

# AN OVERVIEW

## OF OUR PERFORMANCE IN 2011/12

### THE PAST YEAR HAS BEEN ABOUT SETTING THE GROUNDWORK FOR THE NEXT DECADE AND BEYOND.

The full Annual Report includes detailed reporting on our finances and services, which we've summed up here to provide an overview of 2011/12.

### FINANCIAL SUMMARY

The Council has addressed some serious financial issues over the past year to ensure we provide for our city's future in a financially sustainable way.

We put in place the first steps back in early 2011 through our 2011/12 Annual Plan. The Plan outlined six measures that we would take in 2011/12 to improve the Council's financial position. They were:

- 1) Budget cuts, including operating, maintenance and capital spending.
- 2) Delaying some capital works projects.
- 3) Reducing our debt.
- 4) Putting more money aside for future asset replacement.
- 5) Increasing user fees and charges.
- 6) Increasing total rates by 8% for existing ratepayers.

We also said that the next step would be a complete review of the Council's services and spending with the development of our 2012-22 10-Year Plan.

We delivered on these actions and objectives over the course of the year.

### FACTS & FIGURES

**\$224 million** – the Council's total operating revenue in 2011/12.

**\$212 million** - the Council's total operating expenditure in 2011/12.

**2017** - when we will return to an operating surplus, or 'balance the books'.

**8%** - the total rates increase to existing ratepayers in 2011/12.

**3.8%** - the total rates increase to existing ratepayers for each of the next 10 years.

**\$385.4 million** - the city's total overall debt position as at 30 June 2012.

**\$440 million** - debt will be capped at around this level for the next 10 years.

**11,080 hectares** - Hamilton's land area.

**146,579** – Hamilton's latest population estimate.

**54,320** – the number of rateable properties in the city as at 30 June 2012.

**\$3.2 billion** – the current value of the city's assets.

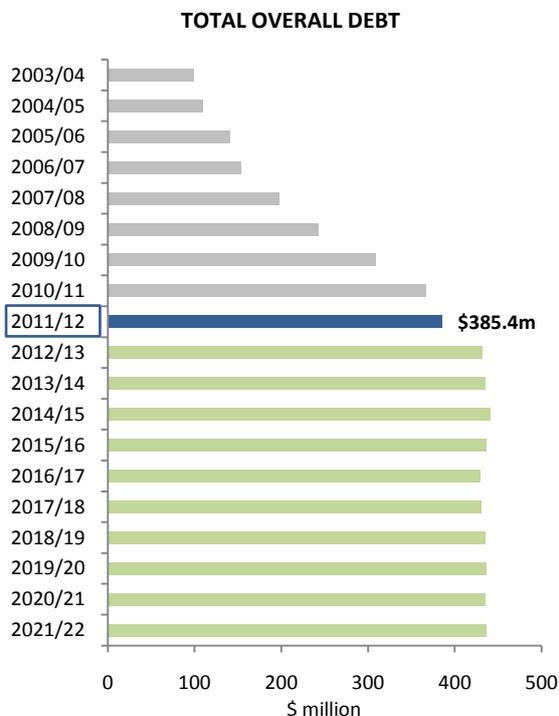
## Debt

The Council has set itself some financial targets, the most important one being our total overall level of debt, which has been capped at around \$440 million for the next 10 years.

To achieve our future debt targets we needed to be in a good starting position at the end of 2011/12. This meant borrowing less during the year than we originally planned. We achieved this through savings and by re-scheduling some projects to future years.

As a result, the Council's total overall debt stood at \$385.4 million at the end of 2011/12, well within the limits set.

This has put us on the right track to achieve our debt targets for the next decade, while continuing to deliver important services and infrastructure.



## Operating Budgets

The Council's operating result benefited from an extra \$19.0 million of subsidy revenue received from the New Zealand Transport Agency to speed up the Ring Road development.

