



2011/12  
Annual Report

## Whakatauki and He Mihi

Na Potatau Te Wherowhero, 1858

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.*

### Te Tiaho O Matariki

This sculpture is located in Garden Place square in central Hamilton. The square was first used by Maaori as a garden and an observatory. In particular it was a lookout for the rising of the constellation known as Pleiades to the European, and Matariki to Maaori.

This design is a sculptural manifestation of the Pleiades in the form of a growing vine; the strong winding tendril is also a visual reminder of the importance of the nearby Waikato River. The stars of the Matariki appear as the fruit on this extraordinary plant. The sculpture is a sign of growth, unity and continuity.

**Hamilton Public Art Collection**  
**[www.hamilton.co.nz](http://www.hamilton.co.nz)**



*Te Tiaho O Matariki*  
Steel, 2011  
Neil Miller (NZ)

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# FROM THE MAYOR AND CHIEF EXECUTIVE

## WELCOME TO OUR ANNUAL REPORT ON WHAT WE HAVE ACHIEVED IN THE PAST YEAR.

It has been a busy and challenging year for your Council.

Our focus has been on laying foundations for the future to get Council, its finances and what it delivers for the people of Hamilton on a strong footing.

Addressing the city's financial issues started in this financial year and was completed through the 2012-22 10-Year Plan process, when a microscope was taken to everything Council does. Debt was tackled head on through reducing costs to run the city, cutting some services and increasing some user charges, and the 2012-22 10-Year Plan set a total rates rise to existing ratepayers at 3.8% for each of the next 10 years.

The 2011/12 Annual Plan set out six measures that we would take in this financial year to improve the Council's financial position. The results show that we delivered on all of these and the Council is on track in reducing its operating deficit.

Much of this year was spent on improving systems and process to deliver better transparency and accountability. Achievements this year include:

- New council committees, changes to financial reporting and project monitoring, new risk management reporting and a Risk and Audit Committee was established.
- Improvements arising out of the V8 Audit New Zealand report were implemented



resulting in the Council no longer being on the government's watch list.

- Agreement was reached to end the V8 street race series two years early, with the final race successfully held in April 2012.
- A new Citizen's Panel was established to regularly canvas the views of a representative group of residents, and we've improved how people do business with us with a new website with online options.
- Transport highlights include good progress on four-laning the Hamilton Ring Road (Wairere Drive), and the introduction of Safer Speed areas in eight neighbourhoods, with this to be extended to many other areas in the city in the coming years.

- The look and feel of our city has also improved, with completion of the City Heart CBD revitalisation project, installation of the new sculpture in Garden Place, opening three new playgrounds and completing Te Hikuwai riverside walkway.
- Review of the Claudelands business plan set more realistic targets and Claudelands completed a successful first year of operation with 206 events, conferences, shows held.
- Progress has continued on one of the biggest reviews in Council history, the city's District Plan, or blueprint for development in the city. Public feedback on a draft was received during the year, with the Proposed Plan to be formally notified for submissions this December.

Early in the year we proposed changes to the rating system, but those changes did not proceed after hearing the views of residents.

It has been a successful year for events and sporting achievements with Hamilton centre stage for the Rugby World Cup, Chiefs, Waikato Rugby and Magic netball matches, Armageddon Expo and sell-out shows at the theatres and quality exhibitions at Waikato Museum, which also took out several awards during the year.

Council's relationship with Maori remains strong and Council and Waikato-Tainui signed a historic agreement around co-managing the treasure that is the Waikato River.

This past year has been about sorting out some big issues for the city and laying enduring foundations for the future, much has been achieved and we are now well placed to build on the solid base which has been created.

Changes to local government have been proposed by the government and if implemented, will have an affect on the way the Council operates. The 2012-22 10-Year Plan puts your Council in a good position to deal with the changes.

Hamilton is a fantastic city to live and work in and we can look forward to a financially sustainable future in a city where people love to live.

**“Hamilton is a fantastic city to live and work in and we can look forward to a financially sustainable future”**

**Julie Hardaker**  
**MAYOR**

**Barry Harris**  
**CHIEF EXECUTIVE**

# OUR VISION FOR HAMILTON

Hamilton is a bright and innovative city, but we want to make it better.

We have a vision for the city, which is outlined here. It incorporates our goals and aspirations for Hamilton – a city we believe should offer the best economically, environmentally, socially and culturally to everyone who lives here.

This vision replaces the previous set of community outcomes, which were developed back in 2005.

The 2005 community outcomes are still referenced in the Council Services section of this report; but going forward everything that the Council does will be directly linked to our new vision.

We will be working with others in the city to help achieve it and our progress will be reported in future Annual Reports.



## OUR VISION IS TO BE A SMART CITY, IN EVERY WAY AND IN EVERYTHING WE DO.

WE HAVE A UNIQUE, GREEN AND NATURAL ENVIRONMENT, WITH THE WAIKATO RIVER RUNNING THROUGH THE HEART OF OUR CITY. WE CELEBRATE OUR DIVERSE COMMUNITY AND ACKNOWLEDGE OUR AGRICULTURAL HERITAGE.

These are the **OUTCOMES** and **GOALS** we have for Hamilton:

### PROSPEROUS AND INNOVATIVE

- Hamilton has a strong, productive economy and we build on our economic strengths.
- We have a thriving CBD.
- It's easy to do business here.
- Our city grows and prospers in a sustainable way.

### OUTSTANDING CITY LEADERSHIP

- Hamilton is led by effective, open and responsive governance.
- Council's finances are sustainable for the long term.
- We operate efficiently and provide exceptional service.
- The city takes a leadership role regionally and nationally.

### PEOPLE LOVE LIVING HERE

- Hamilton embraces the Waikato River and it is the focal point of our city.
- We value, preserve and protect Hamilton's natural, green environment.
- Our city is attractive, well-designed and compact with outstanding architecture and distinctive public spaces.
- Our city is a fun place to live with a vibrant Arts scene.
- Hamilton is a safe city.
- It's easy to get around.
- We celebrate our people and many cultures.



# AN OVERVIEW

## OF OUR PERFORMANCE

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

This Annual Report includes detailed reporting on our finances and services, which we've summed up in this section 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.

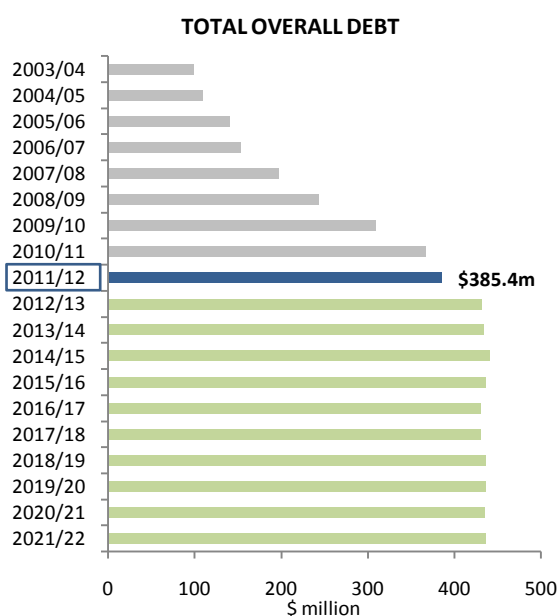
## Debt

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.

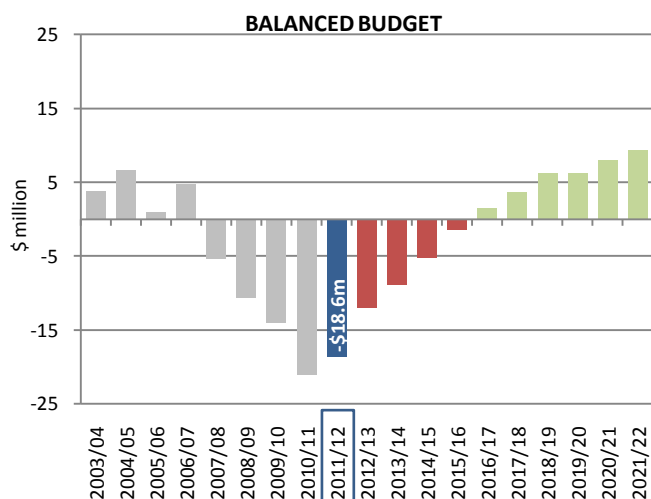
Council also set for itself during the 2012-22 10-Year Plan a 'Balanced Budget' target.

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



PROJECT	AMOUNT SPENT IN 2011/12
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

## 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.

## SERVICE PERFORMANCE

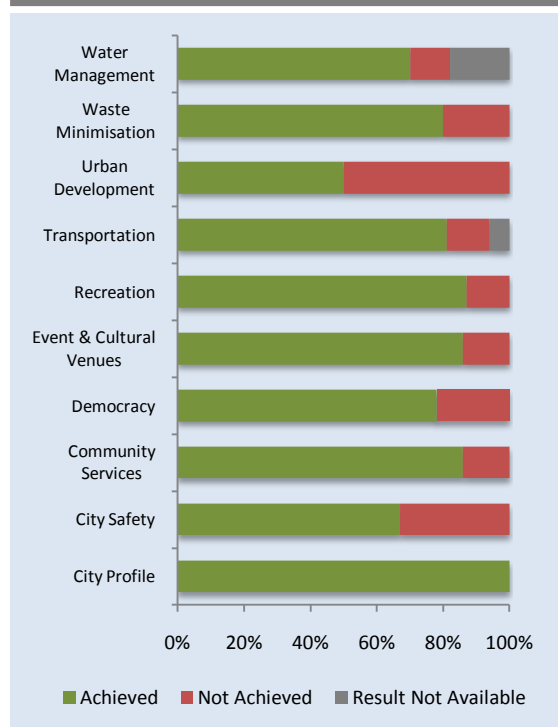
The Council’s business is divided into 10 service groups. Each service group has its own section in this document, which reports in full on our performance for the year. This is a snapshot of our results.

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.

### PERFORMANCE TARGETS - RESULTS



## 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.

# OUR SERVICES

**THIS PART OF THE ANNUAL REPORT IS WHERE YOU CAN READ ABOUT THE PERFORMANCE OF OUR SERVICES.**

Here we report back to you on what we focused on during the year, the performance measures and targets we set for 2011/12, our achievements and areas for improvement. We also outline our plans for the next few years.

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## Financial Information

Each section includes a snapshot of the operating costs for each service area. You can find more detailed financial information in the Financial Statements section of this report.

## Community Outcomes Monitoring

In 2005 the Council developed a set of Community Outcomes that indicated how Hamiltonians' wanted the city to progress socially, economically, environmentally and culturally. Our previous 2009-19 10-Year Plan and 2011/12 Annual Plan include these Community Outcomes.

Since then, there have been many changes both locally and globally.

The 2005 Community Outcomes are now outdated, so we did not carry out any monitoring of them during 2011/12. Instead the Council's focus has been on developing a new vision and plan for the future that reflects current issues and goals.

You can read about our Smart City Vision on page 5 of this report. In future years, we will be monitoring and reporting against this vision.

For the purposes of this report, these are the Community Outcomes that our services areas primarily contributed to.

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### City Profile

- Intelligent & Progressive City
- Unique Identity

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### City Safety

- Safety & Community Spirit

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### Community Service & Amenities

- Safety & Community Spirit
- Healthy & Happy

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### Democracy

- Working Together

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### Event & Cultural Venues

- Vibrant & Creative
- Intelligent & Progressive City

---

### Recreation

- Healthy & Happy

---

### Transportation

- Sustainable & Well-planned

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### Urban Development

- Sustainable & Well-planned

---

### Waste Minimisation

- Sustainable & Well-planned

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### Water Management

- Sustainable & Well-planned
- 

## Surveys

Each year we carry out surveys to find out what people think about the Council and its facilities and services. A number of our performance measures use data from these surveys.

The Council's Residents Survey is conducted by an independent research company. In 2011/12 a total of 681 residents were interviewed by telephone over four quarters. Survey respondents are asked if they have used a facility or service over the last 12 months, and if they have used it are asked to provide a satisfaction rating.

You can find the detailed Residents Survey reports on the monitoring and statistics section of our website at [www.hamilton.co.nz](http://www.hamilton.co.nz)

We also carry out more detailed customer surveys for specific services or facilities.

The following framework is used to interpret the survey satisfaction scores.

The 'customer choice' category includes services or facilities that people can choose whether or not to use. For example the Zoo, Museum, Swimming Facilities and Event Facilities.

The 'no customer choice' facilities and services are ones where the Council is the only provider. For example the water supply, roads and footpaths, dog control services and refuse collection.

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Customer Choice Scores	Performance Categories	No Customer Choice 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	68 – 72
67 – 72	Fair performance	62 – 67
66 or lower	Needs significant improvement	61 or lower

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# CITY PROFILE

City Promotion | Economic Development | Strategic Property Investment

## WHAT WE DO

The Council is a key contributor to Hamilton’s economy. We support and foster business growth and investment, so the city is a great place to do business.

The Council’s various services, policies, plans and ways of working influence the local economy. Our core infrastructure and services ‘set the scene’.

We also work closely with business organisations, education and skills based training institutions, and major Hamilton based companies. We support initiatives such as funding for the regional tourism organisation, event sponsorship, support for the central city business improvement agency and central city initiatives like activities in Garden Place, and key events.

The Council manages two strategic property investment funds – the Domain Endowment Fund and the Municipal Endowment Fund – and administer 127 leases across a broad range of Council-owned properties. Both funds are required by law to be invested in property, in order to maximise the financial return for the city.

### Did you know?...

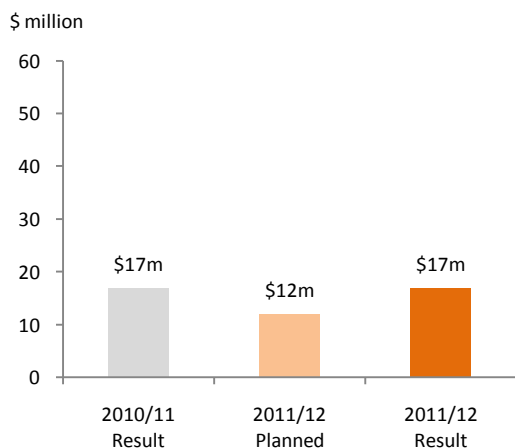
The total **2011/12 value** of the Council’s municipal endowment property and land assets is **\$33.708 million**.

The Council’s redeveloped website was awarded the **ALGIM Best Website Redevelopment 2012 Award**.

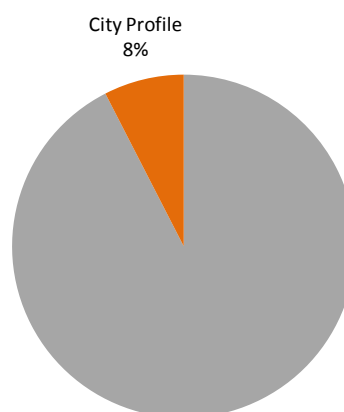
The **Balloons over Waikato** event, sponsored by the Council, delivers significant city profile throughout NZ and attracts balloonists from around the world each year.

**Hamilton’s four largest employment sectors** are Health Care & Social Assistance, Education & Training, Retail Trade, and Manufacturing.

## City Profile Operating Costs



## Percentage of Total Operating Costs



FOR DETAILED FINANCIAL INFORMATION  
See Page 113

## HOW WE PERFORMED

Every day the Council makes decisions about a city that people want live in and do business in.

During the year we started the process of reviewing our role in and contribution to economic growth in Hamilton, to ensure we are working in areas that matter the most and where we as a council can have the most beneficial impact.

In September 2011 it was announced that April 2012 would be the final year of Hamilton's V8 Supercars event, following a joint decision by V8 Supercars and the Council to end the series.

The economic downturn greatly affected the viability of the event. Ongoing challenges – including Hamilton's distance from a major corporate centre, modest hotel infrastructure and the downturn of ticket sales in the Waikato region – were also taken into account.

116,698 race fans attended the final event held over three days in April 2012.

Our investment property portfolio has shown steady performance during 2011/12. Two new tenants were secured for the BNZ building, which was vacant for part of the year.

Staples Rodway Limited has entered into a new twelve year lease and AA Insurance Limited has entered into a new three year lease. Securing these quality tenants in a challenging economic environment has increased the performance of the asset significantly. These tenants also bring employment opportunities to the city, with AA Insurance Limited creating up to 60 new jobs.

We also launched a new website in April 2012, offering a clean design, user friendly navigation, better content and new online services. The Council received a national award for Best Redevelopment Council Website at the 2012 Association of Local Government Information Management (ALGIM) Web Awards.

## EVENT SPONSORSHIP

One of our goals is for a city that is a fun place to live. Events provide entertainment and activity in the city, and the Council encourages and supports events through a sponsorship fund.

In 2011/12 we sponsored a total of 52 events at a cost of \$640,000 from the event sponsorship fund (excluding the V8's) across the following three categories.

### Community Events

We sponsored 14 community events, which are free or low cost and have a high profile in the community.

This included events such as the Great Pumpkin Carnival, NZ Philippine Festival, Pacific Rose Bowl Festival and Carols in the Park.

### Special Events

Special events lift the profile of Hamilton and bring visitors to the city. We sponsored 32 of these events in 2011/12.

Examples include the Hamilton Fringe Festival, the Craft and Quilt Fair, the Christmas tree and entertainment, Round the Bridges and the Smokefreerockquest.

### Hallmark Events

Hallmark Events are Hamilton's iconic events and we sponsored six of them during the year.

They were Balloons Over Waikato, the Gallagher Great Race, the Christmas Parade, Hamilton Gardens Arts Festival, the Parachute Festival and the Fuel Festival.

**“During the year we started the process of reviewing our role in and contribution to economic growth in Hamilton”**

## OUR MEASURES

There are seven measures for City Profile. They include measuring economic development initiatives, our return on property investments, commercial building occupancy and resident's satisfaction with information we provide.

The results for the 2011/12 performance measures show all measures were either met or exceeded.

### ■ Service Goal:

To use grant monies effectively.

#### Measure:

Economic Development Agency achieves all annually set performance targets relating to the Hamilton Business Gateway Project.

#### Targets and Results:

2011/12 Target	2011/12 Result	2010/11 Result
Initiatives result in: - 1,000 website visits	<b>Average of 1,004 website visits per month</b>	Average of 1,006 website visits per month
- 2 new businesses attracted to Hamilton	<b>2 new businesses attracted</b>	2 new businesses attracted

#### What this tells us:

The 2011/12 targets around the number of visits to Opportunity Hamilton's website and business attraction were achieved.

Opportunity Hamilton received \$300,000 from the Council in 2011/12 to deliver business attraction and partnership brokering, strategic co-ordination and to support their profile.

They also received \$110,000 in project funding to support the facilitation of Digital Hamilton implementation and business and investment attraction from events – focused around the Rugby World Cup.

Some of the highlights from 2011/12 are:

- An Innovation and Growth Conference was held in June 2012 organised by Opportunity Hamilton and attended by over 200 people.
- Approximately \$15 million worth of business was signed up at the Flair aviation event, with a further \$230,000 worth of business

generated as a direct result of business development work after Flair.

- Technology Forums were held with non-technology businesses and the health sector to increase the awareness and productivity improvements that could be gained from the rollout of Ultra Fast Fibre broadband.

The Council's contract with Opportunity Hamilton has now finished. In July 2012 it was announced that Opportunity Hamilton will move away from economic development and will instead focus on business development activity. This refocus is timely, as Council is presently reviewing its economic development direction.

### ■ Service Goal:

Return on investment is appropriate.

#### Measure:

Achieve an annual gross return on the Municipal Endowment Fund investment properties that is typical for the Hamilton Property Market.

#### Target:

A gross return that is typical for the Hamilton property market.

#### Result:

An independent assessor confirmed 2011/12 returns as typical for the Hamilton property market. This result was also achieved in 2010/11.

#### What this tells us:

Performance against this measure is assessed by an independent registered valuer.

The Municipal Endowment Fund is invested in commercial properties and income is used to reduce rates.

This fund is actively managed to ensure that income returned to the ratepayers is maximised. In 2011/12, \$2,943,098 from this fund went towards reducing rates. As a comparison, this was \$3,207,474 in 2010/11.

The reduction on last year is due to a period of vacancy at the BNZ building and the costs of attracting a new tenant. However, two new tenants were confirmed for the BNZ building in 2011/12 – Staples Rodway Limited and AA Insurance Services.

---

**Measure:**

Achieve an annual gross return on the Domain Endowment Fund that is typical for the Hamilton property market.

**Target:**

A gross return that is in line with the average market return.

**Result:**

An independent assessor confirmed 2011/12 returns as typical for the Hamilton property market. This result was also achieved in 2010/11.

**What this tells us:**

Performance against this measure is assessed by an independent registered valuer.

The income returned from the Domain Endowment Fund (DEF) is derived predominantly from rental generated by ground leases. The income is used to offset the total operating costs for the 16 parks classified as 'Domain Parks'.

The income generated by the DEF covered 61% of the total operating cost of the Domain Parks during 2011/12 (\$696,455 was used to contribute towards the maintenance of reserves).

As a comparison this was 75% in 2010/11, with \$758,441 used to contribute towards the maintenance of reserves.

The reduction on last year is due to an increase in park maintenance costs and a decrease in revenue.

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**■ Service Goal:**

**Buildings in the Municipal Endowment Fund are appropriately utilised.**

---

**Measure:**

Commercial and retail premises across the Municipal Endowment Fund portfolio return an annual occupancy level of 90%.

**Target and Result:**

2011/12 Target	2011/12 Result	2010/11 Result
90% occupancy rate.	<b>91.1% occupancy rate.</b>	98.4% occupancy rate.

**What this tells us**

We met our occupancy target for 2011/12. The result is down on last year's due to the vacancy at the BNZ building.

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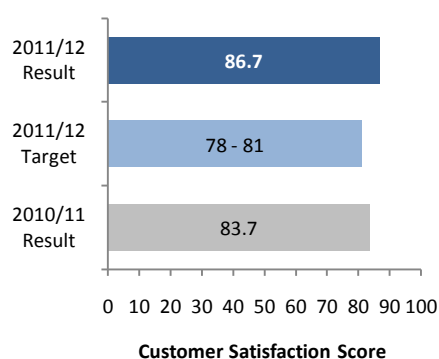
**■ Service Goal:**

**To provide high quality information.**

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**Measure:**

Residents' satisfaction with the Visitor Information Centre.

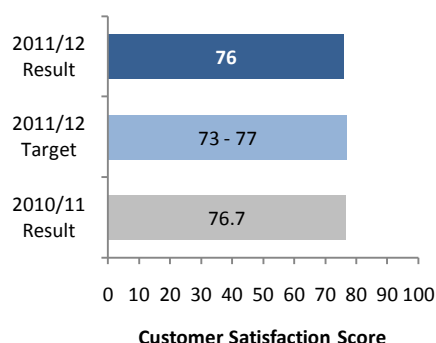
**Target and Result:****What this tells us:**

This satisfaction score is measured through Council's Residents Survey. The target was to achieve 'very good performance'. The 2011/12 result indicates 'exceptional performance'.

---

**Measure:**

Residents' satisfaction with the City News publication.

**Target and Result:****What this tells us:**

This satisfaction score is measured through Council's Residents Survey. We met our 2011/12 target to achieve 'good performance'.



## Measure:

The number of unique visitors to the Hamilton City Council website.

## Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
An average of 25,000 visitors per month.	<b>An average of 25,800 visitors per month.</b>	An average of 29,297 visitors per month.

## What this tells us:

We met our 2011/12 target and we expect that the number of visitors to our website will increase over time with the availability of more online services and payment options.

## www.hamilton.co.nz

A new Council website was launched in April 2012 - [www.hamilton.co.nz](http://www.hamilton.co.nz). The new website, which cost \$265,000, is one component of Council's wider customer engagement programme.

Other components of the two-year programme, which costs \$2.3 million, include the development of online services, the redesign of business processes and integration of the technology to support these.

Some of the benefits the new website now offers are:

- User friendly navigation, better content and a new design.
- New online services, including payments, dog registrations, advance submission making and property information.
- An optimised search engine and the ability to search Council meeting agendas and minutes.
- BrowseAloud, new software designed to improve access to information and services for people who find it difficult to read online.

## OUR PLANS

Funding the Council provides towards growing our local economy must be properly targeted to achieve the greatest return.

The Council's Economic Development Strategy is currently under review in consultation with key stakeholders. We are considering options to deliver the best value for money from the Council's investment in this area. The outcome of the review will determine how the reduced budget is allocated.

The amount to be spent on economic development and event sponsorship funding is being reduced over the next decade. The remaining resources will be redirected much more efficiently as a result, with a "whole of Council" approach to setting the best possible platform for city growth.

Under this reduced budget our investment and efforts in the development of business and event tourism and events sponsorship will continue, as will business development activity to capitalise on new opportunities for the city.

In 2011/12 we will continue to monitor and reassess our property assets to ensure they are generating the best return for ratepayers. A number of new central city developments, which the Council has had significant involvement in, will be activated in 2012/13 (including the sale of some of our land holdings).

As part of the Council's 2012-22 10-Year Plan to get the city's finances back on track, we will consider whether to sell some of our property assets to reduce our debt balance. The 2012-22 10-Year Plan includes a list of the properties that the Council will consider selling.

Residents can also expect to see more online services becoming available on the Council's website.

# CITY SAFETY

Animal Care & Control | Central City Safety | Emergency Management | Environmental Health

## WHAT WE DO

The Council plays a large role protecting public safety in a range of areas aimed at making Hamilton a more desirable place to live.

We ensure dogs are registered and controlled and promote dog safety and responsible ownership.

The Council is responsible for the city's response in the event of an emergency. We provide leadership, advice, planning and resources to enable the community to respond to and recover from any significant disaster that could affect the city.

We also monitor and enforce standards for businesses selling food and liquor, respond to health risks and nuisances, investigate noise complaints, control the use of contaminated land and undertake crime prevention initiatives to make our city safer.

### Did you know?...

**Dog registration** can be completed **online** at [www.hamilton.co.nz](http://www.hamilton.co.nz)

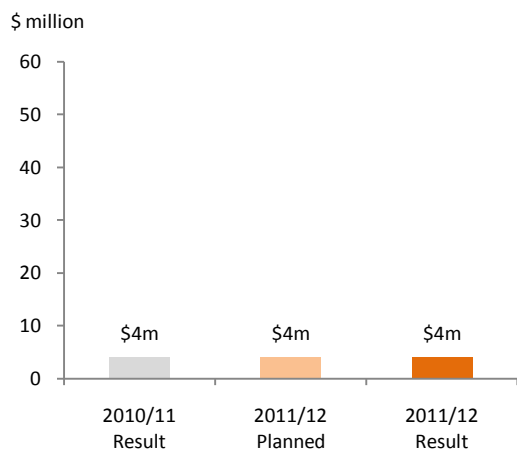
In a **major disaster or emergency** all state-owned schools are available to become Welfare Centres or Welfare Assembly Points.

In 2011/12 **144 Food Safety Awards** were presented to food businesses in the city, including **102 excellence awards** and **42 merit awards**.

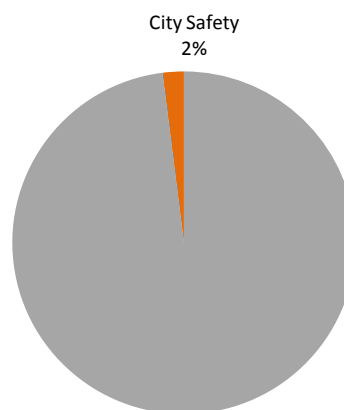
The Council owns and operates **21 CCTV cameras**, placed strategically around the central city.

Approximately **90 Council staff** are trained to respond to an emergency.

## City Safety Operating Costs



## Percentage of Total Operating Costs



FOR DETAILED FINANCIAL INFORMATION  
See Page 114

## HOW WE PERFORMED

We provide these services to contribute to a safe community by minimising risks to public health and working with others to keep our city safe.

The 2011/12 Residents Survey still identifies law and order and safety as two of the most important issues the Council should be looking at.

Central city safety in particular is a topical issue for Hamilton. Initiatives such as the camera network, including a mobile camera, have been instrumental in identifying crime both before and while it happens.

The City Safe Patrols are a familiar site in the CBD and are now providing this same presence throughout the city suburbs and shopping centres. Support is also provided to businesses in dealing with nuisance behaviour.

The introduction of online dog registrations in June 2012 has proven popular with dog owners. Around 30% of owners have opted to use the service so far. This is the first online service in New Zealand that allows dog owners to change their details and complete the transaction on-line without sending in a form.

2011/12 saw an increase in the number of registered dogs by 7.6%. This is compared to a 6.7% increase in 2010/11. At 30 June 2012 there were 9,805 registered dogs in Hamilton.

The annual "Paws in the Park" event was also held at Innes Common on 26 November 2011. The day is designed to acknowledge and reward Hamilton's responsible dog owners.

Proactive work with Hamilton food businesses means 178 food businesses now operate on a voluntary basis under a Food Control Plan. This new risk-based approach to meeting food safety obligations pre-empts changes likely to be made compulsory in the Food Bill.

We also continued to improve our emergency management systems to ensure we are ready to respond if there is an emergency event. This section highlights some of our work in this area.

## READY FOR AN EMERGENCY

**The recent Christchurch earthquakes highlight the need for councils to be ready to respond to an emergency at any time.**

A report from the Ministry of Civil Defence in 2009 identified that the Waikato Region and Hamilton City needed to improve on their readiness to respond.

Hamilton City Council has made a commitment to overhaul its planning and systems to make sure it is able to better respond in an emergency and provide assurance to residents.

A response coordination centre specifically for Hamilton was planned, with set up beginning early 2012 and an official opening set for August 2012. The Centre's location is at the main Council building in Garden Place, which will ensure we can respond quickly, efficiently, and with increased capacity to any event.

The Waikato Valley group of councils (Hamilton, Waikato, Waipa, Otorohonga and Waitomo) have also worked collectively to raise awareness of Civil Defence readiness.

Two training exercises were conducted with Civil Defence volunteers and a number of community groups. These exercises provided volunteers with hands-on experience in operating emergency welfare centres.

The first Waikato *Get Ready, Get Through* expo was held at the Waikato Show at Claudelands in April. An estimated 10,000 people attended, receiving advice on preparing household survival kits.

The New Zealand Police, the Fire Service, St John Ambulance and Neighbourhood Support were also represented at the Expo.

A new bulletin is also sent out to volunteers in the region to keep them up-to-date with what is happening in the sector.

## OUR MEASURES

There are nine City Safety performance measures for 2011/12. We exceeded five of our nine targets, met one target, and didn't achieve three targets.

The targets we did not meet were residents' satisfaction with the dog control service, residents' satisfaction with the handling of noise complaints, and the percentage of licensed food premises complying with notices of improvement within agreed timeframes.

### ■ Service Goal:

**Emergency management response systems have been tested.**

#### Measure:

Number of preparedness exercises held each year.

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
One exercise.	<b>Two exercises held.</b>	Two exercises held.

#### What this tells us:

The two exercises were held in October 2011 and in March 2012. Resulting recommendations included the need for electronic mapping and the need for dedication from Council to ensure full staffing levels.

The Council's electronic mapping staff are now providing additional support. Having a response coordination centre at the main Council building will make it easier for Council staff to be involved in emergency management planning.

### ■ Service Goal:

**Dog control and city safety patrol services are effective in protecting the community.**

#### Measure:

Residents' satisfaction with the dog control service.

#### Target and Result:



#### What this tells us:

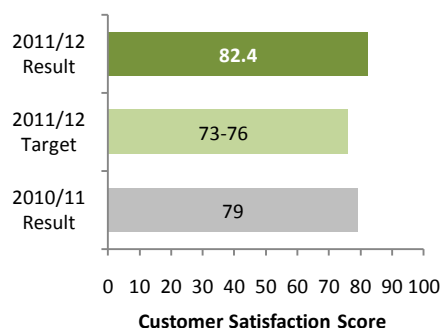
This is measured through the Council's Residents Survey. The target was to achieve 'excellent performance'. The 2011/12 result indicates 'very good performance'.

The media coverage around the increase in dog registration fees by 6% in 2012/13 year may have contributed to the decrease in this score.

#### Measure:

Residents' satisfaction with the CitySafe Patrol Team.

#### Target and Result:



#### What this tells us:

This is measured through the Council's Residents Survey. The target was to achieve 'very good performance'. The 2011/12 result indicates 'exceptional performance', indicating that we are exceeding our target and the 2010/11 result.

Several factors may have influenced this increase in satisfaction, including extending the patrols to suburban shopping centres, a change in uniform to make the patrol team more identifiable, and an increased number of patrols during the Rugby World Cup.

## ■ Service Goal:

A reliable and timely response is provided.

### Measure:

Percentage of complaints relating to excessive noise responded to within 30 minutes.

### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
95%	95%	96%

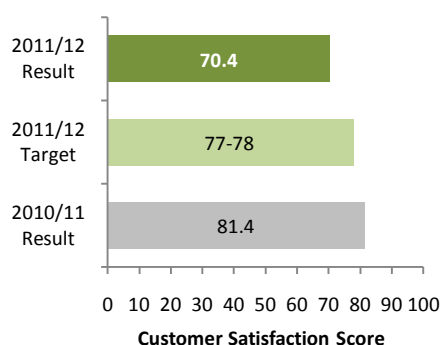
### What this tells us

We met our target. We received 9,375 noise complaints in 2011/12.

### Measure:

Residents' satisfaction with the handling of noise complaints.

### Target and Result:



### What this tells us:

The most common cause for noise complaints is stereo and party noise. The target was not met in 2011/12 and the result is lower than last year. A specific reason for the decrease can't be pinpointed at this stage, but we will continue to monitor residents' satisfaction and the impact of the change to service from 1 July 2012.

The change to the noise control services means that during the day (7am-8pm) if people have noisy neighbour issues and contact Noise Control, they will be asked to wait 30 minutes before again contacting Noise Control to investigate. This change reflects that in many cases day time noise stops within 30 minutes. At all other times a noise control officer will investigate after the first call.

### Measure:

Percentage of urgent requests for service involving dog threats to public safety responded to within one hour.

### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
80%	100%	99.4%

### What this tells us:

Council staff have continued to provide a fast and immediate response to all incidents involving threats to public safety.

A threat to public safety occurs when someone is intimidated or attacked by a dog.

There were no reported dog attacks that caused serious injury during 2011/12.

There was an 11% decrease in the number of reported urgent requests for service in 2011/12 compared with 2010/11.

### Measure:

Percentage of routine requests for service relating to dog control responded to within 48 hours.

### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
90%	100%	100%

### What this tells us:

Routine requests for service don't pose an immediate threat to public safety, for example investigating an unregistered dog.

Over 5,600 routine requests for service were reported during the 2011/12 year. This is an increase of 13% compared with 2010/11.

---

**Measure:**

Number of inspections of licensed premises per year.

**Target and Result:**

2011/12 Target	2011/12 Result	2010/11 Result
200 inspections.	<b>248 inspections.</b>	317 inspections.

**What this tells us:**

We proactively monitor premises selling liquor through routine inspections and audits. Premises with a higher risk are inspected more regularly.

Fewer inspections were completed than the previous year as staff also completed a large project to improve the liquor licensing records database. However the overall number of inspections completed is still above the target.

In addition to scheduled inspections staff also carried out compliance and monitoring during events, including the Rugby World Cup 2011; Hamilton V8s Supercars; Hamilton Food, Jazz & Wine Festival; and major events held at Claudelands.

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**Measure:**

Percentage of licensed food premises complying with notices of improvement within agreed timeframes.

**Target and Result:**

2011/12 Target	2011/12 Result	2010/11 Result
100%	<b>98%</b>	90%

**What this tells us:**

Forty-three improvement notices were issued in 2011/12. Two improvement notices did not comply within the required timeframe and staff took action to address the problems, which are now resolved.

## OUR PLANS

We will continue to improve our services and work together with other partners on issues of safety.

The largest earthquake drill in New Zealand history took place on 26 September 2012 at 9.26am. The Council participated in this event to raise awareness about being prepared for natural disasters.

We will also continue to improve Hamilton's capability for an emergency event.

Dog safety education is an important part of our work and we will be holding free Dog Basics community education classes for dog owners, in conjunction with the SPCA. The classes aim to educate owners about caring for dogs, how dogs learn, and tips to keep dogs out of trouble.

We will be keeping up-to-date with the pending changes to food safety and liquor licensing laws. The uptake of food control plans by food businesses will be maximised in anticipation of the new Food Act. It is too early to know what the impact of liquor reforms will be, but we will keep residents informed of any changes that affect them.

The Council also intends to review services provided under the City Safety umbrella to determine how it can be more efficient and effective. The review will include examining opportunities to combine business activities or finding new partners in a bid to be more cost-effective.

**“We will be holding free community education classes for dog owners”**

# COMMUNITY SERVICES & AMENITIES

Cemeteries & Crematorium | Community Development | Libraries |  
Housing for Older People | Public Toilets

## WHAT WE DO

The Council provides a wide range of community services to our diverse population.

### Cemeteries and Crematorium

We provide burial and cremation services in park-like settings where people can remember loved ones and celebrate our city's heritage.

The services reflect and celebrate the rich and diverse customs and beliefs of our community and will continue to evolve to meet changing community needs.

### Community Development

We work alongside community groups to help ensure services are in place to support a strong and connected city.

We provide quality advice and services to a wide range of people and groups, including youth and agencies supporting youth, ethnic communities, key stakeholders across the city, and Hamilton neighbourhoods.

Our work also includes supporting community centres and halls; providing grants for community initiatives; and a graffiti removal service.

### Libraries

Hamilton has a network of six public libraries providing resources and information services. They are also welcoming places for groups and individuals to meet and spend time.

### Housing for Older People

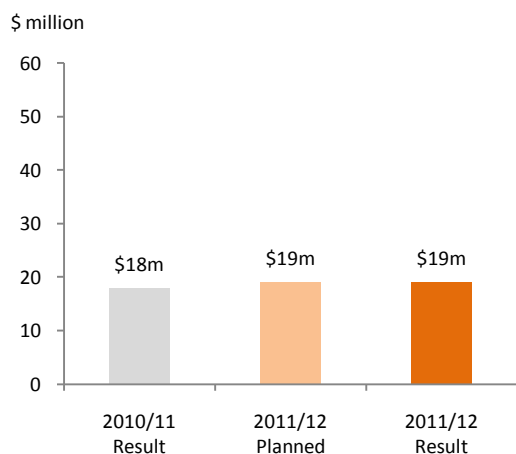
We provide housing units in complexes throughout the city to people 60 years and over with limited assets and income.

The complexes provide a secure and peaceful living environment that is close to shopping centres or bus routes. Council primarily has a landlord role, which does not include providing social services support.

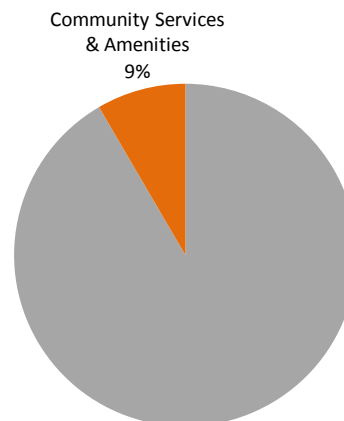
### Public Toilets

The Council provides public toilets at sports grounds and in other locations throughout the city where people are likely to visit and gather.

## Community Services Costs



## Percentage of Total Operating Costs



FOR DETAILED FINANCIAL INFORMATION  
See Page 115

## HOW WE PERFORMED

Preparation of the 2012-22 10-Year Plan generated much discussion during 2011/12 for this area of the Council's work.

Proposals to improve the city's financial situation, such as selling the Council's pensioner housing portfolio, reducing budgets and grants for community development, and reducing public toilet cleaning were widely publicised and generated a high degree of public interest.

