

Document No: A377586

**Report To: Audit and Risk Committee**



Meeting Date: 28 November 2017

Subject: Declaration of Members' Conflicts of Interest

## Purpose of Report

- 1.1 The purpose of this business paper is for elected members to –
- 1 Declare interests that may create a conflict with their role as an elected member relating to the business papers for this meeting, and
  - 2 Declare any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 29168.

## Commentary

### 2.1 Conflicts of Interest

2.2 Every elected member has a number of professional and personal links to their community. They may own a business or be a member on a board or organisation. They may have a pecuniary (financial) interest or a non-pecuniary (non-financial) interest. These interests are a part of living in the community which they need to make decisions about in their role with Council.

2.3 Elected members are governed by the Local Authorities (Members' Interests) Act 1968 and are guided by the Auditor-General in how this Act is administered. In relation to pecuniary interests, the two underlying purposes of the Act are to:

- ensure members are not affected by personal motives when they participate in local authority matters; and
- in contracting situations, prevent members from using their position to obtain preferential treatment from the authority (the Council).

2.4 Non-pecuniary interests relate to whether an elected member could be in danger of having a real or perceived bias for an issue under consideration.

2.5 Elected members will also have interests that are considered no greater than the public at large. For example, most elected members will own a property and therefore be a ratepayer in Tasman District.

2.6 Conflicts of interest at times cannot be avoided, and can arise without anyone being at fault. They need not cause problems when they are promptly disclosed and well managed.

### 2.7 Declarations of Interest

2.8 At the beginning of each triennial council term, elected members are requested to disclose known interests on behalf of themselves and spouses or partners. It is

up to the elected member to judge whether they have any interests to declare. Some elected members may have none.

- 2.9 As well as this, elected members may decide that they have an interest in a particular issue or item to be discussed at a meeting. There is a standing item on every meeting agenda for elected members to declare conflicts of interest.
- 2.10 Members who have declared an interest in any matters that are due to be considered at a Council or Committee meeting should declare that they have an interest in the matter, leave the table and not take part in any discussion, debate or vote on that matter.
- 2.11 Attached to and forming part of this business paper is information to assist elected members in determining conflicts of interest.

**Declarations**

Mayor Hanna will invite elected members to give notice of any conflicts of interest relating to the business for this meeting.

In the event of a Declaration being made, the elected member must provide the following information relating to the Declaration:

<b>Name:</b>	
<b>Item of Business on the Agenda:</b>	
<b>Reason for Declaration:</b>	

MICHELLE HIGGIE  
**EXECUTIVE ASSISTANT**

<b>Local Authority (Members' Interests) Act 1968</b>
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- 3.1 The Local Authority (Members' Interests) Act 1968 helps to protect the integrity of local authority decision-making by ensuring that Councillors are not affected by personal motives when they participate in Council decision-making and cannot use their position to obtain preferential access to contracts. This Act deals with two forms of "interest":
1. Pecuniary
  2. Non-pecuniary
- 3.2 **Pecuniary Interest**
- 3.3 The **two** specific rules in the Act are that members cannot:
1. Enter into contracts with their local authority worth more than \$25,000 (including GST) in a financial year unless the Auditor-General approves the contracts (referred to as the contracting rule). Breach of this rule results in automatic disqualification from office; and
  2. Participate in matters before the Council in which they have a pecuniary interest, other than an interest in common with the public (referred to as the participation rule). Breach of this rule is a criminal offence and conviction results in automatic disqualification from office
- 3.4 A pecuniary interest is one that involves money. This could be direct or indirect. It is sometimes difficult to decide whether an interest in a particular matter is pecuniary or some other kind. It is always the responsibility of elected members to make this decision, to declare any interest when appropriate and to ensure that as an elected member you comply with the Act's requirements at all times. The Act generally provides that no person shall be capable of being a member of Council if that person is concerned or interested in any contracts with the Council where the total payments made by the Council in respect of such contracts exceeds \$25,000 in any one financial year.
- 3.5 The Act also provides that an "interest" exists where a member's spouse is involved and/or where a member or their spouse is a major shareholder or have control or management of a company which contracts with Council or where the company has a pecuniary interest in the decision. It may also apply where your family trust has a contract with the Council.
- 3.6 The Act does provide that on application to it the Office of the Auditor General may give specific approval to a member being concerned or interested in a particular contract, in which case the provisions of the Act will not disqualify the Councillor from remaining in office. The approval needs be gained before the contract concerned is entered into.
- 3.7 The Act also requires that a member shall not vote or take part in the discussion of any matter in which he/she has any pecuniary interest, other than an interest in common with the public. This interest is required to be declared by the member and is noted in the minutes.
- 3.8 The Office of the Auditor General is the agency, which oversees this legislation and it also has the responsibility and power to institute proceedings against any member. The Act does not define pecuniary interest, however the Office of the Auditor-General uses the following test: "Whether, if the matter were dealt with in a particular way, discussing or voting on that matter could reasonably give rise to an expectation of a gain or loss of money for the member concerned."

3.9 In deciding whether you have a pecuniary interest you should consider the following factors: What is the nature of the decision being made? Do I have a financial interest in that decision – do I have a reasonable expectation of gain or loss of money as a result of making that decision? Is my financial interest one that is in common with the public? Do any of the exceptions in the Act apply to me? Could I apply to the Auditor-General for approval to participate?

3.10 Further guidance is provided in the booklet “Guidance for members of local authorities about the Local Authorities (Members’ Interests) Act 1968” which has been provided to 5 elected members. It is important that you pay particular attention to the contents of this booklet as this is one of the few areas of the Council’s business where staff do not set out to provide pro-active advice and members are personally liable for compliance with the provisions of this Act.

### **3.11 Non-Pecuniary Interest**

3.12 Non-pecuniary interest is any interest the member may have in an issue that does not involve money. A common term for this is “bias” or pre-determination. Rules about bias operate not only to ensure that there is no actual bias, but also so there is no appearance or possibility of bias. The principle is that justice should not only be done, but it should be seen to be done. Bias may be exhibited where: -

- By their statements or conduct a member may indicate that they have predetermined the matter before hearing or considering all of the relevant information on it (including the Council’s debate); or
- The member has a close relationship with an individual or organisation affected by the matter.

3.13 Non-pecuniary interest is a difficult issue as it often involves matters of perception and degree. The question you need to consider, drawn from case law, is: “Is there, to a reasonable, fair-minded and informed observer, a real indication of bias on the part of a member of the decision making body, in the sense that they might unfairly regard with favour (or disfavour) the case of a party to the issue under consideration?” If there is, the member should declare their interest and withdraw from the debate and take no further part in the discussion of this item. The law about bias does not put you at risk of personal liability. Instead, the validity of the Council’s decision could be at risk. The need for public confidence in the decision-making process is paramount and perception can be an important factor. Again the booklet provided by Office of the Auditor General provides some excellent advice and information on this issue.

<b>Waitomo District Council Procurement Policy – 23 February 2013</b>
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4.1 The following is an extract from the Procurement Policy:

**2.1.11 Conflicts of Interest**

*WDC procurement process will be conducted with a spirit of probity demonstrating:*

- *integrity;*
- *honesty;*
- *transparency;*
- *openness;*
- *independence;*
- *good faith; and*
- *service to the public.*

*A conflict of interest occurs where:*

*A member's or official's duties or responsibilities to Council could be affected by some other interest or duty that the member or official may have.*

*The other interest or duty might exist because of:*

- *holding another public office;*
- *being an employee, advisor, director, or partner of another business or organisation;*
- *pursuing a business opportunity;*
- *being a member of a club, society, or association;*
- *having a professional or legal obligation to someone else (such as being a trustee);*
- *owning a beneficial interest in a trust;*
- *owning or occupying a piece of land;*
- *owning shares or some other investment or asset;*
- *having received a gift, hospitality, or other benefit from someone;*<sup>9</sup>
- *owing a debt to someone;*
- *holding or expressing strong political or personal views that may indicate prejudice or predetermination for or against a person or issue ; or*
- *being a relative or close friend of someone who has one of these interests, or who could otherwise be personally affected by a decision of Council*

*A relative or close friend includes:*

- *For matters covered by the Local Authorities (Members' Interests) Act 1968, the interests of a spouse, civil union partner, or de facto partner must be considered.*
- *Generally, the interests of any relative who lives with the member or official (or where one is otherwise dependent on the other) must be treated as being effectively the same as an interest of the member or official.*
- *For other relatives, it will depend on the closeness of the relationship, but it will usually be wise not to participate if relatives are seriously affected*
- *Where Council's decision or activity affects an organisation that a relative or friend works for, it is legitimate to take into account the nature of their position or whether they would be personally affected by the decision.*

*Examples of potential conflicts of interest include:*

- *conducting business on behalf of Council with a relative's company;*
- *owning shares in (or working for) particular types of organisation that have dealings with (or that are in competition with) Council;*

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- *deliberating on a public consultation process where the member or official has made a personal submission (or from making submissions at all, in areas that directly relate to the entity's work);*
- *accepting gifts in connection with their official role; or*
- *influencing or participating in a decision to award grants or contracts where the member or official is connected to a person or organisation that submitted an application or tender.*

*All elected members, WDC staff or advisers involved in a procurement process are required to declare any other interests or duties that may affect, or could be perceived to affect, their impartiality. WDC will then decide the steps necessary to manage the conflict, having regard to any relevant statutory requirements. WDC will maintain a register of declarations of conflicts of interest that records any conflicts of interest and how they will be managed.*

*An annual update of the register will be coordinated and maintained by the Executive Office.*

*Under no circumstances will a procurement process allow as an outcome of that process a circumstance where Council elected members, WDC staff or advisers to receive preferential treatment.*

**Document No:** A377705

**Report To: Audit and Risk Committee**



**Meeting Date:** 28 November 2017

**Subject:** Terms of Reference of the Audit and Risk Committee

**Type:** Information Only

### Purpose of Report

- 1.1 The purpose of this business paper is for the Committee to formally receive the Terms of Reference that Council approved for the newly established Audit and Risk Committee.

### Background

- 2.1 The Audit and Risk Committee was established by resolution of Council on 31 October 2017. The same resolution approved the Terms of Reference for the new Committee.
- 2.2 It was agreed at the Council Meeting that the Terms of Reference of the Audit and Risk Committee be reviewed by the Council after a period of 6 months from the establishment of the Committee.

### Commentary

- 3.1 The Audit and Risk Committee Terms of Reference documents the responsibilities of the Committee and explains its role within Council. It is important that the Committee members have a good understanding of the Terms of Reference document.
- 3.2 The Committee will have an opportunity to recommend changes to the Terms of Reference when the document is reviewed in February 2018.

### Suggested Resolution

The business paper on Terms of Reference of the Audit and Risk Committee be received.

TINA HITCHEN  
**FINANCE MANAGER**

13 November 2017

Attachment: 1 Terms of Reference A373092

## Waitomo District Council Audit and Risk Committee

### Terms of Reference

#### 1. PURPOSE AND SCOPE

1.1 The purpose of the Audit and Risk Committee is to provide guidance, assurance and assistance to Waitomo District Council on matters specific to risk, compliance, controls and external accountabilities by:

- 1 Overseeing that control mechanisms are in place that ensure compliance with standards, regulatory and legislative requirements
- 2 Ensuring appropriate management and monitoring processes in place to manage significant risks
- 3 Monitoring internal and external audits and the resolution of issues raised.
- 4 Provide clear line of communication between Council, Management and External and Internal Auditors; and
- 5 Seeking reasonable assurance regarding the integrity of Councils financial and non-financial planning and reporting

#### 2. RESPONSIBILITIES

##### 1.2 External Audit

- 2.1 To engage with Council's external auditors regarding the audit programme and agree the terms and arrangements for the external audit programme.
- 2.2 To review Council's Annual Report in depth and provide advice and recommendation to Council with respect to the integrity and appropriateness of the documents and disclosures and also recommend adoption.
- 2.3 To review matters raised in the audit reports and recommend organisational response priorities based on significance and risk.
- 2.4 To monitor the extent to which recommendations made in the audit report are implemented.