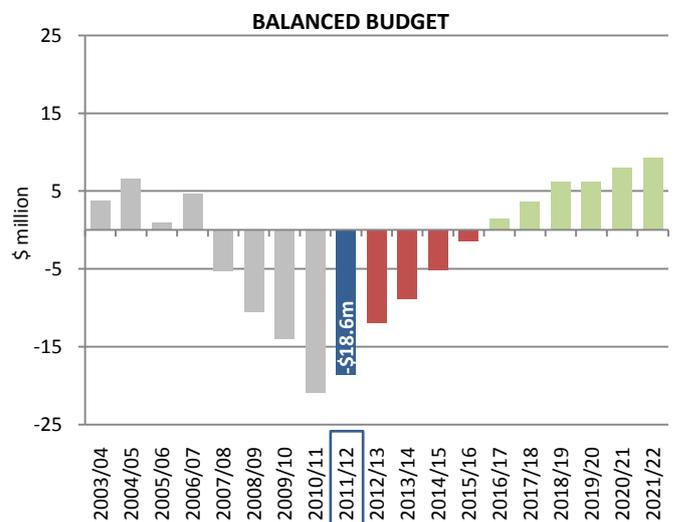
Excluding this additional subsidy revenue, the Council's operating result (shown in the Statement of Cash Flows) was on budget.

Council also set for itself during the 2012-22 10-Year Plan a 'Balanced Budget' target.

The 'Balanced Budget' is a Council measure that provides a statement of Council's operating position that can be used to assess long term financial sustainability. This measure adjusts the reported surplus by removing subsidies on significant one-off capital projects (such as the Ring Road project) and vested assets.

The graph below shows the 'Balanced Budget' targets from Council's 2012-22 10-Year Plan. The \$18.6 million deficit for the 2011/12 year is in line with the forecast used by Council during the 2012-22 10-Year Plan budget setting process.

Council did not have a 'Balanced Budget' target as part of the 2011/12 Annual Plan.



By increasing rates and charges in 2011/12, the Council's financial position was improved. This meant that rates rises could be limited to 3.8% per year to existing ratepayers for the next 10 years.

The Council has also begun the important process of reducing its reliance on borrowing. The measures taken in 2011/12, combined with savings and 3.8% rates increases over the next decade will allow new assets and upgrades to be paid for with less borrowing.

## Major Capital Expenditure

During 2011/12 \$71.8 million was spent on looking after and developing assets in the city.

These are some of the major capital projects carried out during the year.

PROJECT	AMOUNT SPENT IN 2011/12
Ongoing construction of the Ring Road	\$23.9m
Contribution to the Northern Growth Corridor	\$4.4m
Keeping the city's roads and footpaths in working order	\$9.3m
New cycleway construction and improvements to the cycling and pedestrian network	\$2.1m
Land purchases for future roads in Rototuna	\$1.4m
Relocating the Alexandra Street underground carpark entrance to Angelsea Street	\$1.8m
Continued work on the Wastewater Treatment Plant upgrade	\$1.6m
Replacement of wastewater pump station assets and pipes	\$2.1m
New and extended water mains	\$2.0m
New items for the library collection	\$1.4m
Council IT systems upgrade	\$1.6m

“The past year has been about setting the groundwork for the next decade and beyond”