After extensive public consultation, the Council decided to retain ownership of 21 of its housing complexes, with three not fit for purpose complexes to be sold on the open market.

A number of budget cuts were also confirmed for community development services and grants, with some grants disestablished, some reduced and some staying the same through a process which has seen reprioritising of grants.

Alongside planning for the next decade, the Council continued to deliver quality day-to-day services to the community. A snapshot of our work is included on this page.

### Did you know?...

**0800 TAG BUSTERS** is Council's free-calling number for the public to report graffiti.

Hamilton City Council received the **2011 NZ Diversity Award** in recognition of an outstanding contribution to the NZ Diversity Action Programme by our Ethnic Advisor.

The libraries **offer a range of genealogy-related programmes** to the community, including an annual Nite at the Library for genealogy enthusiasts.

**Community centres** provide services such as **budgeting advice**, cooking classes, **parent groups**, child care, **sport and recreation** opportunities and much more.

## A SNAPSHOT OF OUR WORK

- In February 2012 **Hamilton City Libraries went live with e-Books**. As at the end of June 2012, over two thousand items were available.
- **Over \$1 million in community assistance funding** was provided to community groups and organisations to deliver projects and programmes.
- **Improvements were made at Hillcrest Library**, including a self issue machine where customers can issue their own books, and new and improved customer service counters.
- **Development of a natural burial area began at Hamilton Park Cemetery**, with restoration of the gully with native vegetation. The area is due to be opened in early 2013.
- **An internet booking system at the libraries** now means customers are able to book a particular time to use a computer, instead of waiting for one to become available.
- **Digitisation of the library's oral history collection**, comprising 505 interviews, was completed in 2011/12, preserving these for future.
- The Council supported **a range of cultural celebrations** such as the monthly citizenship ceremonies, the Indigo Festival, Waitangi Day and the popular Ethnic Football Festival.
- Our Youth and Neighbourhood Advisors worked alongside community partners to **support neighbourhood events and interagency meetings** involving key Central Government and community representatives.
- **The Cemeteries and Crematorium Bylaw was reviewed**. New burial and denominational areas are now included in the bylaw.
- The Council provided **395 affordable and secure housing units** in 24 complexes throughout the city.



## OUR MEASURES

Of the 14 measures for 2011/12, 12 were achieved and two were not achieved.

Overall, survey results are a highlight, which is important for this people-focused area of Council's work. Stakeholders are telling us they are very satisfied with the Council's involvement in community centres and halls, and with the work of our Community Development Team.

Residents are pleased with the Council's graffiti clean-up programme, and the Libraries have achieved another excellent survey result, with an overall satisfaction score of 93.1 out of 100.

The two areas where we didn't meet our targets are the transition to work programme, where the tight labour market affected work opportunities; and the lower than targeted occupancy level for housing. With three complexes to be sold in 2012/13 year a number of units were kept vacant to relocate the existing tenants.

We also measure housing tenants' satisfaction, but because the survey is carried out every two years, there are no results to report for 2011/12. In 2010/11 a satisfaction score of 90.5 was achieved.

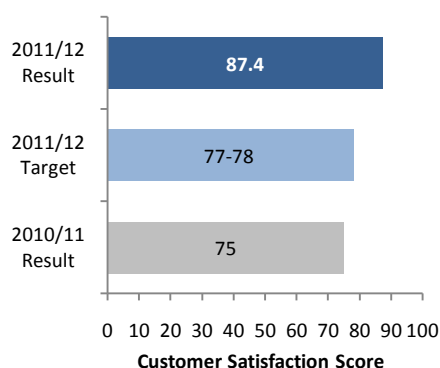
### ■ Service Goal:

**Community centres and halls are fit for purpose.**

#### Measure:

Stakeholders' satisfaction with community centres and Fairfield Hall.

#### Targets and Results:



#### What this tells us:

This is measured through the Community Development stakeholder survey. The results show a significant increase on 2010/11 results and that we have exceeded our target.

A high survey response rate and a large amount of community support in response to proposed service cuts for this area of the Council's work may be two factors that have influenced this result.

### ■ Service Goal:

**Employment opportunities are provided through the transition to work programme.**

#### Measure:

Percentage of long-term unemployed, who complete the transition-to-work programme, placed in employment.

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
25% placed in employment.	<b>20% placed in employment.</b>	52% placed in employment or further training.

#### What this tells us:

The lower than targeted outcome for 2011/12 was mainly due to the tight labour market, which has made it harder to place people in employment.

As of July 1 2012, the Transition to work Programme will no longer be delivered; this is because the Ministry of Social Development discontinued funding for this programme.

### ■ Service Goal:

**Graffiti is removed promptly.**

#### Measure:

Percentage of requests for graffiti removal responded to within 2 working days of reporting.

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
85% - 95%	<b>94%</b>	72%

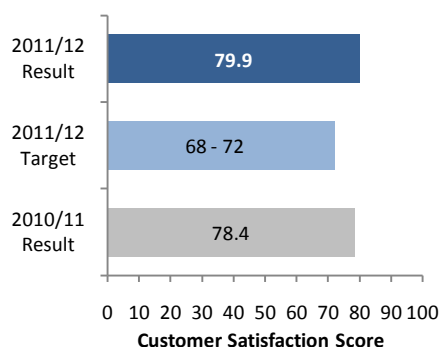
#### What this tells us

A higher percentage than the previous year was achieved by working hard to achieve the target, significantly assisted by a stable and qualified team of painters. This programme has also been assisted by new technology introduced at the beginning of 2011/12, enabling much more effective monitoring and accurate reporting.

---

**Measure:**

Residents' satisfaction with Council's graffiti clean-up programme.

**Target and Result:****What this tells us**

This is measured through the Council's Residents Survey. The target was to achieve 'good performance'. The 2011/12 result indicates 'exceptional performance'.

This result reflects the improvements we have made to our responsiveness to service requests.

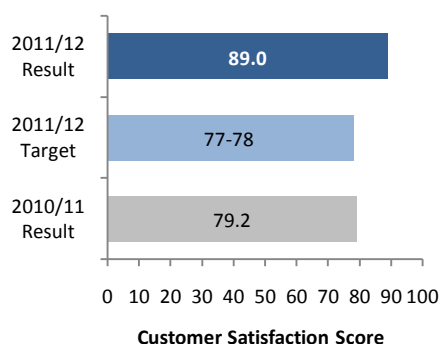
**Service Goal:**

**Social well-being outcomes are improved through work with key community stakeholders.**

---

**Measure:**

Stakeholders' satisfaction with the service provided by the Community Development Team.

**Target and Result:****What this tells us:**

This is measured through the Community Development stakeholder survey. Much of what we do in the community services area is about working with people. This measure provides an

indication of whether customers are satisfied with the standard of service they are receiving from us.

The results show a significant increase on 2010/11 results and that we have exceeded our target. A high survey response rate and a large amount of community support in response to proposed service cuts for this area of the Council's work may be two factors that have influenced this result.

**Service Goal:**

**Housing units are maintained to an appropriate level.**

---

**Measure:**

Occupancy rate of housing units.

**Target and Result:**

2011/12 Target	2011/12 Result	2010/11 Result
Minimum of 90% occupancy rate.	<b>88.5%</b>	Occupancy rate of 94% achieved.

**What this tells us:**

The 2011/12 occupancy target was not achieved. This is because the Council has decided to sell three housing complexes in 2012/13, so a number of the units have been kept vacant to accommodate the relocation of existing tenants.

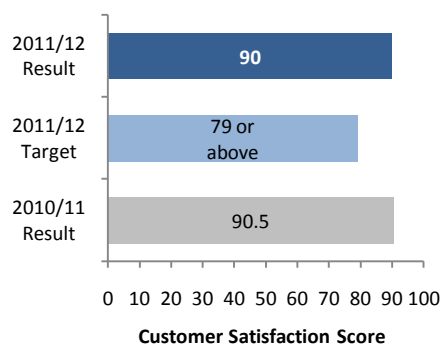
**Service Goal:**

**Cemetery and crematorium facilities are provided to an appropriate level, are well maintained and provide a quality service.**

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**Measure:**

Key stakeholders' satisfaction with the overall service provided by Hamilton Park Cemetery and Crematorium.

**Target and Result:**

### What this tells us:

This is measured through a customer satisfaction survey of Funeral Directors and Monumental Masons.

Satisfaction scores have remained high over recent years, with the 2011/12 result indicating 'exceptional performance'.

### ■ Service Goal:

Up-to-date, relevant library resources are provided to meet customer needs.

#### Measure:

Number of items in the collection held and renewed each year per capita.

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
<b>Items Held</b> 2.45 items per capita	<b>2.58 items per capita</b>	2.54 items per capita
<b>Items Renewed</b> 0.34 items per capita	<b>0.35 items renewed per capita</b>	0.34 items renewed per capita

### What this tells us:

These are measures of whether there is a sufficient number and range of resources available to meet the needs of Hamilton residents.

There was a net increase in the number of items held in the collection because fewer items were removed from the collection than in the previous 12 month period.

We slightly exceeded our target for the number of items renewed. Damaged, irreparable and irrelevant items were removed and replaced with up-to-date items.

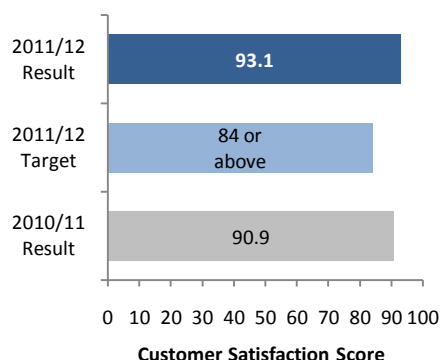
### ■ Service Goal:

Libraries provide a good quality experience for customers.

#### Measure:

Customers' satisfaction with the library services overall.

### Target and Result:



### What this tells us:

This is measured through a survey of library visitors. A score of 84 or above indicates 'exceptional performance' service.

The 2011/12 result shows that library visitors continue to rate the services and experiences provided by our libraries very highly.

### ■ Service Goal:

A range of library services and resources are provided and customers are aware of how to access them.

#### Measure:

Number of physical library visits and library website visits per annum.

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
Greater than 1 million physical visits	<b>1,165,343 physical visits</b>	1,217,236 physical visits
Greater than 240,000 website visits	<b>304,420 website visits</b>	338,184 website visits

### What this tells us:

Physical visits across the libraries decreased compared with the previous year, in line with a nationwide trend. Numbers increased at Glenview and Chartwell libraries but decreased at all other locations.

More and more, customers are accessing the library's services and resources available online.

---

**Measure:**

Percentage of city residents who are active registered library borrowers.

**Target and Result:**

2011/12 Target	2011/12 Result	2010/11 Result
Between 47% - 50%	50.4%	48.8%

**What this tells us:**

Half of Hamiltonian's are registered members of the library and have used their library card within the last two years.

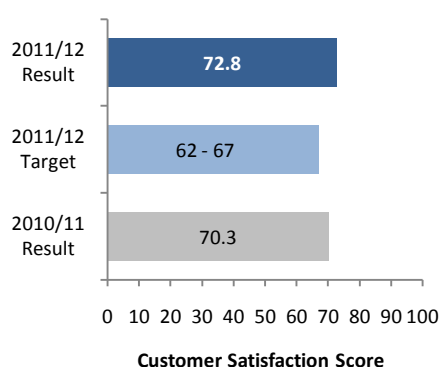
**■ Service Goal:**

**Public toilets are maintained to an appropriate level.**

---

**Measure:**

Residents' satisfaction with public toilets in the city.

**Target and Result:****What this tells us:**

This is measured through the Council's Residents Survey. The target was to achieve 'fair performance'. The 2011/12 result indicates 'good performance'.

## OUR PLANS

We remain committed to providing community services and working with other agencies for the benefit of Hamiltonians.

The Council will continue to provide housing for older people. Three not fit for purpose complexes will be sold and the existing tenants re-housed.

During 2012/13 we will also be talking to community groups about how we can better work together to provide social housing services. The Council wishes to utilise the skills, knowledge and perspectives of non-government organisations in the Waikato Region with an interest in social housing.

Over the next year the libraries strategic plan will be reviewed, and a feasibility study will be prepared looking at the operation of joint library services with Waikato District Council.

We will continue to put in place new initiatives to offer library customers different options for using library services, including greater use of technology.

The review of the Social Well-being strategy will continue, with a key focus on young people, Maaori and older people.

A review of community funding will also take place in late 2012. This will look at how the Council manages its operational grants for community groups and community building leases.

The Council also wants to make sure that Hamilton Park Cemetery and Crematorium continues to meet evolving community needs. A management plan will be developed for the next decade, and the Birch Lawn will be extended in 2012/13.

**“We will be talking to community groups about how we can better work together to provide social housing services”**

# DEMOCRACY

Representation and Civic Affairs | Partnership with Maaori

## WHAT WE DO

Democracy is about providing Hamiltonians with effective, open and responsive city governance and opportunities for you to be involved in decisions the Council makes.

Representation and Civic Affairs includes elected members’ remuneration, Council meetings, public consultation, communication and civic functions. It also includes running the local government elections.

The Council fosters opportunities for Maaori to be involved in decision making and has partnerships and service contracts with several organisations to ensure Maaori views are represented in decisions about the city.

Hamilton’s Council of Elders and Youth Council are also key representative partners.

### Did you know?...

The next **local body elections** will be held in October 2013.

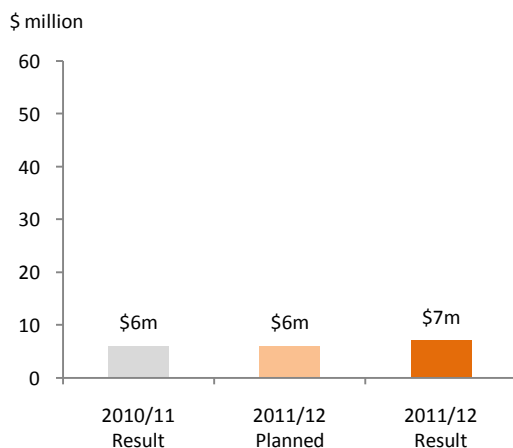
**10 Citizenship Ceremonies** were held in Hamilton during 2011/12 with **774 people** receiving their New Zealand Citizenship.

The Hamilton Youth Council received a **2012 Youth in Local Government Award** for their success in promoting effective youth leadership in the community.

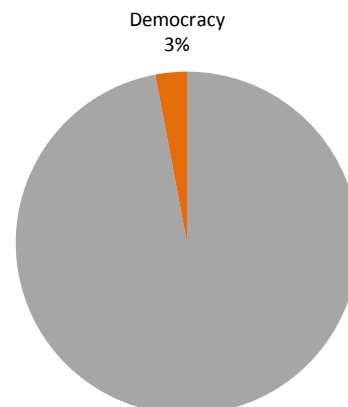
Hamilton has one of the fastest growing urban Maaori populations – Maaori comprise around **20%** of our residents.

Some of the full Council meetings are streamed live from the **Council Chamber’s web cam**. See [www.hamilton.co.nz](http://www.hamilton.co.nz)

## Democracy Operating Costs



## Percentage of Total Operating Costs



FOR DETAILED FINANCIAL INFORMATION  
See Page 116

## HOW WE PERFORMED

The 2011/12 year presented a number of challenges, highlights and areas for improvement.

The Council faced intense public and media scrutiny over the findings of the V8 Audit Report, as it was also grappling with tough decisions to address the city's serious financial issues.

Audit New Zealand's report into Hamilton's V8 Supercar event identified a range of shortcomings in Council's processes for decision-making and reporting on the event. The report has resulted in significant changes to improve the Council's reporting procedures and business processes.

Changes to business processes are discussed on page 8 of this report. The Council has also made the following improvements to its governance structures:

- 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 also appointed Price Waterhouse Coopers to provide internal audit services.

Within this challenging context, the Council has successfully produced a budget for the next decade which is achievable, financially prudent and meets the needs of Hamilton as a growing city. Our 2012-22 10-Year Plan has received local and national recognition.

It is important residents and stakeholders in the city's future get the transparency and accountability that they deserve from elected members and staff. We will continue to work hard to re-build confidence in Council processes.

## HAVING A SAY

It's important for people to have a say on matters that affect them. The Council provided many opportunities for the community to participate in its decision-making processes throughout the year.

We inform Hamilton residents of when proposed plans and policies are available for public submissions through our City News newsletter, Facebook and Twitter, our website and public notices.

Some of the key topics that we consulted on during 2011/12 were:

- A proposal to change the city's rating system from land value to capital value. Following the comprehensive six-week consultation, which drew a high number of submissions, Council decided to keep Hamilton's existing land value based rating system.
- The Council's 10-Year Plan for the next decade, which involved extensive formal and informal feedback from the community.
- The draft District Plan, one of the city's most important documents. Feedback received will be considered ahead of the plan being formally notified for submissions this December.
- Policy, bylaw, and strategy reviews, such as the Council's Development and Financial Contributions Policy, Cemeteries & Crematorium Bylaw, Traffic/Skating Bylaw, a pedestrian mall in Garden Place, the Arts Agenda, and Active Communities Strategy.

We also ask for people's feedback on our services and plans through an independent Residents Survey, customer surveys at our facilities and through our online Citizens Panel.

For notification on topics up for public consultation sign up on our website [www.hamilton.co.nz](http://www.hamilton.co.nz) and your name will be added to an email consultation alert group.

## OUR MEASURES

There are nine democracy performance measures for 2011/12. These cover a range of aspects including residents' satisfaction, meeting our legal obligations, providing opportunities for Maaori to be involved in decision-making, and providing access to funding.

We achieved seven out of nine targets, including results that met or exceeded the targets. Our Residents Survey indicates we still have room to improve in the opportunities we provide for involvement in Council's decision-making. Changes to the way our City Strategy forums are structured means we also didn't meet our original target around Maaori participation on these forums.

While overall the results are favourable, the Council aims to provide outstanding city leadership, which means we will continue to look for ways to improve.

### ■ Service Goal:

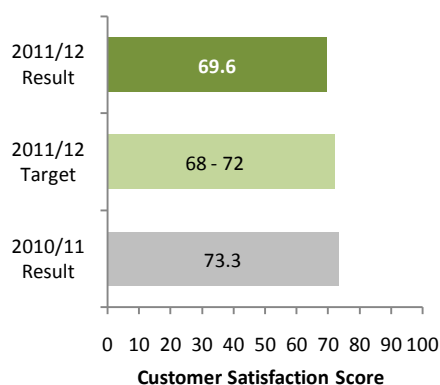
**Robust and transparent decision-making processes are used.**

---

#### Measure:

Residents' satisfaction with the processes used for Council decision-making.

#### Targets and Results:



#### What this tells us:

This is measured through the Council's Residents Survey. The 2011/12 results are within the target set, with the result indicating 'good performance'. Although not as high as last year's result, there is still a clear improvement on the 2009/10 score of 62.9.

### ■ Service Goal:

**Legislative requirements are met.**

---

#### Measure:

Legislative requirements for the LTCCP (10-Year Plan), Annual Plan and Annual Report are met and Council receives an unqualified audit.

#### Target:

Unqualified audit opinions received.

#### Result:

Unqualified audit opinions received. This result was also achieved in 2010/11.

#### What this tells us:

An unqualified audit opinion means the Council has met its legal obligations for planning and reporting processes. Whilst we have unqualified opinions there were a number of suggestions for improvement, which Council has responded to or is in the process of responding. The Council's auditor is Audit New Zealand.

---

#### Measure:

Council committee and subcommittee meetings are held in accordance with the provisions of the Local Government Official Information and Meetings Act 1987.

#### Target:

No successful challenges.

#### Result:

No successful challenges to meeting records. This result was also achieved in 2010/11.

#### What this tells us:

All minutes are confirmed at Council meetings.

The requirements of the Local Government Official Information and Meetings Act 1987 have been met in 2011/12. The Council is consistent at meeting these requirements.

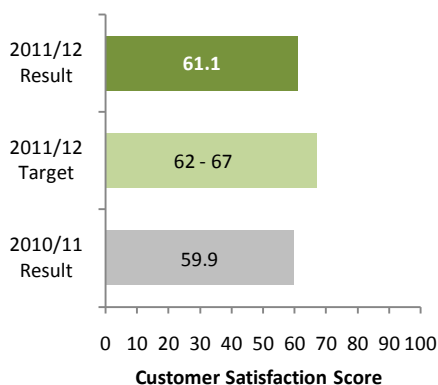
## ■ Service Goal:

Opportunities are provided for community involvement in Council decision-making.

### Measure:

Residents' satisfaction with opportunities provided for community involvement in decision-making.

### Target and Result:



### What this tells us

This is measured through the Council's Residents Survey. The result shows the target set for 2011/12 was not met. The 2011/12 result is higher than the 2010/11 result by 1.2 points.

While this shows a slight improvement, Council still has work to do to increase residents' satisfaction.

### Measure:

Advice is sought from tangata whenua on all notified resource consent applications.

### Target:

Advice sought on 100% of applications.

### Result:

100%. This result was also achieved in 2010/11.

### What this tells us:

In accordance with the spirit of te Tiriti O Waitangi/the Treaty of Waitangi councils must provide opportunities for Maaori to be involved in decision-making processes in Council.

The results from this measure show Council has made a commitment to doing this by seeking advice on 100% of notified resource consent applications.

### Measure:

Representation of Maaori organisations on city strategy leadership forums.

### Target:

Minimum of one Maaori organisation represented on each leadership forum.

### Result:

Maaori organisations were represented in two out of three leadership forums. This compares to three out of five in 2010/11.

### What this tells us:

Council requested Maaori representation on the City Strategy Leadership Forums.

There were fewer Leadership Forums in 2011/12 because the Creativity and Identity Strategy was revoked and the Economic Development Leadership Forum is not meeting while the strategy is being reviewed.

During 2011/12 both the Social Well-being and Environmental Sustainability Leadership Forums had Maaori representation. The Active Communities Leadership Forum did not, due to the lack of availability of staff from Waikato-Tainui.

A new Arts Forum being established for the Arts Agenda will have Maaori representation.

## ■ Service Goal:

Access to funding is provided through the Maaori/Pacific projects fund.

### Measure:

Percentage of projects allocated Maaori/Pacific project funding that align with the principles and objectives of the Social Well-being Strategy.

### Target:

100%.

### Result:

100%. This result was also achieved in 2010/11.

### What this tells us:

The Maaori Pacific Project Funding Allocation Committee was established by community nomination and all funds were allocated for 2011/12. Consistent with the previous two years



results, all funded projects aligned with the Social Well-being Strategy.

The purpose of the Maaori and Pacific Project Fund is to support charitable, cultural, philanthropic or other projects which strengthen the well-being of Maaori and Pacific Island people living in Hamilton.

You can find out more about this fund and the Social Well-being Strategy on our website at [www.hamilton.co.nz](http://www.hamilton.co.nz).

### ■ Service Goal:

**Official information requests are responded to in a timely manner with accurate information.**

---

#### Measure:

All official information requests are responded to with the statutory timeframe.

#### Target:

All requests responded to within 20 working days.

#### Result:

All Official Information requests were responded to within 20 working days for 2011/12. This result was also achieved in 2010/11.

#### What this tells us:

Council is responsive to requests for information as required. The Council's Privacy Officer has completed all requests within legislative requirements.

---

#### Measure:

No complaints are upheld that are received under the Local Government Official Information and Meetings Act 1987.

#### Target:

No complaints upheld.

#### Result:

There were no complaints upheld by the office of the Ombudsmen for 2011/12.

In 2010/11 one complaint was upheld and was resolved through the Office of the Ombudsman.

#### What this tells us:

Council has been responsive to requests for information resulting in no cause for complaints.

## MAAORI & DECISION-MAKING

Council continues to develop its partnership with the Waikato-Tainui Te Kauhanganui Incorporated (previously known as the Waikato Raupatu Trustee Company Ltd) – the iwi authority representing Waikato-Tainui across the Waikato Region.

Waikato-Tainui Te Kauhanganui Incorporated is the principal constitutional and legally mandated local iwi authority, encompassing some 33 hapu and 67 marae across several local authority boundaries. Waikato-Tainui as a whole takes on the wider governance focus for its people, its tribal culture, education and social responsibility.

At a signing ceremony at the Waikato Museum in February 2012, Hamilton City Council and Waikato-Tainui signed an agreement marking a new era of partnership between both organisations around caring for the Waikato River.

Hamilton was the first council along the length of the river to sign the required full joint management agreement with Waikato-Tainui, following the 2010 Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act.

To assist in delivering services to Maaori, Council currently has specific partnership and service agreements with:

- Ngaa Mana Toopu o Kirikiriroa (NaMTOK) - an iwi group representing local mana whenua (Maaori with historic ties to the Hamilton/Kirikiriroa area) on issues relating to the management of Hamilton's natural and physical resources.
- Te Runanga o Kirikiriroa (TeROK) – an urban iwi authority representing maataa waka (Maaori/Pacific from other areas) on the impact of Council policies. Te Runanga provides a range of services, support, advice, and technical expertise that assist Council to meet the needs of the Maaori community in Hamilton.

These partnerships and agreements aim to ensure mana whenua perspectives and maataa waka views are represented in decisions about the city, its community capacity and natural and physical resources.

## OUR PLANS

We will continue to work hard to build community trust with Council.

Every six years all councils must review how their communities are represented. The Council is currently carrying out this review, which looks at the number of councillors the city should have and how they will represent the community for the October 2013 elections.

During the 2013 elections there will also be a referendum on whether Single Transferable Vote or First Past the Post should be used to elect future councils.

Local government legislation reforms are also in the pipeline. The reforms are proposed by Central Government, with the aim to provide better clarity about councils' roles, stronger governance, improved efficiency and more responsible fiscal management.

The Council will continue to represent Hamilton's interests regionally and nationally.

An independent review of the Council's Maaori partnerships and representation will be carried out in 2012/13. The objective of this review is to ensure we have the best possible structure and enduring arrangements to deliver high quality outcomes for Maaori in Hamilton.

The review will also consider what Council could do to facilitate more formal input into decision making from Maaori, noting that Council resolved in 2011 not to introduce Maaori wards.

**“The Council will continue to represent Hamilton’s interests regionally and nationally”**

# EVENT & CULTURAL VENUES

Claudelands | Theatres | Seddon Park | Waikato Stadium | Waikato Museum

## WHAT WE DO

Our venues provide entertainment and cultural experiences for residents and visitors and bring economic benefits to the city.

### Claudelands

Claudelands is a versatile complex that caters for a variety of events and functions. It includes a multi-purpose indoor arena for up to 5,000 spectators, conference facilities for up to 1,200 delegates and exhibition and show facilities.

### Theatres

There are three Council-run theatres in Hamilton: Founders Theatre, Clarence St Theatre and The Meteor. The theatres offer space for live entertainment, conferences, seminars and social functions.

### Waikato Stadium & Seddon Park

Waikato Stadium is one of New Zealand's premier venues for international and national sports, live performances and functions. It hosts a range of events, including international rugby and concerts.

### Waikato Museum

The Waikato Museum cares for the city's cultural and artistic treasures. Regular exhibitions and activities share the knowledge, creativity and history of those treasures.

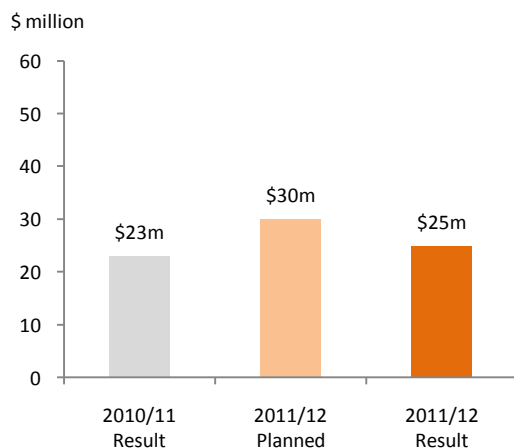
### Did you know?...

There can be up to **600 people** associated with staging a large event at Waikato Stadium.

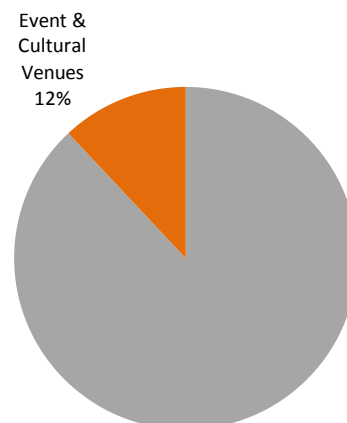
The Meteor Theatre was built in the 1950s to be a **soft drink manufacturing plant**. The building has also been an **indoor roller skating rink** and **used car auction house**.

The Waikato Museum has more than **60,000 objects** in its collections and you can now view many of these items online at [www.waikatomuseum.co.nz](http://www.waikatomuseum.co.nz).

## Venues Operating Costs



## Percentage of Total Operating Costs



FOR DETAILED FINANCIAL INFORMATION  
See Page 117

## HOW WE PERFORMED

Hamiltonians' were spoilt for choice in 2011/12, with a range of exciting events across all our venues.

It was a great year for sports and culture in the city, with the Rugby World Cup, the success of the Chiefs and the Magic, sell out shows at the Theatres and plenty on offer at Waikato Museum. The feature on this page lists some of the highlights for 2011/12.

Of note, the Waikato Museum won several awards during the year. A Qualmark Silver Enviro Award was presented to the Museum for ongoing commitment to sustainability. The Museum also took out two categories at the National Museums Aotearoa Award in April 2012. One for the 2011 exhibition Red, Yellow and (All) Black; and the other for the development of a sustainable fabricated exhibition wall system which has the potential to save up to \$50,000 per annum by reusing materials.

Seddon Park received international accolades. Its grassy banks and "boutique" feel saw it ranked in the top 20 test cricket venues by influential magazine The Cricketer in May 2012.

The redevelopment of Claudelands Events Centre was completed during the year. The new conference and function complex at Claudelands offers a multi-use space for a variety of events and activities to take place.

An independent review of Claudelands' Business Plan saw Council setting more realistic financial and business targets, which better reflects the complexities of operating the city's prime convention, exhibition, and events facility.

The review highlighted that Claudelands' 2009 Strategic Business Plan was unrealistic in the forecasts made for future business, revenue, pricing and operating costs. The targets were lowered to reflect more realistic expectations of the business.

The start-up period for any new business is difficult; however the events, conferences, exhibitions and shows which have been held already and which are being booked at Claudelands into the next three years show steady growth in revenue.

That coupled with the business generating flow-on effect these events bring to the local economy make Claudelands a valuable future asset for our city.

## WHAT A YEAR!

**There were some great events and attractions on offer at our venues during 2011/12 - here is a snapshot.**

### Claudelands

- Armageddon Expo.
- Edgetravaganza and Kiwi Cream concerts.
- Breakers basketball and Waikato BOP Magic netball.
- International Rodeo.
- El Cabello Blanco – the dance of the white stallions.
- Sonny Bill Williams Heavyweight Boxing Fight.
- International Tattoo & Art Expo at Claudelands
- The Waikato Show.

### Seddon Park and Waikato Stadium

- Three Rugby World Cup games at Waikato Stadium.
- Chiefs and Waikato Rugby matches at Waikato Stadium (including hosting the final matches).
- International cricket at Seddon Park.

### Theatres

- The Flight of the Conchords at Founders Theatre.
- Sir Ian McKellan's fundraising show at Clarence St Theatre.
- The Hamilton Operatic Society's season of Oliver at Founders Theatre.

### Waikato Museum

- How to Make a Monster: the Art and technology of Animatronics.
- The iconic Fieldays No.8 Wire National Art Award.
- The National Contemporary Art Award.
- The fifth annual Children's Day at the Museum.

## OUR MEASURES

Event and Cultural Venues have nine measures, which include twenty-one targets for 2011/12. Of the twenty-one targets, fourteen were exceeded, four were met, and three were not met.

The results for venue customers and hirers are favourable overall. Customer satisfaction scores were met for all venues except the Stadium, although this was still a reasonable score at 73.4 out of 100. We also exceeded our targeted number of events at Claudelands, the stadia and Seddon Park.

Waikato Museum also had a bumper year due to some great exhibitions attracting higher than targeted visitor numbers to both the Museum and ArtsPost.

The three targets we didn't meet were the Waikato Stadium satisfaction score, the number local exhibitions for ArtsPost and an equal balance of exhibitions for each four categories of visual arts, social history, tangata whenua and sciences.

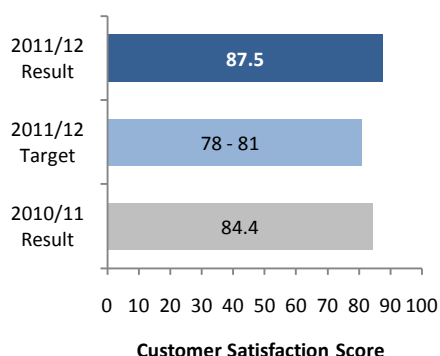
### ■ Service Goal:

The venues provide a quality experience for customers/patrons.

#### Measure:

Customer satisfaction with Waikato Museum exhibitions.

#### Targets and Results:



#### What this tells us:

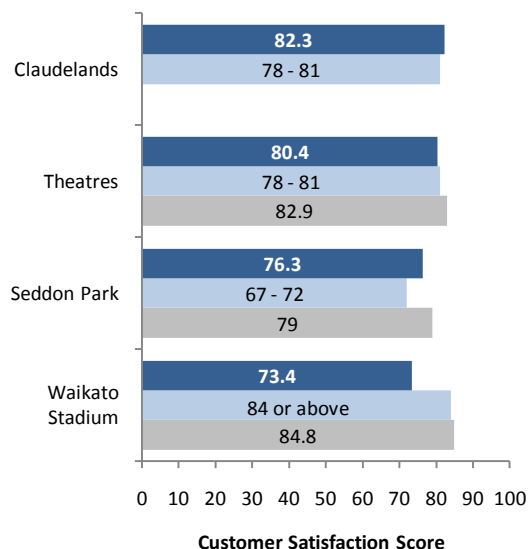
This is measured through a survey of Waikato Museum visitors.

The target was to achieve 'very good performance' and this was exceeded with a result indicating 'exceptional performance'.

#### Measure:

Customer satisfaction with Waikato Stadium, Seddon Park, Hamilton City Theatres and Claudelands.

#### Targets and Results:



■ 2011/12 Result ■ 2011/12 Target ■ 2010/11 Result

#### What this tells us:

These results are measured through customer surveys undertaken at selected events across the venues.

The results for Claudelands, Theatres, and Seddon Park met the targets set; this indicates that customers were happy with these venues.

The surveys for Claudelands resumed during 2011/12, as the redevelopment is now completed. This is why there is no result for 2010/11.

Waikato Stadium's results did not meet the target; the reason for this is probably that there were only two surveys done during ITM Cup, which was not a very high profile event.

## ■ Service Goal:

ArtsPost provides a channel to facilitate the promotion and development of local artists.

---

### Measure:

Number of exhibitions by local artists in the ArtsPost galleries per annum.

### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
Greater than 30 exhibitions.	23 exhibitions.	25 exhibitions.

### What this tells us:

Of the total number of exhibitions at ArtsPost 82% were group or solo shows by local artists (23 out of 28 exhibitions).

Two major exhibitions occupied all three galleries this year, which impacted on the ability to reach the target of 30 exhibitions. The two exhibitions were the very popular Waikato Society of Arts (WSA) member's exhibition featuring all local artists and the Fieldays No.8 Wire National Art Award, featuring a number of local finalists.

## ■ Service Goal:

The venues provide for a wide range of events and interests.

---

### Measure:

Equal percentage of Waikato Museum exhibitions for visual arts, social history, tangata whenua and sciences.

### Target:

25% balance for each category.

### Result:

Category	2011/12 Result	2010/11 Result
Visual arts	26%	28%
Social history	23%	17%
Tangata whenua	26%	27%
Sciences	25%	35%

## What this tells us:

A key priority for the Museum is to provide an equal balance of exhibitions for each four categories of visual arts, social history, tangata whenua and sciences. The results show that we are close to our target for all categories, an improvement on 2010/11 results.

---

### Measure:

Number of visitors to Waikato Museum and ArtsPost.

### Targets and Result:

2011/12 Target	2011/12 Result	2010/11 Result
<b>Museum</b> Minimum of 110,000 visitors.	<b>133,373</b> visitors.	160,075 visitors.
<b>ArtsPost</b> Minimum of 38,000 visitors.	<b>43,534</b> visitors	48,786 visitors.

### What this tells us

The Museum's visitor target was exceeded, due to several successful exhibitions:

- Red, Yellow, (All) Black a local look at our national game.
- Rita Angus: Selected Works.
- How to make a Monster: The Art & Technology of Animatronics.

Visitor numbers were less than 2010/11, which was a very successful year due to the blockbuster exhibition 'Hatching the Past: Dinosaur Eggs and Babies'. This exhibition was hugely popular in the six months it was at the Museum.

The ArtsPost visitor target was also exceeded. The increase could be attributed to a number of factors including wide range of exhibitions on offer and increased visitors due to the good publicity that the Fieldays No.8 Wire National Art Award exhibition received this year.

---

**Measure:**

Number of international events/shows held at Claudelands, Waikato Stadium, Seddon Park and the Theatres.

**Targets and Result:**

2011/12 Target	2011/12 Result	2010/11 Result
<b>Claudelands</b> 5 events	<b>14 events</b>	2 events
<b>Waikato Stadium &amp; Seddon Park</b> 10 events	<b>13 events</b>	17 events
<b>Theatres</b> 10 events	<b>18 events</b>	30 events

**What this tells us:**

These results show that the targets for 2011/12 were met. Claudelands exceeded target with the redevelopment completed and the event centre operating at full capacity.

---

**Measure:**

Number of national/local events/shows held at Claudelands, Waikato Stadium, Seddon Park and the Theatres.

**Target and Result:**

2011/12 Target	2011/12 Result	2010/11 Result
<b>Claudelands</b> 40 events	<b>206 events*</b>	42 events
<b>Waikato Stadium &amp; Seddon Park</b> 25 events	<b>22 events (total of 335 events*)</b>	22 events
<b>Theatres</b> 150 events	<b>163 events*</b>	122 events

**What this tells us:**

These results show that the targets for 2011/12 were met for the Stadia and exceeded for Claudelands and the Theatres.

The 2011/12 target for Claudelands was based primarily on existing business. Claudelands events exceeded target with redevelopment completed and event centre operating at full capacity.

\*Note: Total event numbers for all venues also include non-ticketed events such as meetings and private functions. These were not previously reported for Waikato Stadium and Seddon Park, but are now included to be consistent with Claudelands and the Theatres.

---

**Service Goal:**

The Waikato Museum collection is accessible to the community.

---

**Measures:**

- Percentage of high value items in the collection digitised.
- Percentage of items in the total collection digitised.

**Target and Result:**

2011/12 Target	2011/12 Result	2010/11 Result
<b>High value items</b> 100%	<b>100%</b>	100%
<b>Total collection</b> 54%	<b>56%</b>	55%

**What this tells us:**

A total of 495 new items have been accessioned into the collection, exceeding the target of 260 per annum. This includes new acquisitions and older accessions.

---

**Service Goal:**

The Claudelands redevelopment will incorporate sustainable design features.

---

**Measure:**

Equivalent Green Star rating for the upgraded facilities at Claudelands.

**Target:**

Equivalent of a 4-5 NZ Building Council Green Star rating achieved.

**Result:**

Designed and built to the standard of a 4-5 NZ Building Council Green Star rating. (During 2010/11 Claudelands was still under construction, so there is no comparative result for that year.)

**What this tells us:**

The target to achieve a 4-5 NZ Building Council Green Star rating was achieved. Green Star is a comprehensive, national, voluntary environmental rating scheme that evaluates the environmental attributes and performance of New Zealand's buildings.

During the redevelopment of Claudelands, the design team had a strong focus on environmental

sustainability – from all aspects of construction through to the ongoing operation of the venue.