##### 2.5 Risk Management

- 2.6 To monitor Council's treasury management practices in order to provide assurance that policy limits are being adhered to. Recommendations should be made to Council when there are good reasons to exceed policy.
- 2.7 To review Council's insurance covers and limits on an annual basis for appropriateness.
- 2.8 To maintain overview of all reviews of financial policies and recommend changes to Council.

- 2.9 To work in conjunction with the Chief Executive and Group Manager Corporate Services in order to be satisfied with the existence and quality of appropriate cost effective financial risk management systems and processes and the proper application of these.
- 2.10 To recommend to Council any internal audit work or additional work streams required to strengthen Council's risk management framework.
- 2.11 To maintain an overview of the annual capital expenditure programme and the non-financial performance with a view to providing assurance that these are within parameters established in the Annual or Long Term Plans.
- 2.12 To consider all matters referred to the Committee by the Council.

### **3. DELEGATIONS**

- 3.1 The Council delegates to the Audit and Risk Committee the following powers and duties:
  - 1 Recommend changes to its Terms of Reference to the Council for adoption
  - 2 Approve the engagement and arrangement letters of Auditors
  - 3 Receive and consider audit reports
  - 4 Receive and consider staff reports on audit, internal controls, financial and risk management related matters
  - 5 Make recommendations to Council on financial, internal control and risk management and financial policy and procedure matters as appropriate
  - 6 Recommend the adoption or non adoption of the Annual Report
  - 7 Recommend new accounting and reporting requirements or changes to accounting policies
  - 8 The Audit and Risk Committee may not delegate any of its responsibilities, duties or powers.

### **4. MEMBERSHIP**

- 4.1 The Audit and Risk Committee will be appointed by resolution of Council and shall comprise of all elected members of Council.
- 4.2 The Mayor will Chair the Committee.
- 4.3 All members of the Committee will have voting rights.
- 4.4 Apart from the appointment of the first members of this Committee, which appointment is part way through a triennium, members will be appointed at the commencement of each triennium term of Council.
- 4.5 The Chief Executive and Group Manager Corporate Services shall attend all meetings in an advisory capacity but are not members and have no voting rights. Other staff as may be required will attend the meetings.

## **5. MEETINGS**

- 5.1 Meetings of the Committee shall be conducted in accordance with Model Standing Orders for Meetings of the Waitomo District Council. (Doc Number A162992)
- 5.2 The Committee will meet once every three months and at least four times in each financial year.
- 5.3 All minutes and recommendations of the Committee will be presented to the Council.

## **6. REVIEW OF TERMS OF REFERENCE**

- 6.1 The first review of these Terms of Reference will be carried out after a period of six months, in February 2018, by the Audit and Risk Committee and recommendations made to Council.
- 6.2 Thereafter, the Terms of Reference will be reviewed by the Council no later than the November following every triennial election.

**Document No:** A377102

**Report To:** **Audit and Risk Committee**



**Meeting Date:** 28 November 2017

**Subject:** **Insurance Renewal Report**

**Type:** Information Only

## Purpose of Report

- 1.1 The purpose of this business paper is to brief the Committee on Council's 2017 insurance renewal arrangements.

## Background

- 2.1 Council is a member of the Waikato Local Authority Shared Services (WLASS) insurance collective which has a membership of ten councils in the greater Waikato area. Council has been part of the insurance collective under the umbrella of WLASS since its inception in June 2012.

## Commentary

- 3.1 For the insurance policies taken out under WLASS collective arrangement, AON New Zealand (AON) acts as the insurance brokers.
- 3.2 There have been many benefits of being a member of the insurance collective Council including reduced premiums through greater buying power and continued reassessment of Council's insurance requirements.
- 3.3 The insurance policies taken out under WLASS collective arrangement were renewed on 31 October 2017 for a 12 month period. The public liability and professional indemnity policies were renewed earlier on 30 June 2017.
- 3.4 Final premium allocations and insurance documentation are currently being worked through by AON and are expected to be received shortly however were not received in time to be included in this business paper.
- 3.5 Indications from AON is that premiums are expected to increase by 15% for material damage and business interruption policies, however the insurance rate (premium per value insured) is still less than it was three years ago. An increase in premiums is also signaled for commercial motor vehicles insurance.
- 3.6 AON has also commented that the overall claims experience for the collective has been higher than expected over the last two years and the impact of the Kaikoura earthquake and the Edgumbe flood has also had an impact on the New Zealand insurance market, pushing premiums up. WDC has had only one claim under the material damage policy during the last two years that related to an electrical fire at Tawhana Street sewer pump station.
- 3.7 The table below summarises the insurance policies currently in place along with a brief description of the coverage and respective excess arrangements:

Policy	Description	Values Covered	Excess
Material Damage	Covers all risks to identified buildings, contents such as computers, books and furniture. Also covers above ground infrastructural assets such as treatment plants and reservoirs and other community assets such as playgrounds and statues.	Replacement value covered \$92,501,400	\$10,000
Infrastructure Insurance and Infrastructure primary layer	Cover for below ground infrastructural assets such as pipes, connections and manholes for natural catastrophic events such as earthquake, volcanic eruption, landslip and flooding damage. This policy meets central governments requirements that Councils are to meet 40% share of the cost of a natural disaster. Additional primary layer cover is also in place to cover 60% of the first \$10 million of a natural hazard claim.	Total asset replacement value \$48,382,557	\$250,000
Business Interruption	Covers consequential loss resulting from physical loss or damage to Council owned property such as loss of rental income if a building burns down. The policy has both shared limits and sub limits specific to each member Council.	Shared Limits: increased cost of working \$10 million and claims preparation \$2.5 million. WDC Council Specific Limits: Loss of revenue \$253,492, Loss of rental income \$234,000 for a 24 month indemnity period.	\$10,000 (except where an excess has already been at applied to a material damage claim for the same event)
Commercial Motor Vehicle	Cover for the motor vehicle fleet and provides for third party property and bodily injury.	\$1,427,000	\$500
Employer's Liability	Liability arising out of claims made by Employees for injuries outside the scope of the Accident Compensation Corporation.	Policy limit is \$2 million any one claim and in aggregate	\$1,000
Statutory Liability	Covers defence costs, fines and penalties arising from unintentional breaches of applicable legislation.	Policy limit is \$2 million any one claim and in aggregate	\$1,000
Fidelity/Crime	Policy covers direct financial loss through third party crime, electronic computer crime, destruction of money, criminal damage to property and erroneous funds transfer.	Policy limit is \$2 million any one claim and in aggregate	\$25,000
Machinery Breakdown	Policy covers risks that are excluded from the Material Damage policy (Excluding Fire policy). The types of perils covered are breakdowns within a machine, rather than external to machine, for instance an unforeseen fault that causes sudden damage to the machine and/or other processes or equipment around it.	Sum insured \$4,406,000	Each claim \$1,000
Forestry Cover	Policy covers for loss for fire including firefighting and re-establishment costs.	Firefighting \$250,000, Re-establishment \$15,700 and claims preparation \$10,000.	\$5,000 per event
Hanger keeper's	Policy covers airport owners and operators liability in respect of the Aerodrome.	\$10,000,000	\$2,500

### **3.8 Infrastructure Insurance**

- 3.9 Infrastructure insurance covers catastrophe type risks such as earthquakes or flooding and provides cover for 40% of the infrastructure assets value. Currently central government will provide cover for the remaining 60% of the value of infrastructure assets. This is subject to their deductible which is calculated as a percentage of the Net Capital Value for the council region and is also subject to their discretionary cover of the first \$10 million of any claim. There is therefore some risk around this 60% contribution from central government.
- 3.10 To mitigate this uncertainty, additional insurance cover for Infrastructure Primary layer has also been purchased that provides a further 60% of the first \$10 million of a natural hazard claim. This effectively replaces the discretionary central government involvement for the first \$10 million for natural hazard claim above the excess level. This policy was relatively low cost and provides greater certainty around the majority of natural disaster perils to which we are exposed.
- 3.11 For the insurance collective, modelling was carried out for earthquake risk centered in and around Hamilton, with the results giving a mean "Maximum Probable Loss" scenario in the range of \$238 to \$253 million. The Waikato Region is considered to be a relatively low risk area for earthquakes. Based on this result, the collective has opted for a group loss limit of \$300 million and within that individual loss limits were determined for each member council, with Waitomo District Council being \$30 million.
- 3.12 In the event of multiple councils being affected by one event, there would be no contingent liability of one council to another, each council would be treated as independent and any claim would be settled on a separate basis.
- 3.13 Further to that in the extremely unlikely event that damage from one event is greater than the \$300 million "Shared Pool" loss limit the amount claimable under the policy is in proportion to the Council's share of the total loss from the event.

### **3.14 Public Liability and Professional Indemnity**

- 3.15 The public liability and professional indemnity insurance covers the 12 month period from 30 June 2017.
- 3.16 Public liability insurance provides protection for legal liability in connection with the business arising from occurrences resulting in personal injury or property damage.
- 3.17 Professional indemnity insurance provides protection for legal liability in respect of any breach of a professional duty arising from a negligent act, error or omission.
- 3.18 Previously WDC had insurance cover for both these policies under Riskpool which is an insurance mutual. Riskpool advised in February 2017 that they would not be offering insurance cover for 2017/18 onwards. Two options were considered as a replacement for the Riskpool product; Jardine Lloyd Thompson (JLT) and a commercial option via AON.
- 3.19 The JLT option is a London market local government liability programme arranged through JLT providing cover of \$300 million for any one claim and in aggregate. The programme has the same underwriters as Riskpool, which means there is continuity of cover despite a new policy being taken out.
- 3.20 The AON alternative was a commercial placement of public liability and professional indemnity insurance with a 'continuity of cover' clause which provides protection for events that occurred prior to the start of the new policy but were not known at the

time. This option would provide \$50 million sum insured for any one claim and in aggregate.

- 3.21 The two options were comprehensively reviewed by staff and included discussions with other member Councils of WLASS who had also been covered previously by Riskpool.
- 3.22 The JLT product offered higher cover levels and a significantly lower cost than the AON alternative. Other than these differences, the products were relatively similar. On this basis, the JLT option was procured for public liability and professional indemnity insurance cover the 2017/18 year.

### **Suggested Resolution**

The business paper on the Insurance Renewal Report be received.

TINA HITCHEN  
**FINANCE MANAGER**

20 November 2017

Document No: A377095

**Report To: Audit and Risk Committee****Meeting Date:** 28 November 2017**Subject:** Treasury Report**Type:** Information Only**Purpose of Report**

- 1.1 The purpose of this business paper is provide an overview on the current investment and borrowing position and compliance with the Treasury Policy.

**Background**

- 2.1 Council has a Treasury Policy to govern how the treasury management function operates. This policy was adopted as part of the 2015-2025 LTP supporting information. A copy of the Treasury Policy is attached.
- 2.2 The Treasury management policy incorporates both Council's Investment and Liability Policies, which are required under sections 102, 104 and 105 of the Local Government Act 2002.
- 2.3 The Treasury Policy is currently being reviewed and Council will adopt the final policy as part of the LTP development process. The new policy will take effect from 1 July 2018.
- 2.4 This briefing paper provides a summary of our current investment and borrowing position, compliance with investment and borrowing policy limits, along with commentary on interest rate risk management, borrowing and interest rate cover.

