

AUDIT REPORT

**TO THE READERS OF HUTT CITY COUNCIL AND GROUP'S
SUMMARY ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

We have audited the summary annual report.

Unqualified 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 information reported in the summary financial statements complies with FRS-43: Summary Financial Statements and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 22 October 2008, on:

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

Basis of Opinion

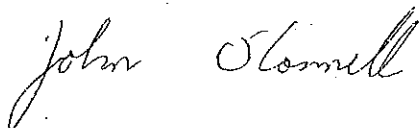
Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

In addition to the audit, a staff member from Audit New Zealand was appointed to the position of General Manager, Business Services in October 2007, and a second staff member from Audit New Zealand was appointed to the position of Manager, Accounting Services in February 2008. As required by the above independence requirements, appropriate safeguards have been taken to address any threats to independence from these appointments.

Other than the audit and these appointments we have no relationship with or interests in the City Council or any of its subsidiaries

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report and we are responsible for expressing an opinion on that report. These responsibilities arise from the Local Government Act 2002.



John O'Connell, Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
22 October 2008

Matters Relating to the Electronic Presentation of the Summary Annual Report

This audit report relates to the summary annual report of Hutt City Council and group for the year ended 30 June 2008 included on Hutt City Council and group's website. The Hutt City Council and group's Council is responsible for the maintenance and integrity of the Hutt City Council and group's website. We have not been engaged to report on the integrity of the Hutt City Council and group's website. We accept no responsibility for any changes that may have occurred to the summary annual report since they were initially presented on the website.

The audit report refers only to the summary annual report named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the summary annual report. 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 summary annual report as well as the related audit report dated 22 October, 2008 to confirm the information included in the audited summary annual report presented on this website.

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



2008 SUMMARY Annual Report

Welcome to the Summary Annual Report for 2008. This document outlines the Hutt City Council's activities over the past 12 months.

In October a good mix of new faces and experienced councillors were elected to form the new council. All are working hard on your behalf and for the future of our City.

The clean-up of the Waiwhetu Stream has begun after years of talk and frustrating delays. The removal of high levels of lead, zinc and DDT is expected to be completed in 2010, followed by flood mitigation work.

Works to reduce the risk of flooding in the City are ongoing. A new pumping station at Gracefield was completed, as were a range of drainage and other improvements, while Cheviot Road and stage 3 of the Black Creek upgrade is underway.

The Dowse to Petone upgrade is taking shape with Transit New Zealand ensuring minimal disruption to motorists. It is the most significant transport project in Hutt City for decades and will provide a much-needed new entrance to the City, offer some relief from traffic congestion and improve general safety on SH2.

The next stage of the ongoing revitalisation of the central business district has started with the upgrade of High Street. This includes widened footpaths, designer outdoor furniture,

new tree plantings, weather shelters and cycle racks. Council also became a signatory to the Urban Design Protocol and appointed an Urban Design Manager to progress quality urban design in Hutt City.

Council has begun a review of land in the City held in fee simple, with preliminary results suggesting most will be retained and classified as reserve. Land considered surplus to requirements could be sold for housing or to reduce debt.

The redevelopment of Hutt Park is almost complete and the most generous contribution from the Pelorus Trust has provided the magnificent Sports House as the centre point of a revitalised facility, with new playing fields and changing sheds.

The sports theme continues, with Council granting hometown hero and All Black great Tana Umaga the Freedom of the City in recognition of his contribution to rugby and as a role model to young people.

Co-operation with other councils in the region is going from strength to strength with the Wellington Regional Strategy as well as the sharing of a wide range of services.

Council has begun looking at the District Plan and issues related to it, with a couple of key reviews underway – one relating to the CBD and another on residential development.

The city is in good heart despite the current economic downturn. On a sad note, Griffins announced its decision to close after 70 years in Hutt City. The decline of industry and manufacturing has in the most part been offset by the emergence of new service industries such as research and development, IT and education.

To improve sustainability, Council implemented a workplace travel plan, is developing an Environmental Sustainability Strategy, and announced in the Annual Plan a range of new initiatives to protect the environment.