Environmentally Sustainable Design elements were incorporated into all phases of the project, including minimisation of energy consumption and greenhouse gas emissions, water conservation and use of environmentally friendly materials. Almost 9,000 new shrubs and over 100 additional trees have been planted on site.

Installation of high efficiency air conditioning systems, energy efficient lighting and lighting control systems, and installation of the latest LED street and pedestrian lighting help to minimise the venue's energy usage. More than 90% of demolition materials were recycled – some went back into the new construction of the building.

## **OUR PLANS**

**We will work to drive positive economic benefits for the city, help make Hamilton a great place to live and minimise funding from rates.**

Overall, our event facilities performed well during 2011/12, but the Council will be ensuring it is making the most of its investments and maximising income from its event facilities. These facilities are subject to additional governance oversight to achieve revenue targets.

We are looking to achieve a steady growth in revenue at Claudelands over the next 10 years, which will reduce the funding from rates over time.

We are also carrying out a strategic review of theatres to ensure they are meeting the needs of the city. This will include a decision about whether or not to sell the Clarence St and Meteor theatres. Decisions about these theatres will take into account views from Hamilton's performing arts community, Council's Arts Agenda and commercial considerations.

To ensure ongoing quality exhibitions at the Museum, we will continue to actively seek sponsorship partners. New sponsorship has already been secured for 2013 exhibitions.



# RECREATION

Parks & Gardens | Sports Areas | Hamilton Zoo | Swimming Facilities

## WHAT WE DO

The Council's recreational facilities contribute to making Hamilton a desirable and fun place to live.

### Parks and Gardens

The city offers numerous green areas ranging from small neighbourhood parks to destination parks such as Claudelands Park, Lake Domain and Memorial Park. The star of our green spaces is Hamilton Gardens.

Hamilton also has a network of natural areas such as gullies, Waiwhakareke Natural Heritage Park and areas alongside the Waikato River.

The Council beautifies the city through plantings and provides amenities such as playgrounds, fountains, walkways and park benches.

### Sports Areas

Spread across Hamilton are 442 hectares of sports parks and facilities for formal and informal use. Some parks act as headquarters for senior sporting codes and others cater mainly for other grades and junior sport.

### Hamilton Zoo

The zoo is home to 600 exotic and native animals spread over 21 hectares of landscaped grounds.

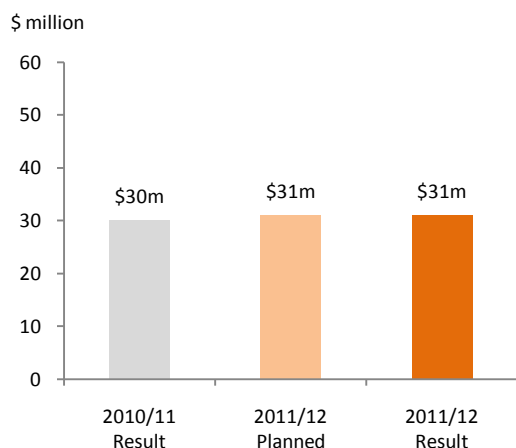
The zoo offers a recreational resource for both residents and visitors and works to conserve wildlife. Education programmes are provided to schools and the zoo participates in international breeding programmes for endangered species and breeds native animals for introduction into the wild.

### Swimming Facilities

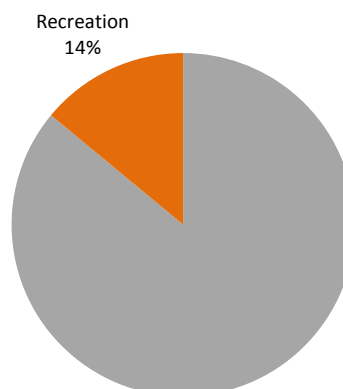
The Council operates two swimming complexes – Waterworld and Gallagher Aquatic Centre. We offer safe facilities for the community, clubs, sporting groups and schools.

Our services include learn to swim classes, a gym at Waterworld, a licensed early childhood education centre and the hydrotherapy pool.

## Recreation Operating Costs



## Percentage of Total Operating Costs



FOR DETAILED FINANCIAL INFORMATION  
See Page 118

## HOW WE PERFORMED

The Council aims to provide access to quality, affordable recreation facilities and green spaces that everyone can enjoy.

There have been some great achievements during the year. Hamilton Zoo had record visitor numbers and won two awards – a Certificate of Excellence from TripAdvisor for consistently earning exceptional traveller ratings over the past year, and 1<sup>st</sup> place in the Arts, Sports and Attraction category of the 2012/13 Entertainment Book Awards as voted by customers.

There were also plenty of improvements and upgrades to recreation facilities around the city to make the most of what we've got. Some of the main improvements are profiled on this page.

The city's Playground Policy was reviewed and an extensive programme of upgrades and new playgrounds was confirmed for the next 10 years.

The Parks, Reserves and Domains Bylaws was also reviewed and new provisions included for Freedom Camping.

Access to sports fields during 2011/12 was boosted by the extra rain over summer, which reduced the need for grass maintenance. Up until the end of June 2012, fine weather during weekends meant there were no field closures. Clubs using the areas during the week for practice have also been proactive by not training on fields when wet, allowing weekend sports to take place.

### Did you know?...

2011/12 saw the births of the **1st red panda** and **6th white rhinoceros** at the Zoo.

The free iPhone application **MyParx** allows you to find out more information about Hamilton Parks – see [www.myparx.com](http://www.myparx.com).

The Zoo's education programmes had **7,358** participants in 2011/12 and **27,153** children went through the Swim Safe programme.

Hamilton is home to more than **200 parks and reserves** and over **80 playgrounds**.

## NEW AND IMPROVED

- **Two new species arrived at Hamilton Zoo** - two female waterbuck from Orana Wildlife Park and a pair of pygmy marmosets from Wellington Zoo.
- The new **Potter Children's Garden at Parana Park** has been a highlight, with a spectacular opening in April 2012. The playground has been very well received and is being used intensively.
- **A new innovative bulkhead – the first in NZ - was installed at Waterworld.** With the ability to be split in half, it means 50m and 25m swimming and a wider range of leisure activities can be offered at the same time.
- Construction of **new tiger dens** and other improvements to the tiger enclosure allows Hamilton Zoo to import a Sumatran tigress from Australia as part of the breeding programme for this species.
- A **white rhinoceros shelter** was constructed, funded by the Friends of Hamilton Zoo and a public campaign. The shelter also allows staff to provide visitors with Face2Face encounters.
- **Mangaiti Park** was levelled and grassed enabling community use.
- Waterworld has undergone a number of **improvements to provide better access for customers with disabilities**, including accessible car parks, widening of main entrance and hallway, and replacing the turnstile gate with an electronic gate.
- Interpretation signs have been installed at **Jubilee Park and at Hammond Park.** The parks' stories are being told so people will have a better understanding of city history.
- Staff worked with the Te Awa River Ride Trust to support planning the Hamilton part of the **Karapiro-Ngaruawahia river ride.**
- Updated **playground facilities at Gallagher Aquatic Centre** include new activities that cater for a wider age group and more kids.
- **Hamilton Zoo went smokefree** in December 2011, apart from two designated smoking areas.

## OUR MEASURES

We measured our performance against 15 targets during 2011/12. Thirteen of the targets were met, with pleasing results for visitor numbers, residents' satisfaction and maintaining safety standards at the Zoo and pools.

The two targets we didn't meet are for the number of homes within 500m of a playground and residents' satisfaction with parks and gardens.

### ■ Service Goal:

**Recreation facilities are accessible to everyone.**

#### Measure:

Provide one neighbourhood playground within 500m of every home

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
90% of homes within 500m of a playground	<b>70% of homes within 500m of a playground</b>	74% of homes within 500m of a playground

#### What this tells us:

The city has continued to grow in the north east and a new playground has been provided at Trinidad Place Reserve with a substantial upgrade at Moonlight Drive Reserve. There is a new playground at Pine Avenue and some obsolete and under-used playgrounds have been removed.

Collectively these changes have led to a temporary decline in this measure. As the approved 2012-22 10-Year Plan programme starts to take effect the results will improve.

#### Measure:

Percentage of residents who use walkways per year.

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
70%	75.5%	80.4%

#### What this tells us:

This is measured through the Council's Residents Survey. Three quarters of respondents had used

the city's walkways during 2011/12, showing they continue to be a popular city asset.

#### Measure:

Number of customer visits to Council owned and operated swimming pools each year.

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
550,000 – 570,000 visits	<b>639,060 visits (includes 13,557 Municipal Pool visits)</b>	633,579 visits

#### What this tells us:

The results for 2011/12 exceed the target and the 2010/11 results. Considering customers can choose whether or not to visit the swimming facilities this is a very good result.

#### Measure:

Number of customer visits to Hamilton Zoo per year.

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
110,000 visits.	<b>151,751 Visits</b>	139,697 visits

#### What this tells us:

Hamilton zoo has set a new record for visitor numbers in 2011/12 with an 8.6% increase on the previous year.

The increase in visitor numbers has been attributed to:

- Good weather corresponding with school holiday periods.
- Growth in annual visitor pass holders.
- Use of a Grab One online promotion to secure winter ticket sales.
- More national residents choosing to holiday in NZ rather than overseas due to the economic recession.
- Regular press releases promoting good news stories such as red panda and white rhinoceros births.

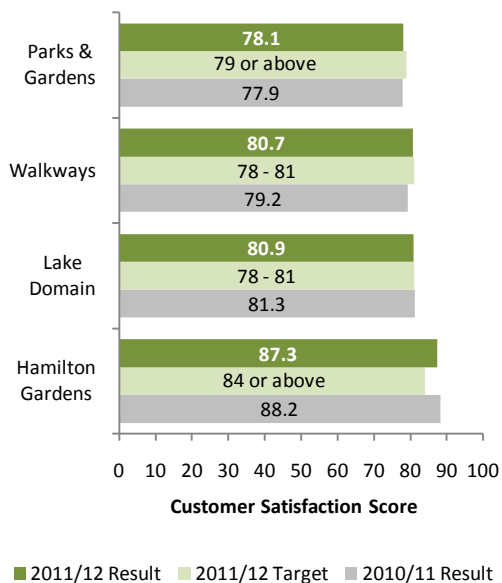
**■ Service Goal:**

To provide attractive and well-maintained parks, gardens and walkways.

**Measure:**

Residents’ satisfaction with parks and gardens, walkways, Lake Domain and Hamilton Gardens.

**Target and Result:**



**What this tells us**

These scores are measured through the Council’s Residents Survey.

The target for parks and gardens was to achieve ‘exceptional performance’. The target wasn’t met, but the result was still high with a score of 78.1 indicating ‘excellent performance’. We will be keeping a close watch on this over the coming years, particularly given the service cuts in this area.

We aimed for ‘very good performance’ for our walkways and Hamilton Lake Domain. This was achieved for both of these popular recreation facilities.

Hamilton Gardens, a much-loved city asset, returned one of the highest 2011/12 Residents Survey scores, achieving ‘exceptional performance’.

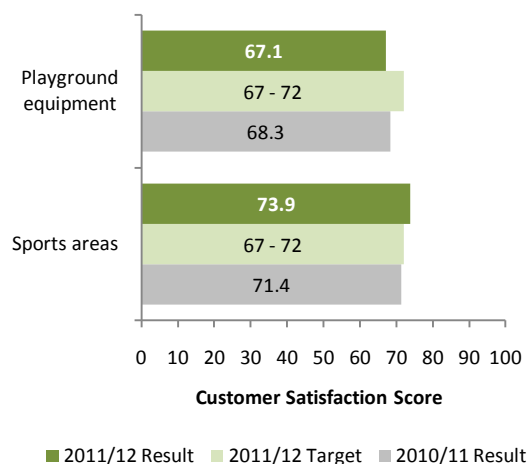
**■ Service Goal:**

Sports areas and playground equipment provided are fit for purpose.

**Measure:**

Residents’ satisfaction with sports areas and playground equipment.

**Target and Result:**



**What this tells us:**

We aimed for scores that reflected ‘fair performance’ for both sports areas and playground equipment. This was achieved for playground equipment and exceeded for sports areas, with a score indicating ‘good performance’.

**“Hamilton Gardens, a much-loved city asset, returned one of the highest 2011/12 Residents Survey scores”**

## ■ Service Goal:

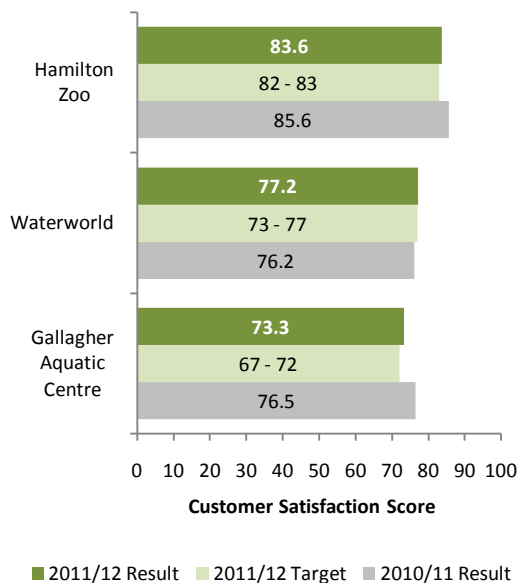
Swimming facilities and Hamilton Zoo provide a quality experience for customers/patrons.

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### Measure:

Residents' satisfaction with Hamilton Zoo, Waterworld and Gallagher Aquatic Centre

### Target and Result:



### What this tells us:

The target for the Zoo was to achieve 'excellent performance', and this target was met in 2011/12.

Waterworld and Gallagher Aquatic Centre both achieved their targets during 2011/12. Both facilities achieved scores that indicate 'good performance', with Gallagher Aquatic Centre exceeding its target of 'fair performance'.

## ■ Service Goal:

Facilities comply with safety standards.

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### Measure:

Council owned and operated swimming pools meet Pool Safe Accreditation standards.

### Target:

Standards met.

### Result:

Pool Safe standards were met in 2011/12. We also achieved this result in 2010/11.

### What this tells us:

Pool Safe Accreditation is an industry based standard for all pools that are open to the public. The standard includes water quality, supervision and health and safety standards. Our swimming facilities continued to meet the standards throughout the year.

There were also a number of safety improvements at Waterworld during the year, including a new concourse through the main pool halls which is less slippery and is softer to walk on and land on if there is a loss of balance.

The vinyl flooring in the main changing room has also been replaced with anti-slip seamless flooring.

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### Measure:

Zoo operations comply with MAF Zoo License standards.

### Target:

Standards met.

### Result:

Standards met. Continued approval to operate issued in August 2012. This was also met for 2010/11.

### What this tells us:

The Zoo is complying with MAF Zoo license standards.

The Zoo can only open to the public when approved as operating in compliance with the Biosecurity Standard for Containment Facilities for Zoo Animals. This requires the facility to have correct procedures and containment standards for the housing of animals that can only be kept in Zoos.

## WAIWHAKAREKE NATURAL HERITAGE PARK

Waiwhakareke is an award-winning natural heritage park and New Zealand's largest inland restoration project.

The 60-hectare park on Hamilton's western outskirts is a major ecological restoration project involving the Council as the landowner and a number of other institutions and community groups.

Waiwhakareke is being developed to reconstruct native lowland and wetland ecosystems as were once widespread in the Waikato Region.

It is a long term project that relies heavily on volunteers to plant and maintain the site. When it is finished Waiwhakareke will provide the city and region with a resource that supports recreation, conservation and science, as well as a visitor attraction.

2011/12 saw some great progress on the project. On Arbour Day over 1,500 people – mainly school children – planted over 23,000 plants in three hours.

The overall area of the site planted was increased to 21.5 hectares out of a possible 50 plantable hectares.

A grant of \$171,000 was also received in 2011/12 from the Environment Ministry, which will see more than 40,000 new seedlings planted at the site.

The Council's 2012-22 10-Year Plan includes continued support for the project, including \$445,000 for planting and track construction.

You can find out more and follow the project's progress at [www.waiwhakareke.co.nz](http://www.waiwhakareke.co.nz).

## OUR PLANS

We will be reviewing some of our recreation facilities to see if they are meeting the city's needs and whether we are making the most of what we have.

Along with some of our other arts and recreation facilities, we will be carrying out strategic reviews of our sports facilities (including indoor recreation facilities and sports parks) and swimming facilities.

These reviews will map out the city's long-term needs and make sure its recreation facilities are meeting the standards of a modern city. Issues such as whether there are enough facilities and whether they are in the right place will also be looked at.

Work has also begun on a review of Hamilton Gardens to determine how it can offer the best possible experience to residents as well as visitors to Hamilton. As part of this work, we will undertake a feasibility study to look at other options for generating revenue from the Gardens.

There will be a report back to the Mayor and Councillors within the year on the Municipal Pool's leak and structural integrity. The Pool is currently closed due to a major plant failure.

Hamilton Zoo fans will be excited, as the Zoo will be importing a 4-year old Sumatran tigress from Dreamworld, Queensland, and exchanging males to create a genetically compatible pair for future breeding.

More generally, we will be closely monitoring the service cuts that have been agreed for this area as part of the Council's 2012-22 10-Year Plan to get the city's finances back on track. This will include monitoring effects of changes on the community.

In these constrained financial times our challenge is to maintain good standards at our facilities with less money.

**“We will be closely monitoring the service cuts that have been agreed for this area”**

# TRANSPORTATION

Transportation Network | Parking Enforcement

## WHAT WE DO

We provide and manage a safe and efficient transport network for Hamilton which integrates freight, private vehicles, buses, walking and cycling.

We also manage on-street parking, clearways and Council-owned parking buildings and carparks.

Our services include operation and maintenance of the existing network and planning and providing for future development.

We work with the community to raise awareness of travel options and influence travel behaviour.

The city's bus service is provided and managed by the Waikato Regional Council through a partnership with the city. State Highways that run through Hamilton are primarily managed by the New Zealand Transport Agency.

### Did you know?...

Hamilton motorists can reduce their fuel bills by clicking on to the [www.letscarpool.govt.nz](http://www.letscarpool.govt.nz) website and sharing rides with others.

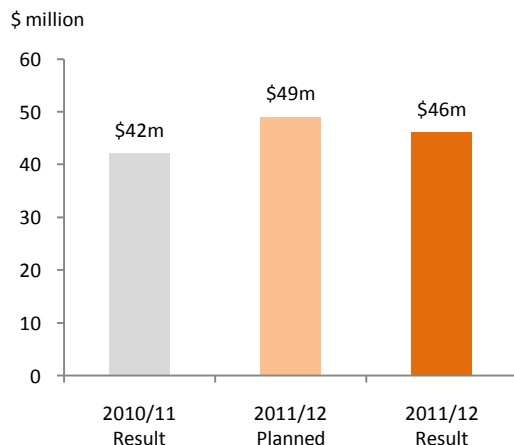
The **oldest road bridge in Hamilton** is the Claudelands Bridge that was constructed as a railway bridge in 1884.

There are **over 16,000 car parks** in Hamilton's central city.

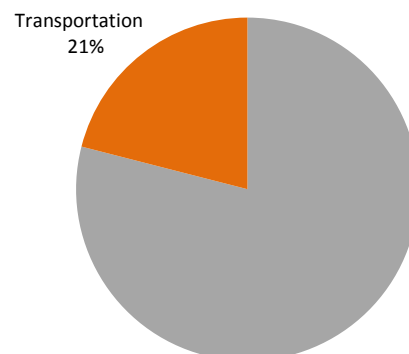
Wairere Dr/Crosby Rd/Gordonton Rd roundabout received an **ACENZ award for sustainable design** in recognition of the innovative provision of facilities for pedestrians and cyclists.

You can find out about **road works and closures** that might impact on your travel on the transport section of the Council's website [www.hamilton.co.nz](http://www.hamilton.co.nz).

## Transportation Operating Costs



## Percentage of Total Operating Costs



FOR DETAILED FINANCIAL INFORMATION  
See Page 119

## HOW WE PERFORMED

There's been a lot happening to make it easier and safer to get around in Hamilton.

The Council has made progress on some major transport projects, including the Hamilton Ring Road and Wairere Drive improvements.

\$14.8 million was spent on maintaining and operating our existing road network.

We also continued to improve road safety for all modes of transport and worked towards a higher share of sustainable modes of transport on Hamilton's roads.

### Major Roothing Projects

Construction of the Ring Road extension project from Crosby Road to Ruakura Road continued. The corridor located to the east of the existing Tramway and Peachgrove Roads is a key component of a strategic arterial network that circulates traffic around the city.

Wairere Drive 4-laning will also address traffic congestion and accommodate future city growth. During 2011/12 improvements included 4-laning the section between Pukete Road and Pukete Bridge and upgrading the intersection of Pukete Road and Wairere Drive traffic signals. The full scope of the project extends through to Resolution Drive.

The aim is to improve safety for vulnerable road users at the intersections and improve capacity on a key section of the major arterial network at the northern end of the city – resulting in reduced travel times.

The section of Avalon Drive between Ellicott Street and Rotokauri Road was also upgraded to urban standards following the removal of State Highway status by the New Zealand Transport Agency.

The project has improved facilities for pedestrians and cyclists, lowered traffic speeds and volumes and has resulted in improved safety and amenity for residents in the area.

## RING ROAD EXTENSION

**The Hamilton Ring Road project, jointly funded by Hamilton City Council and the New Zealand Transport Agency, is an important component of the city's Access Hamilton Strategy.**

The Ring Road will manage congestion, support economic development and productivity and provide for the effective movement of people and freight between key transport, employment and residential nodes.

It will also play a critical role in ensuring that the Waikato Expressway fulfils its intended function as a key route for freight and inter-regional through traffic.

The Ring Road extension project is being delivered in two stages. The first stage is from Crosby Road to Ruakura Road, including Peachgrove/Te Aroha intersection. The second stage is from Ruakura Road possibly through to Cobham Drive, subject to further Council decisions.

The extension will significantly reduce traffic on Hukanui/Peachgrove roads. When in place, steps can then be taken to cater much better for public transport, walking and cycling on this route.

The new transport corridor will itself cater well for all modes of transport with an off road shared pedestrian/cycle path running the full length on the eastern side.

Construction of the first stage of the project is programmed to be completed by early 2013.

\$23.9 million was spent on the project in 2011/12, which included a 55% subsidy from the New Zealand Transport Agency (NZTA).

A further \$33.6 million has been allocated by the Council over the next three years to complete the project.

You can follow the Hamilton Ring Road project's progress on Facebook, go to: [www.facebook.com/HamiltonRingRoad](http://www.facebook.com/HamiltonRingRoad)



## Sustainable Transport Improvements

The passenger transport facilities in Lyndon Court, Chartwell received an upgrade in 2011/12 to create an interchange point for 800 buses per day.

This included traffic calming, additional bus shelters and better bus service information. The project has improved the facilities for bus users and created better connectivity for seven bus services.

The 290-metre Te Hikuwai path was opened in May 2012. This new section of riverside pathway completes the pathway loop in the city's northern suburbs and is seen as a vital link for the walk and cycle way along the eastern bank of the Waikato River.

The Council continued to support sustainable travel programmes such as Walking School Buses, school and workplace travel planning and the Happy Feet programme (a modified version of the walking school bus for pre-schoolers).

By the end of 2011/12 63% of Hamilton Primary Schools had Active School Travel Plans. These plans encourage children and parents to choose ways of getting to school that reduce congestion. We're working toward having Active School Travel Plans in place for all of the city's primary schools by 2015/16.

A new carpooling website was also launched - [www.letscarpool.govt.nz](http://www.letscarpool.govt.nz). This initiative allows commuters to search online for other people in their area, and arrange pick-ups and drop-offs before and after business hours.

## Safer Roads

The Council works with a number of partners to improve safety on Hamilton's roads.

We contribute through community education programmes, safety improvements to the road network, and through our policies and bylaws.

Injury crash data, which is produced by the New Zealand Transport Agency, highlights the need for this important work. From January to December 2011, there were 10 fatal crashes and 42 serious injury crashes on Hamilton's local roads. This is an increase on the same period in 2010, where there were six fatal crashes and 40 serious injury crashes.

In Hamilton, two of our biggest issues are crashes occurring at intersections, which made up 44% of the injury crashes in 2011; and injury crashes involving pedestrians, which made up 23%.

The Council is aiming to reduce the number and severity of crashes occurring on the city's roads.

Some of the key initiatives carried out in 2011/12 to help achieve this included:

- The introduction of Safer Speed Areas for eight areas in the city – see the feature on this page for more information.
- The Right Track Programme – this is a national programme that the Council has introduced to Hamilton. This programme targets 'at risk' young drivers identified by the Police and Courts for driving offences. Other key partners in this programme include the Police, Department of Justice, Waikato Hospital Board and Child Youth and Family.
- Cycle training sessions aimed at adult riders needing a confidence boost or a few tips on safe riding.
- Minor safety improvements to the transport network including installation of various pedestrian facilities, such as refuge islands and platforms.

## SAFER SPEED AREAS

The Council intends to reduce the number and severity of crashes occurring on the city's roads. Managing speed is crucial to achieving this because the outcome of all crashes is strongly influenced by the impact speed.

In 2011/12 Hamilton City Council was amongst the first councils to establish Safer Speed Areas as part of the national demonstration initiative.

A Safer Speed Area is a residential area, where by law you are required to travel no more than 40km/h for the safety of the community.

These are areas where people are simply in too much danger if vehicles travel at the existing 50km/h speed limit. These areas serve a range of purposes in addition to a transport function. They are places where children may play and people might be exercising, walking the dog or going to the shops.

Following a successful demonstration in eight areas throughout the city, a programme introducing Safer Speed Areas in more residential streets is planned.

You can find out more about this initiative and register your interest in having a Safer Speed Area implemented in your neighbourhood at [www.saferspeedarea.org.nz](http://www.saferspeedarea.org.nz).

## OUR MEASURES

We measured our performance against 16 targets during 2011/12. We achieved 12 of the targets. The four we didn't achieve relate to residents' satisfaction with cycling facilities, our travel speed survey on key routes, and a change to surveying methods means we didn't collect data for our parking turnover measure.

### ■ Service Goal:

**The road network is in good condition and is fit for purpose.**

#### Measure:

The percentage of roads defined as smooth by the New Zealand Transport Agency (NZTA).

#### Targets and Results:

2011/12 Target	2011/12 Result	2010/11 Result
85%	89%	90.4%

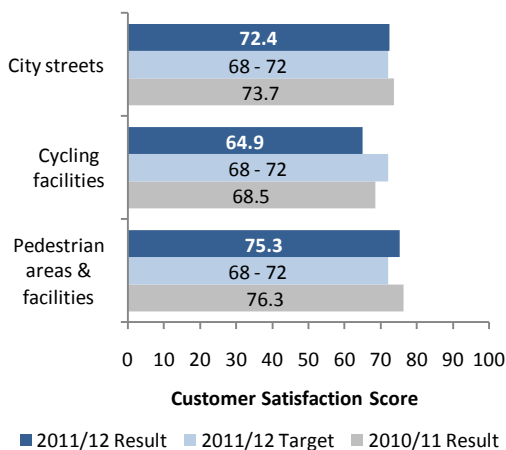
#### What this tells us:

This is measured through a road roughness survey which assesses the contour of the road and how even it is (rather than the type of seal used on the road). The result for 2011/12 exceeds the target set, which is better than expected. Considerable effort has gone into applying the best value maintenance practices.

#### Measure:

Residents' satisfaction with streets in the city in general, cycling facilities and pedestrian areas and facilities.

#### Targets and Results:



#### What this tells us:

These scores are measured through the Council's Residents Survey.

We aimed for satisfaction scores that reflected 'good performance'. We achieved this for the city's streets, and exceeded it for pedestrian facilities with a score indicating 'very good performance'.

Cycling facilities came in under target, with a score indicating 'fair performance'. There are a number of factors that may have contributed to this.

Funding from the New Zealand Transport Agency for cycling facilities has significantly reduced in recent years, which means less new cycling facilities are being developed.

Cycleway maintenance can be a contributing factor, so we have been targeting known problem areas to clear broken glass and debris.

Cyclists are also mindful of their safety in proximity to vehicles and driver behaviour is an important aspect. Council has an education programme to address this aspect so that more cyclists feel safe while on the roads.

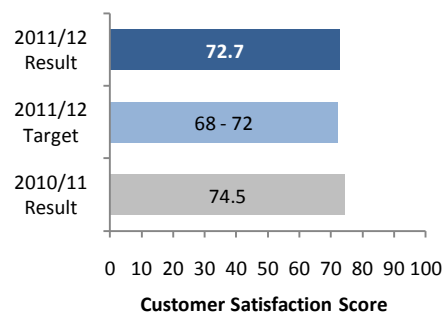
### ■ Service Goal:

**The pedestrian network feels safe to use.**

#### Measure:

Residents' satisfaction with the safety of pedestrian areas.

#### Target and Result:



#### What this tells us:

This is measured through the Council's Residents Survey. The target was to achieve 'good performance' and this target was met in 2011/12.

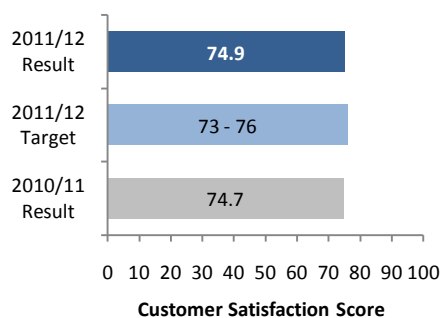
## ■ Service Goal:

Traffic signs and markings are easy to see and understand.

### Measure:

Residents' satisfaction with traffic management (e.g. road markings, lights, signs and traffic islands).

### Target and Result:



### What this tells us

This is measured through the Council's Residents Survey. The target was to achieve 'very good performance' and this target was met in 2011/12.

## ■ Service Goal:

Lighting is provided to enhance safety for all road users and to aid navigation and safety.

### Measure:

Residents' satisfaction with street lighting in general.

### Target and Result:



### What this tells us:

This is measured through the Council's Residents Survey. The target was to achieve 'very good performance' and this was exceeded in 2011/12 with a result indicating 'excellent performance'.

## ■ Service Goal:

Parking spaces are carefully managed to support the economic viability of the city and the promotion of alternative transport modes.

### Measure:

Coverage of parking officer patrols on a continuous schedule basis through the central city and suburbs.

### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
75% or greater	82.7%	85.1%

### What this tells us:

The Council is providing a sufficient amount of surveillance to ensure the most efficient use of the car parking that is available and that peak time traffic congestion is minimised.

### Measure:

Turnover of parking spaces in the city that is equal to or less than the time limits set for those areas.

### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
75% or greater	No data collected	85.1%

### What this tells us:

We have been improving how we measure the turnover of parking spaces in the city. The method used in previous years is now outdated and doesn't meet our planning and reporting needs.

The new method for measurement, which uses a vehicle fitted with number plate recognition technology, only began in July 2012 so there is no data available for 2011/12.

Now that the vehicle is up and running we will be undertaking turnover surveys in the four key parking areas of the city – the hospital, CBD, Chartwell and the university. The information will help us to better understand the different parking demands throughout those areas and develop appropriate parking strategies for them.

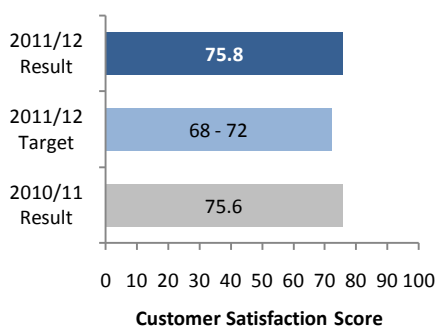
## ■ Service Goal:

City streets and footpaths are easy to use and promote cycling and walking.

### Measure:

Residents' satisfaction with the convenience of the location of pedestrian crossings, paths, and access ways.

### Target and Result:



### What this tells us:

This is measured through the Council's Residents Survey. The target was to achieve 'good performance' and this was exceeded in 2011/12 with a result indicating 'very good performance'.

### Measure:

Kilometres of cycle lanes on existing city roads.

### Targets and Results:

2011/12 Target	2011/12 Result	2010/11 Result
102.4 km	120 km	116 km

### What this tells us:

In recent years we exceeded our cycle lane targets, meaning we were ahead of the 2011/12 target before the year began.

In 2011/12 an increase in on-road cycle lanes has been achieved through road marking changes during reseal programmes and the urbanisation project for Avalon Drive. The Te Hikawai cycleway also provided an additional off-road cycle facility for the city.

## ■ Service Goal:

Motor vehicle travel times are predictable.

### Measure:

Average travel speed on five key routes.

### Targets and Results:

2011/12 Target	2011/12 Result	2010/11 Result
AM Peak 24 km/hr	23.4 km/hr	21.2 km/hr
PM Peak 24 km/hr	27.9 km/hr	22.2 km/hr
Non-Peak 35 km/hr	32.0 km/hr	33.4 km/hr

### What this tells us:

The five key routes are:

- Route 1 - Horsham Downs Road to Gate 1, Knighton Road.
- Route 2 - Knox Street Carpark to Gate 1, Knighton Road.
- Route 3 - Dominion Road to Radnor Street.
- Route 4 - Tramway Road to Mill Street.
- Route 5 - Mill Street to Whatawhata Road.

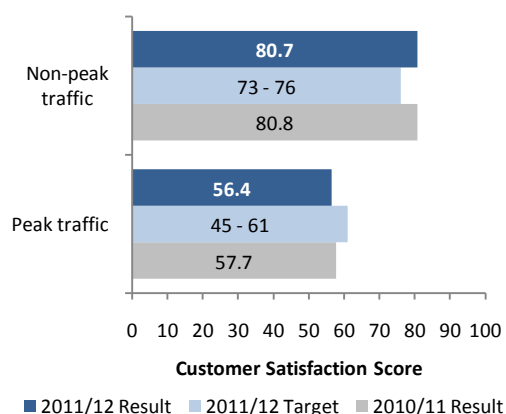
The peak hour results for 2011/12 have improved as targeted.

The non-peak travel survey was carried out during the V8 event this year, which affected the results for Route 5, which was down to one lane in each direction. Routes 1 and 2 were also affected by Ring Road construction works.

### Measure:

Residents' satisfaction with getting around in peak and non-peak traffic.

### Target and Result:



## What this tells us:

These scores are measured through the Council's Residents Survey.

The target and 2011/12 result for peak traffic both indicate 'needing significant improvement'.

Unsurprisingly, people's satisfaction with getting around in peak traffic has always scored low. This perception measure is also balanced with the previous factual measure of travel times on key routes.

Satisfaction with getting around during non-peak traffic exceeded the 2011/12 target of 'very good performance', with a score indicating 'exceptional performance'.

## THE CITY'S FIRST SHARED ZONE

Hamilton's first shared zone opened in the central city in June 2012.

The shared zone, which is part of the Council's CityHeart project, connects Worley Place to Alexandra Street, and enables two-way traffic to travel slowly through this space.

In the shared zone pedestrians have priority ahead of vehicles including cyclists and motorcycles, which are required to travel at low speeds and give way to pedestrians. Vehicles are not allowed to stop or park within the zone.

Due to the lack of conventional traffic cues such as kerbs and road markings, shared zones are considered safe environments as motorists and pedestrians are encouraged to engage more carefully with their surroundings and each other. Ensuring full and safe access for those with disabilities was also a crucial component of the shared zone's design.

The opening of the shared zone marked the conclusion of the CityHeart project which has seen the development of Victoria Street, Garden Place, Ward Street, Worley Place and the relocation of the Garden Place car park entrance over the past few years.

## OUR PLANS

We are completing some major transport corridors, but our transport plans are broader than just that.

We will also continue to:

- Influence land use development so that it reduces the need to travel.
- Encourage alternative travel choices.
- Provide safe options for all forms of transport.

One of our key challenges is to encourage people to consider travel alternatives to single occupancy car journeys.

Our budget includes funding for cycling, walking and public transport initiatives, and we will continue to provide community education programmes that support safe and sustainable travel.

The Council will be reviewing its city wide speed limit policy. An additional 18 safer speed areas will also be introduced throughout the city as part of an ongoing programme.

We also will monitor and adjust our parking management strategy. Investment in technology where budgets allow will help us to better understand people's parking behaviour so that we can more effectively manage our parking stock.

There have been cuts to some services within the transportation budget. These include maintenance of some roadside areas and footpaths, street cleaning and more use of chipseal instead of asphalt. We will be implementing these changes and keeping check of the response from the community.

**“One of our key challenges is to encourage people to consider alternatives to single occupancy car journeys”**

# URBAN DEVELOPMENT

Building Control | City Planning | Planning Guidance | Sustainable Environment

## WHAT WE DO

Good city planning supports growth and development and also protects Hamilton's natural and built environments and residents' quality of life.

After consulting with the community, the Council prepares the District Plan and other policies that guide sustainable development and land use in the city.

We provide planning advice and process applications for land use and subdivision and work with developers to ensure the city is well-designed, safe and successful.

Our work includes monitoring and investigating compliance with resource consent conditions, the Prostitution Bylaw and the Gambling Venues Policy.

We issue building consents, inspect buildings and provide advice to help ensure Hamilton's buildings are safe and durable.

We also provide advice and information about environmental sustainability and sustainable living.

### Did you know?...

The Council's Building Unit offers **free eco design and sustainability advice** to help people live more sustainable, energy efficient and healthy lives.

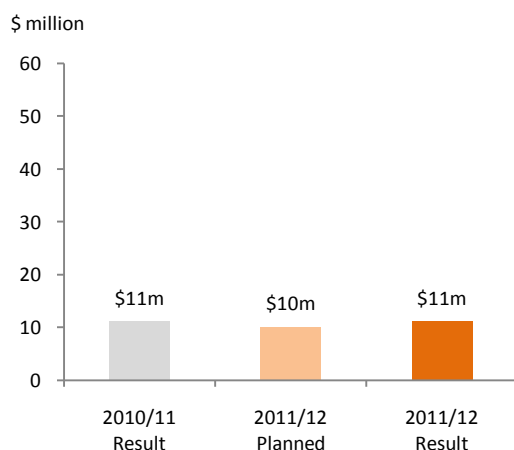
Hamilton has had **12 boundary changes** since becoming a city in 1945; the most recent was 1 July 2011.

Some building work is restricted to **building practitioners**, who must be correctly licensed to carry out the work. To find out more see [www.buildwaikato.co.nz](http://www.buildwaikato.co.nz)

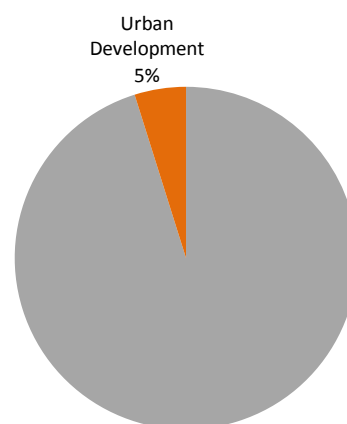
**1,508 building consents** were processed and **2,080 LIM Reports** were produced in 2011/12.

There are **105 listed heritage properties** in Hamilton; you can see maps and addresses on the Council website.

## Urban Development Operating Costs



## Percentage of Total Operating Costs



FOR DETAILED FINANCIAL INFORMATION  
See Page 120

## HOW WE PERFORMED

Hamilton is a growing city but the Council must ensure growth is managed efficiently and effectively.

During 2011/12 one of the biggest reviews in Hamilton City Council history reached the next stage.

After two years of public input into identifying the significant resource management issues facing Hamilton, a Draft District Plan was presented for initial public feedback.

The existing District Plan, which was notified in 1999, was also made operative. Having the existing plan operative allows the draft District Plan to take its next steps and proceed to formal notification later in 2012.

The Council's Building Control staff successfully adapted to the Government-led changes around restricted building work and the Licensed Building Practitioners Scheme.