**Commentary****3.0 Investments**

- 3.1 The investments currently held by WDC are detailed as follows:

Description	Actual \$000's 31 Oct 2017
Investment in ICL	4,500
Other minor shareholdings	20
LGFA Borrower Notes	400
Call Deposit - Retention Monies Funds	110
<b>Total</b>	<b>5,030</b>

**3.2 Investment in ICL**

- 3.3 Council has 100% ownership in its subsidiary company Inframax Construction Limited (ICL). The value of the shareholding and the amount being carried at 30 June 2017 is \$4,500,000 and is based on a valuation carried out as at 30 June 2016.

An independent valuation of the company is planned to be completed at 30 June 2018 for inclusion in the 2017/18 Annual Report.

#### 3.4 Other Minor Shareholdings

3.5 Council is one of twelve shareholder Council's in Waikato Local Authority Shared Services Limited. This company was set up to develop shared services initiatives between shareholding councils. No value has been recognised for this investment in the financial statements as the fair value cannot be measured reliably.

3.6 Council also holds 16,940 shares in Civic Financial Services Ltd, formally known as the NZ Local Government Insurance Company Ltd.

3.7 The shareholdings in these companies is generally to provide economic benefits through receipt of services rather than a financial return and the risks to these holdings is in the nature of services not being received as agreed.

#### 3.8 LGFA Borrower Notes

3.9 When borrowing from the LGFA, Council borrowers are required to invest 1.60% of the amount borrowed in Borrower Notes. These are subordinated debt of the LGFA, who use it as it as capital and in certain circumstances can convert to shares in the LGFA.

3.10 Interest income to Council is accrued on the outstanding amounts of the Borrower Notes and is paid when the Borrower Note is repaid, which is at the same time as the underlying debt Council has borrowed from the LGFA matures and is repaid.

3.11 Set out in the table below is a schedule of Borrower Notes Council currently has invested in the LGFA as at 31 October 2017.

Description	Interest Rate Exposure	Borrower Note Start Date	Borrower Note Maturity Date	Borrower Note Balance	Interest Rate as at 31 October 2017
LGFA: Borrower Note	Floating	19/06/2017	15/11/2021	96,000	2.205%
LGFA: Borrower Note	Floating	19/06/2017	18/04/2024	48,000	2.275%
LGFA: Borrower Note	Floating	19/06/2017	10/09/2020	80,000	2.120%
LGFA: Borrower Note	Floating	19/06/2017	24/04/2023	80,000	2.270%
LGFA: Borrower Note	Floating	19/06/2017	30/06/2019	80,000	2.105%
LGFA: Borrower Note	Fixed	19/06/2017	19/04/2025	16,000	3.370%
<b>Total Borrower Notes</b>				<b>400,000</b>	

#### 3.12 Call Deposit – Retention Monies Funds

3.13 At 31 October 2017 Council had \$110,000 held as a Call Deposit with Westpac Bank. The purpose of money to provide cash on trust for Council's retentions obligations, which arise from construction contracts with Council's suppliers. This money is deemed restricted and cannot be used for any other purpose.

3.14 The balance of the deposits held is monitored each month and increased to cover the gross value of retention obligations plus an additional amount for any increase in retention obligations expected during the month.

#### 3.15 **New Investments**

3.16 No new investments have been entered into during the period.

### 3.17 Monitoring and Reporting

3.18 Monitoring the performance of the investment in ICL is by way of a review of half and full year annual reports and regular shareholder meetings with company representatives.

3.19 A business paper on the ICL 2017 AGM is included separately in the agenda.

3.20 Other investments are regularly monitored and reported to Council on a quarterly basis as part of the Quarterly Financial Report.

### 3.21 Risk Management

3.22 Council manages its risk by ensuring treasury investments (short to medium term financial investments) are made with credit worthy counterparties. Low risk counterparties are defined as those with a Standard and Poors (S&P) rating of AA- or better.

3.23 Both LGFA and Westpac have credit ratings equal to or better than this rating and are considered low risk.

## 4.0 Borrowing

4.1 Actual public debt at 31 October 2017 was \$43,803,823 and cash assets were \$161,914. This gives an overall net debt position of **\$43,641,909**.

4.2 Forecasted public debt at 30 June 2018 as per the EAP 2017/18 is \$51,136,000. Reduced capital expenditure in prior years and savings in operational expenditure has resulted in a lower debt position than forecast in the EAP. It should be noted that the capital expenditure program is still to be completed for the year and comparison against budget can only be made at 30 June 2018.

4.3 The following table gives the public debt position at 31 October 2017 and the key dates for each loan. Loans classified as current are those that are due for refinancing or repayment within 12 months of the date of this report.

Public Debt at 31 October 2017	Interest Rate Exposure	Loan Start Date	Loan Maturity Date	Effective Interest Reprice Date	Loan Balance	Effective Interest Rate
<b>Current Loans</b>						
Accrued Interest					208,823	0.00%
Call Advance	Floating		01/07/18		2,845,000	2.85%
LGFA Commercial Paper	Floating	07/08/17	02/02/18	02/02/18	5,000,000	2.195%
LGFA Commercial Paper	Hedged	18/07/17	18/01/18	20/04/20	5,000,000	4.52%
Floating Rate Note	Floating	24/08/15	24/08/18	24/11/17	5,000,000	2.46%
Westpac Term Loan (ICL)	Floating	24/11/11	24/11/17	13/11/17	750,000	5.10%
<b>Total Current Loans</b>					<b>18,803,823</b>	
<b>Non-current Loans</b>						
LGFA: Floating Rate Note	Hedged	19/06/17	15/11/21	17/05/21	6,000,000	5.455%
LGFA: Floating Rate Note	Hedged	19/06/17	18/04/24	18/04/23	3,000,000	4.605%
LGFA: Floating Rate Note	Hedged	19/06/17	10/09/20	11/09/20	5,000,000	4.26%
LGFA: Floating Rate Note	Hedged	19/06/17	24/04/23	24/01/24	5,000,000	4.48%
LGFA: Floating Rate Note (ICL)	Hedged	19/06/17	30/06/19	30/08/19	5,000,000	4.33%
LGFA: Fixed Rate Bond (ICL)	Fixed	19/06/17	19/04/25	19/04/25	1,000,000	3.68%
<b>Total Non-current Loans</b>					<b>25,000,000</b>	
<b>Total Public Debt</b>					<b>43,803,823</b>	<b>3.98%</b>
Less Cash held					161,914	
<b>Net Public Debt</b>					<b>43,641,909</b>	

#### 4.4 Specific Borrowing Limits

4.5 Ratios based on revenue, debt servicing and debt to equity ratios are used to measure a prudent borrowing limit. Set out below is the ratio calculations for the period ended 31 October 2017 matched against policy thresholds.

Specific Borrowing Limit Ratios	Actual 2016/17	EAP Budget 2017/18	YTD Actual Oct 2017
Total interest expense will not exceed 15% of total revenue	7%	9%	4%
Total borrowings will not exceed 25% of total equity	15%	17%	15%
Total borrowings must not exceed 20% of total assets	13%	14%	13%
Net debt will not exceed 170% of total [cash] revenue	62%	117%	Measured at year end
Net interest will not exceed 20% of annual rates	10%	13%	6%

4.6 The ratio calculation for October 2017 indicates there are no policy breaches during the period.

#### 4.7 Interest Rate Risk

4.8 Interest rate risk is the risk of significant unplanned changes to interest costs as a result of financial market movements.

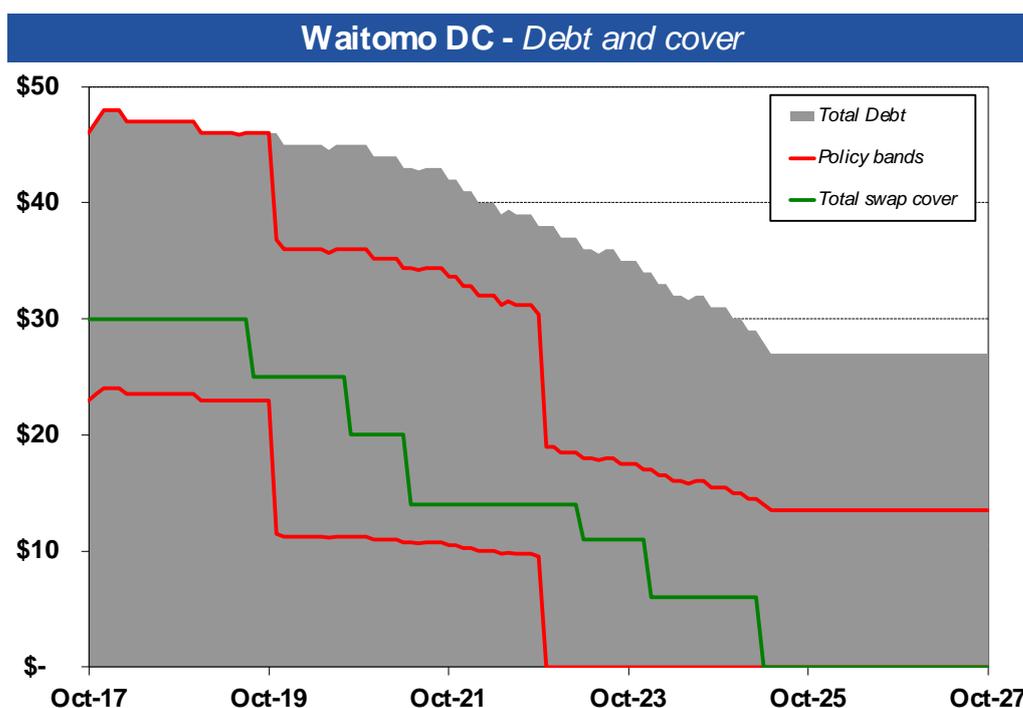
4.9 Interest rate risk is currently managed through the use of the following instruments;

- Floating Rate Notes
- Fixed Rates Bonds
- Interest Rate Swaps (Receive-floating-pay-fixed).

4.10 The Treasury Policy requires that interest rate exposures shall be managed within the following limits:

Fixed Rate Hedging Percentages		
	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0 – 2 years	50%	100%
2 – 5 years	30%	80%
5 – 10 years	0%	50%

4.11 The following chart shows the level of fixed interest rate cover in place against policy bands. The results show that the level cover acquired meets policy targets. The area within the two red lines is the allowable limits of the Treasury Policy.



#### 4.12 Interest rate swaps and hedge accounting

4.13 The notional value of swap contracts in place at 31 October was \$29 million providing current interest rate risk cover plus one forward start swap contract of \$5 million notional value with a start date of 20 April 2020.

4.14 The indicative valuation of these swaps is a net liability of \$1,824,000 at 31 October 2017 whereas at 30 June 2017 the value of the swaps was a total net liability of \$1,636,000.