Council constituted two new Community Committees to engage the residents of the Northern and Eastern wards, and the Central and Western wards, on Council's behalf. Other parts of the City continue to be served by Community Boards.

As well as these highlights, Council continued to provide the myriad of services and amenities residents expect.

The staff continued to show why they are among the best in the country, including success at the Vero Excellence in Business Support Awards, Wellington Gold Awards and the Sister City New Zealand Awards.

Thank you to councillors, staff and the broader community for making this another successful year.

Outlined here is a snap-shot of the things that happened in 2007/08 that make our City a great place to live and work. We look forward to an even bigger and better year ahead.



David Ogden
MAYOR

22 October 2008



Tony Stallinger
HUTT CITY COUNCIL
CHIEF EXECUTIVE

22 October 2008

KEY PROJECTS

Key projects and issues Hutt City Council has worked on during the year to 30 June 2008

| GROUP OF ACTIVITIES | NON FINANCIAL TARGETS | | PROJECTS – OPERATING AND CAPITAL WITH A BUDGET OVER \$100,000 | |
|---------------------|-----------------------|---------------|---|-----------------|
| | Achieved | Not Achieved* | Completed | Not Completed** |
| People | 31 | 6 | 27 | 8 |
| Utility Services | 31 | 2 | 46 | 6 |
| Environment | 11 | 5 | – | 1 |
| Economy | 8 | 3 | 5 | 2 |
| Organisation | 10 | 2 | 4 | 3 |

* A number of these targets were not achieved due to changes that occurred during the year or factors outside of Council's control. Environmental targets in particular were set at a high level and have been reduced slightly for the current financial year.

** These projects have been carried forward to the 2008/09 financial year.



Staff Management

Hutt City Council employs approximately 550 employees (375 full time equivalents). Staff turnover for the year was 13.7%.

Social Development

Wainuiomata Pilot Project

A new five year contract aims to continue the progress made in the past three years to improve the community well-being of Wainuiomata, Naenae, Pomare and other designated communities.

Disability Advisory Group

The Hutt Valley Disability Advisory Group has raised issues regarding building sites, swimming pools, public toilets, angle parking and other access issues affecting disabled people.

City Safety

The Council endorsed a Safer Streets Action Plan 2007-12. It will focus on core business areas of Closed Circuit Television, Community Patrols, Crime Prevention through Environmental Design, reducing alcohol related harm, agency and community collaboration and perception of safety benchmarking.

Bylaw Review Programme

To meet the bylaw review legislative deadline of 1 July 2008, Council reviewed the 1997 Amusement Devices, Earthworks, Miscellaneous, Fire Prevention, Refuse Collection and Disposal, and Licensing of Mobile and Travelling Shops Bylaws.

Youth Transition Service

The Hutt Valley Youth Transition Service (Vibe YTS) is now into its third year of operation and has assisted a total of 1,595 clients to June 2008.

Healthy Housing Steering Group

Following a pilot in 2007/08, a three year 'Healthy Homes Healthy People Programme' to retrofit around 740 homes in the Hutt Valley was launched in February 2008. This has now been incorporated into a larger joint initiative involving Housing New Zealand Corporation and the Hutt Valley District Health Board. Up to 1,700 households in Naenae, Taita and Pomare will be included in the programme over a three year period and a joint assessment covering occupants' housing, health and social needs will be undertaken.

Settlement Services

Hutt City Council is contracted by the Department of Labour to provide Settlement Support services. Council's coordinator collates information about new settlers and service providers and encourages inter-agency action in responding to settlement needs.

Economic Development

Hutt City has recently completed its first five year timeframe 2002-2007 implementing its Economic Development Strategy. The figures to March 2007 show that job numbers increased by 2.0%, there were 170 new businesses created and the City's economy grew by 3.7%.

Council's key priorities are to implement the Economic Development Strategy; the retention, growth and attraction of businesses; increasing the recognition of Hutt City as a place to do business; and continued relationship development and relationship management with key partners and other organisations.