A record number of Land Information Memoranda (LIM Report) requests were received and all 2,080 were completed within the legal timeframes.

Council building inspectors completed 12,866 inspections to check building work and 100% of buildings with a Building Warrant of Fitness were audited, ensuring that owners of commercial buildings are keeping their building's safety systems and features in good working order.

The Council's Eco Design Advisor was also kept busy during the year, completing over 270 consultations with building owners and 40 community presentations.

The Planning Guidance area of the Council implemented recommendations that came from a review of resource consent processing.

Along with staff restructuring, improvements were made to processes and documentation to ensure quality assessments and decisions. Planning staff have also worked with other Council staff and external groups to up-skill people's knowledge around planning rules.

There were no judicial reviews or legal challenges to planning decisions lodged in 2011/12. Resource consents were also actively monitored, with 80% of consents checked during the year to make sure conditions are being met. All notices of non-compliance were resolved within statutory timeframes.

## FAST FORWARD: HAMILTON DISTRICT PLAN REVIEW

### We're changing the rules because Hamilton is a changing city.

The District Plan is essentially the blueprint by which any development in Hamilton is governed. It defines how and where the city grows, and how our natural and physical resources are managed according to the requirements of the Resource Management Act.

Hamilton's current District Plan was written in the late-1990s. Our city has changed considerably since then.

The way we think about urban design, growth and our natural resources has changed. How we want Hamilton to look in the future has also evolved. That's why we're giving the District Plan a radical overhaul.

The two key principles of the District Plan review are:

#### Towards a More Liveable City

Underpinning the Draft District Plan is a focus on quality urban design. This is new to the plan and the aim is to ensure high quality urban design is a standard requirement for Hamilton.

Different zones will have different urban design criteria and the Council will have more ability to refuse poorly conceived development proposals.

#### Growing Smarter, Getting Better

By 2050 we expect about 212,000 people to be living in Hamilton.

We will promote different styles of living in the Central City but also offer a greater choice of neighbourhood environments across the city.

Future growth areas are planned for Rototuna and Rotokauri in the north, Peacocke in the south and Ruakura to the east.

#### Your Feedback

Initial public feedback was gathered on a Draft District Plan. All the feedback will be considered for inclusion in the next version of the Draft Plan, which will be formally notified this December.

A further formal submission process at this stage will provide more opportunities to comment on any of the proposed changes.

## OUR MEASURES

There are six Urban Development performance measures for 2011/12. These cover a range of aspects including opportunities for the community to be involved in environmental education and projects, statutory obligations, and reviewing the District Plan.

Of the six targets, three were achieved. The Council aims to provide outstanding service, which means we will continue to look for ways to improve.

There are two measures not included in this year's report; they are customer satisfaction scores for Building Control and Planning Guidance services. These surveys are carried out every two years, with the next surveys scheduled for 2012/13.

Last year's results were a satisfaction score of 74.6 for the Building Unit and a score of 52.9 for Planning Guidance.

### ■ Service Goal:

**Opportunities are provided for the community to be involved in environmental education initiatives.**

---

#### Measure:

Percentage of gully owners who are involved in the gully restoration programme.

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
27%	<b>27.8%</b>	27%

#### What this tells us:

The aim of the Gully Restoration Programme is to assist Hamilton residents with their gully sections to bring them back to their former glory.

In 2011/12 there were 828 owners signed up to the programme, 27.8% of the estimated private gully land parcels in the city.

### ■ Service Goal:

**Building consents and resource consents are processed within statutory timeframes.**

---

#### Measure:

Percentage of building consents issued within 20 working days from receipt of the application.

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
100%	<b>99.1%</b>	97.2%

#### What this tells us:

In 2011/12 14 consents went over the 20 working day timeframe (out of a total of 1,508 consents).

The Building Unit has been working hard to put in place measures to ensure that the target is met 100% of the time and in the last four months of 2011/12 there were no consents that went over time.

---

#### Measure:

Percentage of non-notified resource consents issued within 20 working days from receipt of application.

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
100%	<b>94%</b>	95%

#### What this tells us:

Times frames were not met for a variety of reasons including staff shortages, increased assessment requirements and the complexity of a number of applications.

These results are at the higher end of the range for local authorities who process similar numbers of complex resource consent applications.

### ■ Service Goal:

**Funding support is provided for projects that benefit the environment.**

---

#### Measure:

Provide annual funding of environmental projects through the Envirofund.



## Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
Funding allocated.	<b>Funding allocated to 11 projects.</b>	Funding allocated to 23 projects.

### What this tells us

The total number of applications to this fund and amount requested was significantly down on previous years. The applicants who did not meet the criteria were not funded; projects that met the criteria received funding including:

- The Nappy Lady – promoting reusable nappies
- A number of gully restoration projects
- Tui 2000, to improve public access to Waiwhakareke Natural Heritage Park
- Waikato Environment Centre - organic collections from public food outlets
- The Hamilton Performing Arts Trust, for a play for young children with a nature awareness theme

From 2012/13, there will be a new process for funding of environmental projects. The Envirofund has been reallocated, with \$20,000 now included in the Community Well-being Grant. The criteria for this grant will be broadened to include environmental projects.

### ■ Service Goal:

**Managing urban growth and planning for good outcomes around city planning.**

#### Measure:

Existing District Plan made operative.

#### Target:

Existing District Plan made operative in 2011/12.

#### Result:

The existing District Plan was made operative in July 2012.

(There is no comparative result for 2010/11, as this has been an ongoing project to achieve the 2011/12 target).

#### What this tells us:

All outstanding appeals to the existing District Plan were resolved, including:

- Variation 13 – Residential Centres.

- Variation 14 – Peacock Structure Plan.
- Variation 20 – Managing Change and Character in Hamilton East.

Resolution of these variations has allowed for the existing District Plan to be made fully operative. This also clears the way for formal review of the District Plan to commence.

---

#### Measure:

Review of Hamilton City District Plan.

#### Target:

Anticipated notification of new District Plan in 2011/12.

#### Result:

The draft new District Plan will be notified in December 2012.

(There is no comparative result for 2010/11, as this has been an ongoing project to achieve the 2011/12 target).

#### What this tells us:

The Draft District Plan is now being prepared for notification in December 2012 and invitation of public submissions.

## AN UPDATE ON THE LEAKY BUILDINGS ISSUE

The Council focused on this ongoing issue during the year to achieve positive outcomes in terms of remediating leaky buildings.

During 2011/12 four claims were settled, leaving 21 active claims outstanding.

The Council has chosen to manage claims without becoming a party to the Government's Financial Assistance Package. This is because Hamilton has a low number of claims compared with other metro councils and we are achieving effective outcomes for all parties to claims with our existing processes.

The most at-risk buildings were constructed between 1998 and 2004, which means that most claims will occur in the 10-Year period through to 2014.

Due to the 10-Year liability limitation in the Building Act 2004, the Council is not likely to see many claims beyond this timeframe and the number of claims should reduce over the next two years.

## OUR PLANS

The District Plan review will be a top priority, along with ensuring we meet our statutory obligations and provide quality services.

The new District Plan will require more negotiation and discussion prior to the lodgement of applications and will require a greater breadth of planning expertise than the current District Plan.

We will be developing resources and capability to meet the demands and requirements of the new District Plan and changes to legislation.

The Building Control Unit's accreditation is due to be assessed in February 2013. The Building Consent Accreditation scheme is a requirement under the Building Act 2004. The Council's accreditation is assessed every two years by an independent body - councils cannot provide building control services without being accredited.

Accreditation involves a thorough assessment of technical competencies, resources, equipment, procedures, systems and processes and ensures construction standards are maintained.

Building Control staff will also continue to work hard to make sure statutory timeframes are met for 100% for building consent applications.

The Earthquake Prone, Dangerous and Insanitary Buildings policy is up for review in 2013. This review will be highly dependent on the findings and recommendations from the Canterbury Royal Earthquake Commission Report.

Under this policy, we will continue to work towards having all Category 1 buildings (higher risk in moderate earthquake) strengthened or demolished by 2019. Category 2 buildings (lower risk in moderate earthquake) have until 2030 to achieve this.

## HAMILTON'S FLOOD RISK

The Resource Management Act requires all councils to assess flooding risk. Councils across the country have been doing this work in recent years, with ours required by the Waikato Regional Council's Proposed Regional Policy Statement.

As part of the Draft District Plan feedback process, around 28,000 residents received a letter from the Council in April 2012 letting them know that their property could be affected by flooding in the event of a significant storm.

The letters caused considerable upset and left many people unsure of what this means for their home or property.

The Council apologised to those who received this letter for the unnecessary upset it caused and the process was stopped so that further assessments could be done.

The Council is completing full assessments of properties to determine in more detail the impact of the flood modelling work on those identified as being at risk.

We will then communicate that information to property owners in a thorough and considered way. Updated letters will be sent out later in 2012, with more open days to be held also.

**“We will be developing resources and capability to meet the demands and requirements of the new District Plan”**

# WASTE MINIMISATION

## Refuse and Recycling

### WHAT WE DO

We provide weekly refuse and recycling services to over 50,000 residential properties in the city.

The Council has a legal responsibility to reduce the amount of waste going into landfills and to encourage and promote more recycling and reuse.

Recycled materials are sold to help pay for the cost of collection. The Refuse Transfer Station, Recycling Centre and the green waste recovery services at the Hamilton Organic Centre are all properties owned by the Council. The operation of these three facilities is contracted to privately-owned businesses.

Refuse is disposed of in a landfill at Hampton Downs. Inner city apartments and the commercial and industrial sector are responsible for their own waste disposal.

We also manage closed landfill sites at Rototuna, Cobham Drive, Willoughby and Horotiu to prevent adverse effects on the environment and public health.

### Did you know?...

**Plastics numbered 1 and 2** (including milk and soft drink bottles) **can be recycled** in the kerbside collection.

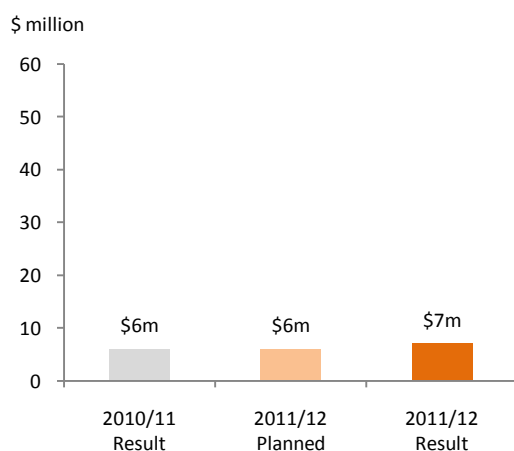
**Glass bottles** are sent to Auckland where they are **made into new bottles and jars**.

If you have mostly **kitchen waste** and live in a home with little or no outdoor space, a **worm farm** is a good option.

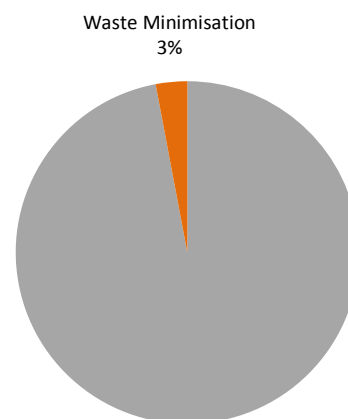
It takes **25 recycled plastic bottles** to make an **eco-fleece top!**

Hamilton households throw out **246 tonnes** of rubbish **every day**.

### Waste Minimisation Operating Costs



### Percentage of Total Operating Costs



FOR DETAILED FINANCIAL INFORMATION  
See Page 121

## HOW WE PERFORMED

The Council has developed a Waste Minimisation and Management plan and aims to be recognised as a leader in waste minimisation.

In 2011/12 we undertook public consultation on the Waste Minimisation and Management plan, which was formally adopted in April 2012.

The plan is a major step in providing a strategic direction and actions to promote the sustainable management of waste within the city.

Government waste levy funding will be utilised to implement initiatives identified in the plan.

Prior to 2011/12 the gas generated from the closed Horotiu landfill was extracted and converted to electricity, which offset electricity costs. Conversion of gas to energy at this landfill has now stopped because the natural decrease of gas on site means conversion into electricity is no longer economically viable.

New alternatives to manage the gas generation at this site are being developed.

During the year we also continued to deliver waste education to the community through the sustainable living programme 'Know It? Live It!'. We also supported the Waikato Regional Council's 'Sustainabiz' programme, which helps local small businesses to work towards a sustainable business model, including waste minimisation.

### DEALING WITH e-WASTE

**An electronic waste collection facility was opened in Hamilton in January 2012 to replace the eDay program.**

The facility collects and disassembles a range of domestic electrical appliances ('e-waste') so components and materials can be reused and recycled.

Although there is a small charge for disposal, customers have provided positive feedback, knowing that their e-waste will be dealt with in an ethical and environmentally-friendly way.

It is estimated that between 120 and 250 tonnes of electronic waste will be diverted from landfill every year, especially during 2012 with the switchover to digital television.

## OUR MEASURES

We are reporting against five performance measures for 2011/12. These measures assess the reliability of our refuse and recycling collection services and the Council's compliance with resource consent conditions for closed landfills.

The results show residents' are largely satisfied with collection services and that we're providing a reliable response to any uncollected refuse and recycling.

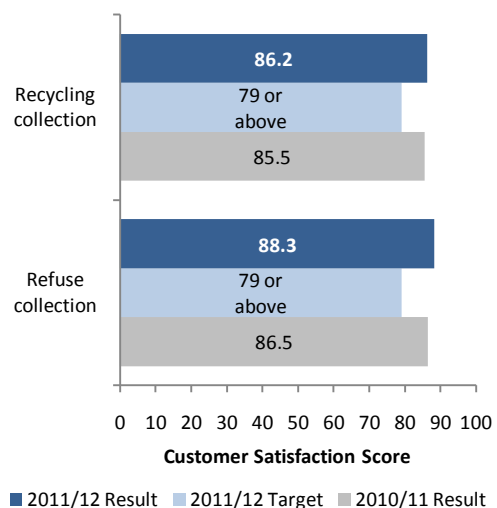
There were mixed results for the closed landfills that Council is responsible for. We met the target for two landfills, one was not measured because we are in the process of obtaining resource consent, and one landfill did not meet target and we are responding to this gap.

### ■ Service Goal: Household refuse and recycling collections are reliable.

#### Measure:

Residents' satisfaction with the household refuse and recycling collections.

#### Targets and Results:



#### What this tells us:

These scores are measured through the Council's Residents Survey.

We aimed to achieve a high level of satisfaction for these important city services, and this was achieved with scores reflecting 'exceptional performance' for both the refuse and recycling

collections. These results indicate Hamilton residents are happy with these Council services.

### ■ Service Goal:

**Requests for service are responded to promptly.**

---

#### Measure:

Percentage of requests relating to non-collection of household refuse and recycling resolved within 24 hours.

#### Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
Refuse 95%	99%	99%
Recycling 90%	100%	99%

#### What this tells us:

Making sure we are responsive to uncollected refuse and recycling is important because it stops refuse becoming a health risk and keeps the streets tidy.

These results show that we have exceeded our targets for both measures, indicating that Council is very responsive to any requests relating to non-collection.

### ■ Service Goal:

**Adverse effects of waste on the environment are managed.**

---

#### Measure:

High level of compliance with resource consent conditions (closed landfills).

#### Target:

High level of compliance.

#### Result:

In 2011/12 the closed landfills received an overall compliance rating of significant non-compliance.

In 2010/11 we achieved a high level of compliance for all closed landfills.

#### What this tells us

Horotiu closed landfill site has received an overall compliance level of 'significant non-compliance'.

Due to the ever-changing nature of landfills, changes in compliance can occur within a short period of time. The significant non-compliance was primarily due to the leachate collection at the site. Council implemented an action plan with priority actions being responded to first.

The Willoughby and Cobham landfills have met the target for high compliance.

Council has been working towards securing consent for the Rototuna closed landfill. This is expected to be achieved in 2012/13, at which time targets for compliance can be set and measured.

## OUR PLANS

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.

We are aiming to reduce the amount of waste from residential properties by investigating a number of alternative options. We will need the community's buy-in and help to achieve this.

We will investigate the possibility of diverting green and food waste, continuing education programmes, providing grants for promotion of waste minimisation, and alternative collection containers.

We will continue to focus on addressing the areas of Horotiu closed landfill site that impede the Council's ability to achieve a high level of compliance with its consent.

We will also appoint a Waste Minimisation Advisor in 2012/13, who will be tasked with ensuring that the actions detailed in the Waste Minimisation and Management Plan are implemented and that the Council achieves the desired waste management and minimisation goals.

# WATER MANAGEMENT

Water Supply | Wastewater | Stormwater

## WHAT WE DO

The Council manages the city's water services to maintain public health, minimise impacts on the environment and to protect properties from flood damage.

We treat, distribute and manage Hamilton's water supply. We are allowed to draw a set limit of water from the Waikato River into the treatment plant where it is treated to provide a high standard of drinking water for residents and businesses.

Wastewater drains from showers, baths, sinks, washing machines, dishwashers and toilets and commercial/industrial premises. It is transported through a network of pipes and pump stations to the treatment plant, where it is treated to a high standard before being discharged into the Waikato River.

Stormwater is the run-off of rain from surfaces like roads, buildings and car parks. The stormwater network drains this run-off through pipes and open watercourses into the city's streams, lakes and the Waikato River.

### Did you know?...

You can access the Council's water service plans online at [www.hamilton.co.nz](http://www.hamilton.co.nz).

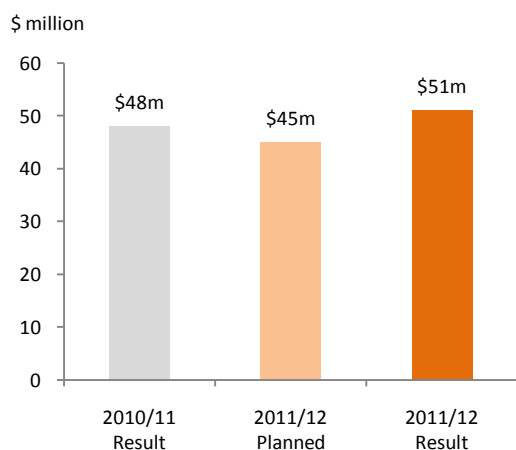
If you own a **business or industrial plant** that intends to discharge liquid waste you will need to apply for **trade waste consent**.

Hamilton has **one water treatment plant** that provides water to **8 reservoirs** around the city through over **1,000 km of pipes**.

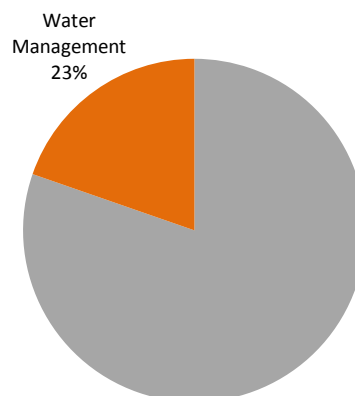
Hamilton's **piped stormwater network** is designed and managed to prevent stormwater flooding on private residential property for a **one in two year storm event**.

The Council offers **tours at the Water and Wastewater Treatment Plants** for interested groups. You can register online at [www.hamilton.co.nz](http://www.hamilton.co.nz).

## Water Management Operating Costs



## Percentage of Total Operating Costs



FOR DETAILED FINANCIAL INFORMATION  
See Page 122

## HOW WE PERFORMED

There are around 145,000 people living in Hamilton now, but by 2050 that number is expected to grow to around 212,000.

This has significant implications for how we manage our water resources. As the city and region grow, the availability of water and the need to conserve it are becoming more important.

### Working Together

During 2011/12 we worked with our neighbours, Waikato and Waipa District Councils, to develop a draft Sub-regional Three Waters Strategy.

The draft strategy sets out how water, wastewater and stormwater will be managed over the next 50 years for all three councils. It is an important part of Future Proof, the sub-regional growth strategy.

Public consultation on the draft strategy was completed in July 2012 and it will be adopted by each of the councils following a hearings process in September 2012.

During the year we also entered into a shared services agreement with Waikato and Waipa District Councils. Under the agreement opportunities for collaboration can be advanced resulting in savings and efficiencies for all three councils.

A Joint Management Agreement between Hamilton City Council and Waikato-Tainui was signed in 2011/12. The agreement marks a new era of co-management around restoring the health and wellbeing of the Waikato River.

### Wastewater Treatment Plant Upgrade

The Pukete Wastewater Treatment Plant is Hamilton's only wastewater treatment facility.

To ensure the plant meets the needs of the city, both now and into the future, upgrades are required to provide for the quality, capacity and security of Hamilton's wastewater treatment for the next 20 years.

A significant upgrade, which has taken five years at a cost of \$20.4 million, will be completed in 2013. A further upgrade costing \$13.2 million will be required within the next 10 years to meet ongoing growth demand and increasing compliance standards. Provision has been made within the Council's 2012-22 10-Year Plan to carry out this necessary work.

### Water Modelling

The first phase of building computerised models for water, wastewater and stormwater has now been completed.

The models include key strategic water and wastewater assets and flood hazard maps.

Having these models means we have better information for our future planning and the day-to-day operation of the networks.

Further work on the models will continue over the next few years.

### Eastern Growth Infrastructure

A 3.5km water bulkmain extension was installed from Crosby Road to Ruakura Road. This will enable growth to occur on the eastern side of the city.

### Reducing Wastewater Overflows

Wastewater system and pump station overflows continue to be an area of focus for the Council.

National benchmarking shows that Hamilton has a significantly higher number of overflows than other organisations of a similar size.

Work completed in 2011/12 has resulted in a marked decrease in the number of overflows when compared to previous years.

2009/10	2010/11	2011/12
135 overflows	138 overflows	<b>52 overflows</b>

Conversion of an old lagoon into a 10,000m<sup>3</sup> emergency storage facility at the Wastewater Treatment Plant has assisted in the reduction in the number of partially treated wastewater overflows into the Waikato River.

**“The availability of water and the need to conserve it are becoming more important”**

## WASTEWATER PLANT SPILL

Following a wastewater spill at Hamilton's Wastewater Treatment Plant on 31 July 2011, a full investigation was launched by the Council and an independent review was commissioned.

The fully treated wastewater sludge overflowed its tank, flowing into the Treatment Plant's stormwater system and from there into the Waikato River. Around 112 cubic metres of sludge overflowed, but it is unclear how much of this flowed into the stormwater and into the river.

Protecting the environment is an important part of what we do and this spill does not meet the vision, objectives and goals we have set. Council pleaded guilty in the District Court to charges laid by the Waikato Regional Council.

A number of initiatives are underway to minimise a repeat occurrence including taking steps to increase our operational capability as well as physical works to the Plant such as storm water system improvements.

## OUR MEASURES

There are sixteen targets for Water Management, which measure a variety of aspects including water quality, the reliability of our services, residents' satisfaction, sustainable water use and efforts to minimise effects on the environment.

Out of the sixteen targets, we met or exceeded eleven, did not meet the targets set for two and are awaiting results for three that are assessed by external parties. The results that were not met relate to water supply interruptions and wastewater blockages.

### ■ Service Goal:

To provide a high quality water supply.

#### Measure:

Achieve a high rating from the Ministry of Health for the city's water supply for Hamilton and Temple View Zones.

#### Target:

'Aa' grade for the Hamilton and Temple View zones.

#### Result:

'Aa' grade achieved for both zones in 2011/12. This result was also achieved in 2010/11.

#### What this tells us:

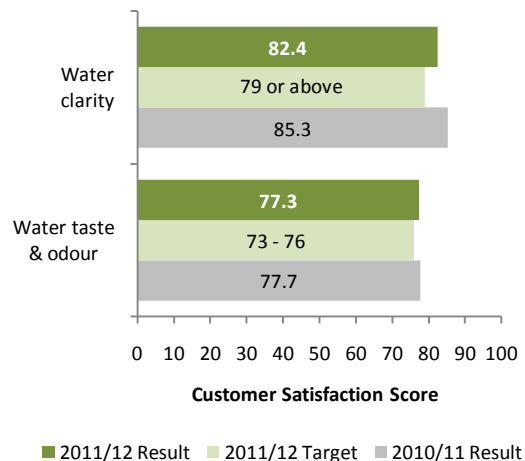
Water grades range from Aa to Ee. 'A' = the quality of the water treatment and 'a' = the quality of the pipe network.

Water supplies that receive an Aa grading are described by the Ministry of Health as 'completely satisfactory with an extremely low level of risk'.

#### Measure:

Residents' satisfaction with the taste, odour and clarity of the water supply.

#### Target and Result:



#### What this tells us:

These scores are measured through the Council's Residents Survey. We aimed to achieve a score that reflected 'good performance' for the taste and odour of the city's water supply; this was exceeded with a score showing 'excellent performance'.

The target for water clarity was 'exceptional performance' and we achieved this in 2011/12 and 2010/11.

### ■ Service Goal:

Water pressure is appropriate for its intended use.

#### Measure:

Percentage of water flow and pressure tests that comply with set standards.



## Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
<b>Pressure Test</b> 95% compliance	<b>100% compliance</b>	100% compliance
<b>Flow Test</b> 95% compliance	<b>100% compliance</b>	96.5% compliance

## What this tells us:

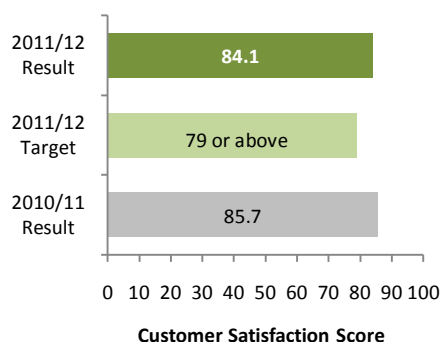
Flow and pressure standards are technical standards that are described in the Hamilton City Development Manual.

In 2011/12 all 700 critical hydrants in Hamilton were tested for flow and pressure. All complied with the pressure and flow standards.

## Measure:

Residents' satisfaction with water pressure.

## Target and Result:



## What this tells us:

This is measured through the Council's Residents Survey. We aimed for 'exceptional performance' in 2011/12 and this was achieved with a score over and above the target.

## ■ Service Goal:

**To provide reliable water supply, wastewater and stormwater services.**

## Measure:

The average time a customer can expect to be without water during an unplanned interruption to supply.

## Target:

Average of 60 minutes per customer connection.

## Result:

Average of 69 minutes per customer connection.

The 2010/11 result was an average of 58 minutes per customer connection.

## What this tells us

Unplanned interruptions occur when there are failures in the network that require urgent repair. Occasionally the location of the failure (depth or other services) makes the work difficult, requiring additional time to repair.

## Measure:

Percentage of planned shutdowns completed within 4 hours.

## Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
90%	<b>99%</b>	96%

## What this tells us:

In 2011/12 Council carried out 210 planned shutdowns within the network, of these only 2 exceeded the notified 4 hour period.

## Measure:

Annual number of wastewater blockages per 100 km of the network.

## Target and Result:

2011/12 Target	2011/12 Result	2010/11 Result
No more than 60 blockages per 100 km	<b>64 blockages per 100 km</b>	68 blockages per 100 km

## What this tells us:

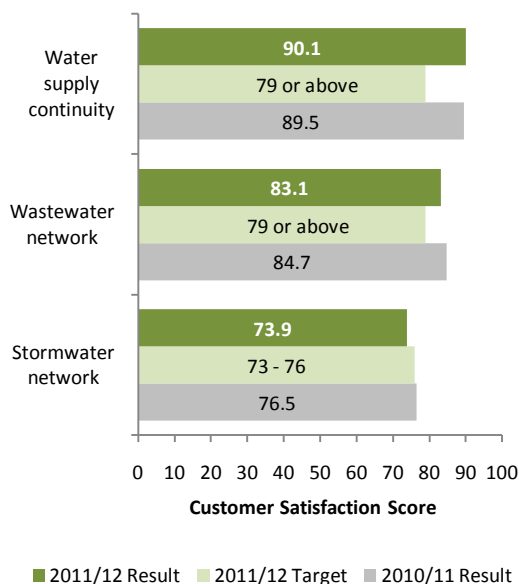
Council primarily manages wastewater network blockages through an ongoing programme of renewal works and through its Trade Waste Bylaw.

Blockages are caused by a build up of materials such cooking fat in the wastewater system. Blockages continue to be reduced as Council focuses on the source of the issues and carries out preventive remedial works and education programmes.

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**Measure:**

Residents' satisfaction with continuity of the water supply, the wastewater network and the stormwater network.

**Target and Result:****What this tells us:**

Residents have indicated their very high satisfaction with the continuity of the city's water supply. We aimed for 'exceptional service' in this area and this was achieved.

Satisfaction with the wastewater and stormwater networks is also on track. Both services met their targets, with wastewater showing 'exceptional service' and stormwater showing 'very good performance'.

**■ Service Goal:**

**Water resources are used efficiently and sustainably.**

---

**Measure:**

Level of compliance for the Water Treatment Plant's resource consents.

**Target:**

Achieve a high level of compliance.

**Result:**

The results for this measure are not yet available; we will receive them in September 2012. A high level of compliance is expected.

In 2010/11 a high level of compliance was achieved.

**What this tells us:**

The Water Treatment Plant operates under resource consents issued by Waikato Regional Council (WRC). These consents are required to extract water from the Waikato River.

The level of compliance is measured by WRC and is audited and reported annually. A high level of compliance means that there have only been a small number of non-significant non-compliances.

---

**Measure:**

Hamilton's maximum daily water take is within consented limits.

**Target and Result:**

2011/12 Target	2011/12 Result	2010/11 Result
Maximum water take less than 105,000m <sup>3</sup> per day	Maximum water take in any one day was 77,110m <sup>3</sup>	Maximum water take in any one day was 91,490m <sup>3</sup>

**What this tells us:**

The target is based on the Water Treatment Plant's resource consent to extract water from the Waikato River.

The maximum daily water take in 2010/11 occurred on 1 February 2012. This result shows we are well within our consent limits.

Initiatives such as communication of water alert levels, sprinkler monitors and increased public awareness are continuing to significantly reduce water use in Hamilton during summer.

**■ Service Goal:**

**Effects on the natural environment are minimised.**

---

**Measure:**

Level of compliance for the Stormwater Resource Consents.

**Target:**

Achieve a high level of compliance.

**Result:**

The results for this measure are not yet available; we will receive them in September 2012. A high level of compliance is expected.

In 2010/11 a high level of compliance was achieved.

**What this tells us:**

Council operates under resource consents issued by the Waikato Regional Council (WRC). These consents promote the discharge of the best quality of stormwater possible into the Waikato River, to protect the environment.

The level of compliance is measured by the WRC and is audited annually. A high level of compliance means that there have only been a small number of non-significant non-compliances.

Based on performance throughout 2011/12, a high level of compliance is expected to be achieved.

In 2011/12 Council was issued with a Comprehensive Stormwater Discharge Consent which was secured without the need for a hearing. This represents a major milestone in relation to stormwater management. The consent covers all existing stormwater discharges within the city which used to have individual consents.

---

**Measure:**

Level of compliance for the Wastewater Treatment Plant's resource consents.

**Target:**

Achieve a high level of compliance.

**Result:**

Council expects to receive a significant non-compliance level for the 2011/12 year.

In 2010/11 partial compliance was achieved.

**What this tells us:**

The Wastewater Treatment Plant operates under resource consents issued by the Waikato Regional Council (WRC). These consents require monitoring at the Wastewater Treatment Plant site to ensure any potential environmental effects are appropriately managed.

The level of compliance is measured by WRC and is audited and reported annually. A high level of compliance means that there have only been a small number of non-significant non-compliances.

Following a treated wastewater sludge spill in July 2011 and difficulties in maintaining consistency in treatment process at the site Council is expecting a significant non-compliance for the 2011/12 year.

Council has a number of improvements underway to ensure that the Plant achieves consent in the future; including the \$33.69 million Treatment Plant upgrades in progress and planned.

## OUR PLANS

We have a range of plans to make sure our water services are well managed now and in the future.

We will continue our water conservation and awareness programmes and redefine how we manage water demand.

It is estimated that around 16% of water is lost through leaks in the network. We have embarked on a programme to find and fix leaks, which will help to conserve water and stay within consented limits for longer.

In 2012/13 we will also investigate options to manage the city's future water demand, including understanding what role water metering of residential properties can play.

Operational improvements will continue to be made at the Wastewater Treatment Plant to ensure a high level of compliance is achieved. The final stage of the Treatment Plan upgrade will also near completion.

A programme of works to install storage facilities at pump stations has commenced. This will reduce the risk of pump station overflows during heavy rain. The focus will be on high risk sites and stopping the larger spills that have the potential to cause environmental damage.

Our key challenge with stormwater is to identify the best ways to integrate land use and the design of stormwater assets. We want to make sure our stormwater network is efficient, cost-effective and better for the environment.

Water modelling work completed in 2011/12 will also be built on, with more information included for the water supply, wastewater and stormwater networks.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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

	Notes	Council			Group	
		Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Actual 2012 \$000	Actual 2011 \$000
<b>Income</b>						
Rates revenue	2	123,243	123,079	113,494	123,243	113,494
Other revenue	3	96,344	82,182	95,788	101,063	95,788
Total income (excluding gains)		219,587	205,261	209,282	224,306	209,282
<b>Expenditure</b>						
Personal expenses	5	54,882	55,472	54,019	54,882	54,019
Depreciation and amortisation	15,16	53,789	55,282	49,070	53,789	49,070
Other expenses	6	80,225	74,587	72,033	80,244	71,680
Finance costs	7	23,001	26,433	23,274	23,001	23,274
Total operating expenditure (excluding losses)		211,897	211,774	198,396	211,916	198,043
<b>Surplus before gains &amp; losses, share of associates' surplus and tax</b>		<b>7,690</b>	<b>(6,513)</b>	<b>10,886</b>	<b>12,390</b>	<b>11,239</b>
Gains	4	262	-	-	352	-
Losses	4	17,915	-	11,657	17,954	11,657
Share of associates' surplus/(deficit)	18	-	-	-	471	394
<b>Surplus/(deficit) before tax</b>		<b>(9,963)</b>	<b>(6,513)</b>	<b>(771)</b>	<b>(4,741)</b>	<b>(24)</b>
Income tax expense	8	-	-	-	-	-
<b>Surplus/(deficit) after tax</b>		<b>(9,963)</b>	<b>(6,513)</b>	<b>(771)</b>	<b>(4,741)</b>	<b>(24)</b>
<i>Surplus/(deficit) attributable to:</i>						
Hamilton City Council		(9,963)	(6,513)	(771)	(4,741)	(24)
<b>Other comprehensive income</b>						
Gain on property revaluations	23	(362,216)	99,426	168,092	(362,216)	168,092
Financial assets at fair value through other comprehensive income	23	-	-	(154)	-	(154)
Share of associates' other comprehensive income	18	-	-	-	-	105
Total other comprehensive income		(362,216)	99,426	167,938	(362,216)	168,043
<b>Total comprehensive income</b>		<b>(372,179)</b>	<b>92,913</b>	<b>167,167</b>	<b>(366,957)</b>	<b>168,019</b>
<i>Total comprehensive income attributable to:</i>						
Hamilton City Council		(372,179)	92,913	167,167	(366,957)	168,019

Explanations of major variances against budget are provided in note 33.

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

	Note	Council			Group	
		Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Actual 2012 \$000	Actual 2011 \$000
<b>Balance at 1 July</b>		<b>3,090,870</b>	<b>2,984,195</b>	<b>2,923,703</b>	<b>3,116,360</b>	<b>2,948,341</b>
Total comprehensive income		(372,179)	92,913	167,167	(366,957)	168,019
<b>Balance at 30 June</b>	<b>23</b>	<b>2,718,691</b>	<b>3,077,108</b>	<b>3,090,870</b>	<b>2,749,403</b>	<b>3,116,360</b>
<i>Total comprehensive income attributable to:</i>						
Hamilton City Council		(372,179)	92,913	167,167	(366,957)	168,019
<b>Total comprehensive income</b>		<b>(372,179)</b>	<b>92,913</b>	<b>167,167</b>	<b>(366,957)</b>	<b>168,019</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Notes	Council			Group	
		Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Actual 2012 \$000	Actual 2011 \$000
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	9	26,248	250	31,972	26,835	31,972
Debtors and other receivables	10	15,483	13,600	18,461	15,483	18,461
Inventory	11	325	674	351	325	351
Investment in associates	18	-	-	902	-	902
Other financial assets	13A	265	-	624	4,435	624
<b>Total current assets</b>		<b>42,321</b>	<b>14,524</b>	<b>52,310</b>	<b>47,078</b>	<b>52,310</b>
<b>Non-current assets</b>						
Property, plant and equipment	15	3,076,058	3,450,773	3,422,004	3,076,058	3,422,004
Intangible assets	16	8,826	16,968	8,128	8,826	8,128
Investment property	17	44,019	53,827	50,819	44,019	50,819
Investment in associates	18	13,430	13,430	13,430	39,392	38,921
Other financial assets	13A	7,351	6,283	3,660	7,351	3,660
Investment in subsidiaries	13B	1	-	1	-	-
Non-current assets held for sale	12	1,250	-	-	1,250	-
<b>Total non-current assets</b>		<b>3,150,935</b>	<b>3,541,281</b>	<b>3,498,042</b>	<b>3,176,896</b>	<b>3,523,532</b>
<b>Total assets</b>		<b>3,193,256</b>	<b>3,555,805</b>	<b>3,550,352</b>	<b>3,223,974</b>	<b>3,575,842</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Creditors and other payables	19	24,606	27,823	30,203	24,612	30,203
Provisions	20	2,499	2,200	1,875	2,499	1,875
Employee entitlements	21	5,807	5,800	5,865	5,807	5,865
Borrowings	22	85,313	108,395	169,318	85,313	169,318
Derivative financial instruments	14	133	-	90	133	90
<b>Total current liabilities</b>		<b>118,358</b>	<b>144,218</b>	<b>207,351</b>	<b>118,364</b>	<b>207,351</b>
<b>Non-current liabilities</b>						
Provisions	20	8,164	7,800	7,943	8,164	7,943
Employee entitlements	21	1,771	1,800	1,804	1,771	1,804
Borrowings	22	313,582	324,879	224,758	313,582	224,758
Derivative financial instruments	14	32,690	-	17,626	32,690	17,626
<b>Total non-current liabilities</b>		<b>356,207</b>	<b>334,479</b>	<b>252,131</b>	<b>356,207</b>	<b>252,131</b>
<b>Total liabilities</b>		<b>474,565</b>	<b>478,697</b>	<b>459,482</b>	<b>474,571</b>	<b>459,482</b>
<b>Net assets</b>		<b>2,718,691</b>	<b>3,077,108</b>	<b>3,090,870</b>	<b>2,749,403</b>	<b>3,116,360</b>
<b>Equity</b>						
Accumulated funds	23	1,553,089	1,575,314	1,573,977	1,569,838	1,585,504
Other reserves	23	1,165,602	1,501,794	1,516,893	1,179,565	1,530,856
<b>Total equity attributable to Hamilton City Council</b>		<b>2,718,691</b>	<b>3,077,108</b>	<b>3,090,870</b>	<b>2,749,403</b>	<b>3,116,360</b>
<b>Total equity</b>		<b>2,718,691</b>	<b>3,077,108</b>	<b>3,090,870</b>	<b>2,749,403</b>	<b>3,116,360</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Council			Group	
		Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Actual 2012 \$000	Actual 2011 \$000
<b>Cash flows from operating activities</b>						
<b>Cash was provided from:</b>						
Rates revenue		123,631	123,079	112,847	123,631	112,847
Fees, rents and charges		46,688	50,464	40,865	46,688	40,865
Government operating subsidies and grants		4,296	3,712	5,026	4,296	5,026
Government capital subsidies and grants		26,837	8,185	25,398	26,837	25,398
Other capital contributions		9,453	9,543	10,032	9,453	10,032
Interest received		1,541	-	2,828	1,571	2,828
Dividends received		414	251	-	432	-
Net goods and services tax received		754	-	881	754	881
Contribution from Waikato Foundation		-	-	-	4,671	-
Sundry revenue		-	2,127	-	-	-
		213,614	197,361	197,877	218,333	197,877
<b>Cash was applied to:</b>						
Salaries and wages		54,973	55,472	53,861	54,973	53,861
Payments for suppliers and services		76,318	73,087	71,324	76,329	71,324
Interest paid		22,950	26,433	22,629	22,950	22,629
Net goods and services tax paid		-	1,500	-	-	-
		154,241	156,492	147,814	154,252	147,814
<b>Net cash flow from operating activities</b>	<b>24</b>	<b>59,373</b>	<b>40,869</b>	<b>50,063</b>	<b>64,081</b>	<b>50,063</b>
<b>Cash flows from investing activities</b>						
<b>Cash was provided from:</b>						
Proceeds from loan repayments		934	-	600	934	600
Proceeds from sale of shares		671	-	-	671	-
Proceeds from sale of investment property		7,331	-	-	7,331	-
Proceeds from sale of property, plant and equipment		881	200	1,228	881	1,228
		9,817	200	1,828	9,817	1,828
<b>Cash was applied to:</b>						
Acquisition of investments		4,400	-	193	8,521	193
Purchase of investment property		388	-	252	388	252
Purchase of intangible assets		1,624	-	3,477	1,624	3,477
Purchase of property, plant and equipment		74,172	79,673	107,324	74,172	107,324
		80,584	79,673	111,246	84,705	111,246
<b>Net cash flow from investing activities</b>		<b>(70,767)</b>	<b>(79,473)</b>	<b>(109,418)</b>	<b>(74,888)</b>	<b>(109,418)</b>
<b>Cash flows from financing activities</b>						
<b>Cash was provided from:</b>						
Loan raised		30,898	47,491	98,599	30,898	98,599
Finance leases raised		372	-	1,253	372	1,253
		31,270	47,491	99,852	31,270	99,852
<b>Cash was applied to:</b>						
Loan repayments		23,898	8,887	17,099	23,898	17,099
Finance lease repayments		1,011	-	1,018	1,011	1,018
		24,909	8,887	18,117	24,909	18,117
<b>Net cash flow from financing activities</b>		<b>6,361</b>	<b>38,604</b>	<b>81,735</b>	<b>6,361</b>	<b>81,735</b>
Net increase/(decrease) in cash held		(5,033)	-	22,380	(4,446)	22,380
Opening cash and cash equivalents balance		31,281	250	8,901	31,281	8,901
<b>Closing cash and cash equivalents balance</b>	<b>9</b>	<b>26,248</b>	<b>250</b>	<b>31,281</b>	<b>26,835</b>	<b>31,281</b>

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES

### REPORTING ENTITY

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

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

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

### BASIS OF PREPARATION

#### Statement of compliance

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.

