu 2b (HT2b), an area of land bounded by the Ngaruawahia Bypass to the north, by the Waikato River to the east, by the southern boundary of the Fonterra Dairy Factory site to the south, and by State Highway 1 to the west.
- Ruakura 1 (R1), more than 700 hectares of land between the current city boundary and the Waikato Expressway from Greenhill Road in the north to Mangaonua Stream in the south.
- Two small areas that will be cut off from the city by the Expressway and Bypass: HT2c, an area of land in between HT2b and the western branch of the Te Rapa Bypass; and R1a, a small area of land between the Waikato Expressway and Borman Road.



The transfer of land to Hamilton City Council will also be formalised by an Order in Council (Parliament). In order to facilitate the transfer of land, a range of related operational work needs take place, including moving and installing new water meters, reconfiguring water infrastructure and rationalising refuse contracts. Property

information (e.g. building and planning) will also need to be aligned with Council's record management systems.

Model of Water Assets to be Developed

During 2010/11 Council has made budget provision of approximately \$2 million to develop a model of the city's water assets. This will comprise:

- Development of a three-waters computerised model to manage growth, identify over-land stormwater flows and optimise operations of the networks. The first phase of this work looks at the bulk water mains and reservoirs, and the city's interceptor sewers and food hazard mapping. Over the course of the next five years the remaining water, wastewater and stormwater reticulation will be added to this model to provide a holistic view of the city's infrastructure.
- Digitisation of the water supply network onto GIS to the same standard as the wastewater and stormwater networks.

Continued Implementation of Future Proof

Key projects over the next three years that will progress the Future Proof sub-regional growth strategy include:

- A Southern Study, which will identify the long-term land-use options for the area to the south of Hamilton.
- A communication strategy to maintain high levels of awareness of growth management issues in the community.
- A plan to assist with the achievement of more intense forms of development within the sub-region.
- The development of a protocol for the management of cross-boundary water supply infrastructure.

Developing a Structure Plan for the Ruakura Area

A detailed plan for the Ruakura area of the city will be developed as part of the District Plan Review. Investigatory work and consultation with key stakeholders will take place during the course of 2010/11 and the Structure Plan will be publicly notified as part of the District Plan Review in early 2012.

Delivering on Changes to the Local Government Act 2002

Central government is placing increasing pressure on the local government sector around greater efficiencies, transparency, accountability and financial management - known as 'TAFM'. An Amendment to the Local Government Act 2002 is currently being considered by Parliament. The proposed changes will impact on how councils make decisions with their communities and how performance is reported in relation to other councils. Council has been proactive on the TAFM proposals and made a comprehensive submission to the Local Government Act 2002 Amendment Bill in June 2010.

The Amendment to the Local Government Act 2002 is anticipated to be in force by December 2010. Council will continue to assess the impact of these new requirements and will introduce changes to how it operates as and when required.

The Full 2009/10 Annual Report

Copies of the full 2009/10 Annual Report are available from the main Council office in Garden Place or at any branch of Hamilton City Libraries.

This summary document and the full report are also available to view/download on Council's website www.hamilton.co.nz/annualreport. Alternatively, you can request a copy by contacting the Strategy and Research Unit on 07 838 6537, or by emailing strategy@hcc.govt.nz

SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	GROUP			COMMENTS
		ACTUAL 2009/10 \$000	BUDGET 2009/10 \$000	ACTUAL 2008/09 \$000	
FINANCIAL PERFORMANCE TO 30 JUNE					
Rates revenue		108,462	108,870	103,474	Includes all rates and rates penalties received.
Other revenue		70,187	73,273	76,170	Includes operating revenue, capital contributions, and sundry other income.
Other gains		1,109	-	-	Includes gains on reversal of prior year revaluation.
Total revenue		179,758	182,143	179,644	
Personnel benefit expenses		53,494	53,964	52,087	Includes salaries, wages and any other employee benefits.
Depreciation and amortisation		47,067	46,526	42,924	
Other expenses	(1)	65,508	59,697	63,982	All other operating expenses.
Finance costs	(2)	18,139	19,287	16,029	Interest on borrowings.
Other losses	(3)	11,629	-	21,184	Includes losses on disposal of assets, loss in value of investment properties, fair value losses on interest rate swaps.
Total expenditure		195,837	179,474	196,206	
Surplus/(deficit) before taxation		(16,079)	2,669	(16,562)	
Taxation		-	-	-	
Share of associate's retained surplus/(deficit)		(4,857)	-	(272)	Includes Hamilton Riverview Hotel Ltd, Waikato Regional Airport Ltd and Hamilton Fibre Network Ltd.
Surplus/(deficit) after tax		(20,936)	(2,669)	(16,834)	
Other comprehensive income		14,310	93,971	2,571	Includes gains on property revaluations and share of associates comprehensive income.
Total comprehensive income		(6,626)	96,640	(14,263)	
STATEMENT OF CHANGES IN EQUITY TO 30 JUNE 2010					
Total comprehensive income		(6,626)	96,640	(14,263)	
Total recognised revenues and expenses for the year		(6,626)	96,640	(14,263)	
Equity at the beginning of the year		2,954,967	2,953,428	2,969,230	
Equity at the end of the year		2,948,341	3,050,068	2,954,967	Represents the net value of assets owned by the city.
FINANCIAL POSITION AT 30 JUNE					
Current assets		28,038	13,850	18,783	Assets expected to be converted to cash over the next 12 months, e.g. cash, accounts receivable.
Non-current assets		3,294,192	3,412,772	3,226,792	Assets expected to be held for longer than 1 year.
Total Assets		3,322,230	3,426,622	3,245,575	
Current liabilities		122,808	115,484	137,689	Due for repayment within 12 months, e.g. payables, current portion of loan repayments.
Non-current liabilities		251,081	261,070	152,919	Due for repayment after 12 months, e.g. term debt.
Equity		2,948,341	3,050,068	2,954,967	Represents the net value of assets owned by the city.
Total equity and liabilities		3,322,230	3,426,622	3,245,575	
CASH FLOWS TO 30 JUNE					
Opening cash balance at 1 July		478	-	1,289	
Net cash inflows/(outflows) from operating activities		37,123	38,195	36,372	Includes rates, subsidies, receipts from customers, capital contributions, payments to suppliers, employees, and interest on loans.
Net cash inflows/(outflows) from investing activities		(100,903)	(131,576)	(80,343)	Includes capital expenditure and investments.
Net cash inflows/(outflows) from financing activities		72,203	93,631	43,160	Includes loans uplifted and repaid.
Closing cash balance at 30 June		8,901	250	478	