#### 4.15 Independent Treasury Advice

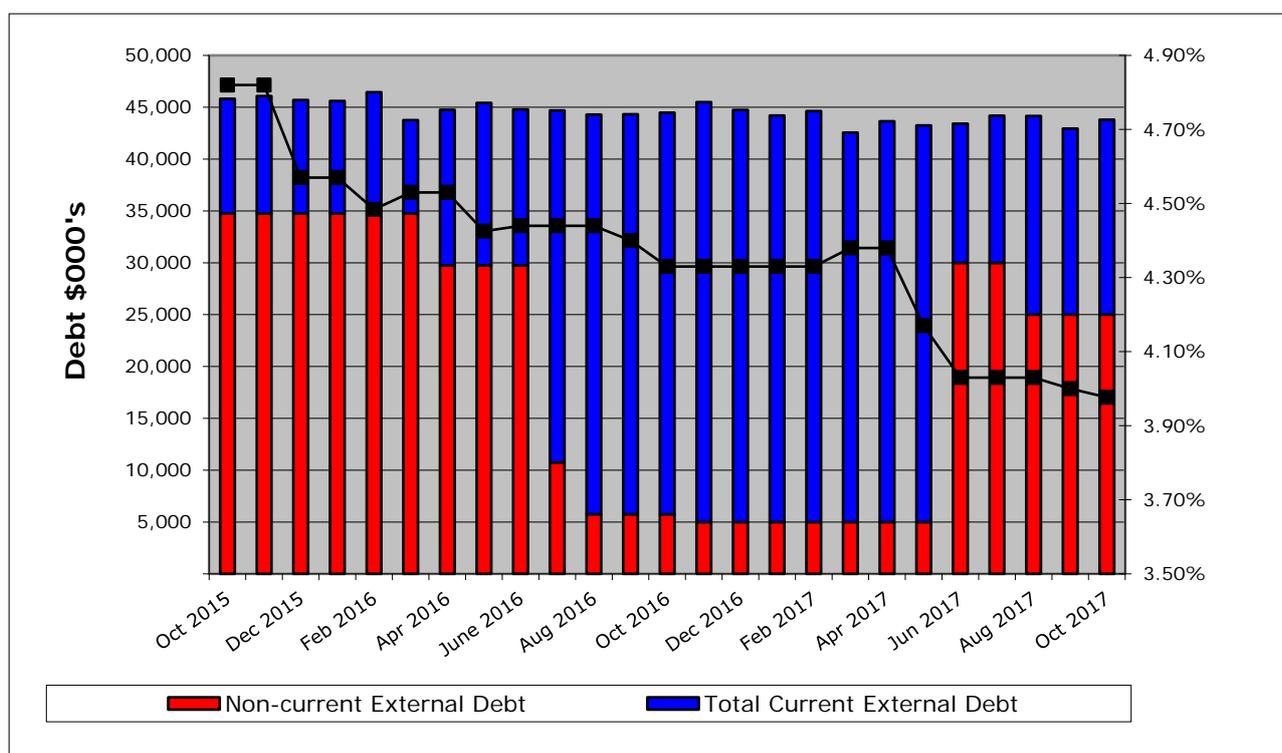
4.16 In line with the Treasury Policy, Council engages the services of an independent Treasury Advisor to assist with managing the funding and interest rate risks.

4.17 Bancorp Treasury Management Services Limited (Bancorp) provide general oversight and provide recommendations for the management of Council's debt. A representative from Bancorp meets quarterly with the Treasury Management Committee to work through the details of impending transactions and risk strategies. The committee then makes recommendations to the Chief Executive on actions to take.

4.18 Reports compiled by Bancorp are provided and included as an attachment to the Financial and Non-financial Reports issued to Council each quarter.

#### 4.19 Weighted average interest rate

4.20 Set out below is a graph that shows the trends in Council's current and non-current debt for the last two years to October 2017. The trend line overlaid is the effective weighted average interest rate currently being paid on all loans.



4.21 At 31 October 2017 the effective weighted average interest rate for all loans excluding finance leases, accrued interest and call advance facility cost was 3.98%.

4.22 A number of factors have contributed to the interest rate decrease, notably the transfer of bank debt and FRN's held in Council's name to FRN's and fixed rate bonds from the LGFA, with most of the transfer occurring on the 19 June 2017.

4.23 The trend for average weighted interest rates for the last two years is set out in the table below. Credit facility fees are not included in these figures.

	30 Jun 2015	31 Dec 2015	30 Jun 2016	31 Dec 2016	30 Jun 2017	31 Oct 2017
Weighted Average Interest Rate	5.15%	4.57%	4.44%	4.33%	4.03%	3.98%

#### 4.24 **Liquidity Risk**

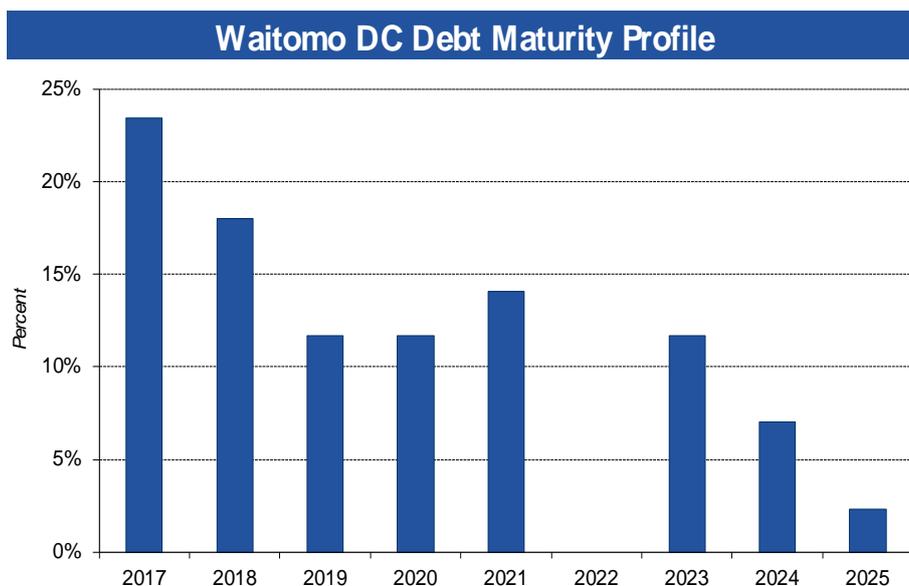
4.25 Liquidity risk is the risk that there are insufficient financial resources to meet its financial obligations when they fall due.

4.26 To manage liquidity risk WDC aims to :

- To avoid a concentration of debt maturity dates Council will, where practicable, aim to have no more than 50% of debt subject to refinancing in any 12 month period.
- WDC shall aim to maintain committed funding lines of not less than 105% of projected core debt.

#### 4.27 Concentration of Maturity Dates

4.28 Set out in the following graph is the proportion of debt that is due to be repaid in each calendar year as at 31 October 2017.



4.29 The chart shows that WDC is clearly within its target of no more than 50% of Council's debt maturing in any one calendar year.

4.30 Included in the 2018 maturities is the Call Advance amount drawn, which has a maturity date of 1 July 2018 and \$750,000 unsecured loan on lent to ICL. The \$750,000 loan will mature on 24 November 2017. The maturity date will be extended, with \$375,000 payable in June 2018 and the remaining balance in June 2019.

4.31 Committed Funding Lines

4.32 As at the 31 October 2017, uncommitted funding lines, which is in the form of unused Wholesale Call advance was \$7,115,000 giving committed funds of \$50.8 million, which represents 116% of Net Debt; which is meet the target of 'not less than 105%' in order to minimise liquidity risk.

4.33 **Credit Risk**

4.34 Credit risk exists, where the creditworthiness of a counterparty that Council borrows from, deteriorates. The Treasury Policy determines that counterparties that Council may borrow from must have a S&P credit rating of AA- or better.

4.35 As at the 25 September 2017 the S&P credit rating of the LGFA was AA+ for long term and A-1+ for short term with an assessed stable outlook.

4.36 Westpac has a S&P rating of AA- long term and A-1+ short term with an assessed negative outlook.

## Suggested Resolution

The business paper on Treasury Report be received.

TINA HITCHEN  
**FINANCE MANAGER**

20 November 2017



# Treasury Policy

(Incorporating Council's Investment and Liability  
Management Policies)

**August 2014**

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Last Review	<b>August 2011</b>
Review Date	<b>August 2014</b>
Next Review	<b>August 2017</b>
Adoption Date	<b>February 2015</b>
Responsibility	<b>Corporate Services</b>

## INVESTMENT POLICY

### 1.0 Summary

- 1.1 The following is developed pursuant to Section 102 (4) LGA 2002. It seeks to outline the suggested content for an Investment Policy in compliance with Section 105 of the LGA 2002. It discloses Council's principles of prudent financial management and risk mitigation strategies as they relate to investments.

### 2.0 Policy Objectives

- 2.1 The objectives of this policy are:
- To comply with sections 102 and 105 of the Local Government Act 2002.
  - To promote long term prudent financial management.
  - To outline how investment risk associated with investment activities is assessed and managed.
  - To outline how investments (strategic, equity, and treasury) are managed and reported on.
  - To safeguard WDC's financial market investments by establishing and regularly reviewing investment parameters and ensuring that all investment activities are carried out within these parameters
  - Ensure the integrity of WDC's financial market investments by only investing in appropriately rated organisations and in appropriate financial instruments, as detailed in this policy
  - Produce accurate and timely information that can be relied on by senior management and Council for control and exposure monitoring purposes in relation to the investment activities of WDC.

### 3.0 Statutory Requirements

- 3.1 Section 105 of the LGA 2002 outlines the content of an investment policy:

#### 105 Investment Policy

A policy adopted under section 102(1) must state the local authority's policies in respect of investments, including—

- (a) [Repealed]
- (b) the mix of investments; and
- (c) the acquisition of new investments; and
- (d) an outline of the procedures by which investments are managed and reported on to the local authority; and
- (e) an outline of how risks associated with investments are assessed and managed.

## 4.0 Relationship to other Council Policies

4.1 It is important when reading this policy that it is read in conjunction with other related Council policies. Council policies often reference and inform each other so that any issue before Council can be dealt with in an integrated and comprehensive fashion. Policies that have a clear relationship with this Investment Policy are:

- The **Liability Management Policy** (for borrowing by the Council and guarantees by the Council which are ultimately a liability);
- Council's **Significance and Engagement Policy** (which if triggered by a proposal to make an investment will mean that the proposal will be subject to further decision-making and consultation requirements).

## 5.0 Mix of Investments

5.1 Council is a risk adverse entity and therefore takes a prudent approach to managing its investments. Council seeks to maintain diversity in its investment portfolio to spread and minimise risk. Council generally has three types of investments:

- **Strategic Investments** - investments made or held in alignment to Council's strategic direction and typically retained on a long term basis. These include property investments - i.e. land and buildings (including subdivisions) – quarries, forestry and property vested in the Council.
- **Equity Investments** - equity (ownership) participation in a private (unlisted) company (including Council Controlled Organisations) or a start-up (a company being created or newly created). Such investments may not necessarily provide a financial return to Council, and may be held for wider social, tactical and/or economic reasons. Notwithstanding, Council will continue to actively seek opportunities for a financial return from all such investments.
- **Treasury Investments** – short to medium term financial investments that maximise financial return but ensure an appropriate level of liquidity for forecast expenditure.

5.2 WDC shall manage its short term money market and longer term fixed interest investments in accordance with the parameters contained in Appendix 1 of this policy.

## 6.0 New Investments

6.1 Prior to making new strategic or equity investments Council will consider (where relevant):

- The expected financial return.
- How the investment will contribute in furthering the Waitomo District's Community Outcomes as documented in the Long Term Plan.
- The existing investment portfolio and how the proposed investment 'fits' in terms of Council's preference to spread and minimise risk.

- Any other consideration Council deems appropriate.
- 6.2 Despite anything earlier in this Policy on Investment, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.
- 6.3 The Council's objective in making any such investment will be to:
- Obtain a return on the investment; and
  - Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.
- 6.4 Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially higher than the return it could achieve with alternative investments.
- 6.5 If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.'