During the year a number of developments commenced that will assist the City's business and employment growth over the next 12-18 months. They include new developments on the IBM Petone site and on the ex-Colgate Palmolive site. However, the closure of the Colgate Palmolive factory and the announcement of the Griffins biscuit factory closure reiterate the importance of the development of a broad based vibrant economy for the City.

Emergency Management

The Hutt Valley Emergency Management Office is fully staffed for delivery of both Emergency Management and Rural Fire responsibilities for Hutt City Council and Upper Hutt City Council. A range of enhanced packages including communication networks has been delivered to Civil Defence Centres. Readynet, the Emergency Management Preparedness pilot for Hutt City, has been extended into the local community and into Upper Hutt.

Environment

During the 2007/08 year, Council has addressed sustainability and its commitment to the environment through a range of projects, and has joined the Communities for Climate Protection initiative. Council is working to develop a programme that is designed to assist its contractors in reducing their risks to cause pollution and be prosecuted. Council's energy use is monitored and used to identify ways in which the Council can reduce its energy consumption.

Communities Beautiful Activities

Clearance of litter and beach clean ups involving volunteer groups were undertaken. Smokers are being encouraged to take personal responsibility for their cigarette butt litter. This year Council's contractor removed 1,972 graffiti "hits" totalling 4,330 m² of area cleared of graffiti.



School Programmes

Currently thirteen schools are actively involved in the Enviroschools programme aimed at creating a sustainable school. Council has facilitated 28 school tours to the AllBrites recycling facility, Silverstream landfill and the Earthlink 'WasteSmart' repair service and shop.

Sustainable Business Programmes

The EnviroSmart programme focuses on improving the environmental performance of businesses. Eight Hutt City businesses remain fully committed to this two year stepped programme leading towards ISO14000 certification. The Get Sustainable Challenge is promoted annually. Businesses joining the Challenge are assessed in eight areas from environmental and social responsibility through to the economic sustainability of the business.

Hazardous Waste Collection

Hutt City Council and Upper Hutt City Council jointly undertook Household Hazardous Waste collections, with 10,800 kg of hazardous waste and 20,000 kg of E-waste collected.

Solid Waste

A total of 131,282 tonnes of waste was deposited into Hutt City Council landfills during 2007, up 559 tonnes from last year.

Recycling

A total of 7,318 tonnes of recyclables was collected from kerbside and recycling stations, representing an increase of 805 tonnes on last year.

Wastewater

The private drains policy in the Waiwhetu catchment has entered its third year. This is intended to reduce the wastewater overflows into the Waiwhetu Stream from groundwater which has entered into private sewer drains through cracks and breaks. In the past 24 months 3.5 kilometres of public drains have been replaced in the area to augment the work undertaken on the private drains.

Stormwater

A trial project on decontaminating the Waiwhetu Stream was successfully carried out on a section of the streambed below the Bell Road Bridge. This trial opens the way for a larger project starting over summer to decontaminate the streambed further downstream. Other major stormwater activities included Black Creek (Wainuiomata), Manuka/Zeala Grove (Stokes Valley), Mulberry Street (Maungaraki), Jackson Street and Gracefield improvements.

Roading

Work continued on the sub-standard road upgrading programme with the completion of the lower portion of Hill Road in Belmont. A safe pedestrian link has now been

provided between the Belmont Hills and Belmont School enabling a 'walking school bus' to be set up in the area. Excellent progress has been made on the SH2 Dowse to Petone Upgrade project (D2P), with many major milestones already reached. The project remains on target for its scheduled completion in early 2010 with the new Dowse Interchange expected to be open early in 2009.

Toxic Algae Monitoring

Exceptionally dry summer weather conditions and warm water temperatures resulted in widespread growth of toxic algae mats in the Hutt and Wainuiomata Rivers in the post Christmas period.

Noise

Noise complaints received during the year primarily related to neighbourhood noise over the summer months, spa pool pumping equipment, heat pumps and air conditioning equipment, and noise from amplified equipment at licensed premises.

