

**Document No:** A371947

**Report To: Council**



**Meeting Date:** 31 October 2017

**Subject:** Civic Financial Services Ltd Half yearly accounts to 30 June 2017

**Type:** Information Only

## Purpose of Report

- 1.1 The purpose of this business paper is to present the half yearly accounts for Civic Financial Services Ltd for the six months ended 30 June 2017.

## Background

- 2.1 Civic Financial Services Ltd (CFS) is the former New Zealand Local Government Insurance Corporation Ltd (NZLGIC) and previously traded as Civic Assurance. It has been trading for over 75 years. The name change has been instituted due to CFS withdrawing from offering property insurance and no longer holding an insurance licence.
- 2.2 CFS provides administration and financial services to SuperEasy and SuperEasy KiwiSaver Superannuation Schemes, the Local Authority Protection Programme Disaster Fund (LAPP) and Riskpool and the owner and property manager of Civic Assurance House (a nine-storey building on Lambton Quay in Wellington).
- 2.3 WDC holds 16,940 shares (0.15%) in Civic Financial Services Ltd.

## Commentary

### Half yearly accounts to 30 June 2017

- 3.1 The CFS half yearly accounts for the six months ended 30 June 2017 are attached to, and form part of this business paper.
- 3.2 CFS is reporting to be tracking above budget and has returned an (unaudited) after tax profit of \$148,000 (2016: \$1,095,000) for the first half of the year. This compares to an after tax profit of \$975,000 for the full year to 31 December 2016 (2015: \$977,000).
- 3.3 Revenue has decreased from the same period last year due to no underwriting surplus revenue being recognised. Other expenses were also reduced.
- 3.4 The company advise that although revenue, expenses and net surplus are lower than last year the accounts reflect the strategic direction taken by the Board at the end of 2016.

**Suggested Resolution**

The business paper on Civic Financial Services Half yearly accounts to 30 June 2017 be received.

A handwritten signature in blue ink that reads "Vibhuti".

VIBHUTI CHOPRA  
**GROUP MANAGER – CORPORATE SERVICES**

13 October 2017

Attachments: Civic Financial Services Half yearly accounts to 30 June 2017  
(zA2655)

Mr Chris Ryan  
 Chief Executive  
 Waitomo District Council  
 PO Box 404  
 TE KUITI 3941



11 August 2017

Dear Chris

**Civic Financial Services Half-Yearly Accounts – 30 June 2017**

Please find enclosed your copy of the half-yearly accounts for Civic Financial Services Limited ("Civic") to 30 June 2017. You will be pleased to see that the company is tracking above budget and has returned an (unaudited) after tax profit of \$148,000 for the first half of 2017. This compares to an after tax profit of \$975,000 for the full year to 31 December 2016. Although revenue, expenses and net surplus are lower than last year the accounts reflect the strategic direction that your Board took at the end of 2016. Civic has maintained its strong financial position with equity of over \$17 million.

As communicated to you in the Statement of Intent in March this year, Civic has for the time being withdrawn from the insurance business and the focus in the immediate future is on providing administration services to the local government sector. The financial effect of this decision is that Civic's income is now derived from administration services and investment income, including rental income. In addition to administering Riskpool, Civic Liability Pool and the LAPP Fund, Civic administers the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes which are offered to local government on an exclusive basis. These schemes provide superannuation services to 75 councils, have well over 10,000 members and funds under management of just under \$300,000,000.

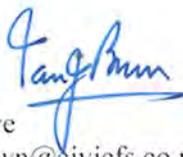
As outlined in the accounts, Civic has entered into an arm's length, secured loan facility agreement on commercial terms with Local Government Mutual Funds Trustee Limited to enable Riskpool to manage its cashflows. Riskpool will make a call, as per its trust deed, if required under the terms of the agreement in order to repay the amount owing under the facility.

Civic's Statement of Intent 2017 projects a total profit over the next three years, based on the sale of Civic Assurance House later in the year, of approximately \$1,000,000 with an equity base of approximately \$8,500,000.

Your Board looks forward to receiving the shareholders decision on the potential sale of the building at the Special General Meeting to be held on 5<sup>th</sup> October 2017.

Yours sincerely

Ian Brown  
 Chief Executive  
 Email: [ian.brown@civicfs.co.nz](mailto:ian.brown@civicfs.co.nz)



## CIVIC FINANCIAL SERVICES LTD

STATEMENT OF COMPREHENSIVE INCOME (Unaudited)  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Six Months				Full Year	
		2017 Group	2016 Group	2017 Parent	2016 Parent	2016 Group	2016 Parent
<b>REVENUE</b>							
Underwriting Surplus		-	1,774	-	1,774	1,998	1,998
Administration Fees		1,380	1,362	1,380	1,362	2,359	2,359
Income from Investments		79	201	79	201	284	284
Property Income		393	369	393	369	859	859
Other Income		-	-	51	-	1	1
		<u>1,852</u>	<u>3,706</u>	<u>1,903</u>	<u>3,706</u>	<u>5,501</u>	<u>5,501</u>
<b>EXPENDITURE</b>							
Property Operating Expenses		246	219	246	219	510	510
Depreciation & Amortisation		20	21	20	21	42	42
Employee Remuneration		514	884	514	884	1,622	1,622
Other Expenses		866	1,067	866	1,067	1,989	1,990
		<u>1,646</u>	<u>2,191</u>	<u>1,646</u>	<u>2,191</u>	<u>4,163</u>	<u>4,164</u>
Plus Share of Profit of Associate		-	6	-	6	(3)	-
Less Taxation Expense	6	58	426	58	426	360	360
<b>NET SURPLUS AFTER TAXATION</b>		<u>148</u>	<u>1,095</u>	<u>199</u>	<u>1,095</u>	<u>975</u>	<u>977</u>

STATEMENT OF MOVEMENTS IN EQUITY (Unaudited)  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six Months				Full Year	
	2017 Group	2016 Group	2017 Parent	2016 Parent	2016 Group	2016 Parent
Equity as at 1 January	17,204	16,032	17,273	16,099	16,032	16,099
Net Surplus After Taxation	148	1,095	199	1,095	975	977
Ordinary Shares issued during the year	-	197	-	197	197	197
<b>EQUITY AS AT 30 JUNE</b>	<u>17,352</u>	<u>17,324</u>	<u>17,472</u>	<u>17,391</u>	<u>17,204</u>	<u>17,273</u>

STATEMENT OF FINANCIAL POSITION (Unaudited)  
AS AT 30 JUNE 2017

	2017 Group	2016 Group	2017 Parent	2016 Parent	2016 Group	2016 Parent
<b>EQUITY</b>						
Capital	10,764	10,764	10,764	10,764	10,764	10,764
Retained Earnings	6,588	6,560	6,708	6,627	6,440	6,510
<b>TOTAL EQUITY</b>	<u>17,352</u>	<u>17,324</u>	<u>17,472</u>	<u>17,391</u>	<u>17,204</u>	<u>17,274</u>
Represented By:						
<b>Current Assets</b>						
Bank & Cash Equivalents	4,672	6,949	4,672	6,899	6,111	6,061
Receivables	458	313	458	313	558	558
Loans	7	1,502	-	1,502	-	-
<b>TOTAL CURRENT ASSETS</b>	<u>6,632</u>	<u>7,262</u>	<u>6,632</u>	<u>7,212</u>	<u>6,669</u>	<u>6,619</u>
<b>Non-Current Assets</b>						
Property, Plant & Equipment & Intangible Assets	261	285	261	285	279	279
Deferred Tax Asset	3,214	3,206	3,214	3,206	3,273	3,273
<b>TOTAL NON CURRENT ASSETS</b>	<u>3,475</u>	<u>3,491</u>	<u>3,475</u>	<u>3,491</u>	<u>3,552</u>	<u>3,552</u>
<b>Investments</b>						
Investment in Associate	-	3	-	-	-	-
Investment Property	7,938	7,587	7,938	7,587	7,925	7,925
<b>TOTAL INVESTMENTS</b>	<u>7,938</u>	<u>7,590</u>	<u>7,938</u>	<u>7,587</u>	<u>7,925</u>	<u>7,925</u>
<b>TOTAL ASSETS</b>	<u>18,045</u>	<u>18,343</u>	<u>18,045</u>	<u>18,290</u>	<u>18,146</u>	<u>18,096</u>
<b>Current Liabilities</b>						
Sundry Creditors & Accrued Charges	300	307	300	307	669	549
<b>TOTAL CURRENT LIABILITIES</b>	<u>300</u>	<u>307</u>	<u>300</u>	<u>307</u>	<u>669</u>	<u>549</u>
<b>INSURANCE PROVISIONS</b>	-	592	-	592	-	-
<b>Non Current Liabilities</b>						
CLP/ Riskpool Admin Fee Reserve	273	-	273	-	273	273
Subordinated Debt	120	120	-	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>393</u>	<u>120</u>	<u>273</u>	<u>-</u>	<u>273</u>	<u>273</u>
<b>TOTAL LIABILITIES</b>	<u>693</u>	<u>1,019</u>	<u>573</u>	<u>899</u>	<u>942</u>	<u>822</u>
<b>EXCESS OF ASSETS OVER LIABILITIES*</b>	<u>17,352</u>	<u>17,324</u>	<u>17,472</u>	<u>17,391</u>	<u>17,204</u>	<u>17,274</u>

The notes to the accounts on page 3 form part of and are to be read in conjunction with these Statements.

## CIVIC FINANCIAL SERVICES LTD

STATEMENT OF CASH FLOWS (Unaudited)  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

Notes	Six Months				FULL YEAR	
	2017 Group	2016 Group	2017 Parent	2016 Parent	2016 Group	2016 Parent
<b>Cash Flows from Operating Activities</b>						
	1,831	11,297	1,880	11,297	499,754	499,754
	1,753	4,873	1,752	4,873	493,841	493,841
5	<u>78</u>	<u>6,424</u>	<u>128</u>	<u>6,424</u>	<u>5,913</u>	<u>5,913</u>
<b>Cash Flows from Investing Activities</b>						
	-	6	-	6	8	8
	15	132	15	132	461	461
	<u>(15)</u>	<u>(126)</u>	<u>(15)</u>	<u>(126)</u>	<u>(453)</u>	<u>(453)</u>
<b>Cash Flows from Financing Activities</b>						
	-	197	-	197	197	197
	1,502	-	1,502	-	-	-
	<u>(1,502)</u>	<u>197</u>	<u>(1,502)</u>	<u>197</u>	<u>197</u>	<u>197</u>
	(1,439)	6,495	(1,389)	6,495	5,657	5,657
	6,111	454	6,061	404	454	404
	<u>4,672</u>	<u>6,949</u>	<u>4,672</u>	<u>6,899</u>	<u>6,111</u>	<u>6,061</u>
<b>Being:</b>						
	4,672	6,949	4,672	6,899	6,111	6,061

The notes to the accounts on page 3 form part of and are to be read in conjunction with this statement.

**CIVIC FINANCIAL SERVICES LTD**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**Notes to the Financial Statements**

**1 Statement of Compliance**

The Group is a Tier 1 Public Sector Public Benefit Entity and the financial statements have been prepared in accordance with and comply with Tier 1 Public Sector Public Benefit Entity (PBE) Standards.

**2 Accounting policies**

The accounting policies applied in the preparation of the half year financial statements are consistent with those disclosed in the 2016 annual report except that the investment property has not been revalued.

**3 Basis of Preparation**

These interim financial statements have been prepared in accordance with PBE IAS 34 - Interim Financial Reporting, and should be read in conjunction with the Company's annual financial report for the year ended 31 December 2016. Disclosures in these interim financial statements are less extensive than those in the annual financial report.

**4 Comparative figures.**

The comparative figures are for the six months ended 30 June 2016 and the year ended 31 December 2016.

**5 Reconciliation of net surplus after tax with cash flow from operating activity.**

	Six Months				Full Year	
	2017 Group	2016 Group	2017 Parent	2016 Parent	2016 Group	2016 Parent
<b>Reported Surplus After Taxation</b>	148	1,095	199	1,095	975	977
<b>Add/(less) non cash items</b>						
Depreciation	21	21	21	21	42	42
Deferred Tax Liability	58	426	58	426	360	360
Movement in CLP/ Riskpool Admin Fee Reserve	-	-	-	-	386	386
Net change in fair value of property	-	-	-	-	(97)	(97)
Share of Profit of Associate	-	-	-	-	3	-
	<u>79</u>	<u>447</u>	<u>79</u>	<u>447</u>	<u>694</u>	<u>691</u>
<b>Add/(less) movements in other working capital items</b>						
Accounts Receivable	102	568,593	102	568,593	568,348	568,348
Accounts Payable	(248)	(553,621)	(249)	(553,621)	(553,491)	(553,491)
Insurance Provisions	-	(10,016)	-	(10,016)	(10,608)	(10,608)
Reinsurance Received in Advance	-	-	-	-	-	-
Tax Refund Due	(3)	2	(3)	2	2	2
	<u>(149)</u>	<u>4,958</u>	<u>(150)</u>	<u>4,958</u>	<u>4,250</u>	<u>4,250</u>
<b>Less Items Classified as investing activity</b>	<u>-</u>	<u>(76)</u>	<u>-</u>	<u>(76)</u>	<u>(6)</u>	<u>(6)</u>
<b>Net Cash Outflow from Operating Activities</b>	<u><u>78</u></u>	<u><u>6,424</u></u>	<u><u>128</u></u>	<u><u>6,424</u></u>	<u><u>5,913</u></u>	<u><u>5,913</u></u>

**6 Income Tax**

The income tax liability for June 2017 is nil as the Company has unused tax credits with which it will use to offset any income tax expense.

**7 Significant Events**

During the six months to 30 June 2017:

- a secured loan facility agreement between the Company and Local Government Mutual Funds Trustee Limited (LGMFT) was entered into whereby the Company loans LGMFT up to \$3,000,000 at commercial interest rates.
- the wholly owned subsidiary, Civic Assurance Limited, was voluntarily deregistered. The Company had 1,000 uncalled shares in the wholly owned subsidiary.

**8 Contingent liabilities.**

The contingent liabilities are:

- 100,000 uncalled shares in the wholly owned subsidiary, Local Government Superannuation Trustee Limited.
- 1,000 uncalled shares in the wholly owned subsidiary, Local Government Mutual Funds Trustee Limited.
- 100,000 uncalled shares in the wholly owned subsidiary, NZ Local Government Finance Corporation Limited.
- 100 uncalled shares in the wholly owned subsidiary, SuperEasy Limited.
- 100 uncalled shares in the wholly owned subsidiary, Local Government Finance Corporation Limited.

**9 Events occurring after reporting date**

There have been no significant events since the reporting date that affect the results disclosed in the half year financial statements.

**Document No:** A372393

**Report To:** Council



**Meeting Date:** 31 October 2017

**Subject:** Civic Financial Services Limited –  
Special Meeting of Shareholders

**Type:** Information Only

### Purpose of Report

- 1.1 The purpose of this business paper is to inform Council of the Special Meeting of Shareholders called by Civic Financial Services Limited.

### Background

- 2.1 Civic Financial Services Limited (CFS) is owned by local government and supplies local government with a range of financial services. Prior to 1 March 2017, it traded under the name of Civic Assurance. It has been trading for over 50 years and is owned by Local Government (72 out of 78 New Zealand Councils, plus TrustPower holding 1.22% at 31 December 2016, are shareholders of Civic).
- 2.2 The core function of CFS is to provide long term risk financing solutions to the local government sector.

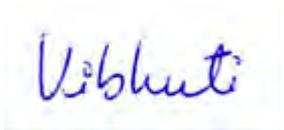
### Commentary

- 3.1 CFS called for a special meeting of shareholders on 5 October 2017 at 11.00 am to be held at Civic Assurance House, Wellington.
- 3.2 The special business of the meeting was to consider the potential sale of Civic Assurance house in Wellington. A copy of the notice is attached to and forms part of this Business Paper.
- 3.3 Two independent valuations since December 2016 valued the building between \$7.8 - \$8.1 million and \$7.5 to \$8.0 million. The building has 85% occupancy and would have been valued higher if it had a higher occupancy. However, with the current earthquake rating of the building, CFS have had difficulty letting the vacant space.
- 3.4 If the sale was agreed by shareholders, Waitomo District Council's holding of 16,940 shares would equate to \$11,519.20 dividend plus \$4,479.69 imputation credits.
- 3.5 Shareholders could exercise the right to vote either by sending a representative to the meeting or by appointing a proxy.
- 3.6 WDC chose to appoint Tony Marryatt being the Chairman of the Board of Directors as the proxy and asked for him to vote in favour of the proposed sale.