## **7.0 Management and Reporting**

- 7.1 Investments will generally be monitored and reported through Council's established reporting procedures (Quarterly and Annual Report).
- 7.2 For equity investments:
- Transparency and reporting mechanisms will be key elements in any governance arrangements. The frequency and nature of reporting will depend on the nature and size of each investment.
  - In general terms reporting will comply with generally accepted accounting practice and International Financial Reporting Standards.
  - Performance of investments will be reported in accordance with any governance arrangements, but no less than on a six monthly and annual basis.

## **8.0 Risk Management**

- 8.1 Council is a risk adverse entity and therefore takes a prudent approach to managing its investments. Council seeks to maintain diversity in its investment portfolio to spread and minimise risk.
- 8.2 Where material risk to Council is apparent (e.g. equity investments) Council will commission an independent risk assessment and management report prior to entering into the investment.
- 8.3 To ensure the protection of Treasury investments Council will only invest with credit worthy counter parties. Low risk counter parties are defined as those having a Standard and Poors rating of AA- or better.

<b>APPENDIX 1</b>
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**Authorised Investment Criteria for Short Term Funds and Long Term Funds**

<b>Authorised Asset Classes</b>	<b>Overall Portfolio Limit as a Percentage of the Total Portfolio</b>	<b>Approved Financial Market Investment Instruments (must be denominated in NZ dollars)</b>	<b>Credit Rating Criteria – Standard and Poor's (or Moody's or Fitch equivalents)</b>	<b>Limit for each issuer subject to overall portfolio limit for issuer class</b>
New Zealand Government	100%	<ul style="list-style-type: none"> <li>Government Stock</li> <li>Treasury Bills</li> </ul>	Not Applicable	Unlimited
Local Authorities where rates are used as security	70%	<ul style="list-style-type: none"> <li>Commercial Paper</li> <li>Bonds/MTN's/FRN's</li> </ul>	Not Applicable	\$2.0 million \$2.0 million
New Zealand Registered Banks	100%	<ul style="list-style-type: none"> <li>Call/Deposits/Bank Bills/Commercial Paper</li> <li>Bonds/MTN's/FRN's</li> </ul>	Short term S&P rating of A1 or better Long term S&P rating of A+ or better	\$7.5 million \$2.5 million
State Owned Enterprises	60%	<ul style="list-style-type: none"> <li>Commercial Paper</li> <li>Bonds/MTN's/FRN's</li> </ul>	Short term S&P rating of A1 or better Long term S&P rating of BBB+ or better Long term S&P rating of A+ or better	\$2.0 million \$1.0 million \$2.0 million
Corporates	60%	<ul style="list-style-type: none"> <li>Commercial Paper</li> <li>Bonds/MTN's/FRN's</li> </ul>	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of AA or better	\$2.0 million \$1.0 million \$2.0 million

Investments that no longer comply with minimum rating criteria due to a rating downgrade must be sold within one month of the downgrade being notified unless Council formally approves the continued holding of the investment.

## **LIABILITY MANAGEMENT POLICY**

### **1.0 Background**

- 1.1 The Local Government Act 2002 (LGA 2002) empowers a local authority to undertake any activity or business on behalf of its communities. Unlike its predecessor, LGA 2002 provides a form of general empowerment to councils to enable them to enter contracts and undertake transactions, etc, similar to the way in which a private individual or company would. The introduction of an empowering framework provided for in the legislation removes the need for complex prescriptive legislation that by definition prevents council flexibility and responsiveness.
- 1.2 The legislation however requires that Councils' must conduct their business in an open and transparent manner and be accountable for the decisions made by them. They have to undertake any commercial transactions in accordance with sound business practices. Councils have to abide by significant procedural requirements especially with regard to financial management. These are aimed to ensure that decisions are made in light of community views; decisions are subject to public scrutiny; and ultimately electoral accountability.
- 1.3 The requirement to have a Liability Management Policy is an example of these procedural requirements. This requirement is designed to ensure that local government is transparent and accountable when exercising its stewardship role.

### **2.0 Statutory Requirements**

- 2.1 Section 104 of the LGA 2002 outlines the content of a liability management policy:

#### **104 Liability Management Policy**

A policy adopted under section 102(1) must state the local authority's policies in respect of both borrowing and other liabilities, including—

- (a) interest rate exposure; and
- (b) liquidity; and
- (c) credit exposure; and
- (d) debt repayment.

### **3.0 Liability Management Policy for the Waitomo District Council**

- 3.1 The following policy is developed pursuant to Section 102(1). It seeks to outline the suggested content for a Liability Management Policy in compliance with Section 104 of the LGA 2002. It discloses Council's principles of prudent financial management and risk mitigation strategies as they relate to liability management.

## 4.0 Policy Objectives

4.1 The objectives of this Policy are:

- To comply with Sections 102 (1) and 104 of the LGA 2002.
- To promote long term prudent financial management.
- To outline how liability risk associated with borrowing activities is assessed and managed.
- To outline how liabilities (current and non current) are managed and reported on.
- Ensure that WDC has an ongoing ability to meet its debts in an orderly manner as and when they fall due in both the short and long-term, through appropriate liquidity and funding risk management
- Arrange appropriate funding facilities for WDC, ensuring they are at market related margins utilising bank debt facilities and/or capital markets as appropriate.
- Maintain lender relationships and WDC's general borrowing profile in the local debt and, if applicable, capital markets, so that WDC is able to fund itself appropriately at all times.
- To provide appropriate levels of funding for investments (in accordance with Sections 3.0, 5.0, 6.0 and 8.0 of the Council's Investment Policy) and as may be authorised from time to time by way of Council resolution.
- Control WDC's cost of borrowing through the effective management of its interest rate risk, within the rate risk management limits established by the liability management policy.
- Ensure compliance with any finance/borrowing covenants and ratios.
- Maintain adequate internal controls to mitigate operational risks.
- Produce accurate and timely information that can be relied on by senior management and Council for control and exposure monitoring purposes in relation to both the debt raising and financial market investment activities of WDC.

## 5.0 Relationship to other Council Policies

- 5.1 It is important when reading this Policy that it is read in conjunction with other related Council policies. Council policies often reference and inform each other so that any issue before Council can be dealt with in an integrated and comprehensive fashion. Policies that have a clear relationship with this Liability Management Policy are:
- The Policy on Investments (outlines principles of prudent financial management and risk mitigation strategies as they relate to investments).
  - Council's Significance and Engagement Policy (which if triggered by a proposal will mean that the proposal will be subject to further decision-making and consultation requirements).
  - The Revenue and Financing Policy (which outlines that proceeds from assets sales will be applied to debt repayment).

## 6.0 Organisational Structure

- 6.1 Council has established a Treasury Management Committee (TMC) whose duties are listed below. The TMC shall comprise –

- Group Manager – Corporate Services
- Finance Manager
- Senior Accountant
- WDC's Independent Treasury Advisor

- 6.2 Duties shall comprise of:

### Full Council

- Approve Treasury Policy (TP), including any amendments proposed by the TMC
- Approve any hedging outside the parameters of the TP
- Approve the use of any risk management products not authorised by the TP
- Monitor treasury performance through receipt of appropriate reporting
- Approve overall borrowing limits on an annual basis through the Annual Plan process
- Determination of any Local Government Funding Agency transactions as per Section 11 of this Policy.

### Treasury Management Committee

- Plan and discuss all funding and interest rate risk management activities of WDC prior to implementation/execution.

- Plan and discuss all financial market investment activities of WDC prior to execution.
- Monitor and review the ongoing treasury performance of WDC and compliance with TP parameters through the receipt of regular reporting.
- Conduct a review of the TP every three years or on an 'as required' basis and submit any recommended changes to Council for approval once the necessary statutory processes have been followed.

#### **Chief Executive Officer**

- In the absence of the Group Manager – Corporate Services, oversee the funding, interest rate risk management and financial market investment activities of WDC.
- In the absence of the Group Manager - Corporate Services undertake all his/her duties as detailed in the Liability Management Policy and the Policy on Investments or delegate the duties as appropriate.
- In the absence of the Group Manager – Corporate Services sign documents relating to the financial market activities of WDC.

#### **Group Manager – Corporate Services**

- Make decisions in respect to treasury management within the parameters of the TP.
- Report to Council on overall treasury activity on a regular basis.
- Manage the bank lender and capital markets relationships, providing financial information to lenders and negotiate new/amended borrowing facilities or methods for approval by the full Council.
- Sign documents relating to the financial market activities of WDC.
- Execute treasury transactions in the absence of the Senior Accountant.
- Check external confirmations against internal records.

#### **Finance Manager**

- In the absence of the Group Manager – Corporate Services undertake all his/her duties under a delegated authority, other than those duties delegated to the Chief Executive Officer.
- In the absence of the Senior Accountant undertake all his/her the duties under a delegated authority.
- Check external confirmations against internal records.

#### **Senior Accountant**

- Execute treasury transactions.
- Assist the Group Manager – Corporate Services in the preparation of reports to Council.
- Check external confirmations against internal records.

## 7.0 Interest Rate Exposure

- 7.1 Interest rate risk is the risk of significant unplanned changes to interest costs as a result of financial market movements.
- 7.2 The objective of managing interest rate risk is to have a framework in place under which Council can actively manage its borrowings within overall guidelines to spread and reduce risk and stabilise interest costs.
- 7.3 Borrowings can only be made in New Zealand dollars (Section 113 of the LGA 2002).
- 7.4 The interest rate exposures of WDC shall be managed according to the parameters detailed in the following table and shall apply to the projected core debt of WDC. Core debt is defined as that contained in the Annual Plan or as otherwise determined by the Group Manager – Corporate Services.

Fixed Rate Hedging Percentages		
	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0 – 2 years	50%	100%
2 – 5 years	30%	80%
5 – 10 years	0%	50%

- 7.5 To manage the interest rate risk associated with its debt WDC may use the following interest rate risk management instruments.
- Interest rate swaps.
  - Swaptions.
  - Interest rate options, including collar type structures but only in a ratio of 1:1.
  - Forward rate agreements.
  - Fixed Rate Term Loans.
  - (Refer to Appendix 1 for definitions and objectives of each of the interest rate risk management instruments)
- 7.6 Council may retain the services of an Independent Treasury Advisor to assist in managing the funding and interest rate risks of WDC.

## 8.0 Liquidity

- 8.1 The objective of managing liquidity is to ensure that Council has adequate financial resources available to meet all its obligations as they fall due.
- 8.2 To avoid a concentration of debt maturity dates Council will, where practicable, aim to have no more than 50% of debt subject to refinancing in any 12 month period.
- 8.3 Council's main revenue sources are cyclical in nature and therefore committed bank facilities are required to ensure sufficient funds can be called upon when required.
- 8.4 WDC shall aim to maintain committed funding lines of not less than **105%** of projected core debt. (Core debt is defined as that contained in the Annual Plan or as otherwise determined by the Group Manager-Corporate Services).

## 9.0 Credit Exposure

- 9.1 Credit risk is the risk that a party to a transaction will default on its contractual obligation. A credit risk may exist when the credit rating of an entity with which Council has borrowings with deteriorates.
- 9.2 Council will only enter into borrowing agreements with creditworthy counterparties. Creditworthy counterparties are selected on the basis of their Standards and Poors rating which must be AA- or better.