#### Measurement base

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).

#### Functional and presentation currency

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

#### Changes in accounting policies

There have been no changes in accounting policies during the financial year.

The Council and group have adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- *Amendments to NZ IAS 1 Presentation of Financial Statements.* The amendments introduce a requirement to present, either in the statement of changes, in equity or the notes, for each component of equity, an analysis of the other comprehensive income by item. The Council has decided to present this analysis in note 23.
- *FRS-44 New Zealand Additional Disclosures of Financial Statements to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments).* The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between accounting standards in each jurisdiction. The main effect of the amendments on the Council and group is that certain information about property valuations is no longer required to be disclosed. Note 15 has been updated for these changes.
- *Amendments to NZ IFRS 7 Financial Instruments: Disclosures.* The amendment reduces the disclosure requirement relating to credit risk. Note 10 has been updated for the amendments.

#### Standards, amendment, and interpretations issued that are not yet effective and have not been early adopted.

Standards, amendments, and interpretation issued but not yet effective that have not been early adopted, and which are relevant to the Council and group, are:

- *NZ IFRS 9 Financial Instruments* will eventually replace NZ IAS 39 Financial Instruments: recognition and measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting.

Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/ deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as the new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current international Public Sector Accounting Standards. The effective date for the new standards for the public sector entities is expected to be reporting period beginning on or after 1 July 2014. This means the Council expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Council is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial accounting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of consolidation**

The consolidated financial statements are prepared adding together like items of assets, liabilities, equity, income, and expenses on a line-by-line basis. All significant intragroup balances, transactions, income, and expenses are eliminated on consolidation.

- **Subsidiaries**

The Council consolidates in the group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly pre-determined by the Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The consideration transferred in an acquisition of a subsidiary reflects the fair value of the assets transferred by the acquirer and liabilities incurred by the acquirer to the former owner.

The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the Council. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the

difference will be recognised immediately in the surplus or deficit.

- **Associate Companies**

The Council's associate investment is accounted for in the group financial statements using the entity method. An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

If the share of deficits of an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the group transacts with an associate, surpluses or deficits are eliminated to the extent of the group's interest in the associate.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

The investment in the associate is carried at cost in the Council's parent entity financial statements.

### **Revenue**

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

- **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.

Revenue from water rates by meter 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 the infringement notice is issued.

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

Other grants and bequests, and assets vested in 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**

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

### **Grant Expenditure**

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where 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.

### **Foreign Currency Transactions**

Foreign currency transactions (including those for which foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the surplus/deficit.

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

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

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

### **Income Tax**

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, using tax rates that have been enacted or substantially enacted by balance date.

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

### **Property, plant and equipment**

Property, plant and equipment consists of:

- **Operational assets**

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

- **Zoo animals**

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

- **Restricted assets**

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

- **Heritage assets**

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

- **Infrastructure assets**

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

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

- **Additions**

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

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

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

- **Disposals**

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

- **Subsequent costs**

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

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

#### *Revaluation*

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

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

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

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

first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

- **Depreciation**

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

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

<b>Buildings - Structure/Fit out/Services</b>	40-100 yrs	1%-2.5%
<b>Plant and Vehicles</b>	3-15 yrs	6.6%-33.3%
<b>Furniture, Fittings and Equipment</b>	5-10 yrs	10%-20%
<b>Library Books</b>	14 yrs	7.1%
<b>Zoo Animal (acquisition costs)</b>	10 yrs	10%
<b>Roads and Traffic Network:</b>		
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%
<b>Wastewater Reticulation:</b>		
Pipes	60 - 100 yrs	1% - 1.6%
Manholes	75 yrs	1.3%
Treatment plant	5 - 100 yrs	1% - 20%
Bridges	75 - 100 yrs	1% - 1.3%
Pump stations	15 - 100 yrs	1% - 6.6%
<b>Stormwater System:</b>		
Pipes	100 yrs	1%
Manholes, cesspits	100 yrs	1%
Service connections and outlets	30 - 100 yrs	1% - 3.3%
<b>Water Reticulation:</b>		
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%

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

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

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

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

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

### **Investment properties**

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

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

### **Non-current assets held for sale**

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

### **Intangible assets**

Intangible assets comprise:

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

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

### **Impairment of non-financial assets**

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

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

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

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

### **Inventories**

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

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

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus/deficit in the period of the write-down.

### **Debtors and Other Receivables**

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

Impairment of a receivable is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidations, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the

difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

### 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.

### Other financial assets

Financial assets are initially recognised at fair value plus transactions costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

- Loans and receivables
- Fair value through surplus or deficit
- Held to maturity investment
- Fair value through other comprehensive income

- **Loans and receivables**

Loans and receivables are non-derivative financial assets (such as general or community loans, deposits and term deposits) with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

They are measured at initial recognition, at fair value, and subsequently carried at amortised cost less impairment losses. Gains or losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

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

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

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

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

- **Held-to-maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in the current assets, except for maturities great than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

- **Fair value through other comprehensive income**

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

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

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

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

### Impairment of financial assets

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

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

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

written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government stock bonds, general and community loans, are recognised directly against the instruments' carrying amount.

- **Financial assets at fair value through other comprehensive income**

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

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

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

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

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

#### **Creditors 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.

#### **Bank borrowings**

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

#### **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.

#### **Superannuation Schemes**

##### *Defined contribution schemes*

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

#### **Derivative financial instruments**

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

Changes in the fair value of the derivative financial instruments are recognised in the surplus/deficit.

#### **Leases**

Leases consist of:

- **Finance Leases**

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

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

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

- **Operating Leases**

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

#### **Provisions**

Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be

required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

- **Financial guarantee contracts**

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

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

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

### **Landfill post-closure costs**

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

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

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

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

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

## **Equity**

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

The components of equity are:

- Accumulated funds
- Revaluation reserves
- Restricted reserves
- Council created reserves

Accumulated funds comprise accumulated surpluses over the years.

Revaluation reserves comprise accumulated revaluation increments/decrements.

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

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

### **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.

### Budget Figures

The budget figures are those approved by the Council in its 2011-2012 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

### Critical accounting estimates and assumptions in applying the Council's accounting policies

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions

are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

- **Infrastructural assets**

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

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

- **Landfill aftercare provision**

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

## NOTE 2: RATES REVENUE

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>General rates</b>	<b>114,379</b>	<b>104,828</b>	<b>114,379</b>	<b>104,828</b>
<b>Targeted rates attributable to activities:</b>				
Access Hamilton	1,202	1,206	1,202	1,206
Water by meter	6,817	6,602	6,817	6,602
100% non-rateable land	827	807	827	807
50% non-rateable land	103	102	103	102
Business improvement district	200	200	200	200
<b>Total general and targeted rates</b>	<b>123,528</b>	<b>113,745</b>	<b>123,528</b>	<b>113,745</b>
Rates penalties	737	745	737	745
Less rates remissions:				
Hardship	(213)	(178)	(213)	(178)
Special values	(130)	(98)	(130)	(98)
Less rates charges to Council properties	(679)	(720)	(679)	(720)
<b>Total rates revenue</b>	<b>123,243</b>	<b>113,494</b>	<b>123,243</b>	<b>113,494</b>

### Rates remission

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

### Non-rateable land

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens and reserves. These non-rateable properties may be subject to targeted rates in respect of sewage, water and refuse. Non-rateable land does not constitute a remission under the Council's rates remission policy.

### NOTE 3: OTHER REVENUE

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Revenue</b>				
City profile*	6,227	9,615	6,227	9,615
City safety*	1,814	1,689	1,814	1,689
Community development and amenities*	4,473	4,514	4,473	4,514
Democracy*	23	266	23	266
Event and cultural venues*	8,307	6,904	8,307	6,904
Recreation*	5,319	5,267	5,319	5,267
Transportation*	12,717	11,727	12,717	11,727
Urban development*	5,242	4,649	5,242	4,649
Waste minimisation*	332	470	332	470
Water management*	4,138	3,559	4,138	3,559
	<b>48,592</b>	<b>48,660</b>	<b>48,592</b>	<b>48,660</b>
Less internal revenue	(1,521)	(1,523)	(1,521)	(1,523)
	<b>47,071</b>	<b>47,137</b>	<b>47,071</b>	<b>47,137</b>
<b>Capital contributions</b>				
Capital subsidies	28,478	24,523	28,478	24,523
Vested assets	8,999	10,363	8,999	10,363
Contributed to project watershed reserve	657	657	657	657
Contribution to development contribution reserves	6,967	6,373	6,967	6,373
Contribution for bus shelter (adshel) reserve	58	52	58	52
Other contributions/grants	1,771	2,950	1,771	2,950
<b>Total capital contributions</b>	<b>46,930</b>	<b>44,918</b>	<b>46,930</b>	<b>44,918</b>
<b>Sundry revenue</b>				
Dividends	207	207	225	207
Investment income	1,688	2,828	1,718	2,828
Contribution Waikato Foundation Trust	-	-	4,671	-
Other sundry revenue	448	698	448	698
<b>Total sundry revenue</b>	<b>2,343</b>	<b>3,733</b>	<b>7,062</b>	<b>3,733</b>
<b>Total other revenue</b>	<b>96,344</b>	<b>95,788</b>	<b>101,063</b>	<b>95,788</b>

\*Refer to cost of service statements

Revenue items included in the cost of service statements are noted below.

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
User charges	20,927	19,524	20,927	19,524
Infringements and fines	2,813	2,455	2,813	2,455
Rental income from investment properties	3,607	4,647	3,607	4,647
Other rental income	3,382	3,636	3,382	3,636
Internal revenue	1,521	1,523	1,521	1,523
Other	16,342	16,875	16,342	16,875
	<b>48,592</b>	<b>48,660</b>	<b>48,592</b>	<b>48,660</b>

### NOTE 4: GAINS/(LOSSES)

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Property, plant and equipment losses on disposal	(2,808)	(5,939)	(2,808)	(5,939)
Investment properties revaluation losses (note 17)	-	(213)	-	(213)
Unrealised interest rate swaps revaluation losses (note 14)	(15,107)	(5,505)	(15,107)	(5,505)
Realised loss on change in fair value of other financial assets			(39)	
<b>Total losses</b>	<b>(17,915)</b>	<b>(11,657)</b>	<b>(17,954)</b>	<b>(11,657)</b>
Investment properties revaluation gains (note 17)	262	-	262	-
Unrealised gain on change in fair value of other financial assets			90	
<b>Total gains</b>	<b>262</b>	<b>-</b>	<b>352</b>	<b>-</b>
<b>Total gains/(losses)</b>	<b>(17,653)</b>	<b>(11,657)</b>	<b>(17,602)</b>	<b>(11,657)</b>

The presentation of the Statement of Comprehensive Income has changed from the previous year, as gains & losses have been excluded from the operations of Council and is disclosed after the subtotal for 'surplus before gains & losses, share of associates' surplus and tax. The reason for the change is to make a distinction between non-operating gains & losses and the operating gains & losses of Council. The change has no impact on the presentation of other statements and only affects the Statement of Comprehensive Income.



## NOTE 5: PERSONNEL COSTS

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Salaries and wages	54,533	53,352	54,533	53,455
Defined contribution plan employer contributions*	580	509	580	509
Increase/(decrease) in employee benefits liabilities	(231)	158	(231)	55
<b>Total employee benefit expenses</b>	<b>54,882</b>	<b>54,019</b>	<b>54,882</b>	<b>54,019</b>

\*Employer contributions to defined contribution plans include contributions to Kiwisaver and the Defined Benefit Provider Contributions Scheme.

## NOTE 6: OTHER EXPENSES

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
City profile*	17,143	17,144	17,143	17,144
City safety*	4,356	4,148	4,356	4,148
Community development and amenities*	18,760	18,454	18,760	18,454
Democracy*	6,659	6,040	6,659	6,040
Event and cultural venues*	25,325	22,703	25,325	22,703
Recreation*	30,770	29,877	30,770	29,877
Transportation*	45,740	41,606	45,740	41,606
Urban development*	11,021	10,606	11,021	10,606
Waste minimisation*	6,929	6,048	6,929	6,048
Water management*	50,888	47,890	50,888	47,890
	<b>217,591</b>	<b>204,516</b>	<b>217,591</b>	<b>204,516</b>
Less internal expenses	(1,521)	(1,523)	(1,521)	(1,523)
Less rates charges to Council properties	(679)	(720)	(679)	(720)
Less (loss)/gain on disposal of property, plant and equipment	(2,808)	(5,939)	(2,808)	(5,939)
	<b>212,583</b>	<b>196,334</b>	<b>212,583</b>	<b>196,334</b>
Impairment of other financial assets (note 13A & note 18)	134	1,915	134	1,562
Sundry expenditure	31	28	50	28
	<b>212,748</b>	<b>198,277</b>	<b>212,767</b>	<b>197,924</b>
Less personnel expenses	(54,882)	(54,019)	(54,882)	(54,019)
Less depreciation and amortisation	(53,789)	(49,070)	(53,789)	(49,070)
Less finance expenses	(23,852)	(23,155)	(23,852)	(23,155)
<b>Total other expenses</b>	<b>80,225</b>	<b>72,033</b>	<b>80,244</b>	<b>71,680</b>

\*Refer to cost of service statements

Items included in other expenses are noted below:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Fees to principal auditor:				
Audit fees for annual report	187	162	195	162
Audit fees for 2012-22 10-Year Plan	108	-	108	-
Audit fees for Council's amendment to the 2009-19 LTCCP	-	6	-	6
Fees for assurance services*	59	85	59	85
ACC partnership programme	524	570	524	570
Inventories	487	701	487	701
Impairment of property, plant and equipment (note 15)	4,337	-	4,337	-
Impairment of other financial assets (note 13A & note 18)	134	1,915	134	1,562
Minimum lease payments under operating leases	753	714	753	714
Insurance premiums	1,312	939	1,312	939
Other operating expenses	72,324	66,941	72,335	66,941
<b>Total other expenses</b>	<b>80,225</b>	<b>72,033</b>	<b>80,244</b>	<b>71,680</b>

\*The fees paid to Audit New Zealand in 2012 and 2011 for assurance services were for a review of the decision-making process for the V8 supercar event and quality assurance services in relation to Project Phoenix.

## NOTE 7: FINANCE COSTS

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Interest expense</b>				
Interest on bank borrowings	23,166	22,467	23,166	22,467
Interest on leased assets	99	105	99	105
Provision - discount unwinding (note 20)	587	583	587	583
<b>Total interest expense</b>	<b>23,852</b>	<b>23,155</b>	<b>23,852</b>	<b>23,155</b>
<b>Fair value losses/(gains)</b>				
Fair value adjustments for bank borrowings	(851)	119	(851)	119
<b>Total fair value losses/(gains)</b>	<b>(851)</b>	<b>119</b>	<b>(851)</b>	<b>119</b>
<b>Total finance costs</b>	<b>23,001</b>	<b>23,274</b>	<b>23,001</b>	<b>23,274</b>

## NOTE 8: TAX

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Components of tax expense</b>				
Current tax expense	-	-	-	-
Deferred tax expense	-	-	-	-
<b>Tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Relationship between tax expense and accounting profit</b>				
Surplus/(deficit) before tax	(9,963)	(771)	(4,741)	(24)
Tax at 28% (2011 30%)	(2,790)	(231)	(1,327)	(7)
Effect of tax exempt income	2,789	230	1,459	124
Taxation loss not recognised	1	1	1	1
Equity accounted earnings of associates (less dividends)	-	-	(116)	(51)
Deferred tax adjustments	-	-	(17)	(67)
<b>Tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Income tax recognised directly in equity

The amount of current and deferred tax charged or credited to equity during the period was \$nil (2011 \$nil).

### Unrecognised deferred tax liabilities

As at 30 June 2012 Council had an unrecognised deferred tax liability of \$nil (2011 \$nil).

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Tax losses – Council	33	33	33	33
Tax losses – Hamilton Properties Limited	-	-	134	134
	<b>33</b>	<b>33</b>	<b>167</b>	<b>167</b>

Under current income tax legislation the tax losses do not expire.

Deferred tax assets have not been recognised in respect of these items, as it is not probable that future taxable profits will be available against which the benefit of the losses can be utilised.

	Tax losses \$000
<b>Deferred tax assets/(liabilities)</b>	
Balance at 1 July 2010	178
Prior period adjustment	-
Additions/(reductions) during the year	(11)
<b>Balance at 30 June 2011</b>	<b>167</b>
Additions/(reductions) during the year	-
Recognised during the year	-
<b>Balance at 30 June 2012</b>	<b>167</b>

## NOTE 9: CASH AND CASH EQUIVALENTS

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Cash at bank and in hand	833	32	1,420	32
Term deposits with maturities less than 3 months	25,415	31,940	25,415	31,940
<b>Total cash and cash equivalents</b>	<b>26,248</b>	<b>31,972</b>	<b>26,835</b>	<b>31,972</b>

Council has a bank overdraft facility on the daily trading account that is secured by way of debenture trust deed over general rates. The facility totals \$500,000. At 30 June 2012 the interest rate on the facility was 2.25 per cent per annum, (2011, 6.0 per cent per annum).

Council has a bank overdraft facility on the direct fees account that is also secured by way of debenture trust deed over general rates. The facility totals \$10,000. At 30 June 2012 the interest rate was 2.25 per cent per annum, (2011, 6.0 per cent per annum).

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value.

Cash, cash equivalents, and bank overdrafts include the following for the purposes of the statement of cash flows:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Cash at bank and on hand	833	32	1,420	32
Term deposits with maturities less than 3 months	25,415	31,940	25,415	31,940
Bank overdraft (note 22)	-	(691)	-	(691)
<b>Total</b>	<b>26,248</b>	<b>31,281</b>	<b>26,835</b>	<b>31,281</b>

## NOTE 10: DEBTORS AND OTHER RECEIVABLES

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Rates receivables	3,191	3,044	3,191	3,044
Other receivables:				
New Zealand Transport Agency	2,953	1,312	2,953	1,312
Water by meter	1,431	2,074	1,431	2,074
Goods and services refund due	1,043	1,842	1,043	1,842
Sundry debtors	11,054	13,742	11,054	13,742
Prepayments	889	551	889	551
<b>Gross debtors and other receivables</b>	<b>20,561</b>	<b>22,565</b>	<b>20,561</b>	<b>22,565</b>
Less provision for impairment	(5,078)	(4,104)	(5,078)	(4,104)
<b>Total debtors and other receivables</b>	<b>15,483</b>	<b>18,461</b>	<b>15,483</b>	<b>18,461</b>

### Fair Value

Debtors and other receivables are non-interest bearing and receipt is normally on 30 day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

### Impairment

Council does not provide for any impairment on rates receivables as it has various powers under the Local Government (Rating) Act 2002 to recover outstanding debts. These powers allow Council to commence legal proceedings to recover any rates that remain unpaid 4 months after the due date for payment. If payment has not been made within 3 months of the Court's judgement, then Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

The provision for impairment of receivables includes \$4,769,772 for parking fines being recovered through the Courts (2011 \$3,773,410). Recovery of these debts is not certain and if recoverable may take several years to collect.

The aging profile of receivables at year end is detailed below:

	2012			2011		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
<b>Council</b>						
Not past due	12,021	(386)	11,635	15,052	(321)	14,731
Past due 1-60 days	1,671	(97)	1,574	1,759	(96)	1,663
Past due 61-120 days	1,267	(351)	916	1,430	(274)	1,156
Past due > 120 days	5,602	(4,244)	1,358	4,324	(3,413)	911
<b>Total</b>	<b>20,561</b>	<b>(5,078)</b>	<b>15,483</b>	<b>22,565</b>	<b>(4,104)</b>	<b>18,461</b>
<b>Group</b>						
Not past due	12,021	(386)	11,635	15,052	(321)	14,731
Past due 1-60 days	1,671	(97)	1,574	1,759	(96)	1,663
Past due 61-120 days	1,267	(351)	916	1,430	(274)	1,156
Past due > 120 days	5,602	(4,244)	1,358	4,324	(3,413)	911
<b>Total</b>	<b>20,561</b>	<b>(5,078)</b>	<b>15,483</b>	<b>22,565</b>	<b>(4,104)</b>	<b>18,461</b>

All receivables greater than 30 days in age are considered to be past due.

The impairment provision has been calculated based on expected losses for Council's pool of debtors. Expected losses have been determined based on an analysis of Council's losses in previous periods, and review of specific debtors as detailed below:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Individual impairment	249	272	249	272
Collective impairment	4,829	3,832	4,829	3,832
<b>Total provision for impairment</b>	<b>5,078</b>	<b>4,104</b>	<b>5,078</b>	<b>4,104</b>

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
0 to 3 months	-	5	-	5
3 to 6 months	13	13	13	13
6 to 9 months	13	20	13	20
9 to 12 months	18	11	18	11
> 12 months	205	223	205	223
<b>Total individual impairment</b>	<b>249</b>	<b>272</b>	<b>249</b>	<b>272</b>

Movements in the provision for impairment of receivables are as follows:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
At 1 July	4,104	5,887	4,104	5,887
Additional provisions made during the year	1,353	-	1,353	-
Provisions reversed during the year	(343)	(1,715)	(343)	(1,715)
Receivables written off during the period	(36)	(68)	(36)	(68)
<b>At 30 June</b>	<b>5,078</b>	<b>4,104</b>	<b>5,078</b>	<b>4,104</b>

## NOTE 11: INVENTORY

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Held for distribution inventory:</b>				
Nursery	242	300	242	300
Utilities	25	25	25	25
Other	58	26	58	26
<b>Total inventory</b>	<b>325</b>	<b>351</b>	<b>325</b>	<b>351</b>

No inventories are pledged as security for liabilities for 2012 (2011 \$nil).

### Held for distribution inventory

The carrying amount of inventory held for distribution that are measured at current replacement cost as at 30 June 2012 amounted to \$nil (2011 \$nil).

The write-down of inventories held for distribution amounted to \$nil (2011 \$nil). There were no reversals of write-downs (2011 \$nil).

## NOTE 12: NON-CURRENT ASSETS HELD FOR SALE

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Non-current assets held for sale are:</b>				
Plant and equipment	1,250	-	1,250	-
<b>Total non-current assets held for sale</b>	<b>1,250</b>	<b>-</b>	<b>1,250</b>	<b>-</b>

Council-owned assets created specifically for the running of the V8 Supercars event in Hamilton have been presented as held for sale following the signing of the Termination Deed between Hamilton City Council and V8 Supercars Australia Pty Ltd, dated 30 September 2011.

The Termination Deed specifies that the settlement date for this sale is to be completion of the removal of the assets by the purchaser or on 30 November 2013, whichever is the earlier. While this period is longer than one year, Council is committed to the sale of these assets, and the Termination Deed is irrevocable.

Non-current assets held for sale are measured at the lower of its carrying value and fair value less costs to sell. The V8 plant and equipment so identified is measured at its sale value as stipulated in the Termination Deed; there being no costs to sell.

There is no accumulated revaluation recognised in equity for the V8 plant and equipment subject to this sale.

## NOTE 13A: OTHER FINANCIAL ASSETS

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Current portion:</b>				
<b>Fair value through surplus/deficit</b>				
Equity securities managed by Gareth Morgan Investments (GMI)	-	-	1,912	-
Fixed interest instruments managed by GMI	-	-	2,258	-
<b>Loans and receivables</b>				
Loan to CTC Aviation Training (NZ) Ltd (CTC)	-	624	-	624
Loan to Staples Rodway (SR)	17	-	17	-
Loan to Waikato Rugby Union (WRU)	248	-	248	-
<b>Total current portion</b>	<b>265</b>	<b>624</b>	<b>4,435</b>	<b>624</b>
<b>Non-current portion:</b>				
<b>Loans and receivables</b>				
Loan to CTC Aviation Training (NZ) Ltd (CTC)	-	208	-	208
Loan to Staples Rodway (SR)	279	-	279	-
Loan to Waikato Rugby Union (WRU)	154	-	154	-
Term deposits with maturities of over 1 year (LGFA)	1,600	-	1,600	-
<b>Unlisted shares</b>				
Innovation Waikato Ltd (IWL)	2,400	2,400	2,400	2,400
Local Authority Shared Services Ltd (LASS)	598	728	598	728
NZ Local Government Funding Agency Ltd (NZLGFA)	2,000	-	2,000	-
NZ Local Government Insurance Co Ltd (NZIG)	320	324	320	324
<b>Total non-current portion</b>	<b>7,351</b>	<b>3,660</b>	<b>7,351</b>	<b>3,660</b>
<b>Total other financial assets</b>	<b>7,616</b>	<b>4,284</b>	<b>11,786</b>	<b>4,284</b>

There were no impairment provisions for other financial assets, except as noted below for NZ Local Government Insurance Co Ltd and Local Authority Shared Services Ltd.

The carrying amount of other financial assets approximates their fair value.

Vibrant Hamilton Trust received a capital contribution from Waikato Foundation Trust on 31 January 2012. The funds were invested in a balanced portfolio of equity funds and fixed interest instrument managed by Gareth Morgan Investments (GMI) to an agreed investment mandate. These investments are held for trading and are classified as current assets. After initial recognition this category of financial assets are measured at fair value with gains and losses on remeasurement recognised in the surplus/deficit.

Investments in unlisted shares are initially recognised at cost with any movements in fair value recognised directly in other comprehensive income.

The details of unlisted shares are summarised as follows:

Unlisted shares	Number of shares	% Holding	Council		Group	
			2012 \$000	2011 \$000	2012 \$000	2011 \$000
Innovation Waikato Ltd	247	19.80	2,400	2,400	2,400	2,400
Local Authority Shared Service Ltd:						
Ordinary	1	7.69	1	1	1	1
Shared Valuation Data	220,514	13.72	181	221	181	221
Waikato Regional Transport Model	50,625	37.50	416	506	416	506
NZ Local Government Funding Agency Ltd	2,000,000	8.00	2,000	-	2,000	-
NZ Local Government Insurance Co Ltd	202,729	3.17	320	324	320	324
<b>Total unlisted shares</b>			<b>5,318</b>	<b>3,452</b>	<b>5,318</b>	<b>3,452</b>

The weighted average interest rates for financial assets (current and non-current) are as follows:

	Council		Group	
	2012	2011	2012	2011
Loan to CTC Aviation Training (NZ) Ltd (repaid in June 2012)	5.76%	6.07%	5.76%	6.07%
Loan to Staples Rodway	7.14%	-	7.14%	-
Loan to Waikato Rugby Union	7.00%	-	7.00%	-

**Movements in loans are summarised as follows:**

2012	Council and Group \$000			
	CTC	SR	WRU	TOTAL
Opening balance	832	-	-	832
Advance of loan	-	300	500	800
Repayment of loan	(832)	(4)	(98)	(934)
Impairment of loan	-	-	-	-
<b>Closing balance</b>	<b>-</b>	<b>296</b>	<b>402</b>	<b>698</b>

2011	Council and Group \$000			
	CTC	HFN	IWL	Total
Opening balance	1,432	1,030	2,400	4,862
Additional balance	-	193	-	193
Repayment of loan	(600)	-	-	(600)
Conversion of loans to shares	-	(883)	(2,400)	(3,283)
Impairment of loan	-	(340)	-	(340)
<b>Closing balance</b>	<b>832</b>	<b>-</b>	<b>-</b>	<b>832</b>

CTC Aviation Training (NZ) Ltd fully repaid the loan on 13 June 2012, which was earlier than anticipated and the first mortgage over the building was discharged accordingly.

Staples Rodway was advanced a loan in respect of the fit-out for the BNZ building.

Council reached an agreement with the Waikato Rugby Union to roll an outstanding debtor account balance into a loan.

**Movements in unlisted shares are summarised as follows:**

2012	Council and Group \$000				
	IWL	LASS	NZGI	NZLGFA	Total
Opening balance	2,400	728	324	-	3,452
Acquisition of shares	-	-	-	2,000	2,000
Impairment of shares (surplus/deficit)	-	(130)	(4)	-	(134)
<b>Closing balance</b>	<b>2,400</b>	<b>598</b>	<b>320</b>	<b>2,000</b>	<b>5,318</b>

2011	Council and Group \$000			
	IWL	LASS	NZGI	Total
Opening balance	-	728	618	1,346
Conversion of loans to shares	2,400	-	-	2,400
Impairment of shares (other comprehensive income)	-	-	(154)	(154)
Impairment of shares (surplus/deficit)	-	-	(140)	(140)
<b>Closing balance</b>	<b>2,400</b>	<b>728</b>	<b>324</b>	<b>3,452</b>

Council acquired two million \$1.00 shares in NZ Local Government Funding Agency Ltd (NZLGFA) in December 2011, and is one of the 19 local authority shareholders. Refer to note 26 for further information.

NZ Local Government Insurance Co Ltd (NZLGI) made a net deficit for the year ended 31 December 2011 of \$5.39 million mainly as a result of the Christchurch earthquake claims (31 December 2010 net deficit \$4.01 million).

Council has made an impairment adjustment through surplus/deficit to reflect its share of the net equity of the company as at 31 December 2011 (net equity of NZGI \$10.08 million).

**NOTE 13B: INVESTMENT IN SUBSIDIARIES**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Vibrant Hamilton Trust (VHT)	-	-	-	-
Hamilton Properties Ltd (HPL)	1	1	-	-
<b>Total investment in subsidiaries</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>

Council has a 100% shareholding in its subsidiary, Hamilton Properties Ltd, which comprises 1,000 shares.

Council has a 100% interest in Vibrant Hamilton Trust. Vibrant Hamilton Trust was established as a Council Controlled Organisation as per the requirements under section 64(1) of the Local Government Act 2002. Its purpose is to provide a legal entity, which upon incorporation under the Charitable Trusts Act 1957, to receive funds from the Waikato Foundation Trust and to make distributions of income and capital for the charitable purposes authorised in its Trust Deed.

## NOTE 14: DERIVATIVE FINANCIAL INSTRUMENTS

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Current liability portion</b>				
Interest rate swaps – fair value hedge	133	90	133	90
<b>Total current liability portion</b>	<b>133</b>	<b>90</b>	<b>133</b>	<b>90</b>
<b>Non-current liability portion</b>				
Interest rate swaps – fair value hedge	32,690	17,626	32,690	17,626
<b>Total non-current liability portion</b>	<b>32,690</b>	<b>17,626</b>	<b>32,690</b>	<b>17,626</b>

### Fair value

#### *Interest rate swaps*

The fair value of the interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date.

#### **Interest rate swaps**

The revaluation of interest rate swaps held by Council show an unrealised mark-to-market revaluation loss for 2012 of \$15.107 million (2011 loss \$5.502 million). This non-cash revaluation gain/loss is calculated as the difference between the swap fixed rate and the interest yield curve and is recognised in the surplus/(deficit).

The notional principal amount of outstanding interest rate swap contracts at 30 June 2012 was \$339.5 million (2011 \$362.5 million). This includes \$22 million (2011 \$20 million) of forward start swaps, leaving \$317.5 million (2011 \$342.5 million) in actual committed swaps at 30 June 2012. At 30 June 2012 the fixed interest rate of fair value interest rate swaps ranged from 3.14% to 6.72% (2011 3.4% to 6.9%).

#### **Foreign currency forward exchange contracts**

Council held no foreign currency forward exchange contracts at 30 June 2012 (2011 \$nil).



## NOTE 15: PROPERTY, PLANT AND EQUIPMENT

### Council and Group 2012 (\$'000)

	COST/REVALUATION 1-JUL-11	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 1-JUL-11	CARRYING AMOUNT 1-JUL-11	COST TRANSFERS/ RECLASSIFICATIONS	ACCUMULATED DEPRECIATION TRANSFERS/ RECLASSIFICATIONS	GAIN/(LOSS) ON REVALUATIONS	CURRENT YEAR ADDITIONS	CURRENT YEAR DISPOSALS AT COST	CURRENT YEAR IMPAIRMENT CHARGES OR WRITE OFFS	ACCUMULATED DEPRECIATION CARRIED FORWARD	CURRENT YEAR DEPRECIATION	ACCUMULATED DEPRECIATION REVERSED ON DISPOSAL	OTHER ADJUSTMENTS	COST/REVALUATION 30-JUN-12	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 30-JUN-12	CARRYING AMOUNT 30-JUN-12
<b>Operational assets</b>																
Land	58,677	-	58,677	9,998	-	(6,621)	-	-	-	-	-	-	-	62,054	-	62,054
Buildings	303,773	(38,629)	265,144	(50)	6	(1,684)	3,896	(254)	-	-	(10,845)	6	-	267,058	(10,839)	256,219
Land – parks & gardens	669,373	-	669,373	(13,617)	-	(346,866)	-	-	-	-	-	-	-	308,890	-	308,890
Improvements – parks & gardens	48,614	(1,913)	46,701	(70)	5	-	4,484	(383)	-	-	(2,104)	13	5	52,650	(3,999)	48,651
Plant & equipment	42,693	(19,915)	22,778	(4,657)	3,504	-	3,600	(379)	(4,337)	-	(3,460)	362	-	36,920	(19,509)	17,411
Vehicles	6,604	(3,589)	3,015	-	-	-	458	(507)	-	-	(475)	408	-	6,555	(3,656)	2,899
Library books	17,252	(8,842)	8,410	275	-	-	1,389	-	-	-	(1,064)	-	-	18,916	(9,906)	9,010
Zoo animals	1,121	(1,018)	103	-	-	-	20	(6)	-	-	(16)	4	-	1,135	(1,030)	105
Finance lease	6,408	(4,765)	1,643	-	-	-	589	-	-	-	(1,025)	-	-	6,997	(5,790)	1,207
Leasehold	2,038	(774)	1,264	-	-	-	-	-	-	-	(315)	-	-	2,038	(1,089)	949
Improvements																
<b>Total operational assets</b>	<b>1,156,553</b>	<b>(79,445)</b>	<b>1,077,108</b>	<b>(8,121)</b>	<b>3,515</b>	<b>(355,171)</b>	<b>14,436</b>	<b>(1,529)</b>	<b>(4,337)</b>	<b>-</b>	<b>(19,304)</b>	<b>793</b>	<b>5</b>	<b>763,213</b>	<b>(55,818)</b>	<b>707,395</b>
<b>Restricted assets</b>																
Land	26,426	-	26,426	140	-	(7,178)	363	-	-	-	-	-	-	19,751	-	19,751
<b>Heritage assets</b>																
Museum and Library	29,021	(1)	29,020	(189)	(5)	5,377	260	-	-	-	-	-	-	34,463	-	34,463
<b>Infrastructure assets</b>																
Land	20,695	-	20,695	3,479	-	(4,481)	-	-	-	-	-	-	-	19,693	-	19,693
Refuse	55,077	(592)	54,485	-	-	-	-	-	-	-	(173)	-	-	55,077	(765)	54,312
Roads and traffic network	1,259,876	(13,553)	1,246,323	-	-	-	24,130	(2,232)	-	(66)	(13,964)	129	-	1,281,774	(27,454)	1,254,320
Stormwater system	354,785	(5,408)	349,377	-	-	-	1,932	-	-	(6)	(5,434)	-	-	356,717	(10,848)	345,869
Wastewater system	205,108	(4,577)	200,531	-	-	-	11,281	(108)	-	(56)	(4,813)	16	-	216,281	(9,430)	206,851
Wastewater treatment plant	46,004	(3,397)	42,607	-	-	-	10,568	(186)	-	-	(2,739)	-	-	56,386	(6,136)	50,250
Water system	238,279	(5,275)	233,004	(74)	-	-	5,047	(47)	-	(37)	(5,273)	4	-	243,205	(10,581)	232,624
Water treatment station	57,299	(2,608)	54,691	-	-	-	401	-	-	-	(1,205)	-	-	57,700	(3,813)	53,887
<b>Total infrastructure assets</b>	<b>2,237,123</b>	<b>(35,410)</b>	<b>2,201,713</b>	<b>3,405</b>	<b>-</b>	<b>(4,481)</b>	<b>53,359</b>	<b>(2,573)</b>	<b>-</b>	<b>(165)</b>	<b>(33,601)</b>	<b>149</b>	<b>-</b>	<b>2,286,833</b>	<b>(69,027)</b>	<b>2,217,806</b>
<b>Work In progress</b>	<b>87,737</b>	<b>-</b>	<b>87,737</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,073</b>	<b>(70,167)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>96,643</b>	<b>-</b>	<b>96,643</b>
<b>Total property, plant &amp; equipment</b>	<b>3,536,860</b>	<b>(114,856)</b>	<b>3,422,004</b>	<b>(4,765)</b> <sup>1</sup>	<b>3,510</b> <sup>2</sup>	<b>(361,453)</b>	<b>147,491</b>	<b>(74,269)</b>	<b>(4,337)</b>	<b>(165)</b>	<b>(52,905)</b>	<b>942</b>	<b>5</b>	<b>3,200,903</b>	<b>(124,845)</b>	<b>3,076,058</b>

<sup>1</sup> Transfer to Intangible assets \$(5)

<sup>1</sup> Transfer to Non-current assets held for sale \$(4,760)

<sup>2</sup> Transfer to Non-current assets held for sale \$3,510

Council and Group 2011 (\$000)

	COST/REVALUATION 1-JUL-10	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 1-JUL-10	CARRYING AMOUNT 1-JUL-10	COST TRANSFERS/ RECLASSIFICATIONS	ACCUMULATED DEPRECIATION TRANSFERS/ RECLASSIFICATIONS	GAIN/(LOSS) ON REVALUATIONS	CURRENT YEAR ADDITIONS	CURRENT YEAR DISPOSALS AT COST	CURRENT YEAR IMPAIRMENT CHARGES OR WRITE OFFS	ACCUMULATED DEPRECIATION CARRIED FORWARD	CURRENT YEAR DEPRECIATION	ACCUMULATED DEPRECIATION REVERSED ON DISPOSAL	OTHER ADJUSTMENTS	COST/REVALUATION 30-JUN-11	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 30-JUN-11	CARRYING AMOUNT 30-JUN-11
<b>Operational assets</b>																
Land	58,675	-	58,675	-	-	-	-	-	-	-	-	-	2	58,677	-	58,677
Buildings	234,232	(30,762)	203,470	849	(88)	-	72,037	(3,345)	-	-	(8,779)	1,000	-	303,773	(38,629)	265,144
Land – parks & gardens	668,658	-	668,658	-	-	-	865	(150)	-	-	-	-	-	669,373	-	669,373
Improvements – parks & gardens	44,587	(6,690)	37,897	(2,787)	507	8,917	4,468	(80)	(308)	(151)	(1,785)	23	-	48,614	(1,913)	46,701
Plant & equipment	35,453	(17,080)	18,373	(42)	-	-	7,602	(315)	(5)	-	(3,102)	267	-	42,693	(19,915)	22,778
Vehicles	6,245	(3,341)	2,904	42	-	-	738	(421)	-	-	(586)	338	-	6,604	(3,589)	3,015
Library books	15,669	(7,688)	7,981	-	-	-	1,583	-	-	-	(1,154)	-	-	17,252	(8,842)	8,410
Zoo animals	1,088	(855)	203	-	-	-	33	-	-	-	(133)	-	-	1,121	(1,018)	103
Finance lease	4,949	(3,720)	1,229	-	-	-	1,459	-	-	-	(1,045)	-	-	6,408	(4,765)	1,643
Leasehold	-	-	-	1,938	(419)	-	100	-	-	-	(355)	-	-	2,038	(774)	1,264
Improvements																
<b>Total operational assets</b>	<b>1,069,556</b>	<b>(70,166)</b>	<b>999,390</b>	<b>-</b>	<b>-</b>	<b>8,917</b>	<b>88,885</b>	<b>(4,311)</b>	<b>(313)</b>	<b>(151)</b>	<b>(16,939)</b>	<b>1,628</b>	<b>2</b>	<b>1,156,553</b>	<b>(79,445)</b>	<b>1,077,108</b>
<b>Restricted assets</b>																
Land	27,062	-	27,062	-	-	-	25	(661)	-	-	-	-	-	26,426	-	26,426
<b>Heritage assets</b>																
Museum and Library	28,862	-	28,862	-	-	-	159	-	-	-	(1)	-	-	29,021	(1)	29,020
<b>Infrastructure assets</b>																
Land	20,695	-	20,695	-	-	-	-	-	-	-	-	-	-	20,695	-	20,695
Refuse	53,773	(458)	53,315	-	-	-	1,379	(75)	-	-	(189)	55	-	55,077	(592)	54,485
Roads and traffic network	1,232,800	(14,441)	1,218,359	25	(1)	14,637	28,592	(1,736)	-	(134)	(13,419)	-	-	1,259,876	(13,553)	1,246,323
Stormwater system	276,489	(12,037)	264,452	(25)	1	87,436	3,014	(93)	-	(34)	(5,374)	-	-	354,785	(5,408)	349,377
Wastewater system	196,081	(12,215)	183,866	-	-	15,813	5,955	(526)	-	(63)	(4,521)	7	-	205,108	(4,577)	200,531
Wastewater treatment plant	44,594	(1,678)	42,916	-	-	-	1,410	-	-	-	(1,719)	-	-	46,004	(3,397)	42,607
Water system	202,568	(13,233)	189,335	-	-	41,596	8,284	(936)	-	(81)	(5,194)	-	-	238,279	(5,275)	233,004
Water treatment station	55,588	(1,232)	54,356	-	-	-	1,711	-	-	-	(1,376)	-	-	57,299	(2,608)	54,691
<b>Total infrastructure assets</b>	<b>2,082,588</b>	<b>(55,294)</b>	<b>2,027,294</b>	<b>-</b>	<b>-</b>	<b>159,482</b>	<b>50,345</b>	<b>(3,366)</b>	<b>-</b>	<b>(312)</b>	<b>(31,792)</b>	<b>62</b>	<b>-</b>	<b>2,237,123</b>	<b>(35,410)</b>	<b>2,201,713</b>
<b>Work In progress</b>	<b>109,767</b>	<b>-</b>	<b>109,767</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119,187</b>	<b>(141,217)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,737</b>	<b>-</b>	<b>87,737</b>
<b>Total property, plant &amp; equipment</b>	<b>3,317,835</b>	<b>(125,460)</b>	<b>3,192,375</b>	<b>-</b>	<b>-</b>	<b>168,399</b>	<b>258,601</b>	<b>(149,555)</b>	<b>(313)</b>	<b>(463)</b>	<b>(48,732)</b>	<b>1,690</b>	<b>2</b>	<b>3,536,860</b>	<b>(114,856)</b>	<b>3,422,004</b>

## Valuation

### *Land (operational, restricted, infrastructural and parks and gardens)*

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the "unencumbered" land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensively.