Coastal Erosion and Dune Restoration

The new Days Bay beach wall was constructed. Planting of pingao and spinifex at Windy Point was successful. The Ministry for the Environment funded the establishment of the Eastbourne – Petone Community Coast Care project. Two years of effort at the Petone Wharf dunes has made a wonderful visual difference.

Biodiversity

Mainland biodiversity in Hutt City increased with the successful breeding of kiwi introduced to Rimutaka Forest Park, and the introduction of North Island robins into East Harbour Regional Park. The spread of existing species from breeding grounds to urban reserves continued. Northern Rata was discovered naturally regenerating in young kamahi stands. Seedling wharangi appeared again where possum control had been in place for two years.

Pest Control

Council continued to control pest plants such as Old Man's Beard and Banana Passionfruit on both public and private land. Council joined with Department of Conservation and Greater Wellington Regional Council to control Marram grass along Pencarrow Coast Road. Ongoing control of Prickly Moses (acacia) and snakefeather in Hayward Scenic Reserve were part of a pest management plan provided by Greater Wellington. Possum and rodent control was expanded to most of the western hills.

Inventories

A survey of specimen (individual) trees on urban reserves was completed. A register of remnant Nikau palms on the urban valley floor was started. More of Council's walking tracks were recorded to enable review and some targeted upgrading.



FINANCIAL OVERVIEW

Introduction

Council has achieved good financial results this year, with a reported surplus of \$5.7 million against a budget of \$2.2 million.

At least ten years of producing budget surpluses and focusing on debt repayment has put Council in a strong financial position. As a result, Council has increased investment in areas of community concern, such as stormwater protection.

Council's Financial Strategy has continued to guide decisions made during the financial year. As a result, Council has consistently delivered rate increases that are among the lowest in the country. Council is determined to maintain its record of prudent financial management and ensure residents and ratepayers in the City receive excellent value.

Matt Reid

GENERAL MANAGER BUSINESS SERVICES

What it Cost to Run the City

The following table shows the cost per resident for Council activities. It highlights that the majority of Council expenditure is on essential infrastructure and community facilities. In the future, Council expenditure is expected to be even more heavily directed towards infrastructure.

| COSTS TO RUN THE CITY | |
|---|-----------------------|
| Group of Activities | Net cost per resident |
| People (libraries, museums, pools, recreation, parks, community support and property) | \$246 |
| Utility Services (roads, water, waste, emergency) | \$354 |
| Environment | \$38 |
| Economy and Urban Design | \$26 |
| Organisation (including cost of democracy) | \$58 |

Financial Performance

The Summary Income Statement summarises the financial performance of Council and the Group* for the last two financial years. The summary shows the operating revenue and expenditure as well as other transactions that have impacted on Council's and the Group's net wealth. The main difference between the Council and Group results is the consolidation of Seaview Marina Limited and Urban Plus Limited annual accounts in the Group results.

Council operating revenue was \$4.8 million above budget. Approximately \$1.8 million of this is attributable to unexpected vested assets from developments in Stokes Valley. The balance is largely due to increased revenue from environmental management activities, additional government subsidies and

a one off grant received from the Dowse Foundation. Income from rates was also above budget due to various amendments to property values in the City.

Council total operating expenditure of \$109 million is 1.3% greater than budget. This is predominantly attributable to additional finance costs, depreciation and employee costs. The additional finance costs are largely attributable to interest rates being higher than expected. The additional employee costs are associated with both market pressures as well as additional staff. Where additional staff have been employed the additional costs have been largely off-set by additional and associated revenues.

