

ANNUAL REPORT SUMMARY

2014/2015



This is a summary of the Annual Report. It provides a snapshot of our results for 2014/15.

The full document is on our website - **hamilton.govt.nz/annualreport**

Both documents have been audited by independent auditors.

THE COUNCIL'S FINANCES ARE IN GREAT SHAPE!

The hard work over the past three years has paid off – our books are balanced and we're no longer borrowing to meet our day-to-day expenses. We've achieved this earlier than planned with a \$5m surplus - an outstanding result and a major turning point for the city's finances.

Our debt level is \$50m lower than planned and we have reduced what it costs to run the city by over \$15m each year compared to 2011.

Keeping within our financial plan, a few lean years, careful prioritisation and a focus on innovation and efficiency have got us to where we are today. But we're still focused on where we've got to go.

Hamilton is a one of the fastest growing places in the country and is emerging as a New Zealand success story.

This Council is moving ahead with a set of clear priorities, which are about redefining Hamilton as a major New Zealand city by building a stronger economy and an attractive place for families.



BALANCING THE BOOKS

- Achieved earlier than planned
- No longer operating in a deficit and borrowing to meet our day-to-day expenses
- \$5m surplus - \$8m ahead of a forecast \$3m deficit



DEBT

- Debt balance lower than planned
- \$367m closing balance, \$50m less than planned
- Debt to revenue ratio of 187 per cent, below our target of 213 per cent



RATES

- Certainty provided for ratepayers
- 3.8% increase for existing ratepayers (excluding the additional Hamilton Gardens targeted rate of \$10 plus GST per ratepayer)



EFFICIENCY SAVINGS

- Savings target achieved
- We have now reduced what it costs to run the city by \$15.4m per year compared to 2011
- Sound financial management and efficiency savings driven throughout the organisation

FUTURE FOCUS

Three years ago, we made some tough decisions to get the city's finances back on track. A lot has changed since then.

Not only are the Council's finances in much better shape, so is our economy.

Hamilton is growing rapidly and this growth is easy to see in the building and development activity happening in the city. In 2014/15 we issued 909 building consents for new houses, compared to 695 in 2011/12. During the past financial year the Council received \$16m in developer contributions, \$8m more than budgeted.

Our population is currently around 153,000 and is predicted to reach nearly 175,000 in 10 years. We are one of only a few places in New Zealand that will continue to experience growth in its youth population.

The financial results achieved over the last three years have set a strong foundation to respond to the challenges and opportunities of a fast growing city.

The Council's budget for the next decade has a big focus on infrastructure. Investing in core infrastructure, such as water and roads come first, and we're making sure we look after our existing assets.

Community infrastructure, like playgrounds, pools and parks are also very important for lifestyle and we are continuing to invest in these assets too.

To do all of this in a way that's affordable we need to prioritise and we will continue to drive efficiency and innovation.

Our priorities are set out in the Hamilton Plan, which is Hamilton's blueprint for the next decade.

The Council has developed the Hamilton Plan to build a stronger economy and an attractive city for families.

We will focus on 10 priorities over the next 10 years that will collectively redefine Hamilton as a major New Zealand city. These priorities build on the lifestyle and economy Hamilton already has.

To find out more about the Hamilton Plan, visit hamilton.govt.nz/hamiltonplan

The Hamilton Plan

1. Balance the books

We have achieved this earlier than planned.

2. Become the third city economy in New Zealand

Hamilton moves from fourth to third in New Zealand's city economy ranking.

3. Provide outstanding infrastructure

Infrastructure development prepares the city for a population of more than 200,000.

4. Strengthen our connection to the Waikato River

At least five transformational projects from the Hamilton City River Plan are completed.

5. Have the best garden in the world

The Hamilton Gardens are completed in 10 years, consistent with the Hamilton Gardens vision.

6. Have an active, strong commercial central city with distinctive suburban villages

The central city has a strong commercial centre, is connected to the Waikato River and residential living is starting to grow.

7. Become an urban garden

Hamilton is green, with parks, trees, beautiful gardens and street plantings.

8. Provide access to affordable housing

The city continues to provide a balanced supply of housing options to meet the city's growth.

9. Waikato is the capital of high performance sport

Hamilton and Waipa are known as the home of New Zealand's high performance sport.

10. Celebrate our arts and culture

Hamiltonians recognise the importance of art, music and culture in our everyday lives.

THE FINANCIAL PLAN

Balancing the books

Since 2008 the Council has been spending more than it is earning and borrowing to pay the difference.