## 10.0 Funding Methods

- 10.1 WDC may obtain funding utilising the following methods:
- Bank debt
  - Capital markets issuance comprising Fixed Rate Bonds, Medium Term Notes and Floating Rate Notes

## 11.0 Local Government Funding Agency

- 11.1 Despite anything earlier in this Liability Management Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:
- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;
  - Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
  - Commit to contributing additional equity (or subordinated debt) to the LGFA if required;
  - Subscribe for shares and uncalled capital in the LGFA; and
  - Secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

## 12.0 Debt Repayment

- 12.1 The objective of managing debt repayment is to ensure that Council is able to repay debt on maturity with minimum impact on Council operations.
- 12.2 Borrowings will be repaid as they fall due in accordance with the applicable loan agreement. Subject to borrowing limits, a loan may be rolled over or re-negotiated as and when appropriate.
- 12.3 All borrowings are deemed to be corporate borrowings. Debt repayments will be made from general funds, by funds raised specifically to repay debt and by proceeds from asset sales. Funds derived from any asset sales are applied first to offset borrowing in the relevant activity from which the asset is sold.

- 12.4 The cost of capital is spread over significant activities using internal loans. Internal loans are raised to cover the economic life of capital projects to a maximum of 30 years for infrastructural assets and 15 years for other assets.

### **13.0 Specific Borrowing Limits**

- 13.1 Council will borrow to fund its total funding needs in accordance with the annual plan. Borrowing includes funding of short term working capital and long term capital investment. In general terms, Council approves borrowing through the Annual Planning process with public disclosure by way of resolution.
- 13.2 Ratios based on revenue and debt servicing and debt to equity are used for measuring a prudent borrowing level. Council borrowing limits are based on the following ratios:
- Total interest expense will not exceed **15%** of total revenue.
  - Total borrowings will not exceed **25%** of total equity. Total borrowings must not exceed **20%** of total assets.
  - Net debt will not exceed **170%** of total [cash] revenue.
  - Net interest will not exceed **20%** of annual rates.

## APPENDIX 1

### **Forward Rate Agreement**

An agreement between WDC and a counterparty (usually a bank) protecting WDC against a future adverse interest rate movement. WDC and the counterparty agree to a notional future principal amount, the future interest rate, the date and the benchmark rate (BKBM).

#### **Objective**

To provide WDC with certainty as to its interest rate cost on an agreed principal amount for an agreed period. A Forward Rate Agreement (FRA) typically applies to a 3 month period, starting at some point within the next 12 months.

### **Interest Rate Swap**

An interest rate swap is an agreement between WDC and a counterparty (usually a bank) protecting WDC against a future adverse interest rate movement. WDC pays a fixed interest rate and receives a floating interest rate. The parties agree to a notional principal amount, the future interest rate, the settlement dates and the benchmark floating rate (BKBM).

#### **Objective**

To provide WDC with certainty as to its interest rate cost on an agreed principal amount for an agreed period. Floating rate sets are typically every 1 or 3 months over the life of the swap.

### **Forward Start Interest Rate Swap**

A Forward Start Interest Rate Swap is a financial instrument that fixes the interest rate for a set amount of debt at some date in the future (generally up to 2 years). These transactions are negotiated with Banks.

#### **Objective**

To provide WDC with certainty as to its interest rate cost on an agreed principal amount for an agreed period, commencing at a future point in time. All other conditions are as with an interest rate swap.

### **Options on a Swap – Swaption**

A 'Swaption' is an option to enter into an interest rate swap. In exchange for an option premium, the buyer gains the right but not the obligation to enter into a specified swap agreement with the issuer on a specified future date.

#### **Objective**

To provide WDC with the right but not the obligation to enter into a fixed rate swap at a future point in time on an agreed principal amount for an agreed period. A *swaption* is an option on a swap and typically requires a premium to be paid.

### **Interest Rate Options**

The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right but not the obligation to borrow (described as a cap) or invest

(described as a floor) at a future date. WDC and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark floating rate (BKBM).

## **Objective**

To provide WDC with worst case cover on its interest rate cost on an agreed principal amount for an agreed period. As for an interest rate swap, rate sets are typically at each 1 or 3 month date for the life of the option. A premium is payable for entering into an interest rate option.

## **Interest Rate Collar**

The combined purchase (or sale) of a cap or a floor with the sale (or purchase) of another floor or cap.

## **Objective**

To provide WDC with certainty as to its interest rate cost on an agreed principal amount for an agreed period, but at the same time avoid the need to pay an up front premium.

## **Fixed Rate Term Loans**

A Fixed Rate Term Loan is an agreement between WDC and a counterparty (usually a bank) protecting WDC against a future adverse interest rate movement. WDC pays a fixed interest rate as set by the counterparty on an agreed principal amount for the term of the loan.

## **Objective**

To provide WDC with certainty as to its interest rate cost on an agreed principal amount for an agreed period.

Document No: A374850

**Report To: Audit and Risk Committee**



**Meeting Date: 28 November 2017**

**Subject: Earthquake Prone Buildings Implementation**

**Type: Information Only**

## Purpose of Report

- 1.1 The purpose of this business paper is to provide an update to Council on the Earthquake Prone Buildings ("EPB") legislative requirements, and progress made to date on implementation.

## Background

- 2.1 On 1 July 2017, a new national system for managing earthquake-prone buildings in New Zealand came into effect, and this is now incorporated into the Building Act 2004 ("the Act").
- 2.2 The new legislation standardises the rules and processes that apply to identifying and remediating earthquake-prone buildings. It avoids a 'one-size-fits-all' approach, by prioritising geographic areas, buildings and parts of buildings that pose the greatest risk. This approach aims to ensure that the national response is proportionate to the risk, costs are minimised, and built heritage is retained as much as practicable.
- 2.3 Under the Act, Waitomo District has been classified as a medium risk zone. This provides Council with 10 years to identify potentially earthquake-prone buildings, one year for building owners to provide an engineer's assessment, and then 25 years for building owners to strengthen the building.
- 2.4 In addition, councils must identify 'priority buildings' in half the time of other buildings. For Waitomo District, this means that priority buildings must be identified in 5 years, and building owners have 12.5 years to strength or demolish the building.
- 2.5 There are two key categories of priority buildings:
  1. Those that are prescribed in the Building Act, which include hospitals and other buildings used for emergency response and education buildings regularly occupied by more than 20 people; and
  2. Those that are described in the Building Act and are determined with community input. This include parts of unreinforced masonry buildings that could fall in an earthquake onto a thoroughfare with sufficient pedestrian or vehicle traffic to warrant prioritisation; and buildings that could impede transport routes of strategic importance if they were to collapse in an earthquake. Councils must undertake public consultation to decide with their communities which buildings and routes or thoroughfares this should apply to.

- 2.6 Farm buildings, retaining walls, fences, monuments that cannot be entered, wharves, bridges tunnels and storage tanks (e.g. water reservoirs) are excluded from the EPB requirements.
- 2.7 In order to implement the Act, councils must:
- Identify potentially earthquake-prone buildings and notify the building owners;
  - Consider engineering assessments provided by building owners;
  - Determine if a building is earthquake prone, and if it is, assign an earthquake rating;
  - Issue EPB notices to owners of earthquake-prone buildings;
  - Publish information about earthquake-prone buildings on the national EPB register.
  - Report to the Ministry of Business Innovation and Employment (“MBIE”) on progress made to identify EPB every two years (medium risk area).
- 2.8 In addition to the Act, the Government has introduced a number of core frameworks for managing EPBs. These include:
- Regulations which provide clarity on aspects of the EPB system (such as definitions of key terms);
  - Earthquake Prone Building Methodology which sets the rules for identifying and assessing potentially EPBs and making decisions about them;
  - Engineering Assessment Guidelines, which provide engineers with the technical methods for carrying out seismic assessments of buildings;
  - An EPB Register which is a national publicly accessible register of EPBs developed and hosted by MBIE.
- 2.9 Council must identify potentially EPBs that fall within the categories of buildings, known as ‘profile categories’. For Waitomo District (medium seismic risk area) these include:
- **Category A** - Unreinforced masonry buildings;
  - **Category B** - Pre-1976 buildings that are either three or more storeys or 12 metres or greater in height above the lowest ground level (other than unreinforced masonry buildings in Category A);
  - **Category C** - Pre-1935 buildings that are one or two storeys (other than unreinforced masonry buildings in Category A).
- 2.10 There are some exclusions of buildings that should not be profiled which are:
- A building that is constructed primarily of timber framing without other construction materials providing lateral support;
  - A building strengthened to at least 34% NBS (or the equivalent of this) so that the building cannot be considered earthquake prone;

- A building that the council has previously notified the owner in writing is not earthquake prone prior to commencement;
- A building that the council has found to be earthquake prone and for which it has issued a notice under section 124 of the Building Act prior to commencement;
- A building for which the council has a previous assessment that has a %NBS reported for the building greater than 34%NBS;
- Buildings for which a council obtains information or a special study that shows a particular subset of buildings is not earthquake prone due to particular circumstances or special local characteristics, where there is a robust technical basis for this information or study.

2.11 Council can identify a building as potentially earthquake prone at any time if there is reason to suspect it may be earthquake prone. The reasons include:

- If the Council receives information about a building's seismic performance indicating that the building may be earthquake prone; or
- If the Council becomes aware of issues that could affect a building's seismic performance at moderate levels of earthquake shaking, such as particular construction types, complex designs, or ground conditions that could lead to significant loss of support.

2.12 Engineering Assessments must meet the following requirements:

- An engineering assessment must be overseen and signed off by an engineer with relevant skills and experience in structural and earthquake engineering;
- Either an Initial Seismic Assessment (ISA) or a Detailed Seismic Assessment (DSA) must be provided;
- The assessment must:
  - Include necessary internal and external inspection of the building;
  - Consider any original building plans or calculations;
  - Consider parts of buildings;
  - Consider shared structural form or shared structural elements with adjacent titles;
  - Determine the ultimate capacity and the earthquake shaking demand to produce a % NBS;
  - If less than 34% NBS, determine the mode of failure and physical consequences of building or parts, and the significant life safety hazard and/or likely damage to other property.

2.13 On completion of the Engineering assessment, Council must check that the assessment meets the EPB methodology. If the building is earthquake prone, Council will assign an earthquake rating, issue an EPB notice, and publish the building information on the EPB register. To achieve an EPB status the building must:

- Be less than 34% NBS; or
- Meet the criteria that the “mode of failure and physical consequences” is likely to cause damage to other property, or the building collapse or element failure could injure or cause death to people in or near the building.

2.14 The Government has also provided a number of templates and checklists to use as part of the EPB process. These include:

- Letter templates;
- EPB notice templates;
- Priority buildings consultation templates.

## Commentary

3.1 At the Council workshop on the 20<sup>th</sup> June 2017, staff outlined in brief the new legislative requirements of the EPB provisions.

3.2 Since that date, MBIE have released additional guidance and information (as outlined above), which has enabled staff to commence the EPB project. In order to ensure that council meets its obligations under the Act in a timely and cost effective manner, staff have developed a project plan to guide the implementation of the project.

3.3 A copy of the Project Plan programme and key dates is attached as Appendix 1.

3.4 Progress on the project to date is as follows:

<b>Education</b>	Staff attendance at a number of workshops by MBIE to understand the requirements of the Act and guidance material.
<b>Resourcing</b>	Propose a new budget for EPB work for the 2018 LTP period.
<b>Collaboration</b>	Working in collaboration with Waipa District Council staff for efficiency and effectiveness.
<b>Priority Building Identification</b>	Determining if there are strategic routes (without alternative access) in the District – <b>Under Action</b>
	Identify Roads /footpaths with sufficient vehicular and pedestrian traffic where parts of unreinforced masonry buildings could fall on footpath –to be identified on map – <b>Under Action.</b>
	Identify emergency buildings needed for use as an emergency shelter or emergency centre in the district – <b>Identified/Under Action.</b>
	Identify emergency buildings used to provide emergency response services (e.g. police, fire, ambulance or rescue services) in the District – <b>Identified/Under Action.</b>
	Identify hospital buildings in the District – Te Kuiti Hospital meets the EPB definition.