- 3.7 A letter was received by WDC on 16 October 2017, reporting back on the outcome of the special meeting. The letter states that 98.9% of the votes were in favour of the proposal to sell Civic Assurance House and that the Board will now take steps to progress this further. The letter is attached to and forms part of this Business Paper.

### Suggested Resolution

- 1 The business paper on Civic Financial Services Limited - Special Meeting of Shareholders be received.
- 2 Council ratify the decision to authorise Tony Marryatt being the Chairman of the board to act as Waitomo District Council's Proxy and vote in favour of the proposed sale of Civic Assurance House.



VIBHUTI CHOPRA  
**GROUP MANAGER – CORPORATE SERVICES**

16 October 2017

- Attachments: 1. Notice of Special Meeting of Shareholders (#ZA2626)  
2. Report Back Letter (#ZA2641)

### NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is hereby given pursuant to clause 13.6.1 of Civic Financial Service Limited's (Civic) Constitution that a Special Meeting of Shareholders will be held at Civic Assurance House, 116 Lambton Quay, Wellington on Thursday, 5 October 2017, commencing at 11:30 am.

1. **Special Business**

The special business of the meeting will be to consider and if thought fit, approve the resolution set out below relating to the potential sale of Civic Assurance House.

*Refer explanatory note (appended)*

2. **Text of Special Resolution**

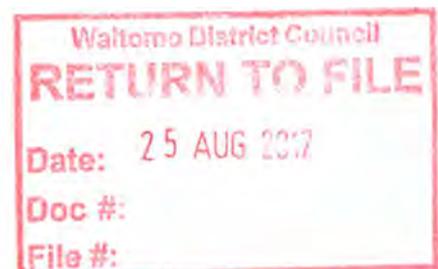
*"To approve the Directors using their best endeavours to achieve a satisfactory price for the sale of Civic Assurance House through the use of one or more professional real estate firms. It will be the Board's decision as to what constitutes a satisfactory sales price.*

*That the Directors of the Company are authorised to finalise the sale, and the terms of conditions of the sale (acting in their view in the best interests of the Company) and to enter into and sign all documents and to take any and all other actions that they may deem necessary or appropriate to effectuate the purposes of this resolution."*

3. **Proxies/ Appointed Representatives**

A shareholder may exercise the right to vote on the special resolution by being present by a representative or proxy pursuant to clause 14.3 of Civic's Constitution. A proxy or representative must be appointed by notice in writing signed by the shareholder. Such notice must be lodged at the registered office of the Company by 11.30am on 4 October 2017.

C Bedford  
Chief Operating Officer, Civic Financial Services Ltd  
Phone: (04) 978 1264  
Email: [caroline.bedford@civicfs.co.nz](mailto:caroline.bedford@civicfs.co.nz)  
23 August 2017



## Civic Financial Services Limited Proxy Form

The \_\_\_\_\_  
(Council Name)

of \_\_\_\_\_ being a shareholder of Civic Financial Services Limited  
(formerly New Zealand Local Government Insurance Corporation Limited) hereby appoints

\_\_\_\_\_ of \_\_\_\_\_ or, failing him/her

\_\_\_\_\_ of \_\_\_\_\_ as its proxy to vote for  
it and on its behalf at the Special Meeting of Shareholders of the Company to be held on 5 October 2017 and  
at any adjournment thereof.

We direct our proxy/corporate representative to vote in the following manner.

Unless otherwise directed as below, the proxy will vote or abstain from voting as he or she thinks fit.

Agenda Item

**Sale of Civic Assurance House**

To approve the Directors using their best endeavours to achieve a satisfactory price for the sale of Civic Assurance House through the use of one or more professional real estate firms. It will be the Board's decision as to what constitutes a satisfactory sales price.

In Favour (✓)	Against (✓)

That the Directors of the Company are authorised to finalise the sale, and the terms of conditions of the sale (acting in their view in the best interests of the Company) and to enter into and sign all documents and to take any and all other actions that they may deem necessary or appropriate to effectuate the purposes of this resolution.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

\_\_\_\_\_  
Signature of Shareholder(s)

\_\_\_\_\_  
Position(s) Held

Please return to: Chief Operating Officer, Civic Financial Services Ltd, PO Box 5521, Wellington 6140, or  
fax (04) 978 1260, or email to [admin@civicfs.co.nz](mailto:admin@civicfs.co.nz)  
to be received prior to 11:30 am 4 October 2017.

## ATTENDANCE AT MEETINGS OF THE COMPANY

The Constitution provides for members to be represented at meetings of the Company only by proxies or appointed representatives.

Clause 14.3 (as amended in May 2004) provides:

“A shareholder may exercise the right to vote by being present by a representative or by proxy.

The representative or proxy for a shareholder is entitled to attend and be heard and vote at a meeting of shareholders as if the representative or proxy were a shareholder.

A proxy must be appointed in writing signed by the shareholder and the notice must state whether the appointment is for a particular meeting or a specified term not exceeding twelve months.

No proxy is effective in relation to a meeting unless a copy of the notice of appointment is produced to the registered office of the company not later than twenty-four hours before the start of the meeting.

A shareholder may appoint a representative to attend a meeting of shareholders on its behalf in the same manner as that in which it could appoint a proxy”.

Accordingly, proxies/notification of appointed representatives must be in my hands by 11.30am 4 October 2017.

*It would be appreciated if shareholders, when considering who to appoint as their representative/proxy holder, would contact Caroline Bedford thereby facilitating a quorum for the AGM.*

Caroline Bedford  
Chief Operating Officer  
Phone: (04) 978 1264  
Email: [caroline.bedford@civicfs.co.nz](mailto:caroline.bedford@civicfs.co.nz)  
Fax: (04) 978 1260

## APPENDIX 1 – POTENTIAL SALE OF CIVIC ASSURANCE HOUSE

Your Board is putting forward a proposal to all shareholders of Civic Financial Services Limited (“Civic”) to consider whether Civic should sell or retain ownership of Civic Assurance House at 114-118 Lambton Quay, Wellington.

You will be invited to vote on this at a Special General Meeting (“SGM”) to be held in Wellington at 11.30 am on Thursday 5 October 2017.

### BACKGROUND

#### Building

In 1963 the directors of Municipalities Cooperative Insurance Company Limited, one of the companies that merged in 1989 to form Civic, agreed to erect a building in Lambton Quay. The Local Government Building, which was renamed Civic Assurance House in 2007, was completed in 1967. The building cost just over \$1 million to construct and today is valued at just under \$8 million.

Until recently Civic and a number of local government entities occupied the building but at present only two, being Civic and SOLGM, remain as tenants. The remainder of the current tenants include consultants, legal service providers, retail outlets, eateries and charitable organisations.

#### Operations

Your Board decided at the end of 2016 to withdraw Civic's application for a full insurance licence and not offer property insurance. This decision was not taken lightly, but in the current market Civic cannot write insurance profitably. However, Civic will be able to provide property insurance through Civic Property Pool (CPP) in the future if this is what the sector wants and market conditions favour doing so.

Civic continues to administer the local government SuperEasy KiwiSaver Scheme and the SuperEasy scheme and the four local government mutual pools: LAPP, Riskpool, CLP and CPP.

### PROPOSAL

As at 31 December 2016 the net equity of Civic was \$17.2 million which includes a \$3.2 million net deferred tax asset.

As it will not be offering insurance, Civic is able to return some of its capital to shareholders. Your Board signalled in the 2017 Statement of Intent that it would ask shareholders whether they wished to retain ownership of Civic Assurance House or whether they wished to sell the building.

If shareholders supported a sale and a satisfactory price can be obtained, then the building will be sold and the sale price of the building net of selling costs will be distributed to shareholders.

#### Current Valuation

Civic Assurance House was valued at \$7.9 million on 31 December 2016. Two subsequent independent valuations have valued the building between \$7.8 - \$8.1 million and \$7.5 - \$8.0 million. These valuations take into account the age, state and earthquake rating (50% of NBS) of the building. The building currently has 85% occupancy with a weighted average lease term of two years. Obviously if the building had a greater occupancy it would be valued higher. We are however, with the current earthquake rating, having difficulty letting the vacant space.

**Impact of Sale**

Over the last five years Civic Assurance House has generated an average net income of \$0.368 million per annum. In December 2011 the building was valued at \$6.9 million. In December 2016 the building was valued at \$7.9 million. The five year capital growth has therefore been 2.73% per annum. The five year return (income and capital) to 31 December 2016 for the building has been 7.96% per annum.

On the assumption Civic Assurance House was able to be sold for a value of \$7.8 million – \$8.0 million and allowing for estimated transaction costs of \$0.4 million the sale price could return a special fully imputed cash dividend of around 68 cents per share. Resident withholding tax will not be deducted from the dividend payment.

For Waitomo District Council's holding of 16,940 shares that approximates to \$11,519.20 plus \$4,479.69 imputation credits. These imputation credits fully offset the amount of tax that the shareholders would otherwise be liable to pay on those dividends.

If shareholders support the sale and a special dividend is paid obviously both Civic's profit and possible future dividends to shareholders would reduce. The 2017 Statement of Intent projects that Civic will continue to produce a surplus if Civic Assurance House is sold and the net proceeds from the sale are distributed to shareholders.

If the property sale is supported by shareholders a two month tender process will be initiated. If a satisfactory price is obtained through this process there is expected to be a one month settlement period. Distribution of the net proceeds of the sale via a special dividend would be completed within two months of the settlement date.

**Impact of Retention of Civic Assurance House**

If Shareholders vote against the sale of Civic Assurance House, Civic would retain the property income stream (both operating and capital).

Civic would also investigate using a portion of Civic's capital to carry out earthquake strengthening of Civic Assurance House. This would only be undertaken if it was considered the cost would lead to greater occupancy, rental returns and capital growth.

Mr Chris Ryan  
 Chief Executive  
 Waitomo District Council  
 PO Box 404  
 TE KUITI 3941



16 October 2017

### Report on Special General Meeting held on Thursday 5 October 2017

As you will be aware there was a Special General Meeting of Civic Financial Services Limited held in Civic Assurance House, 116 Lambton Quay, Wellington on Thursday 5 October 2017.

The purpose of the meeting was to consider and if thought fit, approve the Directors using their best endeavours and acting in their view in the best interests of the Company to achieve a satisfactory price for the sale of Civic Assurance House.

We received voting papers from 32 councils which represented 49.5% of the Company's total shareholding. I can report back that there was overwhelming support in favour of this resolution to sell Civic Assurance House with 5,507,566 votes for and 63,434 votes against the proposal; a total of 98.9% votes in favour of the resolution.

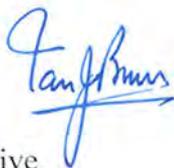
Two shareholders representing 13.1% of the total shareholding did not get their voting papers in by the due date but wished it recorded that they supported the proposal.

In the information pack sent to you on 23rd August we advised that if the sale was supported a two month tender process will be initiated however this has been delayed as the updated earthquake rating review we requested as part of the sales pack will not now be received until late January/ early February 2018.

Your Board will now take the appropriate action to progress this forward and will keep you informed when a new timetable for sale is produced.

Yours sincerely,

Ian Brown  
 Chief Executive  
 Email: [ian.brown@civicfs.co.nz](mailto:ian.brown@civicfs.co.nz)



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**Report To: Council**

Meeting Date: 31 October 2017

Subject: **Waikato Local Authority Shared Services  
Annual Directors' Report to Shareholders***Information Only*

Type:

## Purpose

- 1.1 The purpose of this business paper is to present the Waikato Local Authority Shared Services (WLASS) Annual Director's Report to Shareholders for the year to 30 June 2017.

## Background

- 2.1 WLASS is a Council Controlled Organisation (CCO). WLASS continues to be owned by the 12 local authorities in the Waikato region. The company has a core focus on improving efficiency and effectiveness of shared services, new projects and facilitating the Waikato Mayoral Forum Work streams.
- 2.2 Waikato local authorities have worked closely together on mutually beneficial joint projects. These projects have demonstrated the benefits that can be gained both in terms of outcomes achieved and reduction in costs to the community.
- 2.4 The WLASS Annual Directors report for the year ended 30 June 2017 on the performance of the company has been provided to shareholders and is enclosed with and forms part of this business paper. The Independent Auditors Report is also included within the Annual Directors Report.
- 2.5 The financial statements were authorized for issue by the WLASS Board of Directors on the 22 September 2017.

## Commentary

- 3.1 During the 2016/17 year the WLASS has delivered a number of mutually beneficial outcomes for its shareholders. The performance against measures incorporated into the Statement of Intent for 2016/17 is documented in the tables on pages 5 through to 10.
- 3.2 The report states that performance measures set out in the Statement of Intent were largely achieved. Three of the performance measures were either partially achieved or not achieved. These related to payment of Mayoral Forum invoices by 20<sup>th</sup> of the month following receipt and measures for Waikato Building Consent Group respectively.

- 3.3 WLASS has now initiated a number of Procurement events since its original initiation in 2005. The benefits of these are detailed on pages 11-12 and those contained within the report relate largely to the past financial year.
- 3.4 The report states that a number of joint initiatives and projects have progressed during the last financial year. Whilst a number of these initiatives are still underway there are others that have concluded and proven to be successful underpinning the continued support of WLASS.
- 3.5 A range of further shared service opportunities are being considered at the present time. These opportunities relate to areas within Council businesses where there is largely a joint interest in future proofing councils needs in relation to a variety of areas.
- 3.6 The Annual Shareholder Survey Results 2016/17 are contained on page 3. Overall, the results show that the shareholders continue to be satisfied with the efforts being made by WLASS to advance shared services within the region.
- 3.7 On page 22 the company reports a surplus after tax of \$128,381 against a budgeted deficit of \$38,242. Explanations of major variances against budget are provided on pages 38 and 39 of the financial statements.
- 3.8 Total equity of the company increased from \$671,293 at 30 June 2016 to \$799,674 at 30 June 2017 which was \$209,845 more than budget (Budget: \$589,829). Total Assets at 30 June 2017 were \$1.99 million compared to \$1.76 million the prior year.

### Suggested Resolution

The Waikato Local Authority Shared Services Annual Directors' Report to Shareholders for the year ended 30 June 2017 be received.



VIBHUTI CHOPRA  
**GROUP MANAGER – CORPORATE SERVICES**

13 October 2017

- Attachments:
1. Waikato Shared Services Annual Directors' Report Year ended 30 June 2017 (zA2627)
  2. Audit NZ Letter (zA2654)



**Financial statements  
for the year ended 30 June 2017**

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## Annual Directors' Report to Shareholders

Local Authority Shared Services Limited (LASS) was incorporated in December 2005. On 4 April 2016, the name registered with the Companies Office was changed to Waikato Local Authority Shared Services Ltd (WLASS), to distinguish it from other local authority shared services companies around New Zealand.

This is the 12th WLASS annual report, and covers the period 1 July 2016 to 30 June 2017.

### Message from the Directors

During the past year, the Company has continued to focus on demonstrating the value that WLASS delivers to the shareholding councils. A record of the benefits that have been achieved during the past year has been maintained, and is outlined in more detail in the section on Achievements later in this report. The Board has continued to focus on improving the efficiency and effectiveness of the existing shared services, as well as initiating new projects and work streams, and facilitating the Waikato Mayoral Forum work streams. The Company continues to work collaboratively with other local authority shared service companies, most particularly with our neighbour, BOPLASS.

The Company continues to operate cost effectively with the services of a part-time contracted CEO, a part-time contracted Company Secretary and a part-time contracted Financial Accountant.