| All figures: \$000 | COUNCIL | | | GROUP | |
|---|----------------|----------------|----------------|----------------|----------------|
| | Actual 2008 | Budget 2008 | Actual 2007 | Actual 2008 | Actual 2007 |
| Revenue | 114,891 | 110,079 | 110,914 | 117,351 | 112,065 |
| Expenditure | 109,155 | 107,883 | 104,506 | 111,753 | 105,739 |
| Surplus before income tax | 5,736 | 2,196 | 6,408 | 5,598 | 6,326 |
| Income tax | – | – | – | – | – |
| Surplus after tax/Total recognised revenue and expenditure | 5,736 | 2,196 | 6,408 | 5,598 | 6,326 |
| Movements in revaluation reserves | – | – | – | 262 | – |
| Equity at the beginning of the year | 966,431 | 983,608 | 960,023 | 967,150 | 960,824 |
| Equity at the end of the year | 972,167 | 985,804 | 966,431 | 973,010 | 967,150 |

* Group is a term used in Council's financial statements to describe Council and its subsidiary companies combined.



Summary Statement of Cash Flows

The following table summarises how Council and the Group generated and used cash during the respective financial years. In both years, large cash surpluses from operating activities were invested in the City's assets.

| All figures: \$000 | COUNCIL | | GROUP | | |
|---|----------------|--------------|--------------|----------------|--------------|
| | Actual 2008 | Budget 2008 | Actual 2007 | Actual 2008 | Actual 2007 |
| Net cash flow from operating activities | 28,926 | 25,074 | 26,255 | 27,984 | 26,347 |
| Net cash flow from investing activities | (32,737) | (30,909) | (32,346) | (31,224) | (36,715) |
| Net cash flow from financing activities | (1,245) | 5,732 | 7,921 | (1,545) | 12,221 |
| Net cash flow for the year | (5,056) | (103) | 1,830 | (4,785) | 1,853 |

Summary Statement of Financial Position

The following table provides a summary of the Council and Group financial position (that is what they own and owe) at the end of each financial year. The Council's financial position remains strong with liabilities representing only 10% of total assets.

| All figures: \$000 | COUNCIL | | GROUP | | |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual 2008 | Budget 2008 | Actual 2007 | Actual 2008 | Actual 2007 |
| Current assets | 12,250 | 19,541 | 18,492 | 13,088 | 17,738 |
| Non-current assets | 1,070,214 | 1,078,861 | 1,058,993 | 1,074,769 | 1,063,944 |
| Total assets | 1,082,464 | 1,098,402 | 1,077,485 | 1,087,857 | 1,081,682 |
| Current liabilities | 61,480 | 84,215 | 72,447 | 66,018 | 75,925 |
| Non-current liabilities | 48,817 | 28,383 | 38,607 | 48,829 | 38,607 |
| Total liabilities | 110,297 | 112,598 | 111,054 | 114,847 | 114,532 |
| Net assets/equity | 972,167 | 985,804 | 966,431 | 973,010 | 967,150 |

NOTES

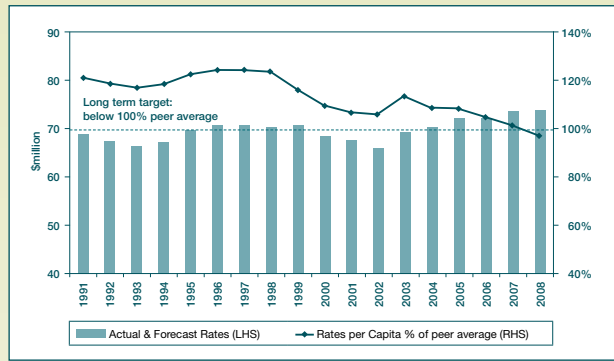
1. Part 6 s 98(b) of the Local Government Act 2002 requires Council to make publicly available a summary of information contained in its Annual Report.
2. The specific disclosures included in the summary financial report have been extracted from the full financial report adopted on 22 October 2008. This summary has been prepared in accordance with FRS-43: Summary Financial Statements.
3. The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report. The full financial report dated 22 October 2008 has received an unqualified audit report. A copy of the financial report may be obtained from Council's offices.
4. This summary financial report has been examined by the auditor for consistency with the full financial report. An unqualified auditor's report is included with this summary.
5. The Council has complied with New Zealand equivalents to the International Financial Reporting Standards as applicable for public benefit entities.