## Summary Financial Statements for the Year Ended 30 June 2012

	Notes	Group			Comments
		Actual 2012 \$000	Budget ** 2012 \$000	Actual 2011 \$000	
<b>STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE</b>					
Rates revenue		123,243	123,079	113,494	
Other revenue	(1)	101,063	82,182	95,788	Includes operating revenue, capital contributions, and sundry other income.
<b>Total Revenue</b>		<b>224,306</b>	<b>205,261</b>	<b>209,282</b>	
Personnel benefit expenses		54,882	55,472	54,019	Includes salaries, wages and any other employee benefits.
Depreciation and amortisation		53,789	55,282	49,070	
Other expenses	(2)	80,244	74,587	71,680	All other operating expenses.
Finance costs	(3)	23,001	26,433	23,274	Interest on borrowing.
<b>Total Operating Expenditure</b>		<b>211,916</b>	<b>211,774</b>	<b>198,043</b>	
<b>Surplus before gains &amp; losses, share of associates' surplus and tax</b>		<b>12,390</b>	<b>(6,513)</b>	<b>11,239</b>	
Gains		352	-	-	
Losses	(4)	17,954	-	11,657	Includes losses on disposal of assets, loss in value on investment properties, fair value losses on interest rate swaps and adjustments to assets on revaluation.
Share of associate's retained surplus/(deficit)		471	-	394	Includes Hamilton Riverview Hotel Ltd, Waikato Regional Airport Ltd.
Surplus/(deficit) before taxation		(4,741)	(6,513)	(24)	
Taxation		-	-	-	
<b>Surplus (Deficit) After Tax</b>		<b>(4,741)</b>	<b>(6,513)</b>	<b>(24)</b>	
<b>Other Comprehensive Income</b>					
Gains and (losses) on property revaluations	(5)	(362,216)	99,426	168,092	Includes gains and (losses) on property revaluation.
Financial assets fair value through other comprehensive income		-	-	(154)	Share of associates comprehensive income.
Fair value Shareholding		-	-	105	
<b>Total Comprehensive Income</b>		<b>(366,957)</b>	<b>92,913</b>	<b>168,019</b>	
<b>STATEMENT OF CHANGES IN EQUITY TO 30 JUNE</b>					
Equity at the beginning of the year		3,116,360	2,984,195	2,948,341	
Total comprehensive income		(366,957)	92,913	168,019	
<b>Equity at the End of the Year</b>		<b>2,749,403</b>	<b>3,077,108</b>	<b>3,116,360</b>	Represents the net value of assets owned by the city.
<b>Components of Equity</b>					
Accumulated funds		1,569,838	1,575,314	1,585,504	
Other Reserves		1,179,565	1,501,794	1,530,856	Represents the level of reserves held for specific purposes.
<b>Total Equity</b>		<b>2,749,403</b>	<b>3,077,108</b>	<b>3,116,360</b>	Represented the net value of assets owned by the city.
<b>STATEMENT OF FINANCIAL POSITION AT 30 JUNE</b>					
Current assets		47,078	14,524	52,310	Assets expected to be converted to cash over the next 12 months, e.g. cash, accounts receivable.
Non-current assets		3,176,896	3,541,281	3,523,532	Assets expected to be held for longer than 1 year.
<b>Total Assets</b>		<b>3,223,974</b>	<b>3,555,805</b>	<b>3,575,842</b>	
Current Liabilities		118,364	144,218	207,351	Due for repayment within 12 months, e.g. payables, current portion of loan repayments.
Non-current liabilities		356,207	334,479	252,131	Due for repayment after 12 months, e.g. term debt.
<b>Total Liabilities</b>		<b>474,571</b>	<b>478,697</b>	<b>459,482</b>	
<b>STATEMENT OF CASH FLOWS TO 30 JUNE</b>					
Opening cash balance at 1 July		31,281	250	8,901	
Net cash inflows/(outflows) from operating activities		64,081	40,869	50,063	Includes rates, subsidies, receipts from customers, capital contributions, payments to suppliers, employees, and interest on loans.
Net cash inflows/(outflows) from investing activities		(74,888)	(79,473)	(109,418)	Includes capital expenditure and investments.
Net cash inflows/(outflows) from financing activities		6,361	38,604	81,735	Includes loans uplifted and repaid.
<b>Closing Cash Balance at 30 June</b>		<b>26,835</b>	<b>250</b>	<b>31,281</b>	

## Notes to the Financial Statements

- 1) Other revenue was greater than budget by \$18.9 million due to additional capital contributions of \$21.3 million mainly from capital subsidies applied to roading, offset by \$7.1 million less revenue from fees, rents and charges, principally in the Events and cultural venues service area and a contribution of \$4.7 million from Waikato Foundation Trust.
- 2) Other expenses were \$5.7 million greater than budget due mainly in the service areas of Events and cultural venues, Transportation and Water management.
- 3) Finance costs were \$3.4 million less than budget due to the timing of borrowings required for various capital projects.
- 4) Losses totalling \$17.9 million are not budgeted for as they were unexpected, such as losses on disposal of assets for \$2.8 million and fair value losses on interest rate swaps of \$15.1 million.
- 5) Council has revalued its assets and as a result there has been a decrease in the value of Council's assets.

\*\* The Budget figures in Council's 11/12 Annual Plan are for Hamilton City Council parent only, not the Group. Therefore there is a variance between the actual 2011/12 group figures and the budget figures as the actual reflects:

- Share of associates' surplus of \$0.5 million.
- Contributions of \$4.7 million in sundry revenue from associates'.
- Investments in associates' of \$26 million.

## Accounting Policies

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

The group consists of the ultimate parent, Council, and its subsidiaries, Hamilton Properties Ltd (100% owned) and Vibrant Hamilton Trust (100% owned). The following associates Waikato Regional Airport Ltd and Hamilton Riverview Hotel Ltd are equity accounted.