The three mature WLASS operations (the Shared Valuation Data Service (SVDS), the Waikato Regional Transportation Model (WRTM), and the Insurance Advisory Group) continue to deliver value. SVDS is currently undertaking a review to investigate options for the future provision of the SVDS service. A recommendation and business case are scheduled for presentation to the WLASS Board by the end of the 2017 calendar year, to ensure that there is no disruption to services when the current Interger contract expires in February 2018.

The WRTM project has been challenging this year, due to delays in reaching agreement on land use and population data from the shareholding councils. As a result, no modelling work was undertaken during the latter 6 months of the year. However it is anticipated that the revision of the model will be completed (along with a peer review) in the first quarter of 2017/18, and the model will again be available for use.

Three new activities joined WLASS on 1 July 2016 – RATA, the Waikato Building Consent Group and Future Proof. The integration has gone successfully, and consolidated reporting on these activities is now available to all shareholders.

The Company continues to act as the legal entity to manage contracts arising from the work of the Waikato Mayoral Forum, as well as making all contract payments. However, WLASS no longer provides administrative support to the Forum.

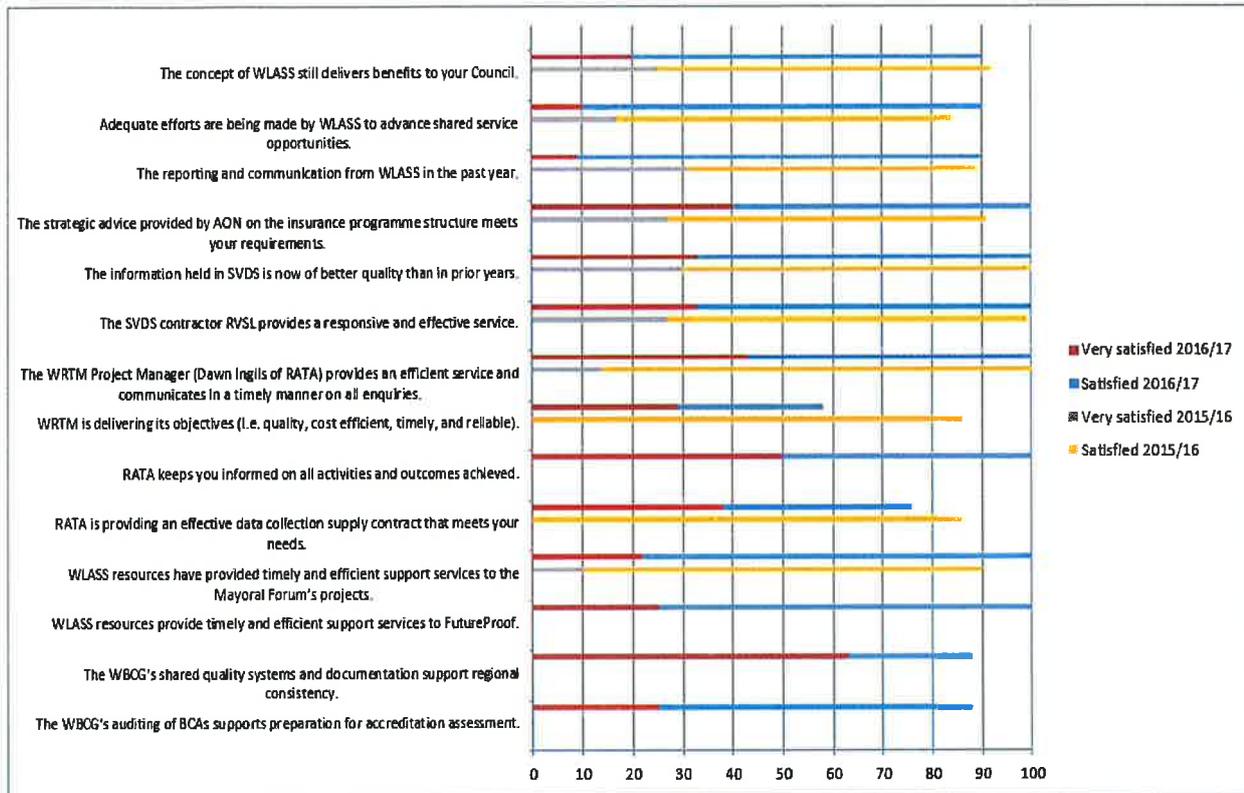
Each year, WLASS undertakes a survey of the shareholding councils to assess the level of satisfaction with WLASS services. These surveys have been undertaken since 2007/08, although the questions and scales have been altered from year to year. A summary of the latest results is shown below.

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*BOB SA*

### Annual Shareholder Survey Results, 2016/17

(2016/17 = 11 Councils responded).



Overall, the results show that the shareholding councils continue to be satisfied with the efforts being made by WLASS to advance shared services projects across the region.

#### Governance

WLASS has twelve Directors with each Director representing a shareholder Council. It is up to each shareholding Council to decide on their representative. In addition, the Board may appoint up to three professional directors to supplement the Directors' expertise. There are currently no independent Directors.

A new Chief Executive was appointed to Taupo District Council during 2016, and on 5 August 2016, the Board welcomed Gareth Green as a new Director. During the year, Richard Briggs resigned as a Director, and the Board thanks him for his contribution. Hamilton City Council subsequently appointed Blair Bowcott as his replacement, and Blair was appointed to the Board on 24 March 2017.

The Board looks forward to continuing to build on the WLASS platform that has been established over the past 12 years, and will continue to consider new shared service opportunities that will help to achieve further benefits for shareholders.

### WLASS Objective

The councils of the Waikato Region have put in place a Council Controlled Organisation (as defined in Part 5 of the Local Government Act 2002), to develop and deliver shared services, and to procure services which are available to be joined by any of the 12 shareholding councils that choose to do so. WLASS can also provide a company structure for any Council that wishes to develop new services, under which they can develop and promote services to other local authorities and external parties.

As part of this strategic collaboration, WLASS now provides support to the Waikato Mayoral Forum and to the working parties established by it.

Over the period that the company has been operating, a variety of benefits have been delivered in the form of:

- Improved levels and quality of service
- Co-ordinated approach to the provision of services
- Reductions in the cost of services
- Opportunity to develop new initiatives
- Opportunity for all councils, irrespective of location or size, to benefit from joint initiatives
- Leveraging procurement opportunities through economies of scale resulting from a single entity representing councils

The WLASS Directors continue to seek new opportunities, either from internal investigations or from shareholder initiatives that are presented to it with a sound business case. New services will only be adopted where a business case shows that they provide some form of benefit to the shareholders. The benefits that may be gained include the development of intellectual property through new business services, protection of Council data, improved levels of service, efficiencies and/or reduced cost. All proposals are presented to the Board for approval prior to implementation.

### Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2016/17 financial year.

TARGET	METHOD	MEASURE	OUTCOME
<p><b>PROCUREMENT:</b></p> <p>Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.</p>	<p>Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.</p>	<p>A minimum of three new procurement initiatives investigated per annum and business cases developed if considered appropriate.</p> <p>Initiatives which are implemented shall provide financial savings and/or improved service levels to the participating councils.</p> <p>New suppliers are awarded contracts through a competitive tender process.</p>	<p>Achieved.</p> <p>A joint RFP with BOPLASS for the supply of Multi-function Devices was completed and Konica Minolta were accepted as the preferred supplier.</p> <p>Shared procurement of Thomson Reuters services, EMA membership, and participation in the BOPLASS EFTPOS contract have been investigated, but no financial benefits were identified.</p> <p>A WLASS Master Agreement with Vertical Horizonz for the provision of health &amp; safety training was completed in February 2017 and 11 councils have signed Joining Agreements.</p> <p>Achieved.</p> <p>A syndicated clause in three tendered Hamilton City Council contracts enables all shareholders to access:</p> <ul style="list-style-type: none"> <li>(i) a library book buying contract at 37% discount on the RRP;</li> <li>(ii) a contract for the supply of pipes and fittings for water, wastewater and stormwater pipes, which provides discounts of between 30% and 80% off the list price;</li> <li>(iii) an HR Panel of eight suppliers for the recruitment of permanent and temporary staff.</li> </ul> <p>Information on how to participate in syndicated contracts for Office Furniture, Media Monitoring and Employee Assistance Programmes was circulated to all shareholding councils.</p> <p>Following an RFP process, a WLASS Master Agreement for Fleet Management has been entered into with FleetPartners /FleetSmart for a term of 1+2.</p>

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(continued)

<p><b>COLLABORATIVE PROJECTS:</b></p> <p>Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.</p>	<p>The focus is on shared services which will benefit all councils.</p>	<p>A minimum of three priority projects for collaboration are identified per annum.</p> <p>If considered of value, business cases are developed for approval by the Board, and the projects are implemented.</p>	<p>Achieved. Six projects (GIS, Procurement, Aligned Planning, Digital Strategy, Learning and Development, and Building Services) have been investigated.</p> <p>Achieved. Business cases for all six projects were approved by the Board. A GIS team is working on identifying why spatial data should be used to support the Waikato region within the framework of the Waikato Digital Strategy, including identifying the benefits and measures of success A Procurement review is in progress, and is scheduled for completion in August 2017. An RFP to select a Project Manager to lead the Aligned Planning project is in progress. A Digital Strategy is under development. A Learning &amp; Development Working Party has been established, and projects are in progress. A strategic review of Building has been completed and a number of new initiatives have been identified, which will commence in 2017/18.</p>
<p><b>EXISTING WLASS CONTRACTS:</b></p> <p>Existing contracts are managed and renegotiated as required.</p>	<p>Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.</p>	<p>The WLASS Contracts Register is maintained and managed.</p> <p>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.</p>	<p>Achieved. Contracts Register is up-to-date.</p> <p>Achieved. Four current contracts have been extended, following a performance review: (i) Dataprint (computer-generated print, mailhouse and e-services) (ii) Professional Services Panel (building services, planning 3-waters, urban design, flood hazards consultancy services) (iii) Aon (insurance brokerage) (iv) Infometrics (economic data).</p>
<p><b>CASHFLOW:</b></p> <p>The company shall maintain a positive cashflow position.</p>	<p>The Financial Accountant reviews cashflow monthly.</p> <p>The WLASS Board reviews the financial statements quarterly.</p>	<p>Monthly financial statements show a positive cashflow position.</p>	<p>Achieved. Cash flow for the year shows a positive total cash balance of \$352,274.</p> <p>Reports on the financial position were considered at WLASS Board meetings on 5 August, 14 October, and 2 December 2016, and on 3 February, 24 March and 26 May 2017.</p>

<p><b>COST CONTROL:</b></p> <p>Administration expenditure shall be managed and monitored.</p>	<p>The Financial Accountant and Chief Executive review expenditure monthly.</p>	<p>Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.</p>	<p>Achieved. Actual expenditure was 19% favourable compared to budget.</p>
<p><b>REPORTING:</b></p> <p>Six monthly reports provided to Shareholders.</p>	<p>The Chief Executive prepares a written report for the WLASS Board every meeting.</p> <p>One 6-monthly and one Annual Report are prepared for shareholders.</p>	<p>The Board shall provide a written report on the business operations and financial position of WLASS to the Shareholders every six months.</p> <p>Every second report shall be the Annual Report, which includes a report that all of the statutory requirements of WLASS are being adhered to.</p>	<p>Achieved. The 6-monthly report was distributed to shareholders on 9 February 2017.</p> <p>Achieved. This is the Annual Report.</p>
<p><b>WAIKATO MAYORAL FORUM:</b></p> <p>The company shall provide administrative support and updates on Mayoral Forum workstreams to the Mayoral Forum.</p>	<p>Updates on Mayoral Forum projects shall be co-ordinated by the WLASS Chief Executive.</p> <p>Mayoral Forum projects shall be managed financially through WLASS.</p> <p>Note: The current approved work streams are: •Regulatory Bylaws and Policies •Waikato Plan</p>	<p>The Mayoral Forum is regularly updated on the progress of each approved work stream.</p> <p>Approved invoices for Mayoral Forum projects are paid by the 20th of the month following their receipt.</p>	<p>Not Applicable. The WLASS CEO is no longer responsible for updating the Mayoral Forum on progress with projects. Project sponsors are responsible for updates.</p> <p>Partly Achieved. All approved invoices, except for one, were paid by the 20th of the month following their receipt.</p>
<p><b>SHARED VALUATION DATA SERVICES (SVDS):</b></p> <p>The SVDS is reliable, well maintained and available to all users.</p>	<p>A Contract Manager is appointed for SVDS.</p> <p>Contract Manager monitors performance of contractor and reports quarterly to the SVDS Advisory Group.</p>	<p>The SVDS is available to users at least 99% of normal working hours.</p> <p>All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group.</p> <p>The SVDS Advisory Group meets at least 6-monthly.</p>	<p>Achieved. SVDS was available to users for 99.16% of normal working hours.</p> <p>N/A. There has been no capital enhancement work over the last 12 months.</p> <p>Achieved. The Group met on 1 September and 17 November 2016, and on 9 March and 1 June 2017</p>

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(continued)

<p><b>INSURANCE</b>  Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.</p>	<p>The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.</p>	<p>Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p> <p>The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p>	<p>N/A.  Shareholders' survey is scheduled to be reported to the Board on 26 August 2017.</p> <p>N/A.  Shareholders' survey is scheduled to be reported to the Board on 26 August 2017.</p>
<p><b>RATA</b>  All stakeholders are kept informed about RATA's projects and achievements.</p> <p>Sub-regional data collection contracts deliver good quality data on roading assets.</p>	<p>Six monthly and annual reports are provided to all stakeholders.</p> <p>Annual Forward Works Programme tours are completed, to provide opportunities for councils' roading staff to share their knowledge and experience</p> <p>Data collection contracts (minimum of two across the region) are managed in accordance with best practice.</p> <p>Data supplied by contractors is of good quality and meets all councils' requirements.</p>	<p>Reports presented to WLASS Board as at 30 December and 30 June, and circulated to stakeholders.</p> <p>Reports include a summary of savings achieved.</p> <p>All RATA councils participate in the tour.</p> <p>Report on tour outcomes prepared by 31 December each year, and circulated to stakeholders.</p> <p>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.</p> <p>Any data issues are identified and resolved, with any incidents reported to stakeholders.</p>	<p>Achieved.  6-monthly reports presented to Board meetings on 2 December 2016 (circulated to stakeholders on 19 December) and on 7 July 2017.</p> <p>Achieved. A summary of savings was included. In the July report to the Board.</p> <p>Achieved.  All councils participated in the tour in October 2016. Not</p> <p>Achieved.  Report delayed until February 2017 (individual councils received their reports in January).</p> <p>N/A.  No contracts due for renewal. Data collection contracts were extended for one year on 14 October 2016.</p> <p>Achieved.  Asset Information Engineer identifies and resolves all issues.</p>

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<p>WAIKATO REGIONAL TRANSPORT MODEL (WRTM):</p> <p>The WRTM is reliable, well maintained and available to all users.</p>	<p>RATA manages the WRTM on behalf of LASS, and monitors the performance of the model supplier (currently Traffic Design Group).</p> <p>RATA reports quarterly to the WRTM Project Advisory Group.</p>	<p>All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.</p> <p>A report from RATA on any new developments and on the status of the model is provided to the WLASS Board at least every six months.</p> <p>The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.</p>	<p>Achieved. Reports were provided on 15 August and 18 November 2016. No quarterly reports were requested in 2017 as the model was unused during this period.</p> <p>Achieved. Reports presented to the Board in December 2016 and July 2017.</p> <p>Achieved. Peer review of base model was completed in April 2017. Consultant has been engaged to complete future years' model in 2017/18.</p>
<p>WAIKATO BUILDING CONSENT GROUP</p> <p>Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p>	<p>Develop and maintain a quality assurance system for building consents, that meets statutory compliance and supports excellence and consistency in customer service and business practice.</p>	<p>Internal audits completed annually for each Group member.</p> <p>Provide Group members with a joint quality assurance system that meets statutory compliance.</p> <p>Report at least six monthly to the WLASS Board on the Group's activities.</p>	<p>Partially Achieved. Only seven of the eight audits scheduled for the year were completed due to a lack of staff resources to assist.</p> <p>Not Achieved. The quality assurance system consists of over 466 separate documents. Regulation 17 requires that all BCAs on an annual or more frequent basis; audit and review all of their quality assurance systems to ensure that the systems meet the requirements of the BCA regulations and the Building Act 2004, and remain appropriate for purpose. Even though the audit and review of the QA systems was achieved within the calendar year, it was not achieved within 12 months from the last completion date.</p> <p>Achieved. Reports presented to the 3 February and 7 July 2017 Board meetings.</p>
<p>FUTURE PROOF</p> <p>All stakeholders are kept informed about Future Proof's projects and achievements.</p>	<p>Six monthly and annual reports are provided to all stakeholders.</p>	<p>Reports presented to WLASS Board as at 30 December and 30 June, and circulated to stakeholders.</p>	<p>Achieved. 6-monthly reports presented to the Board on 2 December 2016 and 7 July 2017.</p>

<p>SHAREHOLDER SURVEY:</p> <p>Shareholders are satisfied with the performance of WLASS.</p>	<p>An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.</p>	<p>A survey of shareholders is undertaken each year, and the results are reported to all shareholders.</p>	<p>In Progress. Shareholders' survey has been completed and is scheduled to be reported to the Board on 26 August 2017.</p>
<p>REVIEW OF BENEFITS:</p> <p>Shareholders are informed of the benefits being provided to shareholding councils by WLASS.</p>	<p>The benefits of WLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.</p>	<p>Information on the financial and non-financial benefits being achieved by WLASS are included in the 6-monthly and Annual Report to shareholders.</p>	<p>Achieved. Information is included in this report.</p>

## WLASS Achievements

This overview outlines new projects and provides an update on WLASS's achievements during 2016/17.