	<p>Identify education buildings regularly occupied by at least 20 people:</p> <ul style="list-style-type: none"> <li>▪ Early childhood education and care centres;</li> <li>▪ Registered or integrated schools;</li> <li>▪ Private training establishments;</li> <li>▪ Tertiary institutions</li> </ul> <p>Awaiting information from the Ministry of Education.</p>
<b>Council Property</b>	<p>Identification of all Council Property buildings affected. Separate work stream by property team. The purpose of which is to ensure:</p> <ul style="list-style-type: none"> <li>• Ensure Council complies with the relevant Regulations;</li> <li>• Describe how Council will manage its buildings in regards to earthquake prone requirements;</li> <li>• Prescribe the standard that each category of building must reach;</li> <li>• Define if a building is classed as critical or non-critical;</li> <li>• Ensure that all buildings are managed in the same way where they are found to be earthquake prone;</li> <li>• Reduce risks to staff, building users and others;</li> <li>• Define how building which are earthquake prone will be managed in the short and long term;</li> <li>• Provide a system for staff to follow.</li> </ul>
<b>Process</b>	<p>Reviewing MBIE templates and identifying gaps.</p> <p>Reviewing the recording of information on Council records including GIS layers.</p>

- 3.5 Currently, the EPB project is on track. It is expected that any Special Consultative Process to identify priority buildings with the building owners will be undertaken during 2018. Once the priority buildings have been identified, the assessment as to their EPB status will need to be concluded by 1 July 2022 (5 year time period). All other relevant buildings will need to be assessed by 1 July 2027.

### **Suggested Resolution**

The business paper on Earthquake Prone Buildings be received.



TERRENA KELLY  
**GROUP MANAGER COMPLIANCE**

28 November 2017

## Appendix 1 – EPB Project Plan Programme and Key Dates

PRIORITY BUILDINGS			
Milestone	Project Phase	Description	Indicative End Date
Identification of "Strategic routes"  <b>Note: Act requires these to be identified in 5 years (by 2022).</b>	Initial	"Priority buildings are buildings that are considered to pose a higher risk to life safety, or that are critical to recovery in an emergency (as per Section 133AE of the Act).  Councils have discretion to identify certain buildings for prioritisation. If Council identifies that there are buildings that could impede transport routes of strategic importance if they were to collapse in an earthquake, the special consultative procedure needs to be undertaken to Identify routes for the purpose of prioritising those buildings.	<b>1 July 2018</b>
All priority buildings and their locations have been identified  Does not require special consultative procedure  <b>Note: Act requires these to be identified in 5 years (by 2022).</b>	Mid Phase	Priority buildings include: <ul style="list-style-type: none"> <li>• Hospital buildings;</li> <li>• Emergency buildings – EOC /community Centres;</li> <li>• Emergency response buildings               <ul style="list-style-type: none"> <li>○ Police;</li> <li>○ Fire;</li> <li>○ Ambulance;</li> <li>○ Rescue</li> </ul> </li> <li>• Least 20 persons occupied regularly for:               <ul style="list-style-type: none"> <li>○ Early childhood and care centres;</li> <li>○ Registered school;</li> <li>○ Private training establishments;</li> <li>○ Tertiary institutions</li> </ul> </li> </ul> GIS updated to track progress and identify status of building.	<b>1 July 2018</b>
All priority buildings and their locations have been identified  <u>Special consultative procedure required</u>  <b>Note: Act requires these to be identified in 5 years (by 2022).</b>	Mid Phase	These are determined with community input. Council <b>must</b> undertake public consultation to identify the thoroughfares with sufficient vehicular and pedestrian traffic where there are parts of URM buildings that could fall in an earthquake  Priority buildings can include: <ul style="list-style-type: none"> <li>• Unreinforced masonry buildings (URM) that can fall from the building in an earthquake on an area with sufficient vehicle or pedestrian traffic (e.g. parapet, external wall, veranda);</li> <li>• Buildings that if collapsed would impede a transport route of strategic importance</li> </ul>	<b>1 July 2019</b>
All priority buildings have been identified as earthquake prone	Mid Phase	<ul style="list-style-type: none"> <li>• Priority buildings will need to be identified;</li> <li>• Building owners will need to be notified;</li> <li>• Engineering assessments requested from building owners;</li> <li>• Council to receive and review engineering assessment within 12 months of request;</li> <li>• Council to process any time extension requests (up to 12 months from due date) from building owners;</li> <li>• Council to issue any earthquake prone building notices to building owners and provide a copy to other interested parties;</li> </ul> GIS updated to track progress and identify status of building.	<b>1 July 2022</b>
National earthquake Prone building register and Council records updated	Mid Phase	<ul style="list-style-type: none"> <li>• Priority Buildings that have been identified as earthquake prone must be entered into the national register. Once seismic work has been completed or the priority building deemed not earthquake prone following detailed engineering investigations, the priority building can then be removed from the national register.</li> </ul> <u>Record keeping:</u> <ul style="list-style-type: none"> <li>• Council objective record (and MagiQ) will also require updating relating to all affected priority buildings.</li> <li>• Checksheet recording decision saved on property file in Objective.</li> <li>• GIS updated</li> </ul>	<b>1 July 2035</b>

<b>PRIORITY BUILDINGS</b>			
<b>Milestone</b>	<b>Project Phase</b>	<b>Description</b>	<b>Indicative End Date</b>
Earthquake Prone Building Notices are displayed in the affected priority building	Mid Phase	<ul style="list-style-type: none"> <li>Earthquake Prone Building Notices that are issued must be displayed in a prominent place in the affected priority building until the seismic work is completed.</li> <li>Replacement notices can be issued as required.</li> </ul> <p>Copy of any notices issued are saved electronically on property file.</p>	<b>1 July 2035</b>
Ensure seismic work completed by building owner on earthquake prone priority buildings	Mid Phase	<ul style="list-style-type: none"> <li>Process any building consents for the seismic work upgrade.</li> <li>Process any exemption applications for carrying out the seismic work (including heritage buildings) up to the deadline of completing the work.</li> </ul>	<b>1 January 2035</b>
Seismic work may be completed by Council if building owner fails to do so.	Mid Phase	<ul style="list-style-type: none"> <li>Council may apply to the District Court for an order authorising the Council to carry out the seismic work on the building which could include demolition;</li> <li>The Council gives notice to the building owner;</li> <li>Council recovers the cost from the building owner or a charge on the land;</li> </ul>	<b>1 January 2035</b>
MBIE is advised of progress towards identifying earthquake Prone priority Buildings	Mid Phase	<ul style="list-style-type: none"> <li>A report is completed <b>every 2 years</b> to MBIE's Chief Executive on progress made identifying Earthquake Prone Priority Buildings.</li> </ul>	<b>1 January 2035</b>
<b>Other Buildings</b>			
<b>Milestone</b>	<b>Project Phase</b>	<b>Description</b>	<b>Indicative End Date</b>
All other buildings have been identified as earthquake prone	Mid Phase	<ul style="list-style-type: none"> <li>Other buildings will need to be identified;</li> <li>Building owners will need to be notified;</li> <li>Engineering assessments requested from building owners;</li> <li>Council to receive and review engineering assessment within 12 months of request;</li> <li>Council to process any time extension requests (up to 12 months from due date) from building owners;</li> <li>Council to issue any earthquake prone building notices to building owners and provide a copy to other interested parties;</li> </ul>	<b>1 July 2027</b>
National earthquake Prone building register and Council records updated	Mid Phase	<ul style="list-style-type: none"> <li>Priority Buildings that have been identified as earthquake prone must be entered into the national register. Once seismic work has been completed or the priority building deemed not earthquake prone following detailed engineering investigations, the priority building can then be removed from the national register.</li> </ul> <p><u>Record keeping</u></p> <ul style="list-style-type: none"> <li>Council objective record (and MagiQ) will also require updating relating to all affected priority buildings.</li> <li>Checksheet recording decision saved on property file in Objective.</li> <li>GIS updated</li> </ul>	<b>1 July 2052</b>
Earthquake Prone Building Notices are displayed in the affected priority building	Mid Phase	<ul style="list-style-type: none"> <li>Earthquake Prone Building Notices that are issued must be displayed in a prominent place in the affected priority building until the seismic work is completed.</li> <li>Replacement notices can be issued as required.</li> <li>Copy of any notice saved in electronic property file.</li> </ul>	<b>1 July 2052</b>
Ensure seismic work completed by building owner on earthquake prone priority buildings	Mid Phase	<ul style="list-style-type: none"> <li>Process any building consents for the seismic work upgrade</li> <li>Process any exemption applications for carrying out the seismic work (including heritage buildings) up to the deadline of completing the work.</li> </ul>	<b>1 July 2052</b>

<b>PRIORITY BUILDINGS</b>			
<b>Milestone</b>	<b>Project Phase</b>	<b>Description</b>	<b>Indicative End Date</b>
Seismic work may be completed by Council if building owner fails to do so.	Mid Phase	<ul style="list-style-type: none"> <li>• Council may apply to the District Court for an order authorising the Council to carry out the seismic work on the building which could include demolition;</li> <li>• The Council gives notice to the building owner;</li> <li>• Council recovers the cost from the building owner or a charge on the land.</li> </ul>	<b>1 July 2052</b>
MBIE is advised of progress towards identifying earthquake Prone priority Buildings	Mid Phase	<ul style="list-style-type: none"> <li>• A report is completed every 2 years to MBIEs Chief Executive on progress made identifying Earthquake Prone buildings.</li> </ul>	<b>1 July 2052</b>

Document No: A357460	
<b>Report To:</b>	<b>Audit and Risk Committee</b>
	Meeting Date: 28 November 2017
	Subject: Progress Report: WDC Resource Consent – Compliance Monitoring
	Type: Information Only

## 1.0 Purpose of Report

- 1.1 The purpose of this business paper is to brief Council on compliance reporting against Resource Consent conditions.

## 2.0 Local Government Act S.11A Considerations

- 2.1 Section 11A of the LGA reads as follows:

### **11A Core services to be considered in performing role**

*In performing its role, a local authority must have particular regard to the contribution that the following core services make to its communities:*

- (a) network infrastructure;
- (b) public transport services;
- (c) solid waste collection and disposal;
- (d) the avoidance or mitigation of natural hazards;
- (e) libraries, museums, reserves, and other recreational facilities and community amenities.

- 2.2 Compliance and monitoring against Resource Consent conditions is consistent with Section 11A of the Local Government Act 2002.

## 3.0 Risk Considerations

- 3.1 This is a progress report only, and as such no risks have been identified in regards to the information contained in this business paper.

## 4.0 Commentary

- 4.1 WDC is required to report on Resource Consent compliance to the Waikato Regional Council (WRC) in accordance with the conditions that regulate the various Resource Consents held by WDC.
- 4.2 The following tables set out details of the compliance reporting requirements for WDC's Resource Consents.