The summary financial statements of the Council are for the year ended 30 June 2012. The financial statements were authorised for issue by Council on the 27 September 2012,

Accordingly, the Council has designated itself and the group as a public benefit entities as defined

under New Zealand International Financial Reporting Standards (NZ IFRS).

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

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS and other applicable financial reporting standards, as appropriate for public benefit entities.

Council's summary annual report complies with Financial Reporting Standard 43 (FRS 43) Summary Financial Statements.

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

## Capital Commitments and Contingent Liabilities

Council has contracts committing it to spend \$63.4 million on capital works. Contingent liabilities which are dependent on other future events, are \$6.6 million.

## Subsequent Events after Balance Date

There are no matters of significance to report on after balance date.

## Disclaimer

The specific disclosures included in this Summary Annual Report have been extracted from the full Annual Report.

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

The 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 27 September 2012.

The full Annual Report can be obtained from the website [www.hamilton.co.nz](http://www.hamilton.co.nz) or from the Hamilton City Council main office in Garden Place.

## IMPROVING THE WAY WE WORK

We have been looking closely at how we operate and have made significant improvements to our governance structures, reporting procedures and business processes.

Some of these improvements stemmed from the Audit New Zealand report into the V8s event, which identified a range of shortcomings in Council's decision-making and reporting on the event, and some improvements were already underway.

The Council's financial systems and processes are also being strengthened, following a strategic review which found they did not meet best practice.

The independent review, carried out by Deloitte, highlighted weaknesses in processes, systems, use of IT, communication, controls and reporting. It did not highlight issues with the accuracy of financial information.

As a result, the Chief Executive has established a new Chief Financial Officer position, which will be responsible for implementing the review's recommendations, a number of which have already been completed.

As part of our improvement process, the Minister of Local Government requested regular updates on the Council's progress towards addressing the issues arising from the V8 report.

As of August 2012, the Minister has indicated that he is satisfied with the Council's improvements and we are no longer required to provide updates.

We are committed to the highest standards of accountability as we perform our civic duties and we will continue to work hard to rebuild public confidence in the way we operate.

The significant improvements made during 2011/12 are highlighted on this page.

### WHAT'S CHANGED?

- A new Council Committee structure came into effect in August 2011. The new four-committee structure is designed to allow more visibility of Council's complex business, as well as more accurate and timely reporting of decisions and operational activity.
- An additional Audit and Risk Committee was established in April 2012, with membership drawn from both within and outside of Council.  
  
The Committee, which has an external Chairperson, is charged with monitoring Council's audit processes to ensure Council meets its responsibilities, as well as scrutinising audit policies, processes, and controls. It is also tasked with ensuring key risks in the organisation are being properly managed.
- Council has appointed Price Waterhouse Coopers to provide internal audit services.
- The Council adopted a Risk Management Policy during the year, to ensure that risks are identified, reported early and managed appropriately. A Risk Management Framework has been deployed into the organisation, with quarterly reports being provided to the Council's Audit and Risk Committee.
- A more robust approach to preparing business cases was developed and deployed into the organisation, based on central government guidelines.
- A review of the Council's financial systems and processes commenced.

**“We are committed to the highest standards of accountability as we perform our civic duties”**

## SERVICE PERFORMANCE

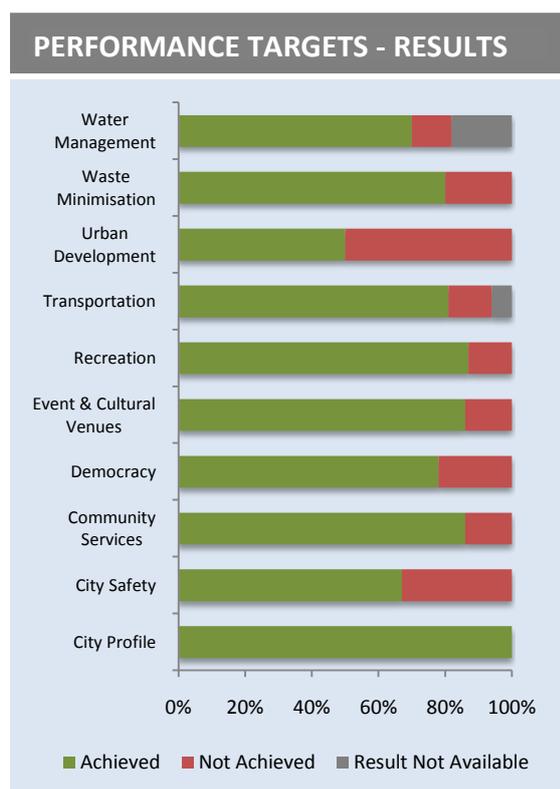
The Council’s business is divided into 10 service groups. Each service group has its own section in the full Annual Report. This is a snapshot of our results.