## PROCUREMENT

### Procurement Review

A "health check/maturity assessment" of procurement activities and processes across the WLASS councils was initiated in March, to identify opportunities and/or alternative approaches that could be taken to provide more value to shareholders. The results are due to be reported by the end of July 2017.

### Multi-Function Devices

A joint RFP with BOPLASS for the supply of Multi-function Devices was completed in late 2016, and Konica Minolta were accepted as the preferred supplier. BOPLASS have put the contract in place, and WLASS councils can participate through a Joining Agreement.

### Health & Safety Training

A WLASS Master Agreement with Vertical Horizonz for the provision of health & safety training was completed in February 2017 and 11 councils have signed Joining Agreements. The contract has also been made available to BOPLASS

### Fleet Management

Following an RFP process, a WLASS Master Agreement for Fleet Management has been entered into with FleetPartners /FleetSmart for a term of 1+2 years. A Joining Agreement is available to all shareholding councils. One council had signed up by the end of the financial year.

### Extension of Existing Contracts

Four current WLASS contracts were extended during the past year, following a performance review:

- Dataprint (computer-generated print, mailhouse and e-services), extended for 3 years and now includes provision for additional services (Joining Agreements are available, but only four councils have signed up)
- Professional Services Panel (building services, planning 3-waters, urban design, flood hazards consultancy services), extended for 2 years (Joining Agreements are available, but only four councils have signed up)
- Aon (insurance brokerage), extended for 2 years (all councils have signed up)
- Infometrics (economic data), extended for 1 year (available to all councils, but only six have signed up).

### Hamilton City Council Syndicated Contracts

A syndicated clause in three tendered Hamilton City Council contracts enables all shareholding councils to join and access:

- a library book buying contract at 37% discount on the RRP (at the end of the financial year, only Otorohanga and Waikato Districts had signed up)
- a contract for the supply of pipes and fittings for water, wastewater and stormwater pipes, which provides discounts of between 30% and 80% off the list price (at the end of the financial year, no other councils had signed up)

- an HR Panel of eight suppliers for the recruitment of permanent and temporary staff (at the end of the financial year, no other councils had signed up).

### N3

In 2015/16, N3 reported savings of \$662,000 (25%) for the group, for a total spend of just over \$2M. (It should be noted that these savings are based on full retail price.) Data for 2016/17 are not yet available from N3. The WLASS membership fee for 10 councils (Rotorua and Taupo are part of the BOPLASS scheme) is \$18,000 p.a., a saving of \$4,000 over the individual membership fees which were being paid prior to the WLASS contract.

## SHARED SERVICES

### Insurance

Since their appointment in 2012, Aon has saved the WLASS shareholding councils over 30% of their total premium spend, compared with expenditure prior to the WLASS programme being established. Additional savings of over \$500,000 have also been achieved, while at the same time, the scope of cover has increased, excesses have been reduced, and the value of the assets insured has increased by over 20% - to approximately \$200,000,000. These figures do not include the development of a sustainable underground infrastructural flood protection and natural disaster catastrophe programme.

Aon has an in-depth knowledge of all of the shareholding councils' risks, both insurable and uninsurable. Detailed catastrophe loss modelling has been completed for Natural Disaster catastrophe losses, and insurance solutions that directly reflect the exposures faced by all of the Waikato Councils have been developed.

Exclusive solutions developed by Aon include:

- London-based panel of insurers to protect against natural disaster catastrophe losses, e.g. earthquake, volcanic, tsunami and windstorm/cyclone
- Cyber liability and environmental liability specifically designed for local government risks.

Other services provided by Aon to the shareholding councils and staff include:

- Skills transfer and in-council training for key council staff in both risk and risk mitigating areas
- Claims management above and below deductible
- Presentations to Audit and Risk committee's and to WLASS Board meetings, as required
- Contract reviews, as required
- Development of an employee benefit programme, specifically designed for local government.

### Shared Valuation Data Service (SVDS)

During the year, a review of the SVDS service was undertaken to assess its suitability as a platform for the next ten years. It is believed that the business functions that SVDS currently supports will be required until at least 2025.

It was determined that the combination of the current software platform and service providers was unlikely to supply reliable and robust services to 2025 and beyond. Whilst some operational support problems occurred (and were resolved) during the year, there is no immediate risk of service failure or significant disruption to services (within the next 1 to 3 years). However the risk of disruption and or failure with the current service delivery model is likely to increase over time, due to a combination of software platform and availability of technical expertise.

Given the lead time to rewrite SVDS (and the capital cost of a rewrite) and the time required to replace it with a commercial product, three future options are currently being assessed: changing the provider of support services, and two "Software as a Service" options. The investigation is scheduled to be completed during the first half of the 2017/18 financial year, and (subject to Board approval of the Business case), implemented in the 2018 calendar year.

### Future Proof

Over the past year, Future Proof has focused on a number of on-going projects, including an update of the Future Proof Strategy, collaboration on the National Policy Statement (NPS) on Urban Development Capacity, submissions to various agencies advocating Future Proof's position, raising cross-boundary issues with Auckland as part of the Auckland Plan refresh, and supporting key waters and transport projects. Completion of the draft Future Proof Strategy and summary document were significant milestones, with the consultation period opening on 12 June, and scheduled to close on 21 July 2017.

### RATA

In the first half of the financial year, RATA completed recruitment and is now fully staffed with three FTEs and a part-time administrator. The work programme for the year has focused on:

- monitoring the regional data collection contracts
- tendering for a regional pavement deterioration model, which was used to develop the 2017/18 forward works programmes in most of the participating councils
- preparing a new contract to administer bridge and structures inspections
- supporting councils to implement the One Network Road Classification
- project managing the Waikato Regional Transport Model
- completing a regional road user satisfaction survey
- developing an Economic Evaluation Guideline to evaluate sites for forward works programmes.

### Waikato Regional Transport Model (WRTM)

WRTM has been in operation since 2010 as a shared service for seven local authorities and NZTA. Over the last five years it has supported:

- land transport investment in excess of \$2.5b, including the Waikato Expressway, HCC's Wairere Drive project, and planning for Southern Links
- a range of strategic and statutory planning processes, including Future Proof, the Waikato Regional Policy Statement, the Ruakura Inland Port Board of Enquiry process, as well as District plans and plan changes.

During 2014 – 2017, the WRTM was repositioned (through the WRTM Census Update project), to enable a greater focus in 2017/18 on network optimisation and corridor improvements, alongside testing of future capital improvements and strategic planning processes.

The WRTM project has been challenging this year due to delays in reaching agreement on land use and population data from shareholding councils. As a result, no modelling has been undertaken since the end of 2016. However it is anticipated that the updated model will be completed (along with a peer review) in the first quarter of 2017/18.

### Waikato Building Consent Group

Building Control Authorities in the region are under a lot of pressure, with regional growth reflected in high building consent numbers. In addition, legislative changes have increased the already busy workload, with changes to the Building Consent Authority minimum accreditation criteria, the introduction of mandatory inspections of residential pool fences every 3 years, and preparation for implementing the Building (Earthquake-prone Buildings) Amendment Act, which comes into effect on 1 July 2017.

A workshop to plan the future strategic direction of this Group was held in May 2017, and a number of new initiatives will be progressed over the coming year.

### Energy Management

The EECA Collaboration project has now been running for just over a year, and savings of 267,000 kWh of electricity and 710,000 kWh of gas have been achieved so far, with more projects under investigation. Subsidies of just over \$60,000 had been received from EECA by the end of the financial year.

### Waikato Regional Aerial Photography Syndicate (WRAPS)

Unfortunately, aerial photography was not completed during the 2016/17 flying season, due to poor weather conditions over much of the area. Approximately 65% of rural imagery and 94% of the urban imagery has been flown, and flights will recommence in September. The contract is in the process of being extended to 30 June 2018, at no additional cost to the participating councils.

### Historic Aerial Photos

This project continues to run ahead of schedule, and is expected to be completed in 2018. Scanned photos are uploaded onto the public Retrolens website (<http://retrolens.nz/>) every quarter, which allows the public and all councils to easily search and use the images as they become available. Being able to access the images 24x7 means an increase in effectiveness and a reduction in council staffs' time to find and provide the images.

### Regional Infrastructure Technical Specifications (RITS)

This Mayoral Forum project is nearing completion and will be managed by WLASS once consultation has been completed and the final document has been adopted. The RITS document sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure in the participating councils' areas. Prior to developing RITS, each council had its own Infrastructure Technical Specifications, which resulted in different standards having to be met across the Waikato region. The purpose of RITS is to provide a single regional guide and specifications for building public infrastructure. Consultation on the draft document is expected to commence in August 2017.

### Local Government Contractor Health & Safety Pre-qualification Scheme

This service is now being offered nationally as part of a drive to better manage councils' contractors in the new health and safety environment. It not only saves councils considerable time and money, as the scheme is fully managed by the software provider, but it also removes the need for contractors to supply separate details to each council or for each contract sought, which also reduces their costs.

WLASS was a finalist in the 2017 NZ Workplace Health & Safety Awards in the "ACC Best Leadership of an Industry Sector or Region" category for this project. At the end of the financial year, all of the shareholding councils were participating, and a total of 19 local authorities and one CCO were actively using the scheme, with more expressing interest in joining.

## EFFICIENCY AND EFFECTIVENESS GAINS

### Shared Health & Safety Training

In February 2017, the WLASS Health & Safety Working Party organised shared training in the new Health & Safety legislation for newly elected members, following the 2016 local body elections. This was a joint initiative with BOPLASS. Simpson Grierson were engaged to run two training courses on the same day, one in Tauranga and one in Hamilton, to reduce costs to the participating councils. At \$182 per head, this proved to be very cost effective.

### Insights Panel

As part of the WLASS contract for Internal Audit services, KPMG hosts an annual panel session with the leaders of their advisory team, at no cost to councils. This year's session was held in March, and focused on health and safety, procurement and risk management. Senior staff and Chairs of Audit and Risk Committees were invited to attend.

### Shared Information

To streamline the process used by shareholding councils to procure contracts, information on MBIE's standard RFP templates was sent to all Shared Services Working Party members. Information on how to participate in syndicated contracts for BP Fuel (Ministry of Defence), Banking Services, Office Furniture (NZ Police), Media Monitoring and Employee Assistance Programmes was also circulated to all shareholding councils during the year.

For the eight councils participating in the BP Fuel contract, savings of \$372,000 were achieved over the 2016/17 financial year. (Hauraki, Matamata Piako, Otorohanga and Thames Coromandel Districts have not joined the BP contract. Note: Otorohanga have not joined because they do not have access to BP stations.)

### All of Government (AoG) Contracts

Summary information on each council's participation, spend and savings on the range of AoG contracts available for the 2015/16 financial year was distributed to shareholders in October 2016. In 2016/17, the 12 shareholding councils spent \$18,441,067 on AoG contracts, and achieved savings of \$1,641,294 (8.9%).

### NEW ACTIVITIES

#### Learning and Development Working Party

A new Working Party focused on investigating regional learning and development opportunities was established early in 2017, following the consideration and approval of a business case by the Board. A regional Workforce Development Policy was adopted by the Board in July 2017, and it is recommended that each council now adopts a mirror policy to promote regional alignment. A list of training courses and providers currently being used across the region is being compiled to identify opportunities for regional procurement. The aim will be to secure WCLASS Master Agreements with a panel of providers who can deliver quality training and provide value for money. The scope of a potential IT solution for a regional on-line Learning & Development calendar, with e-learning capability, is also being investigated.

#### Aligned Planning

A report prepared for the Waikato Plan project in 2016 identified 20 action/opportunity areas to align regional planning processes and provide more efficient, effective and business-friendly resource consent processes. Following consideration of a Business case, the Board confirmed that implementing some of the actions/opportunities from that report should be pursued. Expressions of Interest were sought to project manage this work, and a Project Manager was appointed in June.

The project will seek to "make business easier" in the Waikato by:

- Delivering better services to customers
- Defining and delivering more efficient and effective "best practice" processes for the administration of resource consenting
- Ensuring regional consistency wherever possible in the administration of resource consenting.

All councils, except Taupo and Otorohanga, are participating in this project.

#### Geospatial

A WCLASS Data Portal Steering Group has been commissioned by the Shared Services Working Party to assess shared geospatial opportunities for the region. A review of collaborative Spatial/GIS initiatives in other regions has been completed, and the benefits, based in particular on the knowledge and experience of the Canterbury Maps project, have been identified.

A business case will be prepared in first half of 2017/18, to identify the value proposition of progressing the project. All councils, except Rotorua and Taupo (who are involved in a similar BOPLASS project) are contributing to the investigation of this opportunity.

### WCLASS Financial Position

Expenditure for the WCLASS has been assessed on the basis of the direct cost of management and the Directors' governance role.

The WCLASS administration costs for this period were \$219,653 against a budget of \$271,117.

All WCLASS service costs are shown per activity in the financial statements.

The current activities undertaken by WCLASS are: Company Administration, Procurement, Information Technology (IT), Energy Management, Shared Valuation Data Services (SVDS), Road Asset Technical Accord (RATA), Waikato Regional Transport Model (WRTM), Waikato Building consent Group (WBCG), Future Proof and Waikato Mayoral Forum.

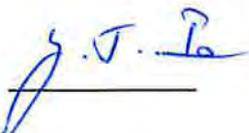
### Directors

The Directors appointed for the period that this annual report covers were:

Six Board meetings were held during the year. Directors' attendance is shown in the table below.

Director	Position	Director Appointed By	Meetings Attended
Gavin Ion(Chair)	Chief Executive Waikato District Council	Waikato District Council	6
Blair Bowcott	Executive Director, Hamilton City Council	Hamilton City Council	6
Chris Ryan	CEO Waitomo District Council	Waitomo District Councils	3
Craig Hobbs	Chief Executive South Waikato District Council	South Waikato District Council	3
Dave Clibbery	Chief Executive Otorohanga District Council	Otorohanga District Council	5
Don McLeod	Chief Executive Matamata-Piako District Council	Matamata-Piako District Council	4
Gareth Green	Chief Executive Taupo District Council	Taupo District Council	5
Garry Dyet	Chief Executive Waipa District Council	Waipa District Council	6
Geoff Williams	Chief Executive Rotorua District Council	Rotorua District Council	1
Langley Cavers	Chief Executive Hauraki District Council	Hauraki District Council	5
Rob Williams	Chief Executive Thames-Coromandel District Council	Thames-Coromandel District Council	6
Vaughan Payne	Chief Executive Waikato Regional Council	Waikato Regional Council	6

For and on behalf of the Board.