The most recent valuation was performed by K Stewart Val Prof Urb, PG Dip Eng Audit, MBA, of Darroch Ltd, and the valuation was effective as at 1 July 2011.

### *Buildings (operational)*

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the reproduction cost of the specific assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- The remaining useful life of assets is estimated.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect fair value.

The most recent valuation was performed by C Jenkins BE (Civil) (First Class Honours) of SPM Consultants Ltd, K Stewart Val Prof Urb, PG Dip Env Audit, MBA, FPINZ of Darroch Ltd and E Botje MBA, Btech Env Ag, of Hamilton City Council and is subject to an independent review by B Smith of Brian Smith Advisory Services Ltd. The valuation was effective as at 1 July 2011.

### *Heritage assets*

Library Heritage collection (Central Library Reference Collection) is valued at fair value. Major collection items have been valued separately or by formulae based on quantity measurements. Determining the values to be assigned to individual items has largely been undertaken by the Libraries' own staff using in-house records, published values and judgement of specialist staff. Some guidelines have been taken from procedures adopted by Auckland City Libraries (who drew on

methodologies used at the Alexander Turnbull and Hocken Libraries.)

The most recent valuation for the Library Reference Collection was performed by the Collections Leader, J Downs, and the Heritage Manager, M Caunter, and is subject to an independent review by Dr R J Watt. The last revaluation was effective as at 1 July 2011.

Museum Heritage Collection is valued at fair value using various methods as follows:

1. Current market values: For items which appear on the open market there are a number of authoritative references that provide guides to current market values. Reference was made to price guides such as Carter's Price Guide to Antiques in Australasia and for direct New Zealand reference, the realised sales lists of auction houses such as Peter Webb (Auckland) and Dunbar Sloane (Wellington and Auckland). Fine Arts values were based on realised sales of items in auction catalogues such as those of Peter Webb (Auckland) and Dunbar Sloane (Wellington and Auckland) together with the Australian Art Auction Records and Australian Sales Digest and the internet.
2. Known values: When an established value exists, it can be used as the basis for a current value.
3. Local dealer values: A number of items (silver) were valued with reference to a local licensed dealer.
4. Sampling: Given the large number of items in any moderately sized museum, it would be an unwarranted expense of time and money to try and value each individual collection item. This fact is recognised by the New Zealand Auditor General's office and it is deemed appropriate to sample for valuation provided that (a) all items in each group sampled were of a similar type, and (b) the values arrived at were a fair reflection of all the other items in the sampled group. Large numbers of items such as books, photographs, toki and mahe lend themselves to this method of valuation.
5. Replacement value: For items which are modern a replacement value can often be calculated. Replacement values can also be used for items which have no intrinsic value in themselves e.g. audio-cassette tapes. Collection items, such as the latter, are often museum initiated, specifically collected as part of local history, and are most unlikely to reach the open market. However, like other archival material they form an important part of many museums' collections.
6. Comparative values: In some cases it is not always possible to obtain an exact correspondence between a certain item and a catalogue value. When this occurs the value of a similar item, made about the same time and of similar materials, is used to help estimate a comparative value.
7. Comparative institutional values: In a few instances when it was not possible to identify any

current market value or a replacement value, reference was made to the valuations of the National Library of New Zealand, The New Zealand National Archive and the Museum of New Zealand Te Papa Tongarewa. These institutions, by statute, must also value their collections for Government audit purposes. Once the New Zealand Auditor General's office has accepted the collection values presented by these institutions, it was deemed acceptable that other museums in New Zealand could apply the same valuation method, where appropriate, to their own holdings. Items such as bound volumes of old newspapers and shelves of books and archives were valued in this way.

8. Archaeological Material: The Waikato Museum of Art and History holds in its care one of the most important of the earlier archaeological excavations in New Zealand. This excavation, at Kauri Point, resulted in a wealth of important prehistoric material. It was valued on the basis of archaeologically excavated material held and valued by the Museum of New Zealand Te Papa Tongarewa.

The most recent valuation for the Museum Heritage Collection was performed by Dr R J Watt MA (First Class Hons) PhD of RJ Watt & Associates, and the valuation was effective from 1 July 2011.

#### *Parks and gardens improvements*

Parks and gardens improvements are valued at fair value using depreciated replacement cost because no reliable market data is available for such assets.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the reproduction cost of the specific assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- In arriving at the value, it is assumed that modern construction techniques and modern equivalent materials are used, but that the physical asset replaces the asset as it exists.
- Where possible, replacement rates have been based on the recent actual construction costs. Where this information wasn't available, rates have been calculated based on those used in the last revaluation adjusted by the appropriate cost adjustment factor, which was calculated based upon the methodology defined in Appendix A of the New Zealand Standards for Conditions of Contract for Buildings and Civil Engineering Construction, NZS 3910.
- The default construction date was assumed to be 50% of the Total Useful Life (TUL) – unless was otherwise stated – and only used where there was no construction date.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

The most recent valuation was performed by C McCormack BE (Natural Resources), of MWH New Zealand Ltd, and the valuation was effective as at 1 July 2010.

*Infrastructural asset classes: water reticulation, wastewater reticulation and pump stations, stormwater, refuse, water and wastewater treatment plants, water reservoirs and roading assets (excluding land)*

Water reticulation, wastewater reticulation and pump stations, stormwater, refuse, water and wastewater treatment plants, water reservoirs and roading assets (excluding land) are valued at fair value using depreciated replacement cost.

There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- Estimating any obsolescence or surplus capacity of the asset.
- Estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar assets.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions, for example weather patterns, soil types and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then HCC could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk, infrastructural asset lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition-modelling are also carried out regularly as part of asset management planning activities, which provides further assurance over useful life estimates.

The most recent valuation for water reticulation, wastewater reticulation and pump stations and stormwater and minor roading assets (excluding land) was performed by C McCormack BE (Natural Resources), of MWH New Zealand Ltd, and the valuation was effective 1 July 2010.

The most recent valuation for water and wastewater treatment plants and water reservoirs was performed by C McCormack BE (Natural Resources), of MWH New Zealand Ltd, and the valuation was effective as at 1 July 2009.

The most recent valuation for refuse was performed by E Botje MBA, Btech Env Ag, of MWH New Zealand Ltd, and the valuation was effective as at 1 July 2007.

The most recent valuation for major roading assets (excluding land) was performed by M Clough BE (Engineering), of Beca Valuation Ltd (New Zealand), and the valuation was effective as at 1 July 2010.

*Operational plant and equipment, zoo animals, and land under roads*

These asset classes were last revalued effective 1 July 2001. On transition to NZ IFRS, Council elected to use the fair value of these assets as deemed cost.

*Operational vehicles, library books and assets held under finance leases*

These asset classes are not revalued, and are held at cost.

## Impairment

Impairment losses totalling \$4,337,271 (2011 \$312,798) have been recognised for plant and equipment.

This amount relates to assets purchased or created specifically for the running of the V8 Supercars event in Hamilton, and this impairment has been recognised in other expenses in the statement of comprehensive income. The recoverable amount of the plant and equipment was calculated as being the selling value agreed under The Termination Deed between Hamilton City Council and V8 Supercars Australia Pty Ltd, dated 30 September 2011.

## NOTE 16: INTANGIBLE ASSETS

Intangible assets are defined as identifiable non-monetary assets without physical form. Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

None of these intangible assets have been internally generated.

	Council and Group		
	Computer Software \$000	Resource Consents \$000	Total \$000
<b>Cost</b>			
Balance at 1 July 2011	6,507	6,036	12,543
Additions	1,624	836	2,460
Disposals	-	-	-
Change in work in progress	(298)	(580)	(878)
<b>Balance at 30 June 2012</b>	<b>7,833</b>	<b>6,292</b>	<b>14,125</b>
Balance at 1 July 2010	4,493	5,654	10,147
Additions	2,407	1,070	3,477
Disposals	(164)	-	(164)
Change in work in progress	(229)	(688)	(917)
<b>Balance at 30 June 2011</b>	<b>6,507</b>	<b>6,036</b>	<b>12,543</b>
<b>Accumulated amortisation and impairment</b>			
Balance at 1 July 2011	(3,209)	(1,206)	(4,415)
Amortisation charge	(436)	(448)	(884)
Amortisation reversed on disposal	-	-	-
<b>Balance at 30 June 2012</b>	<b>(3,645)</b>	<b>(1,654)</b>	<b>(5,299)</b>
Balance at 1 July 2010	(3,296)	(945)	(4,241)
Amortisation charge	(77)	(261)	(338)
Amortisation reversed on disposal	164	-	164
<b>Balance at 30 June 2011</b>	<b>(3,209)</b>	<b>(1,206)</b>	<b>(4,415)</b>
<b>Carrying amounts</b>			
Balance at 1 July 2010	1,197	4,709	5,906
Balance at 30 June and 1 July 2011	3,298	4,830	8,128
<b>Balance at 30 June 2012</b>	<b>4,188</b>	<b>4,638</b>	<b>8,826</b>

## Restrictions over title

There are no restrictions over the title of intangible assets. No assets are pledged for security for liabilities.

## Impairment

There are no impairment losses for 2012 (2011 \$nil).

## NOTE 17: INVESTMENT PROPERTY

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Balance at 1 July	50,819	50,780	50,819	50,780
Additions	388	252	388	252
Disposals	(7,450)	-	(7,450)	-
Fair value gains/(losses) on revaluation (note 4)	262	(213)	262	(213)
<b>Balance at 30 June</b>	<b>44,019</b>	<b>50,819</b>	<b>44,019</b>	<b>50,819</b>

Investment properties are valued annually at fair value effective 30 June. All investment properties were valued based on open market evidence. The valuations were performed by Telfer Young (Waikato) Ltd and Curnow Tizard Ltd, registered valuers and property consultants. Both Telfer Young (Waikato) Ltd and Curnow Tizard Ltd are experienced valuers with extensive market knowledge in the types and locations of investment properties owned by HCC.

Council sold its investment property at 32 Kaimiro Street for \$7.33 million in August 2011.

The methodology for determining the fair value of investment property is as follows:

*Commercial and industrial investment properties* – have been determined using the capitalisation of net income and discounted cash flow methods. These methods are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rates.

*Commercial leasehold land and residential leasehold land* – have been determined using the direct comparison approach, which has regard to sales of other vacant sites. This method makes allowances for factors such as the size of holdings, its position, zoning, surrounding values and the type of the surrounding development.

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Rental income	3,607	4,647	3,607	4,647
Expenses from investment property generating income	723	782	723	782

## NOTE 18: INVESTMENT IN ASSOCIATES

### Movements in cost of investments in associates:

Council	Hamilton Fibre Network Ltd \$000	Hamilton Riverview Hotel Ltd \$000	Waikato Regional Airport Ltd \$000	Total \$000
<b>2012</b>				
Balance at 1 July 2011	902	6,000	7,430	14,332
Sale proceeds and cash proceeds	(671)	-	-	(671)
Reclassify to debtor (warranty)	(231)	-	-	(231)
Impairment	-	-	-	-
<b>Balance at 30 June 2012</b>	<b>-</b>	<b>6,000</b>	<b>7,430</b>	<b>13,430</b>
Current	-	-	-	-
Non-current	-	6,000	7,430	13,430
<b>Balance at 30 June 2012</b>	<b>-</b>	<b>6,000</b>	<b>7,430</b>	<b>13,430</b>

Council	Hamilton Fibre Network Ltd \$000	Hamilton Riverview Hotel Ltd \$000	Waikato Regional Airport Ltd \$000	Total \$000
<b>2011</b>				
Balance at 1 July 2010	1,454	6,000	7,430	14,884
Conversion of loans to shares	883	-	-	883
Impairment	(1,435)	-	-	(1,435)
<b>Balance at 30 June 2011</b>	<b>902</b>	<b>6,000</b>	<b>7,430</b>	<b>14,332</b>
Current	902	-	-	902
Non-current	-	6,000	7,430	13,430
<b>Balance at 30 June 2011</b>	<b>902</b>	<b>6,000</b>	<b>7,430</b>	<b>14,332</b>

### Movements in the carrying amount of investments in associates:

Group	Hamilton Fibre Network Ltd \$000	Hamilton Riverview Hotel Ltd \$000	Waikato Regional Airport Ltd \$000	Total \$000
<b>2012</b>				
Balance at 1 July 2011	902	9,529	29,392	39,823
Sale proceeds	(671)	-	-	(671)
Share of surplus/(deficit)	-	431	189	620
Deferred tax credit/(expense) adjustment	-	58	-	58
Dividend received	-	(207)	-	(207)
Reclassify to debtor (warranty)	(231)	-	-	(231)
Impairment	-	-	-	-
Share of increase/(decrease) in asset revaluation reserve	-	-	-	-
<b>Balance at 30 June 2012</b>	<b>-</b>	<b>9,811</b>	<b>29,581</b>	<b>39,392</b>
Current	-	-	-	-
Non-current	-	9,811	29,581	39,392
<b>Balance at 30 June 2012</b>	<b>-</b>	<b>9,811</b>	<b>29,581</b>	<b>39,392</b>

Group	Hamilton Fibre Network Ltd \$000	Hamilton Riverview Hotel Ltd \$000	Waikato Regional Airport Ltd \$000	Total \$000
<b>2011</b>				
Balance at 1 July 2010	1,101	9,191	29,231	39,523
Conversion of loans to shares	883	-	-	883
Share of surplus/(deficit)	-	323	56	379
Deferred tax credit/(expense) adjustment	-	222	-	222
Proposed dividend	-	(207)	-	(207)
Impairment	(1,082)	-	-	(1,082)
Share of increase/(decrease) in asset revaluation reserve	-	-	105	105
<b>Balance at 30 June 2011</b>	<b>902</b>	<b>9,529</b>	<b>29,392</b>	<b>39,823</b>
Current	902	-	-	902
Non-current	-	9,529	29,392	38,921
<b>Balance at 30 June 2011</b>	<b>902</b>	<b>9,529</b>	<b>29,392</b>	<b>39,823</b>

Council sold its share in Hamilton Fibre Network Ltd to Ultrafast Fibre Ltd on 26 August 2011. Council received part of the sale proceeds of \$621,751 on 26 August 2011 and cash proceeds of the company of \$49,007 on 7 September 2011.

The balance of the sale proceeds of \$231,649 were held in a Trust Account with Norris Ward McKinnon Solicitors to cover potential warranty claims from Ultrafast Fibre Ltd that may arise in the twelve month period from the sale date. As there were no warranty claims, Council received the full balance of the sale proceeds on the 7 September 2012.

It should be noted an adjustment has been made to reflect the impairment in the investment and loan to Hamilton Fibre Network Ltd, in both the parent and group results, in the previous financial year to 30 June 2011.

Hamilton Riverview Hotel Ltd has a balance date different from Council of more than three months. In order to comply with NZ IAS 28, Council has included the interim financial results of Hamilton Riverview Hotel Ltd for the six months to 30 June 2012 (which have been reviewed but not audited) and the annual audited results for the year to 31 December 2011 adjusted to reflect only the final six months of the year.

### Summarised financial information of associate companies presented on a gross basis

2012	Hamilton Riverview Hotel Ltd \$000	Waikato Regional Airport Ltd \$000
Assets	45,646	78,235
Liabilities	21,938	19,073
Revenue	15,416	7,983
Surplus/(deficit)	1,042	378
Deferred tax credit/(expense) adjustment	139	-
Group's interest	41.38%	50.00%
Number of shares	6,000,000	2,486,802
Balance date	31 Dec	30 June

2011	Hamilton Fibre Network Ltd	Hamilton Riverview Hotel Ltd	Waikato Regional Airport Ltd
	\$000	\$000	\$000
Assets	5,758	48,616	78,201
Liabilities	95	25,588	19,418
Revenue	477	14,886	7,087
Surplus/(deficit)	(155)	780	111
Deferred tax credit/(expense) adjustment	-	536	-
Group's interest	33.80%	41.38%	50.00%
Number of shares	33,798	6,000,000	2,486,802
Balance date	30 June	31 Dec	30 June

### Associates' contingencies

Detail of any contingent liabilities arising from the group's involvement in an associate are disclosed separately in note 26.

## NOTE 19: CREDITORS AND OTHER PAYABLES

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Trade payables	8,109	13,116	8,117	13,116
Deposits and bonds	467	584	467	584
Accrued expenses	12,620	13,369	12,620	13,369
Agency funds	70	43	70	43
Income in advance	3,324	3,073	3,324	3,073
Amounts due to related parties	16	18	14	18
<b>Total creditors and other payables</b>	<b>24,606</b>	<b>30,203</b>	<b>24,612</b>	<b>30,203</b>

Creditors and other payables are non interest bearing and are normally settled on 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value.

## NOTE 20: PROVISIONS

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Current portion</b>				
ACC Partnership Programme	353	408	353	408
Weathertight homes resolution services claims	1,409	1,021	1,409	1,021
Landfill aftercare	737	446	737	446
<b>Total current portion</b>	<b>2,499</b>	<b>1,875</b>	<b>2,499</b>	<b>1,875</b>
<b>Non-current portion</b>				
Landfill aftercare	8,164	7,943	8,164	7,943
<b>Total non-current portion</b>	<b>8,164</b>	<b>7,943</b>	<b>8,164</b>	<b>7,943</b>
<b>Total provisions</b>	<b>10,663</b>	<b>9,818</b>	<b>10,663</b>	<b>9,818</b>

### Weathertight homes resolution services claims provision

At 30 June 2012 there are 19 claims (2011, 17 claims), lodged with the Weathertight Homes Resolution Service (WHRS), and 2 claims (2011, 0 claims) lodged via the court system outstanding with an estimated exposure of \$1,162,500, (2011, \$775,000) being a increase of \$387,500 for the year.

The insurer (RiskPool) will pay out a maximum of \$500,000 in anyone year. Only claims notified to RiskPool before 1 July 2009 are covered, claims after this date are not.

An additional provision of \$246,007 for the 2011/12 year (2011, \$246,007) has been included for the Call from RiskPool for contributions to the shortfall in the mutual pool's funds, predominantly caused by WHRS claims. This was paid in July 2012.

Movements in weathertight homes resolution service provision	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	1,021	1,332	1,021	1,332
Additional provision made	588	250	588	250
Additional provision for RiskPool Call	246	246	246	246
Amounts resolved	(446)	(807)	(446)	(807)
<b>Closing balance</b>	<b>1,409</b>	<b>1,021</b>	<b>1,409</b>	<b>1,021</b>



## Landfill aftercare provision

Hamilton City Council is responsible for four closed landfill sites. They are Horotiu, Rototuna, Willoughby, and Cobham Drive. In previous years a provision was recognised only for the Horotiu landfill.

Council's aftercare responsibilities include ongoing maintenance and monitoring such as the following:

- treatment and monitoring of leachate
- groundwater and surface monitoring
- gas monitoring and recovery
- implementation of remedial measures such as needed for cover, and control systems
- ongoing site maintenance for drainage systems, final cover and control.

The cash outflows for the landfill post closure are expected to occur until 2042. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred.

The following significant assumptions have been made in calculating the provision:

- a discount rate of 7.0% (2011 7.0%)
- the estimated remaining life is 44 years.

Movements in landfill aftercare provision	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	8,389	8,327	8,389	8,327
Actual closure and aftercare costs	(639)	(446)	(639)	(446)
Increase/(decrease) due to aftercare cost assumption	564	(75)	564	(75)
Discount unwinding (note 7)	587	583	587	583
<b>Closing balance</b>	<b>8,901</b>	<b>8,389</b>	<b>8,901</b>	<b>8,389</b>

## ACC Partnership Programme

Hamilton City Council belongs to the ACC Employer Reimbursement Agreement whereby Council accepts the financial responsibility of work related illnesses and accidents of employees. Under this agreement Council is effectively providing accident insurance to employees for work related accidents equal to 80% of the first week of absence from work. No provision has been made for any outstanding liability at balance date as the liability is not material for Council's financial statements based on payments made in prior years.

Council manages its exposure arising from the programme by promoting a safe and healthy working environment by:

- implementing and monitoring health and safety policies
- induction training on health and safety
- actively managing injuries to ensure employees return to work as soon as practical
- recording and monitoring work place injuries and near misses to identify risk areas and implementing appropriate strategies.

## NOTE 21: EMPLOYEE ENTITLEMENTS

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Current employee entitlements</b>				
Accrued pay	1,323	1,645	1,323	1,645
Annual leave	4,138	4,045	4,138	4,045
Retiring gratuities	149	111	149	111
Sick leave	197	64	197	64
<b>Total current employee entitlements</b>	<b>5,807</b>	<b>5,865</b>	<b>5,807</b>	<b>5,865</b>
<b>Non-current employee entitlements</b>				
Retiring gratuities	1,771	1,804	1,771	1,804
<b>Total non-current employee entitlements</b>	<b>1,771</b>	<b>1,804</b>	<b>1,771</b>	<b>1,804</b>
<b>Total employee entitlements</b>	<b>7,578</b>	<b>7,669</b>	<b>7,578</b>	<b>7,669</b>

## NOTE 22: BORROWINGS

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Current</b>				
Bank overdraft	-	691	-	691
Secured loans	84,500	167,749	84,500	167,749
Lease liabilities	813	878	813	878
<b>Total current borrowings</b>	<b>85,313</b>	<b>169,318</b>	<b>85,313</b>	<b>169,318</b>
<b>Non-current</b>				
Secured loans	313,204	223,806	313,204	223,806
Lease liabilities	378	952	378	952
<b>Total non-current borrowings</b>	<b>313,582</b>	<b>224,758</b>	<b>313,582</b>	<b>224,758</b>
<b>Total borrowings</b>	<b>398,895</b>	<b>394,076</b>	<b>398,895</b>	<b>394,076</b>

### Total overall debt

Total overall debt is Council's debt performance measure that was put in place for the 2012-22 10-Year Plan. It nets off cash investments not linked to restricted reserves.

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Total borrowings (excluding bank overdraft)	398,895	393,385	398,895	393,385
less Cash investments (note 9)	(25,415)	(31,940)	(25,415)	(31,940)
less Term deposits (LGFA – note 13A)	(1,600)	-	(1,600)	-
plus Restricted reserves (note 23)	13,537	5,453	13,537	5,453
<b>Total overall debt</b>	<b>385,417</b>	<b>366,898</b>	<b>385,417</b>	<b>366,898</b>

### Fixed rate debt

Council has \$53,204,000 of its total secured debt of \$397,704,000 issued at fixed rates of interest (2011 \$40,851,000 of \$391,555,000).

### Floating rate debt

The remainder of Council's secured debt, \$344,500,000 (2011 \$350,704,000), is at a floating interest rate. Council uses synthetic instruments (swaps and FRAs) to manage its interest rate risk profile based on independent professional advice (see note 14).

### Security

Council's secured loans have 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 \$5,204,000 loan used to purchase Claudelands Park is secured by way of mortgage over the Claudelands Park property. The \$1,000,000 loan used to purchase Victoria on the River Property is secured by first registered mortgage over the property.

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

### Fair values of non-current borrowings

	Carrying amount		Fair value	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Secured loans	313,204	223,204	313,853	223,204
<b>Total</b>	<b>313,204</b>	<b>223,204</b>	<b>313,853</b>	<b>223,204</b>

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.99% (2011 5.15% to 5.99%).

The carrying amounts of borrowings repayable within one year approximate their fair value, as the effect of discounting is not significant.

## Analysis of lease liabilities

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Total minimum finance lease payments payable:</b>				
Not later than one year	861	964	861	964
Later than one, not later than five years	388	998	388	998
Later than five years	-	-	-	-
<b>Total minimum finance lease payments</b>	<b>1,249</b>	<b>1,962</b>	<b>1,249</b>	<b>1,962</b>
Future finance charges	(58)	(132)	(58)	(132)
<b>Present value of minimum finance lease payments</b>	<b>1,191</b>	<b>1,830</b>	<b>1,191</b>	<b>1,830</b>
<b>Present value of minimum finance lease payments payable:</b>				
Not later than one year	813	878	813	878
Later than one, not later than five years	378	952	378	952
Later than five years	-	-	-	-
<b>Total minimum finance lease payments</b>	<b>1,191</b>	<b>1,830</b>	<b>1,191</b>	<b>1,830</b>
Current portion	813	878	813	878
Non-current portion	378	952	378	952
<b>Total finance lease liability</b>	<b>1,191</b>	<b>1,830</b>	<b>1,191</b>	<b>1,830</b>

### Interest rate

The interest rates applying to lease liabilities for 2012 range from 4.50% to 5.0% (2011 range from 5.10% to 5.70%).

### Description of material leasing arrangements

Council has entered into finance leases for various plant and equipment. The net carrying amount of leased items within each class of property, plant and equipment is included in the numbers disclosed in note 15.

The finance leases can be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council does have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on Council by any of the finance leasing agreements.

## NOTE 23: EQUITY

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Accumulated funds</b>				
Balance at 1 July	1,573,977	1,568,671	1,585,504	1,579,451
Surplus/(deficit) for the year	(9,963)	(771)	(4,741)	(24)
Transfer from property revaluation reserve on disposal	1,371	2,829	1,371	2,829
Transfers from restricted and Council created reserves	24,291	17,901	24,291	17,901
Transfers to restricted and Council created reserves	(36,587)	(14,653)	(36,587)	(14,653)
<b>Balance at 30 June</b>	<b>1,553,089</b>	<b>1,573,977</b>	<b>1,569,838</b>	<b>1,585,504</b>
<b>Property revaluation reserve</b>				
Balance at 1 July	1,504,885	1,339,622	1,518,848	1,353,480
Transfer to accumulated funds on disposal of assets	(1,371)	(2,829)	(1,371)	(2,829)
Impairment (note 15)	-	(308)	-	(308)
Revaluation gains/(losses) - property, plant and equipment	(362,216)	168,400	(362,216)	168,400
Revaluation gains/(losses) - shareholdings	-	-	-	105
<b>Balance at 30 June</b>	<b>1,141,298</b>	<b>1,504,885</b>	<b>1,155,261</b>	<b>1,518,848</b>
<b>Property revaluation reserves for each asset class consist of:</b>				
<b>Operational assets:</b>				
Buildings	69,562	71,458	69,562	71,458
Heritage assets	11,706	6,336	11,706	6,336
Land	36,110	33,458	36,110	33,458
Parks and gardens improvement	13,117	13,364	13,117	13,364
Parks and gardens land	174,712	534,177	174,712	534,177
<b>Restricted assets:</b>				
Land	10,998	18,336	10,998	18,336
<b>Infrastructure assets:</b>				
Land	13,527	14,772	13,527	14,772
Refuse	40,397	40,399	40,397	40,399
Roads and streets	295,140	296,307	295,140	296,307
Stormwater	206,491	206,490	206,491	206,490
Wastewater	116,832	116,952	116,832	116,952
Wastewater treatment station	11,915	11,966	11,915	11,966
Water treatment station	7,335	7,335	7,335	7,335
Water supply	133,456	133,535	133,456	133,535
<b>Share of associates' reserves</b>	<b>-</b>	<b>-</b>	<b>13,963</b>	<b>13,963</b>
<b>Total revaluation reserves</b>	<b>1,141,298</b>	<b>1,504,885</b>	<b>1,155,261</b>	<b>1,518,848</b>
<b>Restricted reserves</b>				
Cemetery plot maintenance in perpetuity	2,084	1,962	2,084	1,962
Domain sales endowment	2,779	2,813	2,779	2,813
Project watershed emergency	1,029	-	1,029	-
Municipal crown endowment	7,637	671	7,637	671
Waikato art gallery endowment	8	7	8	7
<b>Balance at 30 June</b>	<b>13,537</b>	<b>5,453</b>	<b>13,537</b>	<b>5,453</b>

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Council created reserves</b>				
Access Hamilton	2,077	4,381	2,077	4,381
Asset renewal *	-	3,175	-	3,175
Berm levy	-	115	-	115
Bus shelter (Adshel)	202	134	202	134
Dame Hilda Ross library memorial	1	1	1	1
Disaster recovery*	-	5,533	-	5,533
Development contributions	-	(244)	-	(244)
EECA loans	19	18	19	18
Housing upgrade	305	271	305	271
Museum collection	232	213	232	213
Municipal camping ground*	-	47	-	47
Passenger rail infrastructure	264	-	264	-
Project watershed - Waikato Regional Council	715	1,377	715	1,377
Public art	165	79	165	79
Reserve contributions fund	3,769	3,156	3,769	3,156
Retirement gratuity	356	372	356	372
Roman Catholic schools library fund	2	2	2	2
Rotokauri land sale	1,957	1,850	1,957	1,850
Septic tank	106	57	106	57
Storm damage*	-	97	-	97
V8 **	-	(14,322)	-	(14,322)
Waikato stadium events*	-	57	-	57
Waste minimisation	427	31	427	31
Water reticulation	-	13	-	13
Zoo animal purchases	170	142	170	142
<b>Balance at 30 June</b>	<b>10,767</b>	<b>6,555</b>	<b>10,767</b>	<b>6,555</b>
<b>Total restricted and Council created reserves</b>	<b>24,304</b>	<b>12,008</b>	<b>24,304</b>	<b>12,008</b>
<b>Fair value through other comprehensive income</b>				
Balance at 1 July	-	154	-	154
Net revaluation gains/(losses)	-	(154)	-	(154)
<b>Balance at 30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total other reserves</b>	<b>1,165,602</b>	<b>1,516,893</b>	<b>1,179,565</b>	<b>1,530,856</b>
<b>Total equity</b>	<b>2,718,691</b>	<b>3,090,870</b>	<b>2,749,403</b>	<b>3,116,360</b>

\*These reserves were removed as part of the 2012-22, 10-Year Plan process. The implication of removing them was to return the funds to retained earnings with the statement of comprehensive income. The reason why each reserve could be removed is stated below:

- **Asset renewal reserve** – we are now focussing on creating debt capacity to fund unplanned renewals when required in later years of the 2012-22, 10-Year Plan noting that Council already budgets annually for renewals and funds these from rates.
- **Disaster recovery reserve** – the financial strategy includes a target to reduce the debt to revenue ratio to increase debt capacity which could be required in the event of a large natural disaster. Due to this, there is no need for a separate reserve to be maintained. The annual contribution to this reserve will instead be utilised to purchase annual disaster insurance to provide cover above a specified excess, and this will be progressed in the 2012/13 year.
- **Municipal camping ground reserve** – this is the balance of the funds remaining from the sale some years ago which has had a small increase each year for interest. There were no plans for future work to be funded from this reserve.
- **Storm damage reserve** – this reserve was maintained for a similar purpose to the disaster recovery reserve, so the same rationale applies.
- **Waikato stadium event reserve** – there was no planned expenditure to be funded from this reserve.

\*\*The V8 event was originally planned to go for seven years, with substantial costs at the start which were to be recovered in the later years. These costs were ring-fenced in a reserve to be repaid by future surpluses. When the event ceased, Council resolved to transfer the negative balance of the reserve to accumulated funds.

**NOTE 24: RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Net surplus/(deficit) after tax</b>	<b>(9,963)</b>	<b>(771)</b>	<b>(4,741)</b>	<b>(24)</b>
<b>Add/(less) non-cash items:</b>				
Depreciation and amortisation	53,789	49,070	53,789	49,070
(Gains)/losses in fair value of bank borrowings	(851)	119	(851)	119
(Gains)/losses in fair value on forward exchange contracts	-	3	-	3
(Gains)/losses in fair value on interest swaps	15,107	5,502	15,107	5,502
(Gains)/losses in fair value of investment properties	(262)	213	(262)	213
(Gains)/losses realised on fair value of other financial assets	-	-	39	-
(Gains)/losses unrealised on fair value of other financial assets	-	-	(90)	-
Impairment of other financial assets	134	1,915	134	1,562
Share of associates (surplus)/deficit	-	-	(471)	(394)
Vested assets	(8,999)	(10,363)	(8,999)	(10,363)
<b>Total non-cash items</b>	<b>58,918</b>	<b>46,459</b>	<b>58,396</b>	<b>45,712</b>
<b>Add/(less) items classified as investing or financing activities:</b>				
Change in capital expenditure accruals	5,112	168	5,112	168
(Gains)/losses on disposal of property, plant and equipment	2,808	5,939	2,808	5,939
Impairment of property, plant and equipment	4,337	-	4,337	-
<b>Total items classified as investing or financing activities</b>	<b>12,257</b>	<b>6,107</b>	<b>12,257</b>	<b>6,107</b>
<b>Add/(less) movements in working capital:</b>				
Trade debtors and other receivables	2,978	(625)	2,978	(625)
Inventory	26	233	26	233
Trade creditors and other payables	(5,597)	(1,299)	(5,589)	(1,299)
Employee entitlements	(91)	158	(91)	158
Provisions	845	(199)	845	(199)
<b>Total movements in working capital</b>	<b>(1,839)</b>	<b>(1,732)</b>	<b>(1,831)</b>	<b>(1,732)</b>
<b>Net cash inflow from operating activities</b>	<b>59,373</b>	<b>50,063</b>	<b>64,081</b>	<b>50,063</b>

**NOTE 25: CAPITAL COMMITMENTS AND OPERATING LEASES**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Capital commitments</b>				
Approved and committed	63,447	84,926	63,447	84,926
<b>Total commitments</b>	<b>63,447</b>	<b>84,926</b>	<b>63,447</b>	<b>84,926</b>

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

**Operating leases as lessee**

Council leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be made under non-cancellable operating leases are as follows:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Not later than one year	636	698	636	698
Later than one year and not later than five years	708	1,227	708	1,227
Later than five years	110	88	110	88
<b>Total non-cancellable operating lease commitments</b>	<b>1,454</b>	<b>2,013</b>	<b>1,454</b>	<b>2,013</b>

The total minimum future sublease payments expected to be received under subleases at balance date is \$nil (2011 \$663,000).

Leases can be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council has the option to purchase the asset at the end of the lease term except where Council is leasing land or buildings. There are no restrictions places on Council by any of the leasing arrangements.

### Operating leases as lessor

Council leases its investment property under operating leases.

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Not later than one year	3,175	2,758	3,175	2,758
Later than one year and not later than five years	9,204	9,296	9,204	9,296
Later than five years	7,723	8,796	7,723	8,796
<b>Total non-cancellable operating leases as a lessor</b>	<b>20,102</b>	<b>20,850</b>	<b>20,102</b>	<b>20,850</b>

No contingent rents have been recognised in the statement of comprehensive income during the period.