Rates

The graph measures rates per capita in comparison with Council's peers (other similar local authorities). It highlights the reductions achieved from 1999 onwards.

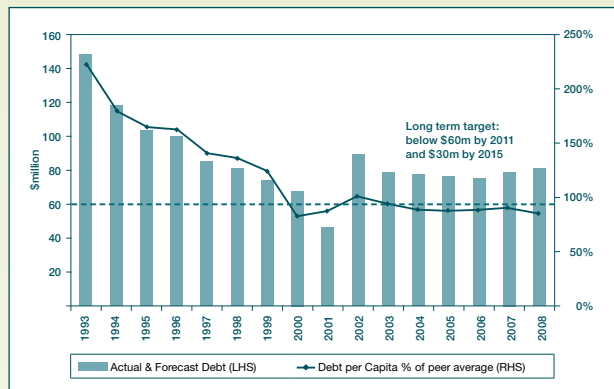
Historically Hutt City rates per capita have been well above peer average. This is partially due to many peer authorities owning major profitable businesses such as ports, airports, forestry and electricity companies, that help to keep rates down. Council's target is to deliver rate levels less than peer average per capita, and this was achieved in 2008.



Net Debt

This graph shows historical net debt levels per capita in comparison with Council's peers (other similar local authorities). It highlights the considerable success Council has had in reducing debt levels since 1993. At the time debt levels in Hutt City were more than twice the average for similar local authorities.

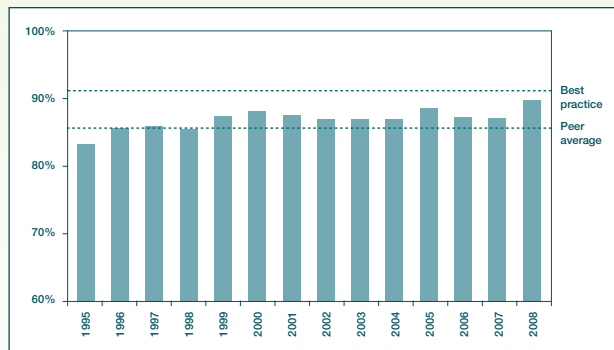
The increase in debt in 2002 was due to the unavoidable requirement to fund the construction of the wastewater treatment facilities at Seaview. However, debt levels are now below the average of peer local authorities and forecast to fall further. Council has a target of reducing net debt below \$60 million by 2011 and a long term target of reducing net debt below \$30 million by 2015.



Customer Satisfaction

Council monitors customer satisfaction levels with Council services annually by way of an independently conducted survey.

Council budgets to maintain satisfaction levels of at least peer average, but has a long term target of achieving results regarded as best practice.



AUDIT REPORT

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Unqualified Opinion

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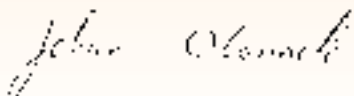
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Other than the audit, which includes being the auditor of the Council's Long Term Council Community Plan, and these appointments, we have no relationship with or interests in the City Council or any of its subsidiaries.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report and we are responsible for expressing an opinion on that report. These responsibilities arise from the Local Government Act 2002.



John O'Connell
AUDIT NEW ZEALAND

On behalf of the Auditor-General
Wellington, New Zealand
22 October 2008

CONTACT US

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Email: contact@huttcity.govt.nz

Mayor David Ogden
Cr R W (Roger) Styles, Eastern Ward, Deputy Mayor
Cr JMK (Joy) Baird, Harbour Ward
Cr D (David) Bassett, Central Ward
Cr B (Barbara) Branch, Eastern Ward
Cr M J (Margaret) Cousins, Western Ward
Cr R (Randall) Day, Wainuiomata Ward
Cr A (Angus) Finlayson, Northern Ward
Cr D (Deborah) Hislop, Central Ward
Cr V R (Ross) Jamieson, Harbour Ward
Cr G (Gwen) McDonald, Northern Ward
Cr M (Max) Shierlaw, Western Ward
Cr W R (Ray) Wallace, Wainuiomata Ward

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