Three years ago we made a plan to change that and balance the books. We planned to achieve this by 2017, but we have done better than expected and have balanced the books with a \$5m surplus.

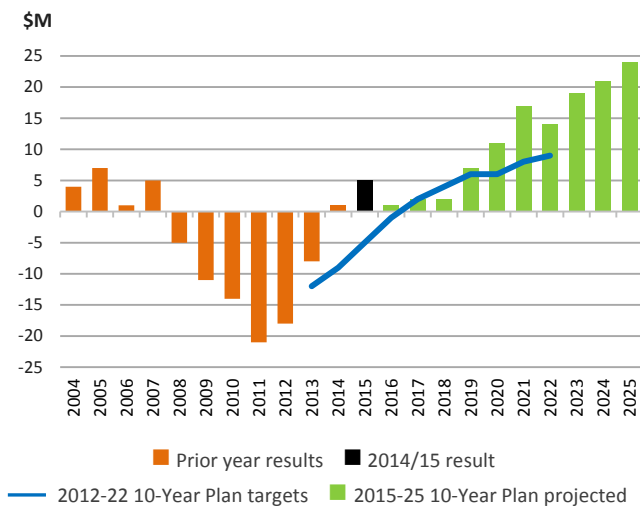
The main reasons for this year's favourable result are:

- Sound financial management and driving efficiency savings throughout the organisation.
- Better than expected revenue due to increased building and development activity in the city. The Council received \$16m in developer contributions during the financial year, \$8m more than projected.
- Less interest paid because we have borrowed less than planned.

As well as our balancing the books measure, the Council's financial statements also report an operating surplus, which is an accounting measure. The operating surplus for the 2015 financial year is \$8.5m. The balancing the books surplus is \$5m.

The operating surplus includes one-off income, such as subsidies for major capital projects like the Ring Road. Our balancing the books measure excludes these one-off funds, making it more conservative.

Balancing the books

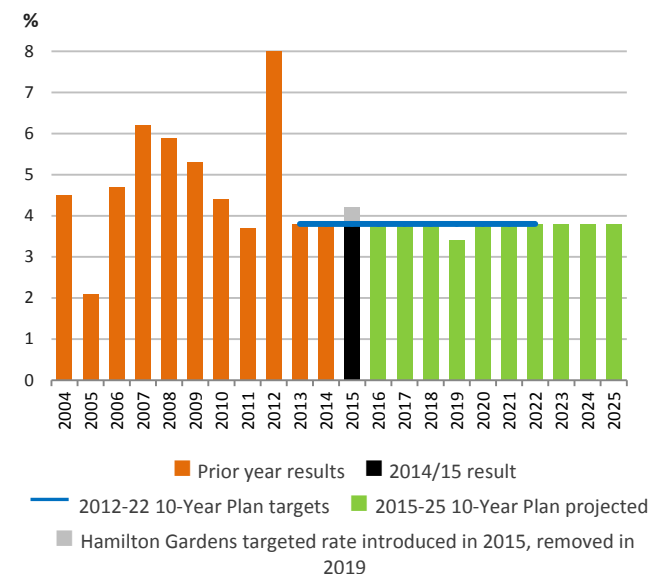


Rates

Our 2012-22 10-Year Plan includes total rates increases of 3.8% to existing ratepayers. Setting rates at this level is an important part of improving the Council's financial position. To manage debt and balance the books, we need to reduce our reliance on borrowing and pay for more through rates.

This financial year the Council also introduced an additional targeted rate of \$10 plus GST per property, per year over four years to complete five new themed gardens and additional infrastructure at Hamilton Gardens.

Rates increases to existing ratepayers



Debt

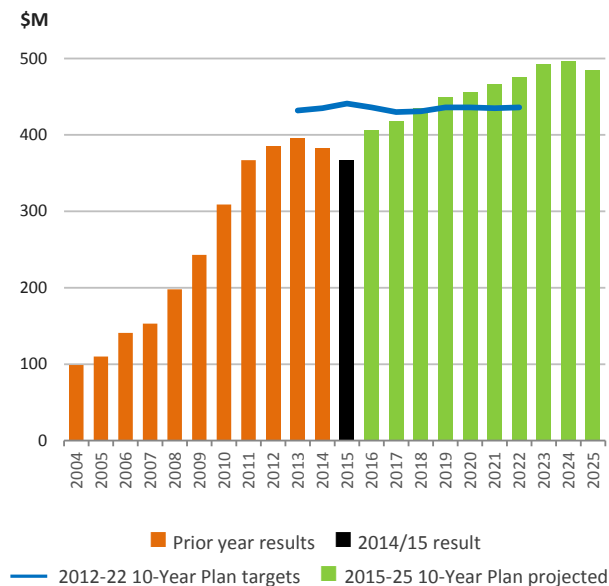
We ended the financial year with a total overall debt balance of \$367m, \$50m less than planned. The main reasons for this are:

- Achieving a balancing the books surplus earlier than planned, which reduced our borrowing requirements.
- Asset sales of \$8m, with the proceeds used to pay off debt.
- Deferral of some capital expenditure.

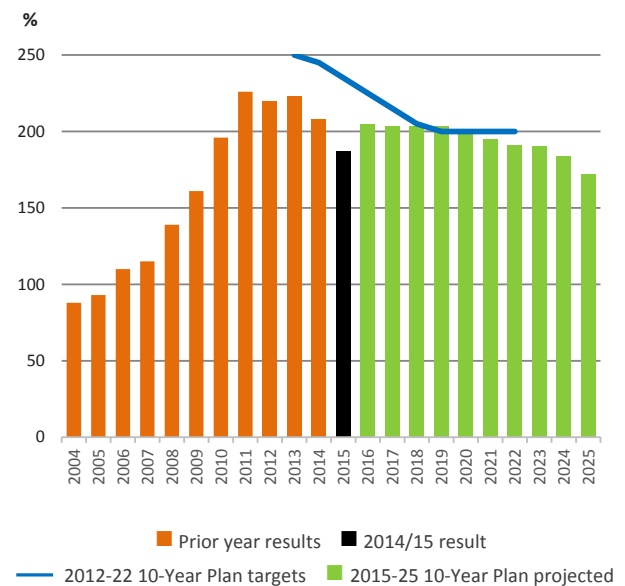
At 30 June 2015 our debt to revenue ratio was 187 per cent, below our 2014/15 Annual Plan target of 213 per cent. This equates to borrowing of \$1.87 for every dollar collected in rates and user charges.

This ratio keeps our debt level in proportion to our income so we can afford to continue investing in the city and service debt.

Total Overall Debt



Debt to Revenue Ratio



SERVICE PERFORMANCE

The Council's business is divided into 12 service groups. There are over 80 measures that we use to report back on our service performance across these groups.

The graph opposite is a summary of our performance measure results, showing the percentage of targets **achieved**, **not achieved** and those with **no data available**. The detailed reporting on each performance measure is included in the full Annual Report from pages 12 – 69.