Director  
22 September 2017



Director  
22 September 2017

**Independent Auditor's Report****To the readers of Waikato Local Authority Shared Services Limited's  
financial statements and performance information  
for the year ended 30 June 2017**

The Auditor-General is the auditor of Waikato Local Authority Shared Services Limited (the company). The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

**Opinion**

We have audited:

- the financial statements of the company on pages 22 to 39 that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 5 to 10.

In our opinion:

- the financial statements of the company on pages 22 to 39:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards; and
- the performance information of the company on pages 5 to 10 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2017.

Our audit was completed on 22 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.



## **Basis for opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

## **Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 4, but does not include the financial statements, and our auditor's report thereon.



Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Independence**

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.

David Walker  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand



**Directory****Company Number**

1730380

**Registered office**Waikato District Council  
15 Galileo Street  
Ngaruawahia**Directors**ION, Gavin John  
BOWCOTT, Blair  
CAVERS, Langley David  
CLIBBERY, Dave  
DYET, Garry  
GREEN, Gareth  
HOBBS, Craig  
MCLEOD, Don  
PAYNE, Vaughan  
RYAN, Chris  
WILLIAMS, Geoff  
WILLIAMS, Rob**Bankers**Bank of New Zealand  
Hamilton Banking Centre  
Victoria Street  
Hamilton**Auditors**

Audit New Zealand on behalf of the Auditor-General

Handwritten signature and initials, possibly 'BB' followed by a flourish.

Waikato Local Authority Shared Services Limited  
Statement of comprehensive revenue and expense  
For the year ended 30 June 2017

**Statement of comprehensive revenue and expense**

For the year ended 30 June 2017

	Note	Actual 2017 \$	Budget 2017 \$	Actual 2016 \$
<b>Revenue</b>				
SVDS Data Sales		386,760	227,919	223,669
Interest		6,215	6,500	11,529
Other revenue	4	<u>4,155,644</u>	<u>3,220,804</u>	<u>2,275,608</u>
<b>Total revenue</b>		<u>4,548,619</u>	<u>3,455,223</u>	<u>2,510,806</u>
<b>Expenditure</b>				
Depreciation and amortisation expense	10	164,286	170,142	419,507
Other expenses	5	<u>4,255,952</u>	<u>3,323,323</u>	<u>2,452,015</u>
<b>Total operating expenditure</b>		<u>4,420,238</u>	<u>3,493,465</u>	<u>2,871,522</u>
<b>Operating surplus/(deficit) before tax and share of equity accounted investments</b>		<u>128,381</u>	<u>(38,242)</u>	<u>(360,716)</u>
<b>Surplus/(deficit) before tax</b>		128,381	(38,242)	(360,716)
Income tax expense	6	-	-	-
<b>Surplus/(deficit) after tax</b>		<u>128,381</u>	<u>(38,242)</u>	<u>(360,716)</u>
		-	-	-
<b>Total other comprehensive income</b>		-	-	-
<b>Total comprehensive income</b>		<u>128,381</u>	<u>(38,242)</u>	<u>(360,716)</u>

Explanations of major variances against budget are provided in note 20

*goc BSH*

**Waikato Local Authority Shared Services Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2017**

**Statement of changes in equity**

For the year ended 30 June 2017

	Actual 2017 \$	Budget 2017 \$	Actual 2016 \$
Note			
<b>Balance at 1 July</b>	<b>671,293</b>	<b>628,071</b>	1,032,008
Total comprehensive revenue and expense previously reported	<u>128,381</u>	<u>(38,242)</u>	<u>(360,716)</u>
<b>Balance at 30 June</b>	<b><u>799,674</u></b>	<b><u>589,829</u></b>	<b><u>671,293</u></b>
13			
<b>Total comprehensive revenue and expense attributable to:</b>			
Equity holders of Local Authority Shared Services Limited	799,674	589,829	671,293
Non-controlling interest	-	-	-
<b>Total comprehensive revenue and expense</b>	<b><u>799,674</u></b>	<b><u>589,829</u></b>	<b><u>671,293</u></b>

Explanations of major variances against budget are provided in note 20

*[Handwritten signatures]*

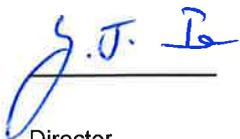
Waikato Local Authority Shared Services Limited  
Statement of financial position  
As at 30 June 2017

**Statement of Financial Position**

As at 30 June 2017

	Note	Actual 2017 \$	Budget 2017 \$	Actual 2016 \$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	953,946	623,031	682,673
Exchange trade and other receivables	8	409,363	-	370,003
Non-exchange trade and other receivables	8	75,021	3,394	66,064
Prepayments	9	147,500	2,692	148,820
<b>Total current assets</b>		<u>1,585,830</u>	<u>629,117</u>	<u>1,267,560</u>
<b>Non-current assets</b>				
Intangible assets	10	327,208	342,262	491,494
Other financial assets	11	81,000	-	-
<b>Total non-current assets</b>		<u>408,208</u>	<u>342,262</u>	<u>491,494</u>
<b>Total assets</b>		<u>1,994,038</u>	<u>971,379</u>	<u>1,759,054</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables and deferred revenue	12	1,194,364	335,305	1,087,761
<b>Total current liabilities</b>		<u>1,194,364</u>	<u>335,305</u>	<u>1,087,761</u>
<b>Non-current liabilities</b>				
<b>Total non-current liabilities</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>		<u>1,194,364</u>	<u>335,305</u>	<u>1,087,761</u>
<b>Net assets</b>		<u>799,674</u>	<u>636,074</u>	<u>671,293</u>
<b>EQUITY</b>				
Retained earnings	13	2,957,001	2,957,001	2,957,001
Reserves	13	(2,157,327)	(2,367,172)	(2,285,708)
<b>Total equity</b>		<u>799,674</u>	<u>589,829</u>	<u>671,293</u>

These financial statements have been authorised for issue by the Board of Directors on 22 September 2017



Director  
22 September 2017



Director  
22 September 2017

Explanations of major variances against budget are provided in note 20

Waikato Local Authority Shared Services Limited  
Cash flow statement  
For the year ended 30 June 2017

**Cash flow statement**

For the year ended 30 June 2017

	Actual 2017 \$	Budget 2017 \$	Actual 2016 \$
<b>Cash flows from operating activities</b>			
Interest Received	6,215	6,500	11,593
Receipts from other revenue	4,425,573	3,503,791	2,461,848
Payments to suppliers and employees	(4,101,152)	(3,379,111)	(2,430,722)
Income tax received / (paid)	2,509	(1,820)	1,170
Goods and services tax (net)	<u>19,130</u>	<u>(25,221)</u>	<u>(54,834)</u>
<b>Net cash flow from operating activities</b>	<u>352,275</u>	<u>104,139</u>	<u>(10,945)</u>
Purchase of intangible assets	-	(10,190)	-
Purchase of term deposits with maturities greater than 3 months	(81,000)	-	-
<b>Net cash flow from investing activities</b>	<u>(81,000)</u>	<u>(10,190)</u>	<u>-</u>
<b>Net (decrease)/increase in cash, cash equivalents, and bank overdrafts</b>	<b>271,275</b>	<b>93,949</b>	<b>(10,945)</b>
Cash, cash equivalents, and bank overdrafts at the beginning of the year	<u>682,673</u>	<u>529,082</u>	<u>693,617</u>
<b>Cash, cash equivalents, and bank overdrafts at the end of the year</b>	<b>7</b> <u>953,948</u>	<u>623,031</u>	<u>682,672</u>

Explanations of major variances against budget are provided in note 20

*M*  
*AS 2017*

## 1 Statement of accounting policies for the year ended 30 June 2017

### 1.1 Reporting entity

Waikato Local Authority Shared Services Limited ("the Company") is a Company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is controlled by the councils listed on the directory page of these accounts. Waikato Local Authority Shared Services Ltd is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of each of the shareholding Council's right to appoint the Board of Directors.

The primary objective of the Company is to provide the Waikato region local authorities with a vehicle to develop shared services that demonstrate a benefit to the ratepayers and provide those services to local authorities.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Company are for the year ended 30 June 2017. The financial statements were authorised for issue by the Board of Directors on the 22 September 2017.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

#### Statement of Compliance

The financial statements of the Company have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with Tier 2 PBE Standards reduced disclosure regime (RDR).

LASS is eligible to report in accordance with the Tier 2 PBE accounting standards RDR as it:

- is not publicly accountable;
- has expenses more than \$2 million, but less than \$30 million.

These financial statements comply with PBE standards RDR.

These financial statements are the third financial statements presented in accordance with the new PBE accounting standards.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### Measurement base

The financial statements have been prepared on a historical cost basis.

#### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless otherwise stated. The functional currency of the Company is New Zealand dollars.

#### Budget figures

The budget figures are those approved by the Board of Directors in the 2016/17 Statement of Intent. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Company in preparing the financial statements.

## 2 Summary of significant accounting policies (continued)

### 2.2 Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

## 3 Critical accounting estimates and assumptions

In preparing the financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year have been included below.

### INTANGIBLE ASSETS

#### Useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its intangible assets. Assessing the appropriateness of useful life and residual value estimates of intangible assets requires the Company to consider a number of factors such as the expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the amortisation amount of an asset, therefore impacting on the amortisation expense recognised in the income statement, and carrying amount of the asset in balance sheet. The Company minimises the risk of this estimation uncertainty by reviewing that the asset technology is still relevant and there is no alternative options to recreate the asset at a lower price.

#### Impairment of intangible assets

Intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

If an assets carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

#### *Value in use for non-cash generating assets*

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

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## 4 Revenue

### Accounting policy

#### (i) Revenue

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Company. No provisions have been recorded as all revenue and trade receivables are expected to be received.

#### (ii) Other Revenue

User charges for all activities are recognised when invoiced to the user, ie. Councils. The recorded revenue is the net amounts of the member charges payable for the transaction. Contributions to Waikato Mayoral Forum projects and projects that were not completed in the previous financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. Otherwise, contributions are recognised as liabilities until such time as the Company provides, or is able to provide the service.

	Actual 2017 \$	Actual 2016 \$
<b><u>Non-exchange revenue</u></b>		
User Charges	1,203,182	525,066
Other	<u>316,131</u>	<u>169,550</u>
Total non-exchange revenue	<u>1,519,313</u>	<u>694,616</u>
<b><u>Exchange revenue</u></b>		
Procurement	794,505	352,446
Information Technology	53,600	22,334
Energy Management	116,184	96,000
Shared Valuation Data Services	78,463	78,500
Road Asset Technical Accord	1,107,321	618,420
Waikato Regional Transport Model	3,348	11,724
Waikato Building Consent Group	20,502	-
Waikato Mayoral Forum	<u>462,408</u>	<u>401,568</u>
Total exchange revenue	<u>2,636,331</u>	<u>1,580,992</u>
<b>Total other revenue</b>	<u><b>4,155,644</b></u>	<u><b>2,275,608</b></u>

## 5 Other expenses

	Actual 2017 \$	Actual 2016 \$
Audit fees for financial statement audit (current year)	20,600	15,348
Company Administration	199,053	173,767
Procurement	782,513	325,446
Information Technology	63,075	12,610
Energy Management	96,822	39,685
Shared Valuation Data Services	543,163	535,135
Road Asset Technical Accord	1,168,385	618,420
Waikato Regional Transport Model	82,187	183,289
Waikato Building Consent Group	265,326	-
Future Proof	572,421	-
Waikato Mayoral Forum	<u>462,407</u>	<u>548,314</u>
<b>Total other expenses</b>	<u><b>4,255,952</b></u>	<u><b>2,452,014</b></u>

## 6 Income tax

### Accounting policy

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

	Actual 2017 \$	Actual 2016 \$
<b>Components of income tax expense:</b>		
Current tax expense	-	-
Adjustments to current tax in prior years	-	-
Deferred tax expense	-	-
<b>Tax expense</b>	<b>-</b>	<b>-</b>
<b>Relationship between tax expense and accounting profit:</b>		
Net surplus (deficit) before tax	<u>128,381</u>	<u>(360,716)</u>
Tax at 28%	<u>35,947</u>	<u>(101,000)</u>
Non-taxable in calculating taxable income	-	-
Other timing adjustments	44,432	109,059
Non-taxable income	-	-
Prior year adjustment	-	-
Group loss offset	-	-
Deferred tax adjustment	(44,433)	(105,537)
Tax losses not recognised	<u>(35,946)</u>	<u>97,478</u>
<b>Tax expense</b>	<b>-</b>	<b>-</b>

**Waikato Local Authority Shared Services Limited**  
**Notes to the financial statements**  
**30 June 2017**  
(continued)

<b>Deferred tax asset (liability)</b>	<b>Intangible assets</b>	<b>Other provisions</b>	<b>Tax losses</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	(241,588)	-	241,588	-
Charged to surplus or deficit	105,537	-	(105,537)	-
Charged to other comprehensive income	-	-	-	-
<b>Balance at 30 June 2016</b>	<u>(136,051)</u>	<u>-</u>	<u>136,051</u>	<u>-</u>
	\$	\$	\$	\$
<b>Council</b>				
<b>Balance at 1 July 2016</b>	(136,051)	-	136,051	-
Charged to surplus or deficit	44,433	-	(44,433)	-
Charged to other comprehensive income	-	-	-	-
<b>Balance at 30 June 2017</b>	<u>(91,618)</u>	<u>-</u>	<u>91,618</u>	<u>-</u>

A deferred tax asset of \$644,377 (2016: \$680,324) has not been recognised in relation to tax losses carried forward of \$2,301,346 (2016: \$2,492,728).

## 7 Cash and cash equivalents

### *Accounting policy*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

	<b>Actual 2017</b>	<b>Actual 2016</b>
	\$	\$
Cash at bank and in hand	<b>903,946</b>	637,271
Short term deposit maturing three months or less from date of acquisition	<u><b>50,000</b></u>	<u>45,402</u>
<b>Net Cash and Cash Equivalents and bank overdrafts for the purposes of the Statement of Cashflows</b>	<u><b>953,946</b></u>	<u>682,673</u>

The carrying value of cash at bank, call deposits, and term deposits with maturities less than three months approximates their fair value.

## 8 Receivables

### *Accounting policy*

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

Receivables are initially measured at nominal or face value. Receivables are subsequently adjusted for penalties and interest as they are charged and impairment losses. Non-current receivables are measured at the present value of the expected future cash inflows.

Debtors are amounts due from customers and other customers. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

## 8 Receivables (continued)

	Actual 2017 \$	Actual 2016 \$
Gross trade and other receivables	59,900	61,821
Related Party Receivables (note 16)	409,363	337,490
Accrued Interest on Short Term Deposits and Call Accounts	97	281
GST Refund Due	14,706	33,833
IRD - RWT Tax Paid	318	2,642
<b>Total debtors and other receivables</b>	<b>484,384</b>	<b>436,067</b>
<b>Exchange</b>		
Receivables from exchange transactions	409,363	370,003
<b>Non-exchange</b>		
Receivables from non-exchange transactions	75,021	66,064
<b>Total debtors and other receivables</b>	<b>484,384</b>	<b>436,067</b>

## 9 Prepayments

	Actual 2017 \$	Actual 2016 \$
Prepayments	147,500	148,820
<b>Balance as at 30 June</b>	<b>147,500</b>	<b>148,820</b>

## 10 Intangible assets

### Accounting policy

#### Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software are recognised as an intangible asset.

Costs associated with maintaining computer software are recognised as an expense when incurred.

#### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer Software	5 to 7 years	14 to 20%
-------------------	--------------	-----------

	Actual 2017 \$	Actual 2016 \$
<b>Computer Software</b>		
Balance at 1 July	5,363,366	5,363,366
Additions	-	-
Disposals	-	-
<b>Balance at 30 June</b>	<b>5,363,366</b>	<b>5,363,366</b>

## 10 Intangible assets (continued)

### Accumulated amortisation and impairment losses

Balance at 1 July	4,871,872	4,452,365
Disposals	-	-
Amortisation as per Income statement	164,286	419,507
Impairment losses	-	-
Balance at 30 June	<u>5,036,158</u>	<u>4,871,872</u>

### Carrying Amounts

Balance at 1 July	491,494	911,001
Balance at 30 June	327,208	491,494

Intangible assets include the Shared Value Data Services (SVDS) computer software, the Waikato Regional Transport Model (WRTM) and MoneyWorks computer software.