## NOTE 26: CONTINGENCIES

### Contingent Liabilities

#### Financial guarantees

Council is at times requested to act as guarantor to loans raised by community organisations and sports clubs to construct facilities on Council reserve land. These structures form part of the reserve but are not included in the fixed asset figures. No provision has been made because Council do not consider it likely that these loans will require settlement. Council's potential liability under the guarantees is as follows:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Lending Institution</b>				
ASB Bank	58	77	58	77
Bank of New Zealand	489	371	489	371
Westpac	46	77	46	77
<b>Total loans guaranteed</b>	<b>593</b>	<b>525</b>	<b>593</b>	<b>525</b>

#### Insurance and liability claims

Council was involved as defendant in various public liability and professional indemnity claims at 30 June 2012. Council's potential liability, if at all, would be its insurance excess. Council has also estimated its other liability claims.

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Insurance claim excess	210	458	210	458
Other liability claims	37	230	37	230
<b>Total insurance and liability claims</b>	<b>247</b>	<b>688</b>	<b>247</b>	<b>688</b>

#### Unqualified claims

The Council is also exposed to potential future claims which have not yet been advised until the statutory limitation period expires. The amount of potential future claims is not able to be reliably measured and is therefore unquantifiable.

#### Uncalled capital or loans:

##### Waikato Regional Airport Ltd

During May 2004, the shareholders of Waikato Regional Airport Ltd (WRAL) of which Hamilton City Council has a 50% shareholding, authorised the company to issue further shares totalling \$21.6 million to existing shareholders. This capital restructure was part of the WRAL airport development and allowed WRAL to borrow at commercially favourable interest rates. At that time there was no plan to call up the capital, so Council recognised a contingent liability of \$10.8 million for uncalled capital.

With the loss of Air New Zealand as the international carrier during 2009, there was a significant impact on operating revenues, and the requirement to meet banking covenants, WRAL made a call for a portion of this uncalled capital in May 2009, with payments made in July 2009 from all five shareholders. Hamilton City Council's share of this call was \$6 million with the contingent liability reduced to \$4.8 million at 30 June 2009.

The five shareholders may consider in the future a partial investment by a third party organisation to the airport company to assist with future capital funding and expansion of the airport, and return some capital to the five shareholders.

### **New Zealand Local Government Funding Agency Ltd**

Hamilton City Council is a shareholder of the New Zealand Local Government Funding Agency Ltd (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

Hamilton City Council is one of 19 shareholders of the NZLGFA. In that regard it has uncalled capital of \$1.6 million. When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. Also, together with other shareholders, Hamilton City Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2012, NZLGFA had borrowings totalling \$835 million (2011 \$nil).

Financial reporting standards require Hamilton City Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficient reliable value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

- we are not aware of any local authority debt defaults in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligation, if further funds were required.

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Uncalled capital – Waikato Regional Airport Ltd	4,800	4,800	4,800	4,800
Uncalled capital – New Zealand Local Government Funding Agency Ltd	1,600	-	1,600	-
<b>Total uncalled capital or loans</b>	<b>6,400</b>	<b>4,800</b>	<b>6,400</b>	<b>4,800</b>

### **Associates' contingencies**

There are no contingent liabilities arising from Council's involvement in its associates for 2012.

### **Weathertight home resolution services and court claims**

A provision for potential liability for the 19 claims that are outstanding with the weathertight homes resolution service and 2 claims made via the court system have been made per note 20. There may be further claims in future, but these are unable to be quantified at this point in time.

### **Defined benefit superannuation schemes**

Hamilton City Council is a participating employer in the DBP Contributions Scheme ('the Scheme') which is a multi-employer defined scheme. If the other participating employers cease to participate in the Scheme, Council could be responsible for the entire deficit of the scheme. Similarly, if a number of employers ceased to participate in the Scheme, Hamilton City Council could be responsible for an increase share of the deficit.

Insufficient information is available to use defined accounting as it is not possible to determine from the terms of the Scheme the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

The latest information provided from the scheme dated the 1<sup>st</sup> April 2011 was to suspend the employer contributions, which was endorsed by the Board. There has been no further update.

### **Contingent assets**

#### **WEL Energy Trust**

Council is a 63 % capital beneficiary of the WEL Energy Trust. The life of the Trust ends in 2073 unless terminated earlier if its purpose is completed. Given the uncertainties surrounding the life of the Trust, Council is unable to accurately establish the appropriate value of its 63 per cent share.



## NOTE 27: RELATED PARTY TRANSACTIONS

Council's wholly owned subsidiary Hamilton Properties Ltd which previously managed Council's property portfolio and received most of its income from management fees, ceased trading as at 31 October 1998. As a result, there are no related party transactions between the two entities included in these accounts.

During the financial year Vibrant Hamilton Trust became a wholly owned subsidiary of Council. The only related party transaction relates to a cash distribution received from Waikato Foundation Trust on behalf of Vibrant Hamilton Trust.

Hamilton City Council has significant influence over Waikato Regional Airport Ltd, Hamilton Riverview Hotel Ltd (Novotel) and Hamilton Fibre Network Ltd as associates.

Council sold its shares in Hamilton Fibre Network Ltd on 26 August 2011.

**Related party transactions (excluding GST) with associates and CCO's are summarised as follows:**

	2012 \$000	2011 \$000
<b>Waikato Regional Airport Ltd</b>		
Services provided by Council	29	225
Services provided to Council	481	36
Accounts payable to council – current	3	-
<b>Hamilton Riverview Hotel Ltd (Novotel)</b>		
Services provided to Council	1	2
Services provided by Council	48	42
Rates paid to Council	120	111
Accounts payable to Council – current	-	2
<b>Hamilton Fibre Network Ltd</b>		
Service provided by Council	3	16
Accounts receivable from Council	-	17
<b>Local Authority Shared Services Ltd</b>		
Service provided to Council	115	110
Accounts receivable from Council	14	39
<b>Vibrant Hamilton Trust</b>		
Accounts receivable from Council	2	-

### Transactions with key management personnel

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates, use of Council facilities, etc).

Key management personnel compensation is summarised below:

	2012 \$000	2011 \$000
Salaries and other short term employee benefits	2,683	2,422
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	292	-
<b>Total key management personnel compensation</b>	<b>2,975</b>	<b>2,422</b>

Key management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel.

Barry Harris (CEO) is a Director of:	<ul style="list-style-type: none"> <li>Local Authority Shared Service Ltd (LASS), and transactions between Council and LASS for the year are noted above.</li> <li>Hamilton Riverview Hotel (HRH) and transactions between Council and HRH for the year are noted above.</li> </ul>
Peter Bos (Councillor) is Director of:	<ul style="list-style-type: none"> <li>Hamilton Riverview Hotel Ltd (HRH) and transactions between Council and HRH for the year are noted above.</li> </ul>
Gordon Chesterman (Deputy Mayor) was the Chair at:	<ul style="list-style-type: none"> <li>Wintec and resigned on 30 April 2012. Council made total payments of \$13,381 (2011 \$11,131) to this entity for the year.</li> </ul>
Martin Gallagher (Councillor) has declared an interest in:	<ul style="list-style-type: none"> <li>Waikato Community Broadcasting, and Council made total payments of \$10,356 (2011 \$7,467) to this entity for the year.</li> </ul>

David Macpherson (Councillor) has declared an interest in:	<ul style="list-style-type: none"> <li>Waikato Community Broadcasting, and Council made total payments of \$10,356 (2011 \$7,467) to this entity for the year,</li> <li>Waikato Regional Volleyball Association, and Council made total payments of \$14,050 (2011 \$950) to this entity for the year and,</li> <li>Western Community Centre, and Council made total payments of \$76,681 (2011 \$121,165) to this entity for the year.</li> </ul>
Bob Simcock (Mayor to the 14 October 2010) is a Director of:	<ul style="list-style-type: none"> <li>Karapiro 2010 Ltd and Council made total payments of \$50,000 to this entity to 14 October 2010.</li> </ul>
Maria Westphal (Councillor) was a Trustee of:	<ul style="list-style-type: none"> <li>The Hamilton Tulip Festival Trust in 2011. Council made no payments in 2012 (2011 \$5,000) to this entity for the year.</li> </ul>

No provision has been required, nor any expense recognised for impairment of receivables for any loans to other receivables to related parties.

## NOTE 28: REMUNERATION OF MAYOR, COUNCILLORS AND CHIEF EXECUTIVE

### Mayor and Councillors

The following people held office as elected members of Council during the year ended 30 June 2012. The total remuneration received by elected members during the year totalled \$1,043,627 (2011 \$1,019,736) which includes motor vehicle allowances and other taxable allowances.

The remuneration amount, after excluding taxable allowances, of \$1,022,194 was within the allowable remuneration pool determined by the Remuneration Authority for the year ended 30 June 2012.

	Council		Group	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>Mayor</b>				
Julie Hardaker				
Salary	138,634	95,859	138,634	95,859
Motor vehicle	5,466	3,087	5,466	3,087
<b>Councillors</b>				
Daphne Bell	73,433	72,875	73,433	72,875
Peter Bos	70,713	70,715	70,713	70,715
Gordon Chesterman	77,713	75,561	77,713	75,561
Margaret Forsyth	72,833	50,436	72,833	50,436
Martin Gallagher	77,713	54,959	77,713	54,959
John Gower	84,463	77,257	84,463	77,257
Roger Hennebry	73,433	71,046	73,433	71,046
Dave Macpherson	77,713	78,506	77,713	78,506
Pippa Mahood	70,713	72,734	70,713	72,734
Angela O'Leary	70,713	70,791	70,713	70,791
Maria Westphal	78,314	73,986	78,314	73,986
Ewan Wilson	71,773	50,436	71,733	50,436
Elected members that completed their 3 year term on 14 October 2011:				
<b>Mayor</b>				
Bob Simcock				
Salary	-	36,789	-	36,789
Motor vehicle	-	1,664	-	1,664
<b>Councillors</b>				
Joe Di Maio	-	20,278	-	20,278
Kay Gregory	-	20,278	-	20,278
Glenda Saunders	-	22,479	-	22,479
<b>Total Mayor and Councillors' remuneration</b>	<b>1,043,627</b>	<b>1,019,736</b>	<b>1,043,627</b>	<b>1,019,736</b>

Councillor Peter Bos is a Director of Hamilton Riverview Hotel Ltd for which he received directors fees of \$7,000 (2011 \$7,000). Director's fees have been excluded from the above table.

## Chief Executive

Barry Harris was appointed as acting Chief Executive under section (42(1) of the Local Government Act 2001 and commenced on 4 April 2011. The total annual cost of the remuneration package received by Barry Harris to 30 June 2012 was \$370,718 (2011 \$80,900).

Barry Harris was also a Director of Hamilton Riverview Hotel Ltd (appointed by Hamilton City Council on the 18 May 2011). Hamilton City Council received director's fees of \$8,400 (2011 \$2,100) for Barry Harris's role as Director.

Michael Redman resigned as Chief Executive on 29 October 2010. He was also previously a Director of Hamilton Riverview Hotel Ltd. Hamilton City Council received director's fees of \$10,500 for 2011.

KEY MANAGEMENT PERSONNEL COMPENSATION	2012 \$	2011 \$
<b>Barry Harris</b>		
Salary	354,001	78,458
Motor vehicle	16,717	2,442
<b>Blair Bowcott</b> (1 November 2010 to 1 April 2011)		
Salary	-	111,908
Motor vehicle	-	8,833
<b>Michael Redman</b> (1 July 2011 to 29 October 2010)		
Salary	-	145,917
Motor Vehicle	-	6,270
<b>Total Chief Executive's remuneration</b>	<b>370,718</b>	<b>353,828</b>

## NOTE 29: SEVERANCE PAYMENTS

For the year ended 30 June 2012 the Council made severance payments to six employees totalling \$70,568 (2011: five employees \$52,007).

The value of each of the severance payments was \$18,690, \$17,415, \$15,000, \$14,000, \$4,698, and \$765. The amounts disclosed above represent any payment made in addition to the terms of the employment contract for each staff member.

## NOTE 30: EVENTS AFTER BALANCE DATE

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

## NOTE 31: FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENT CATEGORIES	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>FINANCIAL ASSETS</b>				
<b>Fair value through surplus/deficit – held for trading</b>				
Fixed interest instruments	-	-	2,258	-
Equity securities	-	-	1,912	-
<b>Loans and receivables</b>				
Cash and cash equivalents	26,248	31,972	26,835	31,972
Debtors and other receivables	15,483	18,461	15,483	18,461
Other financial assets:				
Community loans	698	832	698	832
Loans to related parties	1,600	-	1,600	-
<b>Total loans and receivables</b>	<b>44,029</b>	<b>51,265</b>	<b>48,786</b>	<b>51,265</b>
<b>Fair value through other comprehensive income</b>				
Other financial assets:				
Unlisted shares	5,318	3,452	5,318	3,452
<b>Total fair value through other comprehensive income</b>	<b>5,318</b>	<b>3,452</b>	<b>5,318</b>	<b>3,452</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Fair value through surplus or deficit</b>				
Derivative financial instrument liabilities	32,823	17,716	32,823	17,716
<b>Financial liabilities at amortised cost</b>				
Creditors and other payables	24,606	30,203	24,612	30,203
Borrowings:				
bank overdraft	-	691	-	691
secured loans	397,704	391,555	397,704	391,555
<b>Total financial liabilities at amortised cost</b>	<b>422,310</b>	<b>422,449</b>	<b>422,316</b>	<b>422,449</b>

## Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair value is determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	Total	Valuation technique		
		Quoted market price	Observable inputs	Significant non-observable inputs
	\$000	\$000	\$000	\$000
<b>30 June 2012 - Council</b>				
<b>Financial assets</b>				
Shares	5,319	-	-	5,319
<b>Financial liabilities</b>				
Derivatives	32,823	-	32,823	-
<b>30 June 2012 - Group</b>				
<b>Financial assets</b>				
Shares	5,318	-	-	5,318
Fixed interest instruments	2,258	2,258	-	-
Equity securities	1,912	1,912	-	-
<b>Financial liabilities</b>				
Derivatives	32,823	-	32,823	-
<b>30 June 2011 - Council</b>				
<b>Financial assets</b>				
Shares	3,453	-	-	3,453
<b>Financial liabilities</b>				
Derivatives	17,716	-	17,716	-
<b>30 June 2011 - Group</b>				
<b>Financial assets</b>				
Shares	3,452	-	-	3,452
<b>Financial liabilities</b>				
Derivatives	17,716	-	17,716	-

There were no transfers between the different levels of the fair value hierarchy.

### Valuation techniques with significant non-observable inputs (level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

	2012 \$000	2011 \$000
Balance at 1 July	3,452	1,346
Gain and losses recognised in the surplus or deficit	(134)	(140)
Gain and losses recognised in other comprehensive income	-	(154)
Purchases	2,000	2,400
Sales	-	-
Transfers into level 3	-	-
Transfers out of level 3	-	-
<b>Balance at 30 June</b>	<b>5,318</b>	<b>3,452</b>

## FINANCIAL INSTRUMENT RISKS

The Council's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. Hamilton City Council has policies to manage risks associated with financial instruments and seeks to minimise exposure from its treasury activities. Council has established Council approved Investment and Liability Management Policies. These policies do not allow any transactions that are speculative in nature to be entered into.

### Market Risk

#### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Equity securities price risk arises on listed equity investments, which relate to Vibrant Hamilton Trust and are classified as financial assets held at fair value through surplus/deficit. This price risk arises due to market movements in listed shares.

#### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council uses foreign currency forward exchange contracts to manage its foreign currency exposure. Council's policy is that foreign currency exposure of amounts greater than \$25,000 are to be covered by way of forward exchange contracts. Hamilton City Council is exposed to foreign currency movements through the Vibrant Hamilton Trust investment portfolio to the extent that \$1,262,539 of the equity securities are not hedged.

#### Interest rate risk

##### *Fair value interest rate risk*

Fair value interest rate risk is that risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates expose Hamilton City Council to fair value interest rate risk. Council's Investment and Liability Management policy outlines the level of borrowing that is to be secured using fixed interest rate instruments.

##### *Cash flow interest rate risk*

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowing and Investments issued at variable interest rates expose Council to cash flow interest rate risk.

Council manages its cash flow interest rate risk on borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the effect of converting borrowings at floating rates and swaps them into fixed rates that are known and therefore assist with forecasting future interest costs. Under the interest rate swaps, Council agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Fixed to floating interest rate swaps are entered into to hedge the fair value interest rate risk where Council has borrowed at fixed rates.

#### Credit risk

Credit risk is the risk that a third party will default on its obligation to Hamilton City Council, causing Council to incur a loss. Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover debts from ratepayers.

Council invests funds in short term deposits with registered banks and has loaned funds to Staples Rodway and Waikato Rugby Union. The Vibrant Hamilton Trust is consolidated into Council's Group financial statements and also includes cash and fixed interest securities that are a credit risk.

Council may by specific resolution, make investments (or sell or dispose of such investments) in accordance with the provisions outlined in 4.1 of Council's Investment and Liability Management Policy.

##### *Maximum exposure to credit risk*

Council's maximum exposure to credit risk for each class of financial instrument is as follows:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Cash and cash equivalents	26,248	31,972	26,835	31,972
Debtors and other receivables	15,483	18,461	15,483	18,461
Fixed interest instruments	-	-	2,258	-
Equity securities	-	-	1,912	-
Community and related party loans	698	832	698	832
Term deposits	1,600	-	1,600	-
Financial guarantees	593	525	593	525
<b>Total credit risk</b>	<b>44,622</b>	<b>51,790</b>	<b>49,379</b>	<b>51,790</b>

### Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates:

	Rating	Council		Group	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Counterparties with credit ratings</b>					
Cash and cash equivalents	AA-	26,248	31,972	26,835	31,972
Term deposits	AA+	1,600	-	1,600	-
Fixed interest instruments	AA	-	-	897	-
	AA-	-	-	474	-
	A+	-	-	61	-
	A	-	-	116	-
	A-	-	-	109	-
	BBB+	-	-	114	-
	BB-	-	-	24	-
Total fixed interest instruments		-	-	1,795	-
<b>Counterparties without credit ratings</b>					
Fixed interest instruments					
-existing counterparty with no defaults in the past		-	-	463	-
Community and related party loans and mortgages					
- existing counterparty with no defaults in the past		296	832	296	832
- existing counterparty with defaults in the past		402	-	402	-

### Settlement risk

Settlement risk is the risk that a counterparty fails to transfer funds or equities as agreed in a borrowing or investment contract. To manage this risk Council has become an associate member of NZclear (a Reserve Bank operated facility to ensure simultaneous transfer of cash and securities at settlement) and only uses counterparties on the approved counterparty list disclosed in Council's Investment and Liability Management Policy.

### Liquidity risk

Liquidity risk is the risk that Hamilton City Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Council aims to maintain flexibility in funding by keeping credit lines available.

Council manages its borrowings in accordance with its funding and financial policies, which includes an Investment and Liability Management Policy. These policies have been adopted as part of Council's 2012-22 10-Year Plan.

Council has a maximum amount that can be drawn down against its overdraft facility of \$500,000 (2011 \$500,000). There are no restrictions on the use of this facility. Council also has \$425,704,000 (2011 \$445,704,000) of committed borrowing facilities, with available headroom of \$55,015,000 (2011 \$86,940,000) at balance date.

### Contractual maturity analysis of financial liabilities

The table below analyses Council's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1-5 years \$000	More than 5 years \$000
<b>Council 2012</b>					
Creditors and other payables	24,606	24,606	24,606	-	-
Secured loans	397,704	452,704	79,683	252,486	120,535
Finance leases	1,191	1,249	861	388	-
Derivative financial instrument liabilities	32,823	45,136	77	13,088	31,971
<b>Total</b>	<b>456,324</b>	<b>523,695</b>	<b>105,227</b>	<b>265,962</b>	<b>152,506</b>
<b>Group 2012</b>					
Creditors and other payables	24,612	24,612	24,612	-	-
Secured loans	397,704	452,704	79,683	252,486	120,535
Finance leases	1,191	1,249	861	388	-
Derivative financial instrument liabilities	32,823	45,136	77	13,088	31,971
<b>Total</b>	<b>456,330</b>	<b>523,701</b>	<b>105,233</b>	<b>265,962</b>	<b>152,506</b>

**Council 2011**

Creditors and other payables	30,203	30,203	31,502	-	-
Bank Overdraft	691	691	691	-	-
Secured loans	391,555	431,248	179,631	177,043	74,574
Finance leases	1,830	1,962	964	998	-
Derivative financial instrument liabilities	17,716	17,716	90	5,911	11,715
<b>Total</b>	<b>441,995</b>	<b>481,820</b>	<b>211,579</b>	<b>183,952</b>	<b>86,289</b>

**Group 2011**

Creditors and other payables	30,203	30,203	31,502	-	-
Bank Overdraft	691	691	691	-	-
Secured loans	391,555	431,248	179,631	177,043	74,574
Finance leases	1,830	1,962	964	998	-
Derivative financial instrument liabilities	17,716	17,716	90	5,911	11,715
<b>Total</b>	<b>441,995</b>	<b>481,820</b>	<b>211,579</b>	<b>183,952</b>	<b>86,289</b>

**Contractual maturity analysis of financial assets**

The table below analyses Council's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The discounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1-5 years \$000	More than 5 years \$000
<b>Council 2012</b>					
Cash and cash equivalents	26,248	26,248	26,248	-	-
Debtors and other receivables	15,483	15,483	15,483	-	-
Community and related party loans	698	864	306	306	252
Term deposits	1,600	1,952	40	585	1,327
<b>Total</b>	<b>44,029</b>	<b>44,547</b>	<b>42,077</b>	<b>891</b>	<b>1,579</b>

**Group 2012**

Cash and cash equivalents	26,835	26,835	26,835	-	-
Debtors and other receivables	15,483	15,483	15,483	-	-
Community and related party loans	698	864	306	306	252
Term deposits	1,600	1,952	40	585	1,327
<b>Total</b>	<b>44,616</b>	<b>45,134</b>	<b>42,664</b>	<b>891</b>	<b>1,579</b>

**Council 2011**

Cash and cash equivalents	31,972	31,972	31,972	-	-
Debtors and other receivables	18,461	18,461	18,461	-	-
Community and related party loans	832	868	657	211	-
<b>Total</b>	<b>51,265</b>	<b>51,301</b>	<b>51,090</b>	<b>211</b>	<b>-</b>

**Group 2011**

Cash and cash equivalents	31,972	31,972	31,972	-	-
Debtors and other receivables	18,461	18,461	18,461	-	-
Community and related party loans	832	868	657	211	-
<b>Total</b>	<b>51,265</b>	<b>51,301</b>	<b>51,090</b>	<b>211</b>	<b>-</b>

**Sensitivity Analysis**

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on Council's financial instrument exposures at balance date.

**COUNCIL**

INTEREST RATE RISK	2012 \$000				2011 \$000			
	-100 bps		+100 bps		-100 bps		+100 bps	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
<b>Financial assets</b>								
Cash and cash equivalents	(262)	-	262	-	(320)	-	320	-
<b>Financial liabilities</b>								
Bank Overdraft	-	-	-	-	6	-	(6)	-
Borrowings - secured loans	582	-	(582)	-	282	-	(282)	-
Derivative financial instruments	15,439	-	(14,597)	-	14,987	-	(14,039)	-
<b>Total sensitivity</b>	<b>15,759</b>	<b>-</b>	<b>(14,917)</b>	<b>-</b>	<b>14,955</b>	<b>-</b>	<b>(14,007)</b>	<b>-</b>

**GROUP**

INTEREST RATE RISK	2012 \$000				2011 \$000			
	-100 bps		+100 bps		-100 bps		+100 bps	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
<b>Financial assets</b>								
Cash and cash equivalents	(268)	-	268	-	(320)	-	320	-
<b>Financial liabilities</b>								
Bank Overdraft	-	-	-	-	6	-	(6)	-
Borrowings - secured loans	582	-	(582)	-	282	-	(282)	-
Derivative financial instruments	15,439	-	(14,597)	-	14,987	-	(14,039)	-
<b>Total sensitivity</b>	<b>15,753</b>	<b>-</b>	<b>(14,911)</b>	<b>-</b>	<b>14,955</b>	<b>-</b>	<b>(14,007)</b>	<b>-</b>

**Explanation of interest rate risk sensitivity**

The interest rate sensitivity is based on a reasonably possible movement in interest rates, with all other variables held constant, measured as a basis point (bps) movement. For example, a decrease of 100bps is equivalent to a decrease in interest rates of 1%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of +/- 100bps.

**GROUP**

FOREIGN EXCHANGE RISK	2012 \$000				2011 \$000			
	-10%		+10%		-100 bps		+100 bps	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
<b>Financial assets</b>								
Equity securities	(126)	-	126	-	-	-	-	-
<b>Total</b>	<b>(126)</b>	<b>-</b>	<b>126</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Explanation of foreign exchange risk sensitivity**

The foreign exchange sensitivity is based on a reasonably possible movement in foreign exchange rates, with all other variables held constant, measured as a percentage movement in the foreign exchange rate.

**GROUP**

EQUITY PRICE RISK	2012 \$000				2011 \$000			
	-10%		+10%		-100 bps		+100 bps	
	Surplus	Equity	Surplus	Equity	Surplus	Equity	Surplus	Equity
<b>Financial assets</b>								
Equity securities	-	(191)	-	191	-	-	-	-
<b>Total</b>	<b>-</b>	<b>(191)</b>	<b>-</b>	<b>191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Explanation of equity price risk sensitivity**

The sensitivity for equity securities has been calculated based on a -10%/+10% movement in the quoted share price at year end for the listed shares.

**NOTE 32: CAPITAL MANAGEMENT**

The Council's capital is its equity (or ratepayers' funds), which comprises accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principal promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the cost of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and its Annual Plan (where applicable) to meet the expenditure needs identified in those plans.



The Act also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTCCP.

Hamilton City Council has the following Council created reserves:

- reserves for different areas of benefit;
- self-insurance reserves;
- trust and bequest reserves; and
- other reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for particular unforeseen events. The release of these funds generally can only be approved by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Deductions are made where funds have been used for the purpose they were donated.

Other reserves are created to set aside funding from general rates for future expenditure on specific projects or activities as approved by Council.

Council uses funds from reserves to reduce external borrowing requirements and reduce financing costs. An internal interest rate is paid to all reserves and provision for the repayment of internal borrowing is covered via committed external bank funding facilities.

### **NOTE 33: EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET**

Explanations for major variances from Council's estimated figures in the 2011/12 Annual Plan are as follows.

#### **Statement of comprehensive income**

The Council result of a net deficit of \$10m is a variance of \$3.5m below the budgeted net deficit of \$6.5m. Major unfavourable variances were other expenses of \$5.6m greater than budget that mainly effected the service areas of Event and cultural venues, Transportation and Water management. Other unfavourable items included unexpected and unbudgeted losses on disposal of assets of \$2.8m, and fair value losses on interest rate swaps of \$15.1m. Other revenue was greater than budget by \$14.2m due to additional capital contributions of \$21.3m mainly from NZTA subsidies applied to roading. This was offset by \$7.1m less revenue than budgeted from operating services, principally from Event and cultural venues services. Finance costs were \$3.4m less than budget due to the timing of borrowings required for various capital projects. Refer Cost of Service Statements for further explanations.

#### **Statement of changes in equity**

The level of equity as at 30 June 2012 was \$358.4m less than budget. This was mainly due Council's assets being revalued, resulting in a decrease in the asset and write down value of \$362.2m to equity.

#### **Statement of financial position**

Total assets as at 30 June 2012 were \$362.5m less than budget. Current assets were \$27.8m greater than budget due to favourable cash balances of \$25.4m on term deposits of less than 3 months. Non-current assets are less than budget as a result of a loss on property revaluations. Total liabilities as at 30 June 2012 were \$4.1m less than budget. A major reason for this decrease is due to less loan raising on capital works through the year.

#### **Statement of cash flows**

The overall movement in cash held was \$26m more than budget. Net cash inflows from operating activities were \$18.5m more than budget. The main favourable variances were for interest paid due to lower borrowings of \$3.5m and other government capital subsidies and grants of \$18.7m. The main unfavourable variance was less revenue of \$3.8m from fees, rents and charges during the year. Net cash outflows from investing activities were \$8.7m favourable to budget. This was due to some capital expenditure for the 2011/12 year being deferred to future financial years and proceeds from sale of investment property. Net cash inflows from financing activities was \$32.2m lower than budget mainly due to higher loan repayments of \$15m and lower loan raising of \$16.6m for the year.

## Cost of Service Statement – City Profile

For the year ended 30 June 2012

	Notes	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>GROUP OF ACTIVITY – OPERATING STATEMENT</b>				
<b>OPERATING REVENUE</b>				
Activity revenue - user charges and fees		6,227	6,697	9,615
General rates		4,203	4,198	3,103
Other general sources		128	-	223
<b>Total operating revenue</b>		<b>10,558</b>	<b>10,895</b>	<b>12,941</b>
<b>OPERATING EXPENDITURE</b>				
City Promotion		5,639	5,450	6,727
Economic Development	1	8,057	4,110	6,747
Strategic Property Investment		3,447	2,739	3,670
<b>Total operating expenditure</b>		<b>17,143</b>	<b>12,299</b>	<b>17,144</b>
<b>Operating surplus/(deficit)</b>		<b>(6,585)</b>	<b>(1,404)</b>	<b>(4,203)</b>
<b>GROUP OF ACTIVITY – CAPITAL &amp; RESERVES FUNDING STATEMENT</b>				
<b>CAPITAL EXPENDITURE</b>				
Growth		-	-	-
Increased level of service		56	149	2,807
Renewal		122	157	120
<b>Total capital expenditure</b>		<b>178</b>	<b>306</b>	<b>2,927</b>
Loan repayments		643	215	549
Transfers to reserves		21,465	666	709
Investments		300	-	-
Operating deficit		6,585	1,404	4,203
<b>Total funding required</b>		<b>29,171</b>	<b>2,591</b>	<b>8,388</b>
Funded by:				
Operating Surplus		-	-	-
Funding from non-cash expenses		1,036	2,148	2,718
Loans raised		14,313	117	2,842
Proceeds from sale of assets		7,339	-	733
Transfers from reserves		260	5	3,719
<b>Total funding applied</b>		<b>22,948</b>	<b>2,270</b>	<b>10,012</b>
<b>Funding surplus/(deficit)</b>		<b>(6,223)</b>	<b>(321)</b>	<b>1,624</b>

### Notes to the Cost of Service Statement:

- 2012 was the last year of the V8 Supercars event. With the conclusion of the event Council has sold the associated assets which resulted in an impairment write down of \$4.3m.

## Cost of Service Statement – City Safety

For the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>GROUP OF ACTIVITY – OPERATING STATEMENT</b>			
<b>OPERATING REVENUE</b>			
Activity revenue - user charges and fees	1,453	1,619	1,604
Activity revenue – subsidy for operating expenditure	361	35	85
General rates	2,343	2,339	2,214
<b>Total operating revenue</b>	<b>4,157</b>	<b>3,993</b>	<b>3,903</b>
<b>OPERATING EXPENDITURE</b>			
Emergency Management	556	540	552
Animal Care & Control	1,469	1,392	1,362
Central City Safety	1,130	976	1,077
Environmental Health	1,201	1,239	1,157
<b>Total operating expenditure</b>	<b>4,356</b>	<b>4,147</b>	<b>4,148</b>
<b>Operating surplus/(deficit)</b>	<b>(199)</b>	<b>(154)</b>	<b>(245)</b>
<b>GROUP OF ACTIVITY – CAPITAL &amp; RESERVES FUNDING STATEMENT</b>			
<b>CAPITAL EXPENDITURE</b>			
Growth	-	-	-
Increased level of service	44	70	78
Renewal	110	109	133
<b>Total capital expenditure</b>	<b>154</b>	<b>179</b>	<b>211</b>
Loan repayments	-	-	-
Transfers to reserves	70	61	35
Operating deficit	199	154	245
<b>Total funding required</b>	<b>423</b>	<b>394</b>	<b>491</b>
Funded by:			
Operating surplus	-	-	-
Funding from non-cash expenses	103	54	93
Loans raised	55	-	80
Proceeds from sale of assets	-	-	-
Transfers from reserves	136	2	4
<b>Total funding applied</b>	<b>294</b>	<b>56</b>	<b>177</b>
<b>Funding surplus/(deficit)</b>	<b>(129)</b>	<b>(338)</b>	<b>(314)</b>

### Notes to the Cost of Service Statement:

1. No comments required.

## Cost of Service Statement – Community Services & Amenities

For the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>GROUP OF ACTIVITY – OPERATING STATEMENT</b>			
<b>OPERATING REVENUE</b>			
Activity revenue - user charges and fees	4,079	3,851	3,853
Activity revenue – subsidy for operating expenditure	394	249	661
General rates	15,792	15,772	15,049
Other general sources	14	-	23
<b>Total operating revenue</b>	<b>20,279</b>	<b>19,872</b>	<b>19,586</b>
<b>OPERATING EXPENDITURE</b>			
Community Development	4,433	4,549	4,356
Hamilton City Libraries	9,252	9,403	8,933
Community Centres & Halls	1,162	1,139	1,157
Housing for Older People	1,722	1,699	1,881
Cemeteries & Crematorium	1,426	1,415	1,343
Public Toilets	765	780	784
<b>Total operating expenditure</b>	<b>18,760</b>	<b>18,985</b>	<b>18,454</b>
<b>Operating Surplus/(Deficit)</b>	<b>1,519</b>	<b>887</b>	<b>1,132</b>
<b>GROUP OF ACTIVITY – CAPITAL &amp; RESERVES FUNDING STATEMENT</b>			
<b>CAPITAL EXPENDITURE</b>			
Growth	22	47	51
Increased level of service	375	627	3,374
Renewal	2,135	2,151	2,137
<b>Total capital expenditure</b>	<b>2,532</b>	<b>2,825</b>	<b>5,562</b>
Loan repayments	159	53	96
Transfers to reserves	601	406	468
Operating deficit	-	-	-
<b>Total funding required</b>	<b>3,292</b>	<b>3,284</b>	<b>6,126</b>
Funded by:			
Operating surplus	1,519	887	1,132
Funding from non-cash expenses	2,457	1,244	2,366
Loans raised	498	225	651
Proceeds from sale of assets	-	-	-
Transfers from reserves	881	7	2,658
<b>Total funding applied</b>	<b>5,355</b>	<b>2,363</b>	<b>6,807</b>
<b>Funding surplus/(deficit)</b>	<b>2,063</b>	<b>(921)</b>	<b>681</b>

### Notes to the Cost of Service Statement:

1. No comments required.

## Cost of Service Statement – Democracy

For the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>GROUP OF ACTIVITY – OPERATING STATEMENT</b>			
<b>OPERATING REVENUE</b>			
Activity revenue - user charges and fees	23	29	266
General rates	5,564	5,557	5,466
<b>Total operating revenue</b>	<b>5,587</b>	<b>5,586</b>	<b>5,732</b>
<b>OPERATING EXPENDITURE</b>			
Representation & Civic Affairs	6,394	5,891	5,773
Partnership with Maori	265	265	267
<b>Total operating expenditure</b>	<b>6,659</b>	<b>6,156</b>	<b>6,040</b>
<b>Operating surplus/(deficit)</b>	<b>(1,072)</b>	<b>(570)</b>	<b>(308)</b>
<b>GROUP OF ACTIVITY – CAPITAL &amp; RESERVES FUNDING STATEMENT</b>			
<b>CAPITAL EXPENDITURE</b>			
Growth	-	-	-
Increased level of service	102	166	180
Renewal	223	208	219
<b>Total capital expenditure</b>	<b>325</b>	<b>374</b>	<b>399</b>
Loan repayments	-	-	-
Transfers to reserves	161	143	81
Local Government Funding Agency Investment	2,000	2,500	-
Operating deficit	1,072	570	308
<b>Total funding required</b>	<b>3,558</b>	<b>3,587</b>	<b>788</b>
Funded by:			
Operating surplus	-	-	-
Funding from non-cash expenses	142	-	2
Loans raised	2,129	2,500	108
Proceeds from sale of assets	-	-	-
Transfers from reserves	314	2	6
<b>Total funding applied</b>	<b>2,585</b>	<b>2,502</b>	<b>116</b>
<b>Funding surplus/(deficit)</b>	<b>(973)</b>	<b>(1,085)</b>	<b>(672)</b>

### Notes to the Cost of Service Statement:

1. No comments required.

## Cost of Service Statement – Event & Cultural Venues

For the year ended 30 June 2012

	Notes	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>GROUP OF ACTIVITY – OPERATING STATEMENT</b>				
<b>OPERATING REVENUE</b>				
Activity revenue - user charges and fees	1	8,307	15,816	6,904
General rates		11,944	11,929	13,594
Other general sources		37	-	290
<b>Total operating revenue</b>		<b>20,288</b>	<b>27,745</b>	<b>20,788</b>
<b>OPERATING EXPENDITURE</b>				
Waikato Stadium	2	7,171	8,311	7,663
Claudelands Events Centre	2	6,348	10,896	3,762
Hamilton City Theatres		4,017	3,741	3,626
Seddon Park		1,697	1,682	1,471
Waikato Museum		6,092	5,646	6,181
<b>Total operating expenditure</b>		<b>25,325</b>	<b>30,276</b>	<b>22,703</b>
<b>Operating surplus/(deficit)</b>		<b>(5,037)</b>	<b>(2,531)</b>	<b>(1,915)</b>
<b>GROUP OF ACTIVITY – CAPITAL &amp; RESERVES FUNDING STATEMENT</b>				
<b>CAPITAL EXPENDITURE</b>				
Growth		-	-	-
Increased level of service		876	555	28,609
Renewal		1,077	999	1,070
<b>Total capital expenditure</b>		<b>1,953</b>	<b>1,554</b>	<b>29,679</b>
Loan repayments		425	143	353
Transfers to reserves		518	346	308
Operating deficit		5,037	2,531	1,915
<b>Total funding required</b>		<b>7,933</b>	<b>4,574</b>	<b>32,255</b>
Funded by:				
Operating surplus		-	-	-
Funding from non-cash expenses		1,145	2,597	1,103
Loans raised		942	207	27,812
Proceeds from sale of assets		-	-	-
Transfers from reserves		878	11	74
<b>Total funding applied</b>		<b>2,965</b>	<b>2,815</b>	<b>28,989</b>
<b>Funding surplus/(deficit)</b>		<b>(4,968)</b>	<b>(1,759)</b>	<b>(3,266)</b>

### Notes to the Cost of Service Statement:

1. Reduced turnover at the Claudelands Event Centre and Waikato stadium resulted in lower revenue of \$6.2m; however there was a corresponding reduction in expenditure \$4.9m (see Note 2). The reduced turnover was due to less costs occurring than initially anticipated. In addition Claudelands Event Centre had reduced revenue of \$1.1m due to equipment hire and commissions from catering sales.
2. Savings in expenditure relating to lower turnover (see Note 1).