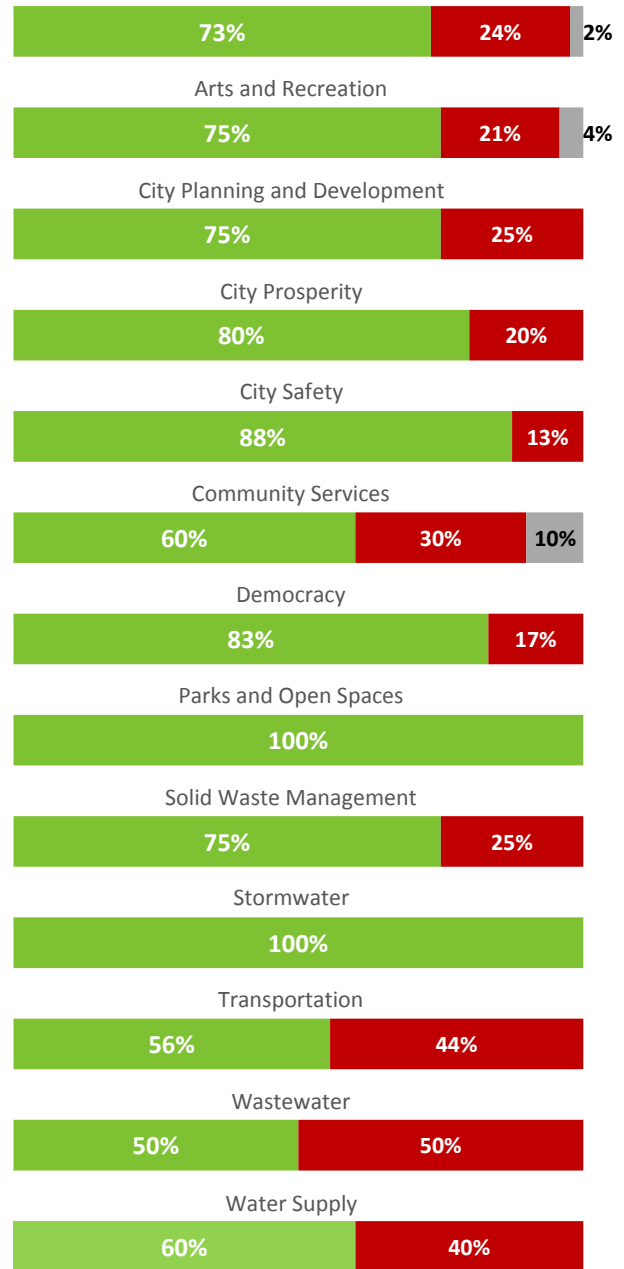
CAPITAL PROJECTS

During the year the Council invested \$58.3m in capital projects. Some of our major expenditure is shown here.

Completion of 15 capital projects with a combined value of \$21m has been deferred to next financial year. As at 30 June 2015, all 15 projects were in progress.

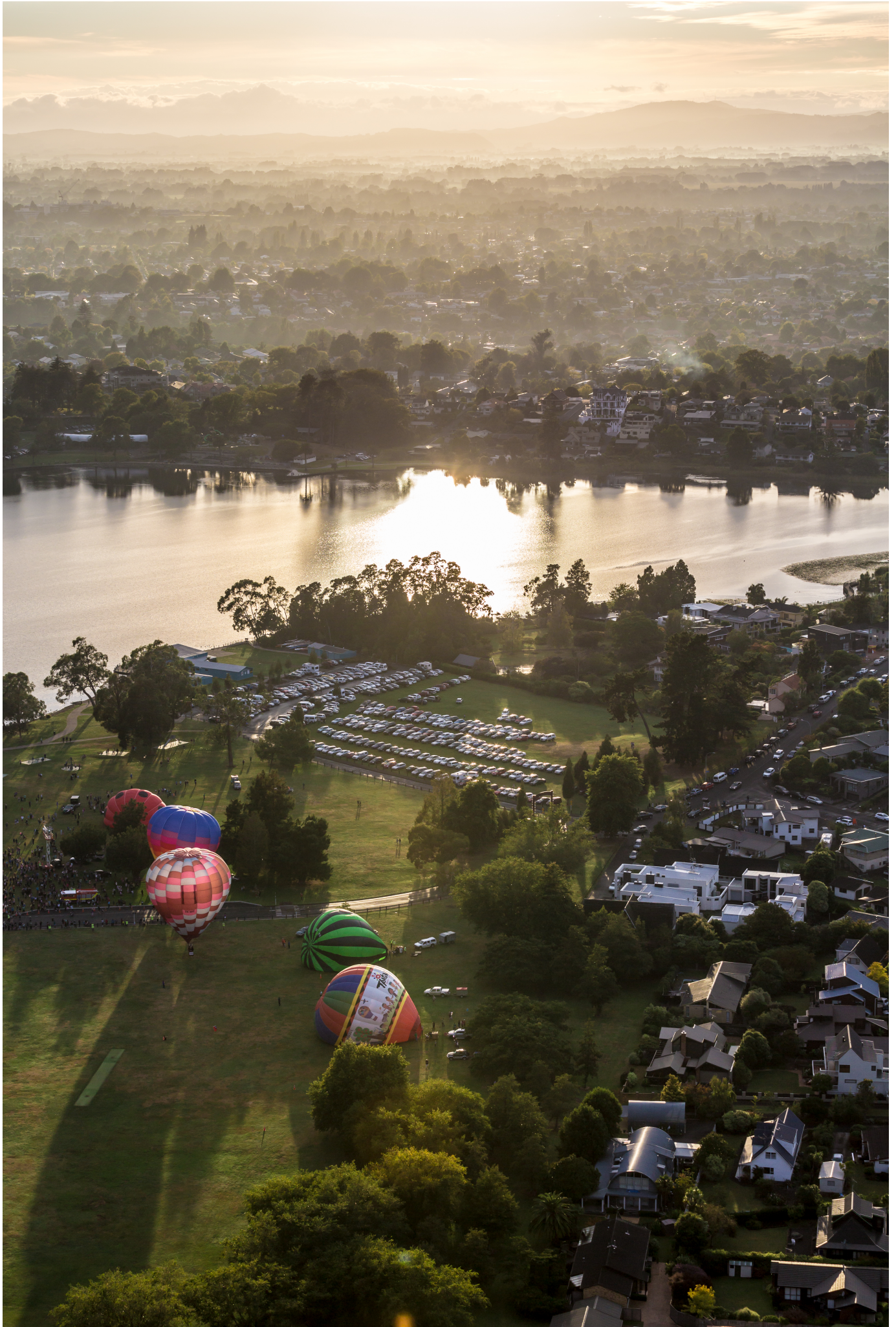
\$12m	Looking after roads and footpaths
\$4.9m	Ring Road construction
\$3.8m	Looking after the city's parks and open spaces
\$3.5m	Upgrades to the Council's IT systems
\$3.2m	Replacement of property assets
\$3.2m	New roads in the Rototua, Rotokauri and Peacocke growth areas
\$2.3m	Water supply, wastewater and stormwater assets
\$2.3m	Land purchased for future reserves