Notes to the Summary Financial Statements

- (1) Other expenses were \$5.8 million greater than budget due mainly to increased expenditure including the allocation of corporate overheads to City Profile.
- (2) Finance costs were \$1.1 million less than budget due to the later timing of borrowings required for various capital projects.
- (3) Other losses totalling \$11.6 million were not budgeted for as they were unexpected, such as losses on disposal of assets of \$4.8 million, or not yet realised such as revaluation losses on investment properties of \$0.9 million, and fair value losses on interest rate swaps of \$5.8 million.

Accounting Policies

Hamilton City Council is a territorial authority governed by the Local Government Act 2002. The financial statements cover all the activities of Hamilton City Council and its 100 per cent owned Council Controlled Organisation (CCO), Hamilton Properties Ltd. This company is not trading at present.

Hamilton City Council's 50% share in the Waikato Regional Airport Ltd, 41.38% share in Hamilton Riverview Hotel Ltd (Novotel) and 34.67% share of Hamilton Fibre Networks Ltd is equity accounted in the group results.

Hamilton City Council has complied with New Zealand equivalents to the International Financial Reporting Standards as applicable for public benefit entities in its full Financial Statements. This Summary complies with FRS 43 and this Standard includes a requirement to comply with New Zealand GAAP or NZ IFRS.

All amounts are shown in NZ\$000's and as such are rounded to the nearest \$1,000.

Capital Commitments and Contingent Liabilities

Council has contracts committing it to spend \$54.3 million (2009 \$69.9 million) on capital works. In addition, Council has authorised a further \$64 million (2009 \$67.1 million) for expenditure on capital projects that are as yet unstarted. Contingent liabilities, which are dependent on other future events, are \$6.7 million (2009 \$8.0 million).

Subsequent Events after Balance Date

On the 11 August 2010 Council accepted a shareholding offer in Innovation Waikato Limited from The Katolyst Group to convert the existing \$2.4m loan into a 19.8% equity share in the company. It is expected the share issue will be completed by 30 September 2010. There will be 2 shareholders in Innovation Waikato Limited - Council 19.8%, and The Katolyst Group 80.2%.

Disclaimer

The specific disclosures included in this summary annual report have been extracted from the full annual report and was authorised for issue by the Chief Executive on 24 September 2010.

This summary can not be expected to provide as complete an understanding as provided by the full annual report of

the financial and service performance, financial position and cash flows of Hamilton City Council.

The summary has been examined for consistency with the full annual report and was audited by Audit New Zealand on behalf of the Office of the Auditor-General. The full annual report and summary received an unqualified audit opinion on 24 September 2010.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit Report

To the readers of Hamilton City Council and group's summary annual financial statements, service provision information and the other requirements for the year ended 30 June 2010

We have audited the summary financial statements, service provision information and the other requirements of Schedule 10 of the Local Government Act 2002 as set out in pages 2 to 13.

Unqualified opinion

In our opinion:

- the summary financial statements, service provision information and the other requirements represent, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the information reported in the summary financial statements, service provision information and the other requirements complies with FRS-43: Summary Financial Statements and is consistent with the full financial statements, service provision information and the other requirements from which they are derived.

We expressed an unqualified audit opinion, in our report dated 24 September 2010, on:

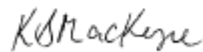
- the full financial statements;
- the service provision information; and
- the Council and group's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that are applicable to the annual report.

Basis of opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. In addition to the audit we have carried out an assignment to provide quality assurance over the City Council's system replacement project (Project Phoenix) and have conducted the audit of the Long Term Council Community Plan and subsequent amendments to this Plan, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the City Council or any of its subsidiaries.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary financial statements, service provision information and the other requirements of Schedule 10 of the Local Government Act 2002 and we are responsible for expressing an opinion on those summary financial statements, service provision information and the other requirements of Schedule 10 of the Local Government Act 2002. These responsibilities arise from the Local Government Act 2002.



Karen MacKenzie
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand
24 September 2010