## Cost of Service Statement – Recreation

For the year ended 30 June 2012

	Notes	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>GROUP OF ACTIVITY – OPERATING STATEMENT</b>				
<b>OPERATING REVENUE</b>				
Activity revenue - user charges and fees		5,029	4,938	4,904
Activity revenue – subsidy for operating expenditure		290	89	363
Development and financial contributions		1,576	1,443	1,505
General rates		25,398	25,367	24,607
Other general sources		1,540	1,302	2,357
<b>Total Operating Revenue</b>		<b>33,833</b>	<b>33,139</b>	<b>33,736</b>
<b>OPERATING EXPENDITURE</b>				
Parks & Gardens		14,622	15,006	14,516
Sports Areas		5,877	5,805	5,517
Hamilton Zoo		3,150	3,254	3,188
Swimming Facilities		7,121	7,195	6,656
<b>Total Operating Expenditure</b>		<b>30,770</b>	<b>31,260</b>	<b>29,877</b>
<b>Operating Surplus/(Deficit)</b>		<b>3,063</b>	<b>1,879</b>	<b>3,859</b>
<b>GROUP OF ACTIVITY – CAPITAL &amp; RESERVES FUNDING STATEMENT</b>				
<b>CAPITAL EXPENDITURE</b>				
Growth	1	350	3,681	775
Increased level of service	1	2,086	8,817	4,243
Renewal		2,360	2,279	1,995
<b>Total Capital Expenditure</b>		<b>4,796</b>	<b>14,777</b>	<b>7,013</b>
Loan repayments		5,008	1,678	3,688
Transfers to reserves		4,230	3,900	4,355
Operating deficit		-	-	-
<b>Total Funding Required</b>		<b>14,034</b>	<b>20,355</b>	<b>15,056</b>
Funded by:				
Operating Surplus		3,063	1,879	3,859
Funding from non-cash expenses		2,769	2,245	2,655
Loans raised		2,515	5,968	4,204
Proceeds from sale of assets		-	200	-
Transfers from reserves		9,412	8,425	1,812
<b>Total Funding Applied</b>		<b>17,759</b>	<b>18,717</b>	<b>12,530</b>
<b>Funding Surplus/(deficit)</b>		<b>3,725</b>	<b>(1,638)</b>	<b>(2,526)</b>

### Notes to the Cost of Service Statement:

1. Council had intended making a significant land purchase during the 2011/12 financial year, this did not occur as negotiations were not completed. It is now expected that this will occur in 2012/13 and the funding has been carried forward to allow this purchase to happen. In addition there was a purchase of land prior to 2011/12 which was funded from the 2011/12 budget.

## Cost of Service Statement – Transportation

For the year ended 30 June 2012

	Notes	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>GROUP OF ACTIVITY – OPERATING STATEMENT</b>				
<b>OPERATING REVENUE</b>				
Activity revenue - user charges and fees		8,514	8,068	7,276
Activity revenue – subsidy for operating expenditure		4,203	4,684	4,451
Targeted rates – Access Hamilton		1,202	1,200	1,206
Development and financial contributions		1,667	1,604	1,750
Subsidy for capital works	1	28,479	8,185	24,523
General rates		19,505	19,482	11,965
Other general sources		1,119	1,727	1,484
<b>Total Operating Revenue</b>		<b>64,689</b>	<b>44,950</b>	<b>52,655</b>
<b>OPERATING EXPENDITURE</b>				
Transportation Network	2	42,191	45,874	39,348
Parking Enforcement		3,549	3,475	2,258
<b>Total Operating Expenditure</b>		<b>45,740</b>	<b>49,349</b>	<b>41,606</b>
<b>Operating Surplus/(Deficit)</b>		<b>18,949</b>	<b>(4,399)</b>	<b>11,049</b>
<b>GROUP OF ACTIVITY – CAPITAL &amp; RESERVES FUNDING STATEMENT</b>				
<b>CAPITAL EXPENDITURE</b>				
Growth	3	6,526	4,747	5,411
Increased level of service	3	31,855	15,813	28,413
Renewal		8,285	7,994	7,272
<b>Total Capital Expenditure</b>		<b>46,666</b>	<b>28,554</b>	<b>41,096</b>
Loan repayments		7,114	2,924	5,272
Transfers to reserves		3,988	3,743	3,992
Operating deficit		-	4,399	-
<b>Total Funding Required</b>		<b>57,768</b>	<b>39,620</b>	<b>50,360</b>
Funded by:				
Operating Surplus		18,949	-	11,049
Funding from non-cash expenses		15,716	16,157	17,714
Loans raised		12,743	15,542	19,913
Proceeds from sale of assets		241	-	496
Transfers from reserves		6,994	5,669	5,075
<b>Total Funding Applied</b>		<b>54,643</b>	<b>37,368</b>	<b>54,247</b>
<b>Funding Surplus/(deficit)</b>		<b>(3,125)</b>	<b>(2,252)</b>	<b>3,887</b>

### Notes to the Cost of Service Statement:

1. Council has brought the construction of the Ring Road forward by using advance funding of subsidy from the New Zealand Transport Agency (NZTA). This subsidy will be repaid to NZTA under the terms of the agreement which align the repayments to the original timing in the 2009-19 LTCCP.
2. Council had intended to undertake the upgrade of the State Highway 1 intersection into The Base; this work is valued at \$4.5M and will now take place in the 2012/13 financial year. The project is subject to a multiparty funding agreement between Tainui Group Holdings and New Zealand Transport Agency
3. The advancement of the Ring Road (as explained in note 1).



## Cost of Service Statement – Urban Development

For the year ended 30 June 2012

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>GROUP OF ACTIVITY – OPERATING STATEMENT</b>			
<b>OPERATING REVENUE</b>			
Activity revenue - user charges and fees	5,242	5,197	4,649
General rates	4,605	4,599	4,449
<b>Total Operating Revenue</b>	<b>9,847</b>	<b>9,796</b>	<b>9,098</b>
<b>OPERATING EXPENDITURE</b>			
City Planning	3,007	3,166	3,479
Planning Guidance	2,275	2,194	2,413
Building Control	5,280	4,318	4,236
Sustainable Environment	459	647	478
<b>Total Operating Expenditure</b>	<b>11,021</b>	<b>10,325</b>	<b>10,606</b>
<b>Operating Surplus/(Deficit)</b>	<b>(1,174)</b>	<b>(529)</b>	<b>(1,508)</b>
<b>GROUP OF ACTIVITY – CAPITAL &amp; RESERVES FUNDING STATEMENT</b>			
<b>CAPITAL EXPENDITURE</b>			
Growth	-	-	-
Increased level of service	97	138	170
Renewal	211	173	207
<b>Total Capital Expenditure</b>	<b>308</b>	<b>311</b>	<b>377</b>
Loan repayments	-	-	-
Transfers to reserves	155	120	80
Operating deficit	1,174	529	1,508
<b>Total Funding Required</b>	<b>1,637</b>	<b>960</b>	<b>1,965</b>
Funded by:			
Operating Surplus	-	-	-
Funding from non-cash expenses	117	-	125
Loans raised	121	680	201
Proceeds from sale of assets	-	-	-
Transfers from reserves	300	4	11
<b>Total Funding Applied</b>	<b>538</b>	<b>684</b>	<b>337</b>
<b>Funding Surplus/(deficit)</b>	<b>(1,099)</b>	<b>(276)</b>	<b>(1,628)</b>

### Notes to the Cost of Service Statement:

1. No comments required.

## Cost of Service Statement – Waste Minimisation

For the year ended 30 June 2012

Note	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>GROUP OF ACTIVITY – OPERATING STATEMENT</b>			
<b>OPERATING REVENUE</b>			
Activity revenue - user charges and fees	332	850	470
General rates	5,251	5,245	4,861
Other general sources	409	392	339
<b>Total Operating Revenue</b>	<b>5,992</b>	<b>6,487</b>	<b>5,670</b>
<b>OPERATING EXPENDITURE</b>			
Refuse & Recycling	6,929	6,292	6,048
<b>Total Operating Expenditure</b>	<b>6,929</b>	<b>6,292</b>	<b>6,048</b>
<b>Operating Surplus/(Deficit)</b>	<b>(937)</b>	<b>195</b>	<b>(378)</b>
<b>GROUP OF ACTIVITY – CAPITAL &amp; RESERVES FUNDING STATEMENT</b>			
<b>CAPITAL EXPENDITURE</b>			
Growth	-	-	-
Increased level of service	141	307	456
Renewal	305	268	327
<b>Total Capital Expenditure</b>	<b>446</b>	<b>575</b>	<b>783</b>
Loan repayments	445	149	319
Transfers to reserves	545	535	379
Operating deficit	937	-	378
<b>Total Funding Required</b>	<b>2,373</b>	<b>1,259</b>	<b>1,859</b>
Funded by:			
Operating Surplus	-	195	-
Funding from non-cash expenses	327	306	309
Loans raised	218	65	444
Proceeds from sale of assets	-	-	-
Transfers from reserves	291	443	279
<b>Total Funding Applied</b>	<b>836</b>	<b>1,009</b>	<b>1,032</b>
<b>Funding Surplus/(deficit)</b>	<b>(1,537)</b>	<b>(250)</b>	<b>(827)</b>

### Notes to the Cost of Service Statement:

1. No comments required.

## Cost of Service Statement – Water Management

For the year ended 30 June 2012

	Notes	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>GROUP OF ACTIVITY – OPERATING STATEMENT</b>				
<b>OPERATING REVENUE</b>				
Activity revenue - user charges and fees	1	4,138	3,567	3,559
Targeted rates – water by meter		6,817	6,849	6,602
Development and financial contributions		3,725	3,553	3,118
General rates		21,298	21,271	21,095
Other general sources		1,557	1,209	2,350
<b>Total operating revenue</b>		<b>37,535</b>	<b>36,449</b>	<b>36,724</b>
<b>OPERATING EXPENDITURE</b>				
Water Supply	2	17,930	16,625	18,414
Wastewater	3	23,414	20,227	20,364
Stormwater	4	9,544	8,128	9,112
<b>Total operating expenditure</b>		<b>50,888</b>	<b>44,980</b>	<b>47,890</b>
<b>Operating Surplus/(Deficit)</b>		<b>(13,353)</b>	<b>(8,531)</b>	<b>(11,166)</b>
<b>GROUP OF ACTIVITY – CAPITAL &amp; RESERVES FUNDING STATEMENT</b>				
<b>CAPITAL EXPENDITURE</b>				
Growth	5	4,593	6,303	13,392
Increased level of service	5	3,494	6,270	3,468
Renewal	6	6,342	8,702	6,522
<b>Total capital expenditure</b>		<b>14,429</b>	<b>21,275</b>	<b>23,382</b>
Loan repayments		11,114	3,725	7,958
Transfers to reserves		4,854	4,480	4,246
Operating deficit		13,353	8,531	11,166
<b>Total funding required</b>		<b>43,750</b>	<b>38,011</b>	<b>46,752</b>
Funded by:				
Operating Surplus		-	-	-
Funding from non-cash expenses		12,480	14,990	16,445
Loans raised		8,541	12,425	18,222
Proceeds from sale of assets		-	-	-
Transfers from reserves		4,826	3,894	4,264
<b>Total funding applied</b>		<b>25,847</b>	<b>31,309</b>	<b>38,931</b>
<b>Funding surplus/(deficit)</b>		<b>(17,903)</b>	<b>(6,702)</b>	<b>(7,821)</b>

### Notes to the Cost of Service Statement:

- Revenue was received from various one off sources in 2011/12, these included contributions to setting up the new trade waste shared service, contributions from Waikato and Waipa District Councils towards development of a water management strategy and a general increase in contributions from parties damaging the underground networks.
- Increase in depreciation expense as a result of asset values increasing.
- Council continued work on the development of the asset management modelling tool, this was work that was expected to be completed in the previous year but was carried over into 2011/12, and was valued at \$947K.
- Increase in depreciation expense as a result of asset values increasing.
- Council had intended starting the sludge dewatering project at the Water Treatment Station, this project was budgeted at \$2.6m. This project did not proceed and has been rescheduled for later in the 2012-22 10-Year Plan. In addition the work on network connections was underspent by \$700K, but this activity is budgeted as full user pays and the unspent amount reflects the drop in demand for work.
- The wastewater replacement programme was reduced during the year. This was primarily done to allow the budget to be diverted to other areas within Council that were dealing with higher expenditure.

# INFORMATION ON COUNCIL CONTROLLED ORGANISATIONS AND COUNCIL ORGANISATIONS

Council has an interest in four Council Controlled Organisations (CCOs), these being Hamilton Properties Ltd, Local Authority Shared Services Ltd, Waikato Regional Airport Ltd, and Vibrant Hamilton Trust.

Council also has interests in Council Organisations (CO's) including a shareholding in Hamilton Fibre Network Ltd, Hamilton Riverview Hotel Ltd, Innovation Waikato Ltd, New Zealand Local Government Funding Agency Ltd and, a minor shareholding in NZ Local Government Insurance Co. Ltd (Civic Assurance). Civic Assurance and Hamilton Properties Ltd are organisations that have been specifically exempted as a CCO in accordance with section 6(4) (f) of the Local Government Act 2002.

The following explains what these organisations do and their performance. The reported net surplus or deficit for each entity refers to after tax figures.

## Hamilton Properties Ltd

Hamilton Properties Ltd is no longer trading and is 100% owned by Council. Council has retained Hamilton Properties Ltd as a non-operating company, with the view to utilising its tax losses in the future.

For more information on the activities of Hamilton Properties Ltd, contact Richard Briggs, Chief Financial Officer, Hamilton City Council, Private Bag 3010, Hamilton.

## Local Authority Shared Services Ltd

Council became a shareholder, along with all other local authorities within the Waikato Region, in a CCO called Local Authority Shared Services Ltd, to provide local authorities within the region with shared services. The first shared initiative of this company has been the establishment and operation of a Shared Valuation Database Service (SVDS).

Council holds 7.69% of the ordinary shares in Local Authority Shared Services Ltd. The remaining shares are owned by Environment Waikato, Franklin, Hauraki, Matamata-Piako, Otorohanga, Rotorua, South Waikato, Taupo, Thames-Coromandel, Waikato, Waipa, and Waitomo District Councils.

Council has contributed \$220,500 of capital (by way of its contribution to the capital cost development of SVDS), which represents 13.72% of the services shares in the SVDS.

Council has contributed \$506,250 of capital for services shares in Waikato Regional Transport Model (WRTM), which represents 37.5% of the service shares in WRTM.

Local Authority Shared Services Ltd reported a net deficit of \$584,849 for the year ended 30 June 2012 (2011 net deficit \$476,824).

Refer to Note 13 of the financial statements for investment details.

For more information on the activities of Local Authority Shared Services Ltd, contact Richard Briggs, Chief Financial Officer, Hamilton City Council, Private Bag 3010, Hamilton.

## Waikato Regional Airport Ltd

Waikato Regional Airport Ltd replaced the Airport Authority in 1989, which previously ran Hamilton Airport (and in which Council had a shareholding).

The objective of the airport company is to operate a successful commercial business, providing safe, appropriate and efficient services for the transportation of people and freight in and out of the port of Hamilton.

Council holds 50% of the airport company's shares. The remaining shares are owned by Matamata-Piako, Otorohanga, Waikato and Waipa District Councils.

Waikato Regional Airport Ltd reported a net surplus of \$377,969 for the year ended 30 June 2012 (2011 net deficit of \$111,000).

No dividend was paid in 2012 (2011 nil).

Refer to Note 18 of the financial statements for investment details.

A comparison of the company's financial and performance measures for the year ended 30 June 2012 is shown in the table below.

	ACTUAL TO 30 JUNE 2012	STATEMENT OF CORPORATE INTENT TARGETS FOR 2011/12
Net surplus after tax	\$377,969	\$253,561
Net surplus after tax to average shareholders' funds	0.64%	0.43%
Net surplus after tax to total assets	0.48%	0.32%
Percentage of non-landing charges revenue to total revenue	81.85%	78.76%
Earnings before interest, taxation, depreciation & amortisation	\$3.05 million	\$2.22 million
Total liabilities/shareholders funds- debt/equity ratio	24:76	24:76
Interest rate cover (parent only & calculated on basis of interest from Titanium Park Ltd & revaluation being excluded)	2.97	2.88

For more information on the activities of the Waikato Regional Airport Ltd, contact: Chris Doak, Chief Executive, Airport Road, RD2, Hamilton.

### Vibrant Hamilton Trust

Vibrant Hamilton Trust was established on 24 August 2010 in order for Council to utilise its share of the fund from the proposed disestablishment of the Waikato Foundation Trust. Vibrant Hamilton Trust constitutes a CCO and was registered with the Charities Commission on 1 November 2010 to give it charitable status.

The funding for Vibrant Hamilton Trust will primarily be used to assist the delivery of the flagship projects from eight city strategies (those currently unfunded in the 2009-2019 LTCCP), as well as new projects that are promoted or identified by the community from time to time and adopted by Council.

For more information on the activities of Vibrant Hamilton Trust, contact Richard Briggs, Chief Financial Officer, Hamilton City Council, Private Bag 3010, Hamilton.

### Hamilton Fibre Network Ltd

Hamilton Fibre Network Ltd commenced 28 March 2008. The company controls a high speed urban broadband network which is currently under development.

Council held 33.80% of the shares in Hamilton Fibre Network Ltd as at 30 June 2011. The remaining shares were owned by Environment Waikato, University of Waikato, Waikato Institute of Technology, Velocity Infrastructure Ltd and Communication Infrastructure Ltd

Hamilton Fibre Network Ltd was sold to Ultrafast Fibre Ltd on 26 August 2011, and Council received its part share of proceeds of \$621,751. The balance of the proceeds of \$231,649 was held in a Trust Account with Norris Ward McKinnon Solicitors to cover potential warranty claims by Ultrafast Fibre Ltd that may arise in the twelve month period from the purchase date.

Refer to Note 13 and 18 of the financial statements for loan and investment details.

For more information on the activities of Hamilton Fibre Network Ltd, contact Richard Briggs, Chief Financial Officer, Hamilton City Council, Private Bag 3010, Hamilton.

### Hamilton Riverview Hotel Ltd

In May 1998, Council entered into a joint venture agreement for the purpose of developing a Hotel.

Council holds 41.38% of the shares in the Hamilton Riverview Hotel Ltd. Tainui Development Ltd and AAPC NZ PTY Ltd hold the remaining shares.

Hamilton Riverview Hotel has a balance date of 31 December, which is different to that of Council of more than three months. In order to comply with NZ IAS 28, Council has included the interim financial results for the 6 months to 30 June 2012, and the annual results for the 12 months to 31 December 2011 for Hamilton Riverview Hotel (adjusted to reflect only the last six months to 31 December 2011).

Hamilton Riverview Hotel Ltd reported a net surplus of \$865,335 for the year ended 31 December 2011 (2010 net surplus \$736,377), and a net surplus of \$503,663 for the six months ended 30 June 2012 (2011 net surplus for six months \$326,744). These results exclude deferred tax.

When equity accounting for Hamilton Riverview Hotel Ltd, Council is required to recognise a deferred tax adjustment to ensure that Hamilton Riverview Hotel Ltd's accounting policies conform to those of Council. Council's deferred tax adjustment reflected a tax credit of \$57,428 to 30 June 2012 (2011 tax credit of \$221,842).

For the year ended 30 June 2012, Council received a dividend of \$206,896 in October 2011 that was declared in the prior year to 30 June 2011, and received a further dividend of \$206,896 in June 2012 from the Hamilton Riverview Hotel Ltd (2011 nil).

Refer to Note 18 of the financial statements for investment details.

For more information on the activities of Hamilton Riverview Hotel Ltd, contact Richard Briggs, Chief Financial Officer, Hamilton City Council, Private Bag 3010, Hamilton.

### **Innovation Waikato Ltd**

Waikato Innovation Park is New Zealand's growth hub for Ag-Biotech businesses. The park is located on 17 hectares of land next to the Ruakura Research Centre, home to AgResearch, HortResearch, Landcare and Dexcel. It is also in close proximity to the University of Waikato Campus.

Council has invested \$2.4 million in Innovation Waikato Ltd in March 2009 to enable development of a new building on the site which was completed in August 2009. This investment is also supported by funding contributions from the Ministry of Economic Development's Enterprise Partnership Fund (\$2m towards the new building and \$2m towards operating expenditure) as well as debt funding from Innovation Waikato Ltd. The total investment injection will mean that the Park will increase its economic contribution to Hamilton and the national economy. The increased significance of the Park may in turn attract businesses on a global scale.

Council's investment in Innovation Waikato Ltd was converted from a \$2.4 million loan to 19.8% equity on 24 August 2010. Based on the audited financial statements for Innovation Waikato Ltd for the year ended 30 June 2011, there is no evidence of impairment in Council's investment.

Refer to Note 13 of the financial statements for investment details.

For more information on the activities of Innovation Waikato Ltd, contact Richard Briggs, Chief Financial Officer, Hamilton City Council, Private Bag 3010, Hamilton.

### **NZ Local Government Insurance Co. Ltd (Civic Assurance)**

Civic Assurance prime objective is to ensure the long-term provision of stable and cost effective risk financing products for local government in New Zealand.

Council holds 3.17% of the shares in Civic Assurance. The remaining shares are held by other Councils in New Zealand.

Civic Assurance reported a net deficit of \$5,390,229 the year ended 31 December 2011 (2010 net deficit of \$4,011,651). Based on the audited results of Civic Assurance for the year ended to 31 December 2011, Council has recognised an impairment in its investment in Civic Assurance.

For the year ended 30 June 2012, Council did not receive any dividend (2011 nil).

Refer to Note 13 of the financial statements for investment details.

For more information on the activities of NZ Local Government Insurance Co. Ltd, contact Richard Briggs, Chief Financial Officer, Hamilton City Council, Private Bag 3010, Hamilton.

### **New Zealand Local Government Funding Agency Ltd**

New Zealand Local Government Funding Agency Ltd (NZLGFA) was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current rating from Standard and Poor's of AA+.

Council became a shareholder in New Zealand Local Government Funding Agency Ltd (NZLGFA) along with 19 other local authorities. Council contributed \$2 million for its shareholding in NZLGFA. Further local authorities are expected to invest in the entity.

For more information on the activities of NZ LGFA, contact Richard Briggs, Chief Financial Officer, Hamilton City Council, Private Bag 3010, Hamilton.

# REPORT ON FUNDING AND FINANCIAL POLICIES

## Introduction

Each local authority is required to prepare and adopt a Revenue and Financing Policy, Funding Impact Statement, Investment Policy, and Liability Management Policy as part of its Long-Term Council Community Plan (LTCCP).

Schedule 10 of the Local Government Act 2002 specifies that every local authority must provide in its annual report sufficient information about each of the documents listed above to enable an informed assessment of the extent to which the objectives and provisions of the strategy and policies have been met during that year.

The information required should include an explanation of any significant variation between:

- The objectives and policies of the Funding and Financial Policy set out in the LTCCP for the financial year, and
- The actual achievement of those objectives and policies.

## Overview

During 2011/12 Council made significant progress towards the achievement of objectives and policies for the year as set out in the Funding and Financing Policy of the LTCCP relating to its Revenue and Financing Policy, Funding Impact Statement, Investment Policy and Liability Management Policy.

Details of achievement against the objectives and policy are set out below.

## 1. Revenue and Financing Policy

### Background

The Long-Term Council Community Plan (LTCCP) identifies significant activities of Council and provides for the associated estimated future expenses, revenues, cashflows and other movements in the Statement of Comprehensive Income and Statement of Financial Position. The general aim of the LTCCP is to ensure that Council has adequately considered and accounted for its future operations in accordance with the following six principles:

- prudent management of Council activities in the interest of the city and its inhabitants
- adequate provision for expenditure needs of Council
- adequate consideration and assessment of benefits and costs of different options
- lawful funding mechanisms that on reasonable grounds can be considered as appropriate
- maintaining prudent levels of debt in accordance with the Liability Management Policy, and
- operating revenue to cover all projected operating expenses.

### Overall Performance

Council has reported for the year 2011/12 a deficit after tax of \$10m, which is \$35.1m less than the surplus outlined in the LTCCP of \$25.1m.

Major variations to year 3 of the 2009-19 LTCCP are noted below:

- Other Revenue from activities - \$10.6m below LTCCP.
- Development contributions - \$15.7m below LTCCP.
- Other losses - \$17.7m above LTCCP. This included a loss on Property Plant & Equipment disposals of \$2.8m, the changes in fair value of Investment Properties \$0.26m, and fair value loss on interest rate swaps of \$15.1m.
- Depreciation/amortisation - \$5m above LTCCP, due to additional work in progress unbudgeted.
- Other Expenditure - \$10.9m above LTCCP (due to City Profile, Democracy, Transportation, Urban Development, Waste Minimisation and Water Management related costs in the Cost of Services Statements)

## Specific Objectives and Targets

OBJECTIVE	2011/12 TARGETS	PERFORMANCE	SIGNIFICANT VARIATIONS - COMMENTS
To maintain the direction specified in the LTCCP.	Achieve the budgeted figures specified in the LTCCP.	Not Achieved. Net deficit of \$10m against a LTCCP net surplus of \$25.1m.	Refer to comments noted above for explanation of major variances.
To manage the level of contingencies.	Total contingencies do not exceed 2% of the general rate levied or the preceding financial year, (noting that for loan guarantees to only include the total annual contingent loan servicing charges of the loans, not the full value of the loan guarantees).	Achieved. Current contingencies are 0.27% of the general rate levied for the 2010/11 financial year. This figure is based on the total annual contingent loan servicing charges on loans Council has guaranteed, plus any insurance claim excess and other liability claims, as disclosed in note 26 of the financial statements.	No significant variation.
To maintain a mix of funding mechanisms to meet the total funding requirements of the city.	Fees and charges comprise at least 20% of total revenue.	Achieved. Fees and charges comprised 22.1% of total revenue.	No significant variation.
	Differentials on property sectors maintained to achieve the rate recovery specified in the LTCCP.	Achieved.	No significant variation.

## 2. Funding Impact Statement

### Background

The Revenue and Financing Policy, as outlined in the LTCCP, is designed to ensure that the allocation of costs by function is met by the people or groups benefiting from the function. The Funding Impact Statement disclosed in the LTCCP outlines the funding and rating mechanisms of Council for the following year, in accordance with the policies outlined in the Revenue and Financing Policy.

### Overall Performance

Council has generally achieved the planned mix of funding and rating.

The actual allocation of the costs of Council's functions is not significantly changed from the LTCCP.

## 3. Investment Policy

### Background

Council delegates responsibility for management, monitoring and reporting of Council's investments and activities to its Finance and Audit Committee, and its Finance Unit.

The investment policy document sets out the parameters for the operation of the Finance Unit, and the volume of investments that Council will be involved with. The mix of investments between current and non-current is determined according to Council's working capital needs. Refer to the LTCCP for detailed outline of the policy.

### Overall Performance

There are no significant variations or material departures from Council's Investment Policy as reported in the LTCCP or as revised by Council during the year.

### Specific Objectives and Targets

OBJECTIVE	2011/12 TARGETS	PERFORMANCE	SIGNIFICANT VARIATIONS - COMMENTS
To manage risks associated with the investments.	Investment policy Section 4.3 complied with.	Council has been a net borrower during the reporting period. Any operating cashflow surpluses have been managed on a prudent cash management basis.	No significant variation.



OBJECTIVE	2011/12 TARGETS	PERFORMANCE	SIGNIFICANT VARIATIONS - COMMENTS
To use the proceeds from the sale of assets to reduce the overall level of public debt.	Investment policy Section 4.7 complied with.	Proceeds from the sale of assets have been used to reduce the overall debt of Council.	No significant variation.

## 4. Liability Management Policy

### Background

Council delegates responsibility for the management, monitoring and reporting of Council's debt and associated risks to its Finance and Monitoring Committee and its Finance Unit.

The main function of the Liability Management Policy is to ensure that Council's debt and its associated risks are maintained at prudent levels. Refer to the LTCCP for a detailed outline of the policy.

### Overall Performance

There are no significant variations or material departures from Council's Liability Management Policy as reported in the LTCCP or as revised by Council during the year.

### Specific Objectives and Targets

OBJECTIVE	2011/12 TARGETS	PERFORMANCE	SIGNIFICANT VARIATIONS – COMMENTS
To manage interest rate risk exposure.	Minimum (50%) and maximum (95%) levels of fixed borrowing is not exceeded.	Achieved.	No significant variations.
To maintain debt within specified limits and ensure adequate provision for repayments to maintain adequate liquidity.	<b>Council Debt:</b> Net debt interest payments on Council debt (excluding interest on DCL debt) do not exceed 20% of the total rating income for the year.	Achieved: 11.8%.	To maintain debt within specified limits and ensure adequate provision for repayments to maintain adequate liquidity.
	Net debt (Council) does not exceed 180% of total income (excluding total DCL contributions received p.a. in income) for the year.	Achieved: 146.6%	
	<b>Total Net Debt:</b> Net debt does not exceed 25% of total assets.	Achieved: 13.9%	
	Net debt does not exceed 250% of total income for the year.	Achieved: 210.6%	
	Net debt interest payments on total debt do not exceed 20% of the total income for the year (including total DCL contributions received p.a. in income).	Achieved: 11%	
	Liquidity ratio to exceed 110%. Liquidity ratio defined as: Term debt and committed borrowing facilities is not less than 110% of the existing net debt, including working capital requirements.	Achieved: 113.8%	
	To report annually Council net debt against the population of the city.	<b>Council Net Debt:</b> Net debt (Council) does not exceed \$2,000 per capita.	
To maintain security for public debt by way of a charge over rates through the Debenture Trust Deed, or registered mortgage over specific assets.	Security documentation is reviewed to ensure compliance.	Achieved	
To ensure that transactions involving foreign currency exceeding \$25,000 in value are hedged by way of forward cover contracts.	Compliance with this policy is monitored by reviewing payments in foreign currency.	Achieved. All known foreign currency payments hedged.	

# SIGNIFICANT ACQUISITIONS & REPLACEMENTS OF ASSETS

This section describes any significant acquisitions or replacements of assets during 2011/12 for capital projects exceeding \$1 million. It includes the reasons for the acquisition or replacement, including reasons for any significant variation from that shown in year 3 (2011/12) of the 2009-19 LTCCP.

	PROJECT NUMBER (SAP#)	Actual 2011/12	LTCCP Year 3	REASON
<b>CITY PROFILE</b>				
<b>Property Management Unit</b>				
Vehicle & Plant Renewals	149	774	1,031	This project is for the replacement of HCC's existing Fleet. \$182k was carried over to 2012/13 due to the late delivery of 4 vehicles.
Property Management Asset Renewal	150	2,829	2,526	
<b>Information Management Unit</b>				
Project Phoenix IT System upgrade	904	1,642	3,268	This project is for the upgrade of HCC's Information Systems. It is a multi year project in association with Civica Pty. The total value of the project is for \$12.3M finishing in 2012/13.
<b>COMMUNITY SERVICES &amp; AMENITIES</b>				
<b>Libraries</b>				
Library Book Purchases	106	1,390	1,635	Renewal of the Libraries collection to ensure it remains up to date and relevant to the community. Collections include books, audio-visual material, heritage and digital resources. Budget was reduced due to contract savings negotiated with new major supplier.
<b>RECREATION</b>				
<b>Parks and Gardens</b>				
Land Purchased for Reserves	118	171	6,869	Land to be purchased for a future sports park in Rotokauri, planned for 2011/12, became available and was purchased in 2009/10 leading to a saving of \$3.5m against the year 3 budget. Negotiations are still in progress for the land to be purchased with the balance of the funds.
<b>Sports Areas</b>				
Rototuna Sports Areas Development Programs	606	-	2,203	Project had been deferred to 2012/13 but has now been deferred indefinitely due to funding restrictions. This programme no longer appears in the current 10 year plan.
<b>TRANSPORTATION</b>				
<b>Access Hamilton</b>				
Ring Road	375	23,906	6,910	Construction started in 2010/11; this is ahead of schedule and was achieved through the New Zealand Transport Agency providing early advance of the subsidy component for this project.
Cycleway Construction	545	879	2,426	This programme was for the development of the cycleway routes both on and off street. The programme has been scaled back due to affordability. The work undertaken this year includes the Te Hikawai cycleway and the Te Awa cycleway track which form part of the national cycleway trail.

	PROJECT NUMBER (SAP#)	Actual 2011/12	LTCCP Year 3	REASON
Northern Growth Corridor	861	4,386	2,730	This is the construction of the new Te Rapa by-pass section of the Waikato Expressway; portions of local roads have been built to support and tie into the expressway. This project represents these works.
Pedestrian Cycle Improve Network	1037	1,265	2,098	This programme provides for the construction of a cycle network across the city, combining both on road and off road routes. Completion of this programme is planned for 2016 in line with commitments made in 2006-2016 LTCCP. The programme also includes localised improvements for pedestrians and all other road users where possible. This is in line with the Access Hamilton transport strategy and Active Travel Action Plan. The programme pedestrians and all other road users where possible. This is in line with the Access Hamilton transport strategy and Active Travel Action Plan.
<b>Carriageways</b>				
Kerb & Channel Replacement	40	1,236	1,521	On going programme that allows for the replacement of kerb and channel around the city to ensure the asset is maintained to an acceptable standard. The programme for the year was completed.
Area Wide Treatment	41	1,374	1,970	This programme enables the renewal / reconstruction of a road pavement where there are either high road maintenance costs or significant user costs from roughness. Each job must be justified by either savings in maintenance costs or road user benefits.
Carriageways Reseals	44	2,518	3,485	This is an on-going programme of road resurfacing work required to maintain the existing network in accordance with accepted asset management. Savings were realised this year through a reduction in the programme.
Peacocks Roding Growth	553	817	1,115	This budget represents what has become known as the Southern Links Project which is the designation of the Roding corridors within the Peacocks growth cell. The project is subject to a multi party agreement between Hamilton City and the New Zealand Transport Agency
Rototuna Roding Growth	555	1,384	3,168	These works are to facilitate growth with Rototuna cell, the expenditure in 2011/12 was land acquisition along designated Roding corridors.
CityHeart Underground Car Park	1061	1,794	-	This project involved the relocation of the main entrance from Alexandra St to Anglesea St. This was done to achieve the objectives of the CityHeart vision.
Claudlands bridge clip-on	1004	-	1,993	This project had been to add an iconic pedestrian walkway to the Claudlands bridge as part of the link from the CBD to The Claudlands Events Centre. During the year Council resolved to withdraw this as a project.
<b>Footpath, Cycleway and Verges</b>				
Footway & Verge Shape Correction	92	1,535	1,924	Resurfacing and reconstruction of existing footpaths at the end of their economic life. The programme for the year was completed.

	PROJECT NUMBER (SAP#)	Actual 2011/12	LTCCP Year 3	REASON
<b>WATER MANAGEMENT</b>				
<b>Stormwater</b>				
Rotokauri Stormwater Pipe Network	548	16	6,217	The slow down in growth has seen this programme of works stopped. The current 10-Year Plan has minor works planned for the next 10 years.
<b>Wastewater Reticulation</b>				
Rotokauri Wastewater Trunks	547	150	1,345	The slow down in growth has seen this programme of works stopped. The current 10-Year Plan has minor works planned for the next 10 years.
Wastewater pump station renewals	597	747	1,007	This project covers the renewal of pump station assets, including the pumps, housing and electrical systems. These works are determined by risk assessment and criticality.
Wastewater renewals	877	1,090	2,182	This project covers renewal of the wastewater pipe network and rehabilitation of wastewater trunk and interceptor mains. The annual programme of works is undertaken as determined by risk assessment and criticality. The programme was reduced by Council during the year by 750K and the balance of work relates to completion of the Kahikatea trunk main.
Ruakura Wastewater Trunks	1008	3	2,518	This project was to enable growth in the Ruakura growth cell but has now been delayed. Council continue to develop growth options and work with developers over funding options.
<b>Wastewater Treatment Plant</b>				
Pukete Wastewater Secondary Treatment	238	1,580	5,561	This project will ensure compliance with HCC resource consents for discharging to air, water and land. The project also includes a capacity increase to accommodate future growth in the city. The project started later than was originally reported in the LTCCP. The unspent budget will be carried over into the 2012/13 financial year.
WWTP Assets Renewals	307	1,359	1,194	To carryout the asset renewal and replacement programme as defined in the Activity Management Plan for the Wastewater Treatment Plant.
<b>Water Reticulation</b>				
Rototuna Reservoir and Bulk mains	265	150	1,560	This project has been deferred and is now scheduled to start construction in the 2014/15 year with a 3 year build timeframe. Expenditure to date is investigation and pre design work.
Water Network Mains Renewal	269	998	1,718	The purpose of this programme is to maintain and operate the water supply network by replacing existing "at risk" mains. The programme was completed for the year.
Bulkmain augmentation and extensions	277	1,961	1,400	This programme involves the construction of new bulk mains along with the augmentation of existing to accommodate growth within the city. During the 2011/12 year the construction of the bulkmain along the new eastern arterial road was underway.
<b>Water Treatment Station</b>				
Alum sludge dewatering	984	34	2,623	This project has been deferred and now has planned start date 2013/14 with a 3 year build.

# STATEMENT OF COMPLIANCE

## Compliance

The Council of Hamilton City Council confirms that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.

## Responsibility

Council and management of Hamilton City Council accept responsibility for the preparation of the financial statements in accordance with generally accepted accounting practice and International Financial Reporting Standards.

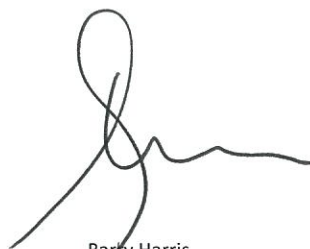
Council and management of Hamilton City Council considers that the financial statements have been prepared using appropriate accounting policies, which have been consistently applied and adequately disclosed and supported by reasonable judgments and estimates, and that all relevant financial reporting and accounting standards have been followed.

Council and management of Hamilton City Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non financial reporting.

In the opinion of Council and management of Hamilton City Council, the financial statements fairly reflect the financial position of Council and the group as at 30 June 2012, and the results of its operations and cash flows and the service performance achievements for the year ended on that date.



Julie Hardaker  
**MAYOR**  
27 September 2012



Barry Harris  
**CHIEF EXECUTIVE**  
27 September 2012

# AUDIT REPORT

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

## Independent Auditor's Report

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

The Auditor-General is the auditor of Hamilton City Council (the City Council) and group. The Auditor-General has appointed me, Karen MacKenzie, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, service provision information and other information required by schedule 10 of the Local Government Act 2002 (other information) of the City Council and group on her behalf.

We have audited:

- the financial statements of the City Council and group on pages 67 to 122 and 129 to 131, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies, explanatory information and other information required by schedule 10 of the Local Government Act 2002; and
- the service provision information of the City Council and group on pages 10 to 66 that includes other information required by schedule 10 of the Local Government Act 2002.

### Opinion on the financial statements, service provision information and other information

In our opinion:

- The financial statements of the City Council and group on pages 67 to 122 and 129 to 131:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the City Council and group's financial position as at 30 June 2012; and
    - the results of its operations and cash flows for the year ended on that date.
- The service provision information of the City Council and group on pages 10 to 66:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the City Council and group's levels of service for the year ended 30 June 2012, including:

- the levels of service as measured against the intended levels of service adopted in the long-term council community plan; and
  - the reasons for any significant variances between the actual service and the expected service.
- The other information of the City Council and group contained in the financial statements and the service provision information, complies with the requirements of Schedule 10 of the Local Government Act 2002 applicable to the annual report and fairly reflects the required information.

Our audit was completed on 27 September 2012. This is the date at which our opinion is expressed.

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

### **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, service provision information and other information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, service provision information and other information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, service provision information and other information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, service provision information and other information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the City Council and group's financial statements, service provision information and other information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the financial statements, service provision information and other information;
- determining the appropriateness of the reported service provision information within the Council's framework for reporting performance; and

- the overall presentation of the financial statements, service provision information and other information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, service provision information and other information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### **Responsibilities of the Council**

The Council is responsible for preparing:

- financial statements and service provision information that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the City Council and group's financial position, financial performance and cash flows;
  - fairly reflect its service performance, including achievements compared to forecast; and
- other information in accordance with Schedule 10 of the Local Government Act 2002 that fairly reflects the required information.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements, service provision information and other information that are free from material misstatement, whether due to fraud or error.

The Council's responsibilities arise from the Local Government Act 2002.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements, service provision information and other information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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

**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.