Results across all service groups



■ Target achieved
 ■ Target not achieved
 ■ No data available





SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

FOR THE YEAR ENDED 30 JUNE 2015

		Group			
	Note	Actual 2015	Budget 2014	Actual 2014	Comments
		\$000	\$000	\$000	
FINANCIAL PERFORMANCE TO 30 JUNE					
Rates revenue		140,613	140,525	134,116	
Other revenue	1	103,981	74,574	110,386	Includes operating revenue, capital contributions, and sundry other income.
Gains	2	5,020	-	11,489	Includes gains on disposal of assets, gain in value of investment properties, and fair value gain on interest rate swaps.
Total revenue		249,614	215,099	255,991	
Personnel costs	3	64,827	56,184	58,406	Includes salaries, wages and any other employee benefits.
Depreciation and amortisation		58,105	56,295	55,644	
Other expenses	4	70,920	66,225	69,054	All other operating expenses.
Finance costs		24,596	24,887	24,004	Interest on borrowings.
Losses	5	20,141	-	4,666	Includes losses on disposal of assets, loss in value of investment properties, fair value losses on interest rate swaps, and adjustments to assets on revaluation.
Total expenditure		238,589	203,591	211,774	
Surplus/(deficit) before tax		11,025	11,508	44,217	
Income tax expense		(343)	-	-	
Share of associate's retained surplus/(deficit)		85	-	(116)	Includes Waikato Regional Airport Limited.
Net surplus/(deficit)		10,767	11,508	44,101	
Other comprehensive revenue and expense		10,767	11,508	44,101	
(Loss)/gain on property revaluations	6	36,098	143,967	100,075	
Financial assets at fair value through other comprehensive revenue and expense		-	-	106	
Total comprehensive revenue and expense		46,865	155,475	144,282	
STATEMENT OF CHANGES IN EQUITY TO 30 JUNE 2015					
Total comprehensive income		46,865	155,475	144,282	
Total recognised revenues and expenses for the year		46,865	155,475	144,282	
Equity at the beginning of the year		2,899,976	3,406,177	2,755,694	
Issue of NZFIW shares		3,000	-	-	
Equity at the end of the year		2,949,841	3,561,652	2,899,976	Represents the net value of assets owned by the city.
FINANCIAL POSITION AS AT 30 JUNE					
Current assets		90,766	43,436	68,385	Assets expected to be converted to cash over the next 12 months, e.g. cash, accounts receivable.
Non-current assets		3,356,171	3,985,186	3,319,970	Assets expected to be held for longer than 1 year.
Total assets		3,446,937	4,028,622	3,388,355	
Current liabilities		108,455	134,128	126,683	Due for repayment within 12 months, e.g. payables, current portion of loan repayments.
Non-current liabilities		388,641	332,842	361,696	
Equity		2,948,526	3,561,652	2,899,976	Represents the net value of assets owned by the city.
Non-controlling interest		1,315	-	-	
Total equity and liabilities		3,446,937	4,028,622	3,388,355	
CASH FLOWS TO 30 JUNE					
Opening cash and cash equivalents balance at 1 July		43,326	25,000	50,122	
Net cash inflows/(outflows) from operating activities		65,393	59,329	67,487	Includes rates, subsidies, receipts from customers, capital contributions, payments to suppliers, employees, and interest on loans.
Net cash inflows/(outflows) from investing activities		(40,722)	(67,795)	(44,324)	Includes capital expenditure and investments.
Net cash inflows/(outflows) from financing activities		(10,381)	8,466	(29,959)	Includes loans uplifted and repaid.
Closing cash and cash equivalents balance at 30 June		57,616	25,000	43,326	