RESOURCE CONSENT	REPORT DUE
<b>Monthly</b>	
No. 112639 - Te Kuiti Wastewater Treatment Plant Conditions 7 to 19 (Discharge) Condition 30 (Reasonable Mixing)	Monthly
No. 116844 - Benneydale Water Treatment Plant Condition 9 (Surface Water Take)	Monthly
No. 117290 - Piopio Wastewater Treatment Plant Condition 26 (Discharge)	Monthly
<b>Quarterly</b>	
No. 101753 - Rangitoto Quarry Landfill, William Street, Te Kuiti Condition 11 TEKLR 20	February, May, August, November
No. 124718 - Rangitoto Quarry Landfill, William Street, Te Kuiti Conditions 7 and 14 (SW2) TEKLR 32	February, May, August, November
<b>Six Monthly</b>	
No. 133317 - Te Kuiti Water Treatment Plant Condition 11 (Water Take)	January/July
No. 118813 - Benneydale Wastewater Treatment Plant Condition 16 to 23	January/July
No. 120048 - Te Kuiti Wastewater Treatment Plant Condition 6 (Groundwater b1 to b7)	February and August <i>(also include in Annual Report 30th September)</i>
No. 117945 - Benneydale Water Treatment Plant (Backwash)	April/October
No. 124718 - Te Kuiti Landfill (William Street) Condition 6 and 14 DH2/3/4/7 (Oct to March, April to Nov)	April/October
No. 107477 - Piopio Water Treatment Plant Conditions 6 and 9 (Water Take) (Nov-April, May-Oct)	May/November
No. 107478 - Piopio Water Treatment Plant (Backwash) (Nov-April, May-Oct)	May/November
No. 101753 - Rangitoto Quarry Landfill, William Street, Te Kuiti Condition 10 TEKLR10 (*)	May/October

RESOURCE CONSENT	REPORT DUE
<b>Annually</b>	
No. 118813 - Benneydale Wastewater Treatment Plant Condition 26 (Discharge to Land and Water)	31st March
No. 124718 - William Street, Te Kuiti Conditions 7 & 14 (SW1,SW2, SW3, SW4, SW5)	April or May
No. 120340 - Mokau Closed Landfill Condition 3, 6 & 10	May
No. 113038 - Te Kuiti Water Treatment Plant Conditions 1 & 2 (Ground Water Take)	1st of May
No. 105054/55/56/57/58/59/60 - Waitomo Stormwater Schedule A (22) Conditions 4,5 & 6	31st May
No. 105054 - Te Kuiti Stormwater Condition 6	31st May
No. 116274 - Benneydale Water Treatment Plant Conditions 2, 3, 4 & 7 (Groundwater Take)	1st of June
No. 113544 - Mokau Water Treatment Plant (Water Take)	July
No. 113545 - Mokau Water Treatment Plant (Backwash)	July
No. 101753, 101754 and 124718 - Rangitoto Quarry Landfill, William Street, Te Kuiti Annual Report Condition Schedule 1(5) and 13	1st August
No. 101753, 101754 - Rangitoto Quarry Landfill, William Street, Te Kuiti Annual Report Consents Schedule 1 (6) <b><i>Independent Peer Reviewer</i></b>	1st September
No. 112639 - Te Kuiti Wastewater Treatment Plant Condition 20 (Discharge)	September 30th
No. 103287, 103288 and 103289 - Te Kuiti Walker Road - Closed Landfill Discharge to Land, Air and Divert (Nov, Jun)	November <i>(within two months of sampling)</i>
No. 103193 - Benneydale Closed Landfill SH30 Conditions 2, 3 and 5	November <i>(within two months of sampling)</i>
No. 103194 - Conditions 2 and 3	

RESOURCE CONSENT	REPORT DUE
No. 103196 - Piopio Closed Landfill Condition 2, 3 and 4	November <i>(within two months of sampling)</i>
No. 103198 - Aria Closed Landfill Conditions 2 and 4	November <i>(within two months of sampling)</i>
<b>Biennial</b>	
No. 120048 - Te Kuiti Wastewater Treatment Plant Condition 7 (Groundwater b1 to b7)	December 2016
No. 117290 - Piopio Wastewater Treatment Plant Condition No 7 and 9 (Discharge) (Operations and Management)	September 2014, 2016, 2018, etc.
No. 112639 - Te Kuiti Wastewater Treatment Plant Condition 24	June 2015 <i>(and every two years after)</i>
No. 118813 - Benneydale Wastewater Treatment Plant Condition 27 (Management Plan Review)	from 2010 every two years
<b>Other</b>	
No. 112639 - Te Kuiti Wastewater Treatment Plant Condition 28 (after 3 years Fish Passage/Migration Barrier Assessment)	Monday, 18 December 2017
No. 133317 - Te Kuiti Water Treatment Plant Condition 10 (Telemeter)	1st July 2018

4.3 The following Resource Consent Compliance Reports have been made to WRC:

1. RC 105054 – Mangaokewa Stream non-routine contaminant from stormwater system – September 2017 (Doc A361952)
  - Partial compliance achieved
  - On Wednesday 6 September 2017 the Mangaokewa Stream catchment and greater Waitomo district experienced long periods of intense rain which caused the river level to rise to alarming levels.
  - The Mangaokewa Stream reached around 52m, flooding one of the Te Kuiti Sewage pump stations located in Te Kumi Road and two manholes located at the main Wastewater Pump Station.
  - This report makes reference to Resource Consent N° 105054 (Schedule 1) Condition 18, although technically there was no overflow or discharge of non-routine contaminants into the stream. No manhole overflows complaints were received.
  
2. RC 116844 – Benneydale water supply, surface water take – August 2017 (A360900).
  - Full compliance achieved.
  
3. RC 112639 - Te Kuiti Wastewater Treatment Plant (TKWWTP) – Discharge to water – August 2017 (A361882).
  - Partial compliance achieved.
  - There was one breach to the 7000 m<sup>3</sup> daily consent limit during the current reporting period.
  - In order to optimise the storage capacity of the oxidation ponds for a forecast high rain fall event, WDC decided to increase the volume of treated effluent to be discharged into the stream above normal operational limits. This process is manually controlled and as such it is very difficult to measure when the limits have been breached, therefore the volume limit was exceeded by 168 m<sup>3</sup>.
  - The parameter values of the discharge are of excellent quality and the environmental impact of the extra 168 m<sup>3</sup> were no more than minor.
  
4. RC 117290 – Piopio Wastewater Treatment Plant effluent discharge – August 2017 (A362110).
  - Partial compliance achieved.
  - There were two breaches to the 135.4 m<sup>3</sup>/day maximum discharge limit during the current reporting period.

- Faecal Coliform concentrations showed an increasing trend from 170 to 1400 MPN/100ml from July to August 2017, exceeding its trigger limits of 500 MPN/100 ml.
  - The Total Ammoniacal nitrogen results exceeded trigger limits during the current sampling period.
  - BOD results increased from 9.2 mg/l in July 2017 to 20 mg/l during the current reporting period in August 2017, the trigger limit is 20 mg/l and no more than one sample in each preceding 10 samples shall exceed this limit.
  - **Corrective actions to exceedances:**
  - The Piopio Wastewater treatment plant was fully serviced and maintained on the 12<sup>th</sup> September 2017.
  - The maintenance included amongst other things;
    - Full clean-up of the pods, including pipe lines and nozzles;
    - Cleaning of sequence valves with all pumps removed and cleaned.
    - The UV was cleaned and further electrical maintenance will be done to ensure correct intensity at all times.
    - Circulation pumps were removed and cleaned properly
    - Cleaning of the blankets.
5. RC 138063 - Te Waitere Wastewater Disposal – Management Plan – September 2017 (Doc A362620).
- Full compliance achieved.
6. RC 116844 – Benneydale Water Treatment Plant – surface water take – September 2017 (Doc A368321).
- Full compliance achieved.
7. RC 101753 – Te Kuiti Landfill – Leachate Monitoring – May to October 2017 (Doc A372496).
- Full compliance achieved.
8. RC 117945 – Benneydale Water Treatment Plant – Backwash discharge – April to September 2017 (Doc A373114).
- Full compliance achieved.
9. RC 112639 – Te Kuiti Wastewater Treatment Plant (TKWWTP) Discharge-September 2017 (Doc A370732).
- Partial compliance achieved.
  - There was one breach to the 7000 m<sup>3</sup> daily consent limit during September 2017.
  - A Scada programing modification was made to limit the discharge volume to within the 7000 m<sup>3</sup> daily limit by shutting the discharge off.

- 10.** RC 117290 – Piopio Wastewater Treatment Plant – Effluent discharge – September 2017 (Doc A371174).

  - Partial compliance achieved.
  - Total ammoniacal nitrogen results decreased considerably from 27 to 11 mg/l during the current reporting period, just above the trigger limits of 10 mg/l, and it will continue to decrease as the cleaning of the pods continues.
  
- 11.** RC 116844 – Benneydale Water Treatment Plant – surface water take – October 2017 (Doc A375907).

  - Full compliance achieved.
  
- 12.** RC 112639 – Te Kuiti Wastewater Treatment Plant (TKWWTP) Discharge- October 2017 (Doc A375854).

  - Full compliance achieved.
  
- 13.** RC 124718 – Te Kuiti Landfill, Discharge to land – SW2, July to September 2017 (Doc A375878).

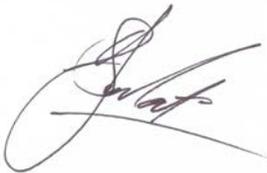
  - Partial compliance achieved.
  - Overall, most of the quality parameters showed good quality results during this assessment period.
  - Results obtained in the second sample showed good quality parameters, below trigger limits, confirming the previous values were probably a temporary change in the concentration of the stormwater leaving the Landfill, as a result of higher than usual rain fall.
  - WDC will perform a cleaning of the stormwater ponds in the near future as a preventive measure.
  
- 14.** RC 124718 - Te Kuiti landfill, Leachate monitoring in groundwater, May to October 2017 (Doc 375165).

  - Partial compliance achieved.
  - Overall, most parameters showed increasing trends during the current reporting period, however, the results are of good quality and below trigger levels in most of the sampling sites.
  - Sampling site DH7 chloride levels reached the WDC trigger levels at 11 mg/l during the first sampling period on the 29th September 2017, another sample was taken to confirm this value on the 9th of October.
  - Results from the resampling confirmed the previous chloride results at 11 mg/l, and in addition total ammoniacal nitrogen values reached WDC trigger levels of 1.3 mg/l.
  - WDC has scheduled a purge and flush of the sampling Bore DH7 in order to resample and verify whether it is an actual leachate contamination. Depending on results further remedial actions may be required post this resampling.

15. RC 101753 – Te Kuiti Landfill, Leachate monitoring – Ring drain, July 2017 to September 2017 (Doc A375439).
- Partial compliance achieved.
  - Overall, most of the parameters were within trigger limits.
  - The resampling results of the ring drain in October, suggested there is no contamination from leachate in the stormwater in the ring drain. The sampling result obtained in September was an isolated incident.

### Suggested Resolution

The Progress Report: Resource Consent – Compliance Monitoring be received.



KOBUS DU TOIT  
**GROUP MANAGER – ASSETS**

Document No: A3377591

**Report To: Audit and Risk Committee**



Meeting Date: 28 November 2017

Subject: Motion to Exclude the Public for the Consideration of Council Business

**Purpose of Report**

- 1.1 The purpose of this business paper is to enable the Council to consider whether or not the public should be excluded from the consideration of Council business.

**Commentary**

- 2.1 Section 48 of the Local Government Official Information and Meetings Act 1987 gives Council the right by resolution to exclude the public from the whole or any part of the proceedings of any meeting only on one or more of the grounds contained within that Section.

**Suggested Resolutions**

- 1 The public be excluded from the following part of the proceedings of this meeting.
- 2 Council agree the following staff, having relevant knowledge, remain in attendance to assist Council with its decision making: ...
- 3 The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Section 48(1) grounds for this resolution
1. Progress Report: Health and Safety	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
2. Inframax Construction Limited – 2017 Annual General Meeting including 2016/17 Annual Report	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act or Section 6, Section 7 or Section 9 of the Official Information Act 1982 as the case may require are listed above.