The carrying amount of the SVDS asset as at 30 June 2017 is \$180,864 (2016: \$272,063).

The carrying amount of the WRTM asset as at 30 June 2017 is \$145,832 (2016: \$218,748).

The carrying amount of the MoneyWorks asset as at 30 June 2017 is \$512 (2016: \$683).

The Board of Directors consider that there is no impairment of assets as at 30 June 2017. Accordingly no impairment adjustments are needed.

## 11 Other financial assets

### Accounting policy

Investments in bank deposits are initially measured at fair value plus transaction costs.

At each balance sheet date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

	Actual 2017 \$	Actual 2016 \$
Term deposits with maturities greater than 3 months	<u>81,000</u>	<u>-</u>
Balance as at 30 June	<u>81,000</u>	<u>-</u>

## 12 Payables and deferred revenue

### Accounting policy

Short-term creditors and other payables are recorded at their face value.

	Actual 2017 \$	Actual 2016 \$
<b>Current</b>		
Trade payables and accrued expenses	461,460	482,003
Related party payables (note 16)	249,990	75,992

## 12 Payables and deferred revenue (continued)

Deferred revenue	<u>482,914</u>	529,766
<b>Total creditors and other payables</b>	<b><u>1,194,364</u></b>	<b><u>1,087,761</u></b>
<b>Exchange</b>		
Trade payables	<u>447,492</u>	539,595
Accrued expenses	<u>263,958</u>	18,400
<b>Total creditors and other payables from exchange transactions</b>	<b><u>711,450</u></b>	<b><u>557,995</u></b>
<b>Non-exchange</b>		
Deferred revenue	<u>482,914</u>	529,766
<b>Total creditors and other payables from non-exchange transactions</b>	<b><u>482,914</u></b>	<b><u>529,766</u></b>
<b>Total creditors and other payables from exchange and non-exchange transactions</b>	<b><u>1,194,364</u></b>	<b><u>1,087,761</u></b>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payable approximates their fair value.

Councils were invoiced for their portion of contribution towards the Waikato Mayoral Forum projects in advance.

## 13 Reconciliation of equity

### Accounting policy

Equity is the shareholders interest in WLASS and is measure as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

### Contributed capital

Contributed capital is the net asset and liability position at the time the company was formed. The allocation of capital amongst shareholders is explained in this note.

### Accumulated funds

Accumulated funds is the company's accumulated surplus or deficit since formation.

WLASS's objectives, policies and processes for managing capital are explained in note 19.

	Actual 2017 \$	Actual 2016 \$
<b>Total equity</b>		
Contributed equity	2,957,001	2,957,001
Opening retained earnings	<u>(2,157,327)</u>	<u>(2,285,708)</u>
<b>Balance at 30 June 2017</b>	<b><u>799,674</u></b>	<b><u>671,293</u></b>
<b>(a) Contributed equity</b>		
Shares on Issue	3,413,569	3,413,569
Uncalled capital	<u>(456,568)</u>	<u>(456,568)</u>
<b>Balance 30 June</b>	<b><u>2,957,001</u></b>	<b><u>2,957,001</u></b>
Balance at 1 July	2,957,001	2,957,001
Shares Issued	-	-
<b>Balance 30 June</b>	<b><u>2,957,001</u></b>	<b><u>2,957,001</u></b>
Balance at 1 July	<u>(2,285,708)</u>	<u>(1,924,992)</u>
Surplus/(deficit) for the year	<u>128,381</u>	<u>(360,716)</u>

### 13 Reconciliation of equity (continued)

Balance 30 June (2,157,327) (2,285,708)

The Company has issued 2,186,581 (2016 - 2,186,581) shares. The SVDS shares have been fully called and paid for at \$1.00 per share. The WRTM shares have been fully called and paid for at \$10.00 per share. The table below details the different types of shares and their value per share.

Shares are called when notice is given to shareholders by the Board of Directors.

Income	Ordinary Shares	SVDS Shares	WRAPS Shares	WRTM Shares
Hamilton City Council	1	220,514	79,152	50,625
Hauraki District Council	1	40,215	2,864	-
Matamata Piako District Council	1	56,380	4,708	4,500
Otorohanga District Council	1	-	5,716	-
Rotorua Lakes Council	1	126,703	7,516	-
South Waikato District Council	1	42,571	4,916	-
Taupo District Council	1	-	21,652	4,500
Thames Coromandel District Council	1	108,015	6,476	2,250
Waikato District Council	1	106,674	9,376	11,250
Waikato Regional Council	1	803,500	287,872	50,625
Waipa District Council	1	78,748	3,780	11,250
Waitomo District Council	1	23,681	10,540	-
	12	1,607,001	444,568	135,000
	1,000	1	1	10
	12,000	1,607,001	444,568	1,350,000
	(12,000)	-	(444,568)	-
	-	1,607,001	-	1,350,000

#### General Rights of Ordinary, SVDS, and WRAPS Shares

The rights conferred by section 36(1) of the Companies Act 1993 on holders of shares in the Company are altered as set out below:

- For Ordinary, SVDS and WRAPS shares the holders are entitled to participate in certain services to be provided by the Company, in terms that reflect their investment.
- Service shares (SVDS and WRAPS) do not have any right to share in the distribution of the surplus assets of the Company except to the extent provided for in Schedule 1 of the Company's constitution or in accordance with the terms of issue of those shares pursuant to Clause 6 of the Company's constitution.
- Except as provided in section 177 of the Act and Clause 6.1 of the Company's constitution, no class of service shares shall have any voting rights.

#### General Rights of WRTM shares

The following rights and obligations are hereby conferred on each WRTM shareholder:

- A right to one vote prior to further WRTM service shares being issued.
- A right to one vote on the application of any surpluses arising from the WRTM service (after NZTA have been allocated 40 per cent [or a portion based on NZTA's proportion of the total cost at the time] of any surpluses.)
- The right to receive monetary benefits that the Company generates through the sale of outputs of the WRTM service in proportion to the apportionment of the development costs as at that time after 40 per cent (or a portion based on NZTA's proportion of the development cost at the time) of the monetary benefits have been allocated to NZTA.
- No right to share in the distribution of the surplus assets of the Company except to the extent provided for in (c) above.
- No right to share in dividends authorised by the Company except to the extent provided for in (c) above.

## 14 Commitments

### Non-cancellable operating expenses

The majority of these non-cancellable commitments have a contract end date within the following six months of year end.

	Actual 2017 \$	Actual 2016 \$
<b>Non-cancellable operating agreements</b>		
Not later than one year	474,615	416,897
Later than one year and not later than five years	<u>291,667</u>	<u>612,500</u>
<b>Total non-cancellable operating agreements</b>	<u>766,282</u>	<u>1,029,397</u>

## 15 Contingencies

As at 30 June 2017 the Company had no contingent liabilities or assets (2016 - \$0)

## 16 Related party transactions

The Company is controlled by the councils listed on the directory page.

### Transactions with key management personnel

Key management personnel include the Chief Executive and directors. Directors receive no remuneration. Expenditure paid to the Chief Executive was for the provision of Chief Executive services.

	Actual 2017 \$	Actual 2016 \$
Jowett Consulting - LASS Chief Executive	<u>137,548</u>	<u>119,791</u>
<b>Total key management personnel compensation</b>	<u>137,548</u>	<u>119,791</u>

Related party disclosures have been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances.

Related parties have been limited to the directors, shareholders and company related roles. The following transactions were carried out with related parties:

	Actual 2017 \$	Actual 2016 \$
<b>Income</b>		
Hamilton City Council	594,842	243,641
Hauraki District Council	227,880	88,926

### 16 Related party transactions (continued)

Matamata Piako District Council	383,458	97,920
Otorohanga District Council	166,709	110,424
Rotorua Lakes Council	55,743	68,574
South Waikato District Council	183,802	78,995
Taupo District Council	97,680	62,977
Thames Coromandel District Council	236,910	139,426
Waikato District Council	403,453	180,736
Waikato Regional Council	647,216	302,304
Waipa District Council	394,253	148,839
Waitomo District Council	201,434	92,874
	<u>3,593,380</u>	<u>1,615,636</u>

Revenue is related to user charges and IT, Energy Management, SVDS, RATA, WRTM, WBCG, Future Proof and Waikato Mayoral Forum activities.

	Actual 2017 \$	Actual 2016 \$
<b>Expenses</b>		
Hamilton City Council	69,675	808
Taupo District Council	2,628	-
South Waikato District Council	-	1,360
Waipa District Council	467,434	151,980
Waikato District Council	226,793	5,061
Waikato Regional Council - Services Provided	52,845	28,278
	<u>819,375</u>	<u>187,487</u>

Expenses are related to services provided by the related parties.

The figures above exclude invoices from Councils that relate to bills paid on behalf of WLASS; Waikato District Council \$1,344.98, Waikato Regional Council \$14,073.33 and Waipa District Council \$68,191.00 (2016 - \$14,291).

	Actual 2017 \$	Actual 2016 \$
<b>Balance Sheet</b>		
<i>Trade &amp; Other Receivables</i>		
	8	-
Hamilton City Council	48,965	102,380
Hauraki District Council	39,057	10,367
Matamata Piako District Council	122,168	5,738
Otorohanga District Council	22,713	55,997
Rotorua Lakes Council	539	1,718
South Waikato District Council	21,180	1,819
Taupo District Council	13,692	2,655
Thames Coromandel District Council	40,698	29,751
Waikato District Council	14,663	44,920
Waikato Regional Council	10,491	26,959
Waipa District Council	28,579	28,944
Waitomo District Council	46,619	26,241
	<u>409,364</u>	<u>337,489</u>
<i>Trade &amp; Other Payables</i>		
Hamilton City Council	12	5,750
Jowett Consulting - LASS Chief Executive	13,949	16,493
Waikato District Council	29,661	1,428

## 16 Related party transactions (continued)

Waikato Regional Council	17,950	9,615
Waipa District Council	<u>182,680</u>	<u>48,457</u>
	<u>249,990</u>	<u>75,993</u>

## 17 Director and executive disclosures

No Directors fees were paid to Directors during the year. Directors are not directly remunerated by Waikato Local Authority Shared Services (2016: \$0).

## 18 Events occurring after the balance date

There have been no events after balance date.

## 19 Financial instruments

The Company has policies to manage the risks associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its treasury activities.

### (a) Market risk

The interest rates on the Company's investments would be disclosed in the notes, but at present there are none.

#### Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to short-term bank deposits.

#### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to cashflow interest rate risk.

The Company currently has no variable interest rate debt or investments.

#### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk, as it does not enter into foreign currency transactions.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to short-term bank deposits.

#### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to cashflow interest rate risk.

The Company currently has no variable interest rate debt or investments.

#### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk, as it does not enter into foreign currency transactions.

## 19 Financial instruments (continued)

### (b) Credit risk

Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss.

Due to the timing of its cash inflows and outflows, the Company invests surplus cash with registered banks.

The Company has processes in place to review the credit quality of customers prior to the granting of credit.

The Company's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash equivalents (note 7), investments (note 11), and trade receivables (note 8). There is no collateral held as security against these financial instruments, including these instruments that are overdue or impaired.

The Company has no significant concentrations of credit risk, as it has a large number of credit customers and only invests funds with registered banks with specified credit ratings.

### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising funds to meet commitments as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and liquid assets, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Company maintains a target level of investments that must mature within specified timeframes.

The maturity profiles of the Company's interest bearing investments and borrowings would be disclosed in the notes, if the Company had any.

### (d) Financial instrument categories

	Note	2017 \$	2016 \$
<b>FINANCIAL ASSETS</b>			
<b>Loans and receivables</b>			
Cash and cash equivalents	7	953,946	682,673
Receivables	8	469,360	436,067
Other financial assets	11	81,000	-
<b>Total loans and receivables</b>		<u>1,504,306</u>	<u>1,118,740</u>
<b>FINANCIAL LIABILITIES</b>			
<b>Financial liabilities at amortised cost</b>			
Payables and deferred revenue	12	<u>1,194,364</u>	<u>557,995</u>
<b>Total financial liabilities at amortised cost</b>		<u>1,194,364</u>	<u>557,995</u>

## 20 Explanation of major variances against budget

Explanations for major variations from the Company's budget figures in the statement of intent to 30 June 2017 are as follows:

### Statement of comprehensive revenue and expense

SVDS data sales are higher than budget due to new data sales contracts bringing additional revenue.

Revenue from the new contract with Homes.co.nz of \$50,073 was not included in the original budget as a precaution because they were a start-up with no trading history and the business model was unproven.

Other revenue is higher due to the WRAPS project being initially budgeted for at \$84,000 but then invoiced at \$577,155, an unbudgeted project for the Waikato Story received revenue of \$150,000 and the increase of \$146,853 revenue from SVDS Data Sales.

## 20 Explanation of major variances against budget (continued)

Expenses increased due to the WRAPS project being initially budgeted for \$84,000 but expenses totalled \$434,100. RATA exceeded budgeted expenses by \$225,885 using surplus from 2015/16 and the Mayoral Forum using unbudgeted revenue in advance from 2015/16 of \$391,407.

### Statement of Changes in Equity

The items as noted above have meant that the Company has made a gain of \$128,381 against a budgeted loss of \$38,242.

### Statement of Financial Position

The cash balance is higher due to new activities having an end of year surplus (Future Proof \$76,446 and WBCG \$71,537) and SVDS Data Sales up \$156,380.

WLASS do not budget for having EOY receivables.

Prepayments are higher due to an unbudgeted invoice for \$147,500 - prepayment for Insurance Broking and Service Fee.

### Statement of Cash Flows

Deferred revenue is not budgeted for as it results from revenue received not yet spent on expenses.

The \$81,000 term deposit is the first over three months investment for WLASS.

Actual intangible assets are lower because budget takes into account \$10,190 for SVDS enhancement; no enhancements for 2016/17.

## 21 Adjustments to the Comparative Year Financial Statements

The presentation of Note 4 and Note 5 have changed to show the classification per activity; this is considered to be more useful and appropriate for the readers.

5 October 2017



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09 OCT 2017

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Sally Davis  
Chief Executive  
Waikato Local Authority Shared Services  
c/- Waikato District Council  
Private Bag 544  
Ngaruawahia 3742

Dear Sally

**Waikato Local Authority Shared Services – Audit for the year ended 30 June 2017**

I have pleasure in forwarding our audit opinion along with a signed set of the financial statements.

On behalf of the audit team, I would like to thank you and the staff for co-operation and assistance during the audit.

Yours sincerely

David Walker  
Director

Encls

cc Gavin Ion, Chairman of the Board (by email)

**Independent Auditor's Report****To the readers of Waikato Local Authority Shared Services Limited's  
financial statements and performance information  
for the year ended 30 June 2017**

The Auditor-General is the auditor of Waikato Local Authority Shared Services Limited (the company). The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

**Opinion**

We have audited:

- the financial statements of the company on pages 22 to 39 that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 5 to 10.

In our opinion:

- the financial statements of the company on pages 22 to 39:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards; and
- the performance information of the company on pages 5 to 10 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2017.

Our audit was completed on 22 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

## **Basis for opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

## **Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 4 and 11 to 16, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Independence**

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.

A handwritten signature in black ink, appearing to read 'D Walker' with a date '2017' written below it.

David Walker  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand

**Document No:** A373091

**Report To:** Council



**Meeting Date:** 31 October 2017

**Subject:** Establishment of Audit and Risk Committee

**Type:** Decision Required

## Purpose of Report

- 1.1 The purpose of this business paper is to present considerations to Council for changes to the way in which audit and risk functions are being managed and governed.