Overall, our services largely met or exceeded their performance targets for 2011/12. The graph below provides a summary of the results, showing the percentage of targets achieved and not achieved. It also shows where we are awaiting results from an external party or in one case for Transportation where we did not complete a parking survey during 2011/12.

We use a range of measures to monitor our service performance. The measures cover attributes relating to our service delivery such as timeliness, responsiveness, accessibility, safety, statutory compliance and sustainability. A few of this year’s stand out results and areas for improvement are highlighted on this page.

Overall, respondents to our Residents Survey are largely satisfied with the Council’s facilities and services.

Over two thirds of the respondents (69%) felt the quality of Council facilities and services had improved in the past year. Only 2.3% felt the quality had deteriorated.



## OVERS AND UNDERS

### Highlights

- 100% of urgent and routine requests for dog control services were responded to within set timeframes.
- The City Safe night patrol service received an all time high Residents Survey score of 82.4 – indicating exceptional service.
- 94% of graffiti removal requests were responded to within 2 working days, and residents gave this service a score of 79.9, the highest score to date.
- Excellent survey scores were received for a number of our facilities including the Cemeteries & Crematorium, the Museum, Libraries, Theatres, the Zoo, Claudelands and Hamilton Gardens.
- Claudelands had a great first year, with 14 international events and 206 local/national events.
- Hamilton Zoo set a new record for visitor numbers, with 151,751 visits during the year.
- The existing District Plan was made operative in July, clearing the way for the formal review of the District Plan to commence.
- 99% of our planned water shutdowns were completed within 4 hours, exceeding our target of 90%.

### Areas for Improvement

- 2011/12 resulted in a marked decrease in the number of wastewater overflows when compared to previous years, but we’re still aiming to improve. In particular, we want to reduce the number of larger spills that could cause environmental damage.
- Our Planning and Building Units are close to meeting their statutory timeframes 100% of the time for consent processing, but will be working to improve the results.
- Our Residents Survey indicates we still have room to improve in the opportunities we provide for involvement in Council’s decision-making. We’ll also continue to work hard to building community trust with Council.
- Residents’ satisfaction with the handling of noise complaints is lower than last year – we will be keeping a watch on this.
- We will address leachate issues at Horotiu closed landfill so we comply with our resource consent.
- A new measurement method will improve how we measure the turnover of parking spaces in the city.

## Independent Auditor's Report

### To the readers of Hamilton City Council and group's summary of the annual report for the year ended 30 June 2012

We have audited the summary of the annual report (the summary) as set out on pages 1 to 7, which was derived from the audited statements in the annual report of the Hamilton City Council (the City Council) and group for the year ended 30 June 2012 on which we expressed an unmodified audit opinion in our report dated 27 September 2012.

The summary comprises:

- the summary statement of financial position as at 30 June 2012, and summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of the City Council and group's service provision information and summaries of other information contained in its annual report.

### Opinion

In our opinion, the information reported in the summary complies with FRS-43: Summary Financial Statements and represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

### Basis of opinion

The audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand).

The summary and the audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 27 September 2012 on the audited statements.

The summary does not contain all the disclosures required for audited statements under generally accepted accounting practice in New Zealand. Reading the summary, therefore, is not a substitute for reading the audited statements in the annual report of the City Council and group.

### Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary in accordance with FRS-43: Summary Financial Statements. We are responsible for expressing an opinion on the summary, based on the procedures required by the Auditor-General's auditing standards and the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

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

Other than the audit, the above assignments and in conducting the audit of the 2012-22 Long Term Plan, we have no relationship with or interests in the City Council or any of its subsidiaries.



Karen MacKenzie  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand  
27 September 2012

**Matters relating to the electronic presentation of the audited financial statements and statement of service performance**

This audit report relates to the financial statements and statement of service performance of Hamilton City Council and group for the year ended 30 June 2012 included on the Hamilton City Council's website. The Hamilton City Council is responsible for the maintenance and integrity of the Hamilton City Council's website. We have not been engaged to report on the integrity of the Hamilton City Council's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and the related audit report dated 27 September 2012 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.