Notes

1. Other revenue is higher than budget by \$29.4 million, due to development and financial contributions and vested assets related to the high level of city development.
2. Gains of \$5.0 million relate to disposal of property, plant and equipment.
3. Personnel costs were higher than budget by \$8.6m due to additional resources being required throughout the organisation. The additional cost for these resources was met from either increased revenue or reallocation of budget from other expenses.
4. Reclassification of capital work in progress as an operating expense along with a reduction in the value of assets following an impairment review. The consolidation of Innovation Waikato Limited (IWL) financial statements adds to expenditure disclosed but no corresponding budget is recognised.
5. Unrealised losses (non cash) of \$14.1 million relate to the revaluation of interest rate swaps. \$6.0 million represents the loss on disposal of assets in particular the renewal and replacement programmes for our infrastructure and property assets.
6. The gain on property revaluation reflects the upward movement in value for corporate properties and Parks and Open Spaces assets that were revalued during the year.
7. The following items are included in the Group actual figures, but have no corresponding budget for Council or Group:
 - The net surplus from Vibrant Hamilton Trust of \$1,018,025, includes a realised gain on investments of \$493,722 and an unrealised gain on investments of \$318,005.
 - Share of associates' surplus of \$85,000

Accounting policies

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

The group consists of the ultimate parent, Council, and its subsidiaries, Hamilton Properties Limited (100% owned) , Vibrant Hamilton Trust (100% owned) and Innovation Waikato Ltd (100% owned). The associate, Waikato Regional Airport Ltd is equity accounted.

The summary financial statements of the Council are for the year ended 30 June 2015.

Council has designated itself and the Group as a public benefit entity as defined under the PBE International Public Sector Accounting Standards (PBE IPSAS).

These financial statements have been prepared in accordance with Tier 1 PBE accounting statements and generally accepted accounting practice in New Zealand (NZ GAAP).

Council's summary annual report complies with PBE Financial Reporting Standards 43 (FRS43) Summary Financial Statements.

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

Capital commitments and contingent liabilities

Council has capital contract commitments of \$38.6 million (2014 \$30.3 million).

Contingent liabilities, which are dependent on other future events, are \$7.8 million (2014 \$7.5 million). The uncalled capital in the Waikato Regional Airport Ltd represents the majority of the contingent liability.

This is the first time the summary and full financial statements have been prepared under the PBE Standards.

Subsequent events after balance date

There have been no events after balance date.

Disclaimer

The specific disclosures included in this summary annual report have been extracted from the full annual report and were authorised for issue by the Chief Executive on the 24 September 2015.

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

The summary has been examined for consistency with the full annual report and was audited by Audit New Zealand on behalf of the Office of the Auditor-General. The full annual report and summary received an unqualified audit opinion on the 24 September 2015.

The full annual report can be obtained from the website - www.hamilton.co.nz or from the Hamilton City Council main office.

Independent Auditor's Report

To the readers of Hamilton City Council and group's summary annual report for the year ended 30 June 2015

The summary annual report was derived from the annual report of the Hamilton City Council (the City Council) and group for the year ended 30 June 2015. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 3 to 10:

- the summary statement of financial position as at 30 June 2015;
- the summaries of the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended 30 June 2015;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance of the City Council and group.

We expressed an unmodified audit opinion on the City Council and group's full audited statements in our report dated 24 September 2015.

Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with FRS-43 (PBE): Summary Financial Statements.

Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

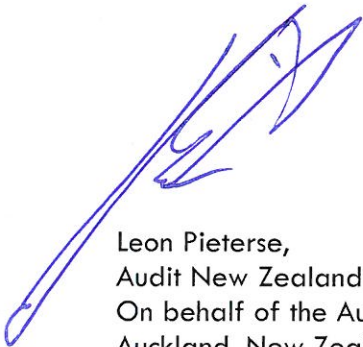
The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the City Council and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

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS-43 (PBE): Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): Summary Financial Statements.

In addition to reporting on the summary annual report, we have reported on the full annual report, and carried out a range of other assurance engagements in the areas of audit of the long term plan, debenture trust deed and other assurance services which are compatible with those independence requirements. Other than this reporting and these assignments, we have no relationship with or interests in the City Council or any of its subsidiaries.



Leon Pieterse,
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand
24 September 2015