## Background

- 2.1 The Local Government Act 2002 (LGA) requires a local authority to meet the current and future needs of communities in an effective, efficient and appropriate manner. The core tenets of the governance, planning and reporting requirements from Councils embedded within the LGA are transparency and accountability to the communities.
- 2.2 Over the last few years there has been an external push on local authorities to enhance the risk management and audit aspects. This is despite a significant accountability regime being in place for local authorities.
- 2.3 There has been strong advocacy from the Office of the Auditor-General (OAG) and Local Government New Zealand (LGNZ) to establish Audit and Risk Committees (ARC) within the LG sector to meet risk management needs.
- 2.4 This Council reviewed the need for the establishment of an Audit and Risk Committee in June 2016 and after extensive consideration and discussion reached the view that an ARC would be of limited additional value to the organisation due to the practices and processes already in place within WDC.
- 2.3 The key aspects to this view were that there is already a high level of disclosure of organisational information to the Governance arm, all Councillors are involved in all key aspects of information sharing and decision-making and that ultimately the responsibility of understanding and managing and mitigating risk is the responsibility of Council and not the ARC.

## Commentary

- 3.1 In recent times more councils have established ARCs and these are being considered almost essential now and not just best practice. Council could choose not to revisit its decision from 16 months ago and leave the oversight and monitoring arrangements to full Council as is the current practice however, this could leave Council vulnerable to potentially unfounded criticism.

- 3.2 Some considerations in establishing an ARC are **the benefits** it could potentially bring if it has clearly formulated objectives. The key benefits of an ARC are regarded to be:
- A governance arrangement with dedicated focus on and responsibility for risk management
  - Providing assurance on the robustness of risk management practices
  - A formal risk management reporting structure to Council which is currently reported through to Council as part of general management reporting
- 3.3 An ARC would assist Council to create and promote a more risk-aware culture and help to develop measures that would assist management and governance in understanding and managing risks more fully.
- 3.4 It is important to note that Council has its 'finger on the pulse' for all significant risk matters currently, however an ARC could help consolidate and focus risk discussions in one forum.
- 3.5 The OAG identifies the **core responsibilities** of an ARC to encompass overseeing the effectiveness of the:
- Risk Management Framework
  - Internal Control Environment
  - Standards, Regulatory and Legislative Compliance
  - Internal Audit and Assurance
  - External Audit, and
  - Financial Reporting
- 3.6 The common model for an ARC **membership** is a mix of elected and non-elected members. It is important that any external member brings the right skill set and/or wider experience in order to meet the intent of the ARC. It is also important that the ARC is not unduly large and the recommended size is 5-6 members.
- 3.7 There are **financial implications** to the establishment of an ARC. There would be direct costs associated with the appointment of an independent member. These could be between \$20,000 to \$25,000 per annum and would be higher for an independent Chair, based on the fee paid by other Councils.
- 3.8 There are indirect costs associated with staff servicing the Committee which would be by way of preparation of reports, meeting attendance, advice and secretarial support. There could also be need to provision for specific external advice or costs of any additional work streams were these to be advised by the ARC.
- 3.9 Council currently has no budget provision for these costs as establishment of an ARC was not envisioned at the time the budgets for 2017/18 year were developed and adopted.
- 3.10 Draft Terms of Reference have been prepared for the ARC based on the discussion above for Council's consideration. These are included in this report as Appendix 1.

## Analysis of Options

- 4.1 There are two options available to Council for consideration. **Option 1** is to maintain status quo and not establish an Audit and Risk Committee, which would have the role of providing assurance and advice to Council on matters of risk.
- 4.2 **Option 2** is to establish an Audit and Risk Committee even though Council currently maintains a good oversight on all matters of significant risk. This option has the potential to direct more focused attention to the governance and management of risk within the organisation.

## Considerations

### 5.1 Risk

- 5.2 The risks associated with Option 1 are more in the nature of perception and reputation. Choosing this option could unduly create the perception of reluctance on behalf of Council to further interrogate the robustness of its risk management and internal control mechanisms and WDC would also be an outlier in terms of what is now becoming a norm in terms of risk assurance within the sector.

- 5.3 There is no potential risk that can be determined in choosing Option 2

### 5.4 Consistency with Existing Plans and Policies

- 5.5 Choosing either Option would not be inconsistent with WDC's Long Term Plan or contradictory to any other Plans or Policies of WDC.

### 5.6 Significance and Community Views

- 5.7 The degree of significance of this proposal is considered to be low in respect of Council's Significance and Engagement Policy.
- 5.8 Whilst there is an impact on existing resourcing of establishing an Audit and Risk Committee it is not material in nature requiring the community to be consulted on the proposal.

## Recommendation

- 6.1 In order to address the vulnerability that Council currently has in not adopting recommended best practice, it is recommended that Council establish an ARC and schedule its first meeting for November 2017 with a meeting frequency of once a quarter.
- 6.2 It is recommended that the ARC established be a committee of the full Council. The ultimate responsibility of risk management and governance sits with the Council therefore it would be appropriate for all elected members to be part of the ARC. The usual reason for appointing a sub-part of the Council to the ARC is to keep the membership to a manageable size. In the case of WDC the size of the elected Council is small enough for this aspect to not be of concern.
- 6.3 It is recommended that the Terms of Reference of the ARC including its membership be reviewed for effectiveness after a period of six months and the appointment of independent member to be part of the ARC be considered during this review.

<b>Suggested Resolutions</b>
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- 1 The business paper on Establishment of Audit and Risk Committee be received.
- 2 Council agree to establish an Audit and Risk Committee to be a standing committee of Council pursuant to Clauses 30 and 31 of the Local Government Act 2002 and approve the Terms of Reference within which the Committee shall operate.
- 3 The initial membership of the Audit and Risk Committee comprise of all of Council.
- 4 The Terms of Reference of the Audit and Risk Committee including consideration of appointing an independent member to the Committee be reviewed in a period of six months from the establishment of the Committee.



VIBHUTI CHOPRA  
**GROUP MANAGER CORPORATE SERVICES**

18 October 2017

Attachment: Terms of Reference of the Audit and Risk Committee (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: A369558

**Report To: Council**



**Meeting Date:** 31 October 2017

**Subject:** **Financial Report for the Period ended 30 September 2017**

**Type:** Information Only

## Purpose of Report

- 1.1 The purpose of this business paper is to present the financial and non-financial results for the period ended 30 September 2017.

## Background

- 2.1 The period covered by this report is 1 July 2017 to 30 September 2017.

- 2.2 The order of the report is as follows:

- **Summary Income Statement** with comments detailing significant variances to budget on Council's operating performance for the period ended 30 September 2017.
- **Summary Balance Sheet** with comments detailing significant balance sheet movements from 1 July 2017 to 30 September 2017.
- **Capital Expenditure** summary with commentary on material variances of expenditure for the year compared with the EAP 2017/18.
- **Summary Treasury Management** which reports on the Public Debt position, cash reserves and significant treasury transactions.
- **Cost of Service Statement** Summary and Cost of Service Statements for Council's ten significant activities are presented in **Appendix 1**.
- **Balance Sheet** as at 30 September 2017 is presented in **Appendix 2**.
- **Treasury Management Report** from Bancorp Treasury Services Limited, Council's treasury management advisors is enclosed as **Attachment 1**.
- **Performance Management Report** on the Levels of Service and Key Performance Indicators is enclosed as **Attachment 2**.

- 2.3 All figures in the tables, except percentages, are expressed in thousands of dollars (\$000s).

## Financial Report to 30 September 2017

### 3.1 INCOME STATEMENT HIGHLIGHTS

3.2 Set out below is the summary of financial information for the period to 30 September 2017. Detailed Cost of Service Statements are attached as Appendix 1.

FINANCIAL HIGHLIGHTS (Amounts in \$000's)	Draft Unaudited Actual 2016/17	EAP 2017/ 18	YTD Budget Sept 2017	YTD Actual Sept 2017	Variance Sept 2017	% Variance
<b>Total Expenditure</b>						
- Direct Operating	13,409	16,090	3,903	3,421	(482)	
- Indirect Operating	11,980	13,290	3,320	2,739	(581)	
<b>Total Expenditure</b>	<b>25,389</b>	<b>29,380</b>	<b>7,223</b>	<b>6,160</b>	<b>(1,063)</b>	<b>-15%</b>
<b>Total Revenue</b>						
- Operating Revenue	(10,580)	(10,767)	(2,312)	(2,533)	(221)	
- Rates Revenue	(19,197)	(20,031)	(5,196)	(5,201)	(5)	
<b>Total Revenue</b>	<b>(29,777)</b>	<b>(30,798)</b>	<b>(7,508)</b>	<b>(7,734)</b>	<b>(226)</b>	<b>3%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>(4,388)</b>	<b>(1,418)</b>	<b>(285)</b>	<b>(1,574)</b>	<b>(1,289)</b>	<b>452%</b>
<b>Other Comprehensive Revenue and Expense</b>						
- Revaluation of Property, plant and equipment	493	(4,620)	0	0	0	
-(Gains)/Losses from Cash Flow Hedges	(1,121)	0	0	0	0	
<b>Total Other Comprehensive Revenue and Expense</b>	<b>(628)</b>	<b>(4,620)</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Comprehensive Revenue and Expense</b>	<b>(5,016)</b>	<b>(6,038)</b>	<b>(285)</b>	<b>(1,574)</b>	<b>(1,289)</b>	<b>452%</b>

3.3 **Net Operating Surplus:** The net operating surplus of \$1,574,000 was \$1,289,000 more than budget for the period ended 30 September 2017. The Cost of Service Statements for each activity are included as Appendix 1.

3.4 **Total Expenditure** was 15% (\$1,063,000) less than budget forecast for the period ended 30 September 2017.

- **Direct operating expenditure** was \$482,000 less than budget. The main contributors to this variance in order of magnitude are:
  - Community Service: \$159,000 less as repair and maintenance expenditure were tracking less than budget.
  - Sewerage: \$154,000 less mainly due to expenditures for electricity, chemical and internal WSBU charges tracking less than budget.
  - Water Supply: \$118,000 less as electricity, chemicals, reticulation and pump station maintenance and operational costs were less than budget.
- **Indirect expenditure** was \$581,000 less than budget:
  - Allocated Costs: \$226,000 less as staff costs, information services, motor vehicles and human resources costs were less than budget.
  - Interest: \$233,000 less than budget. The budgeted interest cost was based on 1 July 2017 projected public debt of \$50 million while the actual public debt at that date was \$43.4 million. The main reason for lower debt position

than forecast in the EAP was due to reduced capital expenditure in prior years and the cost of funds were lower than forecast.

- Depreciation: \$122,000 less than forecast due to depreciation for Road and Water Supply assets being less than forecast.

3.5 **Total Revenue** was 3% (\$226,000) more than budget for the period ended 30 September 2017.

- **Operating revenue** \$221,000 more than budget. The main contributors to this variance are:

- Solid Waste Management: \$207,000 more than budget due to increased revenue received for landfill charges including a significant one-off revenue transaction from a commercial customer.
- Community Development: \$80,000 was more than budget due to funding contribution received from the Office of the Prime Minister for Sir Colin Meads Public Memorial Service.

These were partly offset by:

- Roads and Footpaths: \$96,000 less as NZTA subsidy on maintenance and capital expenditure was less.

- **Rates revenue** was \$5,000 more than budget.

### 3.6 **BALANCE SHEET HIGHLIGHTS**

3.7 Balance Sheet highlights presented below show the movement in Council's financial position from 30 June 2017 to 30 September 2017. The full Balance Sheet is attached as **Appendix 2**.

<b>BALANCE SHEET HIGHLIGHTS (Amounts in \$000's)</b>	<b>Draft Unaudited Actual Position 30 Jun 2017</b>	<b>Actual Position 30 Sept 2017</b>	<b>Movement from 30 Jun 2017</b>
<b>Assets</b>			
- Cash and cash equivalents	112	400	288
- Receivables	6,361	5,082	(1,279)
- Other current assets	1,099	1,099	0
- Other financial assets	5,686	5,688	2
- Non-current assets	332,439	332,343	(96)
<b>TOTAL ASSETS</b>	<b>345,697</b>	<b>344,612</b>	<b>(1,085)</b>
<b>Liabilities</b>			
- Other Liabilities	6,452	4,277	(2,175)
- Total Borrowings	43,419	42,935	(484)
- Derivative financial instruments	1,636	1,636	0
<b>Total Liabilities</b>	<b>51,507</b>	<b>48,848</b>	<b>(2,659)</b>
<b>Equity</b>			
- Equity	294,190	295,764	1,574
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>345,697</b>	<b>344,612</b>	<b>(1,085)</b>

3.8 **Total Assets** have decreased from \$345.7 million to \$344.6 million.

- Cash and cash equivalents have increased by \$288,000 from \$112,000 to \$400,000.

- Receivables decreased by \$1,279,000 since 30 June 2017 from \$6.36 million to \$5.08 million due to a decrease in NZTA subsidy receivable, GST receivable and other debtors. This is partly offset by an increase in rates receivables due to penalties and the first instalment of rates being charged.
- Non-current assets have decreased by \$96,000. The decrease is due to the net effect of asset additions of \$1,380,000 less depreciation of \$1,378,000 and asset disposals of \$98,000.

3.9 **Total Liabilities** have decreased from \$51.5 million to \$48.8 million.

- Other Liabilities decreased by \$2,175,000 due to a general decrease in Payables at 30 September 2017.
- Total Borrowings decreased by \$484,000 from \$43.4 million to \$42.9 million.

3.10 **Equity** increased by \$1.57 million to \$295.76 million which equals the total comprehensive revenue and expense for the period.

### 3.11 **CAPITAL EXPENDITURE**

3.12 Set out below is the Capital Expenditure budget for the year compared to actual expenditure for the period ended 30 September 2017.

<b>CAPITAL EXPENDITURE SUMMARY (Amounts in \$000's)</b>	<b>EAP 2017/18</b>	<b>YTD Actual Sept 2017</b>	<b>Variance 2017/18</b>
<b>Governance: Leadership and Investments</b>			
- Investments	105	0	(105)
- Corporate Support	531	118	(413)
<b>Community Service</b>			
- Parks and Reserves	261	12	(249)
- Housing and Other Property	89	10	(79)
- Recreation and Culture	380	153	(227)
- Public Amenities	96	111	15
- Safety	5	0	(5)
<b>Community Development</b>			
- District Development	65	0	(65)
<b>Solid Waste Management</b>			
- Landfill Management	316	40	(276)
<b>Stormwater</b>			
- Urban	299	1	(298)
- Rural	5	0	(5)
<b>Sewerage</b>			
- Te Kuiti Sewerage	536	142	(394)
- Te Waitere Sewerage	0	0	0
- Benneydale Sewerage	52	0	(52)
- Piopio Sewerage	31	3	(28)
<b>Water Supply</b>			
- Te Kuiti Water	1,098	107	(991)
- Mokau Water	145	2	(143)
- Piopio Water	114	2	(112)
- Benneydale Water	7	0	(7)
<b>Roads and Footpaths</b>			
- Subsidised Roads	5,680	594	(5,086)
- Unsubsidised Roads	335	86	(249)
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>10,150</b>	<b>1,381</b>	<b>(8,769)</b>

3.13 **Capital Expenditure** was \$1.38 million for the period ended 30 September 2017, of which \$0.68 million (49%) related to Roads, \$0.29 million (21%) related to Community Service and \$0.15 million (11%) related to Sewerage.

3.14 Capital expenditure budgets are listed in the table above and major projects detailed in the commentary that follows. It should be noted that "Unspecified" renewal/ upgrade budgets are forecast for expenditure to be incurred on an 'as needed' basis only.

### 3.15 **Governance: Leadership and Investments**

#### **Investments:**

- Safety improvement capital works budgeted for at a number of Council owned quarries (Budget \$105,000 and carryover budget \$115,000): No expenditure to date.

#### **Corporate Support:**

- Corporate Support (Budget \$531,000): Expenditure of \$118,000 has been for partial renewal of administration building, category 3 building assessment, computer hardware renewals and replacement of motor vehicles.

### 3.16 **Community Service**

#### **Parks and Reserves:**

- Plans to address long deferred maintenance needs for Centennial Park (ex-Albion Soccer) are under review (Carryover budget of \$65,000): No expenditures to date.
- Brook Park Entrance (Budget \$123,000): Work will commence in November.
- No expenditures to date for park renewals in Passive Reserves (Budget \$33,000).
- Playground renewals (Budget \$40,000): No expenditure to date.

#### **Housing and Other Property:**

- Minor expenditures to date for housing and other property renewals (Budget \$89,000).

#### **Recreation and Culture:**

- Expenditure for the period on Library collection renewals is \$13,000 and is ongoing (Budget \$50,000).
- Library technology and library renewal (Budget \$43,000): No expenditures to date.
- No expenditure for the period on Aquatic Centre renewals (Budget \$68,000).
- The renewal of the bathroom facilities at the Les Munro Centre was completed in August with a total cost of \$140,000 (Budget \$180,000).

**Public Amenities:**

- The design for the replacement of Marokopa toilet has been approved and construction has commenced. The project will be completed before the end of the calendar year (Carryover budget \$223,000).
- Toilet replacement project at Benneydale was completed in July 2017 with a total project cost of \$218,000 of which \$107,000 is included in 2017/18 year.
- No expenditure incurred for the period for renewals work on toilets (Budget \$23,000).
- No expenditure for the period on Cemetery signage and Cemetery access way upgrades (Budget \$15,000).
- Te Kuiti railway pedestrian over-bridge renewal is under review (Carryover budget \$140,000).

**Safety:**

- No expenditure incurred for the year on signage for Civil Defence initiatives (Budget \$5,000).

**3.17 Community Development**

- No expenditure incurred for the period on Motor Home Friendly District Initiative (Budget \$40,000 and carryover budget \$80,000).
- No expenditure incurred for the period for Information Centre technology renewals (Budget \$10,000).

**3.18 Solid Waste Management**

- No expenditures incurred to date on Resource Consent for volume expansion (Budget \$50,000).
- The work for shaping of the high wall has been completed in 2016/17 financial year. Future works are likely to be required to ensure ongoing safety. Expenditure of \$32,000 incurred in relation to pavement repair work (Budget \$44,000).
- Landfill main entrance and tip head improvements (Budget \$126,000): No expenditures incurred to date.
- No expenditure incurred for the period for purchase of carbon credits required under the Emissions Trading Scheme (Budget \$75,000).
- Expenditures incurred for the installation of fencing at Piopio transfer station (Budget \$21,000).

**3.19 Stormwater**

- The investigation and construction of View Rd pipework is in progress. The Waitete Road pipe work has been planned for 2018 year (Unspecified minor stormwater renewals budget \$100,000).
- No expenditures incurred for the Taupiri Street stormwater pipe rehabilitation (Budget \$46,000).

- Planned stormwater rehabilitation (Budget \$110,000): No expenditures to date.
- Stormwater asset risk minimisation (Budget \$43,000): No expenditures to date.
- Unspecified stormwater renewals for rural communities (Budget \$5,000): Minor expenditures incurred for the period.

### **3.20 Sewerage**

- Expenditure to date of \$31,000 has been for waste water treatment plant sand filter and Te Waitere resource consent, construction in progress for chemical tank bunded fill area (Budget \$146,000).
- Te Kuiti Reticulation and Pump Station renewals (Budget \$252,000 and carryover budget \$230,000): Expenditure for the period was \$62,000 for UV reactor and minor reticulation renewals. Carroll Street sewer replacement under railway delayed due to rain, sewer replacement under the river has been postponed to New Year when river water level is low. Tender documents are being drafted for Taupiri Street augmentation.
- Te Kuiti Ingress and Infiltration investigation and rehabilitation (Budget \$138,000): Expenditure for the period was \$49,000, for CCTV maintenance and rehabilitation work.
- Te Waitere unspecified renewals, pump station renewals and resource consent renewal (Carry over Budget \$29,000): Minor expenditures incurred for the approval of resource consent. Other works are planned and will be carried out in the near future.
- Benneydale treatment plant and reticulation renewals (Budget \$52,000): No expenditures to date.
- Piopio unspecified minor treatment plant, reticulation and separator tank renewals (Budget \$31,000): Expenditure of \$3,000 was incurred at Piopio Sewer Treatment Plant for minor upgrade work.

### **3.21 Water Supply**

- Te Kuiti Water Treatment Plant Upgrade including clarifier refurbish and upgrade, and investigation of raw storage dam (Budget \$816,000): Expenditure for the period was \$81,000 for raw water intake design work (Phase III) and electrical upgrade (Phase II & III). Phase I was completed in 2016/17 financial year. Phase II (raw water intake structure) will be carried out this coming summer when the river level will be at its lowest to allow work to commence. Phase III work which is clarifier rehabilitation (quote received and contractor to be appointed), driveway and site improvements (tender in process) are underway. The demolition work for old building has been completed. Phase III of the project may be completed before Phase II.
- Te Kuiti reticulation and pump station renewals (Budget \$260,000): Expenditure for the quarter was \$26,000. Contract has been awarded for the pipe renewal work for Henderson and Earl Street loop. Edward Street tender process has also commenced. The project for Hetet Street has been completed.

- Reservoir Seismic Strengthening (Budget \$22,000): Mangarino Reservoir work to be programmed.
- Mokau Water reticulation renewals including the reservoir seismic strengthening (Budget \$145,000): Tender process has commenced for Tainui Street reticulation renewal.
- Piopio Water reticulation renewals and treatment plant renewals including the installation of backflow preventers (Budget \$114,000): Planning to install the Tui Street – State Highway 3 link and the water bridge at Kuritahi Street has commenced. The unseasonal rain during the previous summer construction period delayed all earthworks related work.

### **3.22 Roads and Footpaths**

#### **Subsidised Roads**

- Minor improvements expenditure of \$4,000 for the period incurred in relation to the design work of Te Waitere Road slips (Budget \$650,000).
- Drainage renewals (Budget \$400,000): Expenditure for the period was \$84,000. This activity is weather dependent.
- Pavement rehabilitation (Budget \$1,452,000 and carryover budget \$289,000): Expenditure of \$49,000 incurred in relation to Totoro Road rehab section pavement design.
- Sealed road surfacing (Budget \$1,400,000): Carrying out this activity requires fair weather due to the high cost and volatility around sealing of road surfaces. It is therefore set to be carried out during warmer summer months.
- Structures component replacements and bridge maintenance (Budget \$300,000 and carryover budget \$80,000): Expenditures of \$69,000 relates to bridge maintenance work.
- Traffic services renewals (Budget \$200,000): Expenditure was \$9,000.
- Unsealed road metaling (Budget \$622,000): Expenditure was \$341,000, more activities are aimed to be carried out in the summer season.
- Emergency reinstatement (Budget \$650,000 and carryover budget \$246,000): Expenditure of \$39,000 incurred in relation to the removal of large slips from Manganui Road.

#### **Unsubsidised Roads**

- Footpath renewals (Budget \$122,000): Expenditure for the period was \$86,000.
- Unspecified retaining wall renewals and road improvements not eligible for subsidy (Budget \$213,000): No expenditures incurred to date.

## **4.0 TREASURY REPORT**

- 4.1 Set out in the following sections is the Treasury Report which provides details on Council's public debt position and debt financing costs.

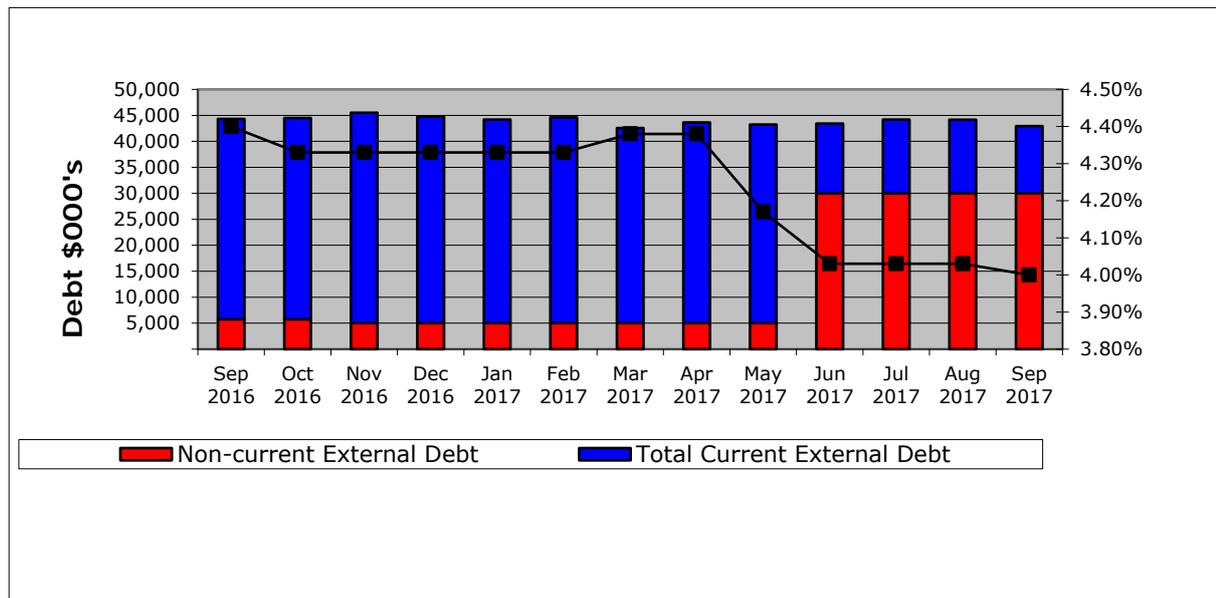
## 4.2 CASH POSITION

4.3 Council's cash position at 30 September 2017 was \$400,000 in funds, at 30 June 2017 it was \$112,000.

4.4 Included in the cash balance is \$110,000 which is held on trust to contractors for retention obligations for new contracts started on or after the 31 March 2017.

## 4.5 SUMMARY OF PUBLIC DEBT POSITION

4.6 Set out below is a graph recording trends in Council's current and non-current debt for the period ended September 2017. The trend line overlaid is the effective weighted average interest rate currently being paid on all loans.



4.7 At 30 September 2017 the effective weighted average interest rate for all loans excluding finance leases, accrued interest and advance facility cost was 4.03%. At 30 September 2016 it was 4.40%. 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 the Local Government Funding Agency (LGFA), with most of the transfer occurring on the 19 June 2017.

## 4.8 PUBLIC DEBT POSITION COMPARISON TO BUDGETS

4.9 Forecasted public debt at 30 June 2018 as per the EAP 2017/18 is \$51,136,000. Actual public debt at 30 September 2017 was \$42,935,000. 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 can only be made at 30 June 2018.

## 4.10 WHOLESALE ADVANCE FACILITY (Call Advance Facility)

4.11 Council has a Call Advance facility with Westpac with a facility limit of \$10 million, with an expiry date of 1 July 2018.

4.12 The facility has a Line of Credit fee of 0.35% at an annual cost of \$35,000.

4.13 Interest is charged on daily basis at a rate of 0.90% credit margin plus the Westpac Prime rate which is similar to the BKBM rate.

4.14 The facility is used to finance capital expenditure prior to a loan draw down, (such as a Floating Rate Note or Term Advance) or to meet Council's working capital requirements between each of the quarterly rates instalments.

#### 4.15 DETAILS OF LOAN PORTFOLIO

4.16 The following table records the public debt position and the key dates for each loan as at 30 September 2017. The classification of current and non-current loans is based on when repayment is due. Current loans being those that are due for refinancing or repayment within 12 months of the balance sheet date (of this report).

	Loan Start Date	Loan Maturity Date	Effective Interest Re-price Date	Loan Balance	Effective Interest Rate
<b>Current Loans</b>					
Accrued Interest				249,619	0.00%
Call Advance		1/07/2018		1,935,000	2.85%
LGFA Commercial Paper	7/08/2018	2/02/2018	2/02/2018	5,000,000	2.195%
LGFA Commercial Paper	18/07/2017	18/10/2017	20/04/2020	5,000,000	4.52%
Floating Rate Note	24/08/2015	24/08/2018	24/11/2017	5,000,000	2.46%
Westpac Term Loan (ICL)	24/11/2011	24/11/2017	13/11/2017	750,000	5.10%
<b>Total Current Loans</b>				<b>17,934,619</b>	
<b>Non-current Loans</b>					
LGFA: Floating Rate Note	19/06/2017	15/11/2021	17/05/2021	6,000,000	5.455%
LGFA: Floating Rate Note	19/06/2017	18/04/2024	18/04/2023	3,000,000	4.605%
LGFA: Floating Rate Note	19/06/2017	10/09/2020	11/09/2020	5,000,000	4.26%
LGFA: Floating Rate Note	19/06/2017	24/04/2023	24/01/2024	5,000,000	4.48%
LGFA: Floating Rate Note (ICL)	19/06/2017	30/06/2019	30/08/2019	5,000,000	4.33%
LGFA: Fixed Rate Bond (ICL)	19/06/2017	19/04/2025	19/04/2025	1,000,000	3.68%
<b>Total Non-current Loans</b>				<b>25,000,000</b>	
<b>Total Public Debt</b>				<b>42,934,619</b>	<b>4.00%</b>
<b>Cash &amp; Liquid Investments</b>					
Cash Held on Trust for Retention Obligations				110,000	
Cash				290,090	
<b>Total Cash &amp; Liquid Investments</b>				<b>400,090</b>	
<b>Public Debt Net of Investments</b>				<b>42,534,529</b>	

4.17 Total public debt was \$42,934,619 and cash assets were \$400,490 at 30 September 2017 giving a net debt position of **\$42,534,529**.

4.18 The Interest rate swaps associated with the Term Advances, that convert floating interest rates to fixed interest rates continue to apply to the LGFA debt and the Effective Interest Rate details given in the table above is the fixed rate on a Bond, or the credit margin and BKBM rate on unhedged Floating Rate Notes or the credit margin on the FRN plus the fixed rate in the interest rate swap contract.

#### 4.19 TREASURY EVENTS SINCE 30 September 2017

4.20 This treasury report portrays the debt position of Council at 30 September 2017.

4.21 Since that date the Commercial Paper with a loan maturity date of 18 October 2017 has been repaid through the issue of new Commercial Paper (CP) to the LGFA for a further 90 days.

#### 4.22 INTEREST COSTS

4.23 The total actual interest paid for the period was \$439,000 against the year to date budget of \$672,000; \$233,000 (or 35%) less due to a lower debt position and securing better interest rates than forecast in the EAP. **Interest paid as a portion of total revenue is 6%**; Council's Treasury Policy requires that this amount not exceed 15%.

#### 4.24 FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

4.25 Included in the balance sheet are valuation amounts for Derivative Financial Instruments (interest rate swaps). The valuation amount is componentised into current and non-current liabilities held at balance date. At 30 June 2017 the value of the swaps was a total net liability of \$1,636,000 whereas at 30 September 2017 their net value was a liability of \$1,733,000.

4.26 The notional value of swap contracts in place at 30 September was \$29 million providing current interest rate risk cover plus \$5 million notional value with a future start date.

### 5.1 DEBTORS AND OTHER RECEIVABLES

5.2 Set out below is summary of Debtors and Other Receivables (i.e. unpaid rates and other debtor amounts owing) as at 30 September 2017 with comparatives from last year. Rates receivables exclude rates paid in advance (to give a more accurate picture of the receivables owing).

Receivables (Amounts in \$000's)	As at 30.09.16	As at 30.09.17	(Inc)/Dec \$	(Inc)/Dec %
Rates Receivable	2,628	2,448	181	7%
Rates Penalties	1,692	1,717	(25)	-1%
<b>Rates and Penalties Receivable</b>	<b>4,320</b>	<b>4,165</b>	<b>155</b>	<b>4%</b>
Extraordinary Water Charges	55	114	(59)	-108%
<b>Total Rates receivable</b>	<b>4,375</b>	<b>4,279</b>	<b>96</b>	<b>2%</b>
NZ Transport Agency Subsidy	1,187	1,121	65	5%
Ministry of Health Subsidy	1,087	1,103	(15)	0%
Other Receivables	456	525	(68)	-15%
<b>Total Other Receivables</b>	<b>2,730</b>	<b>2,749</b>	<b>(18)</b>	<b>-1%</b>
<b>Gross Receivables</b>	<b>7,105</b>	<b>7,028</b>	<b>77</b>	<b>1%</b>
Less Provision for Doubtful Debts	(1,764)	(1,947)	183	-10%
<b>Total Receivables</b>	<b>5,341</b>	<b>5,081</b>	<b>260</b>	<b>5%</b>

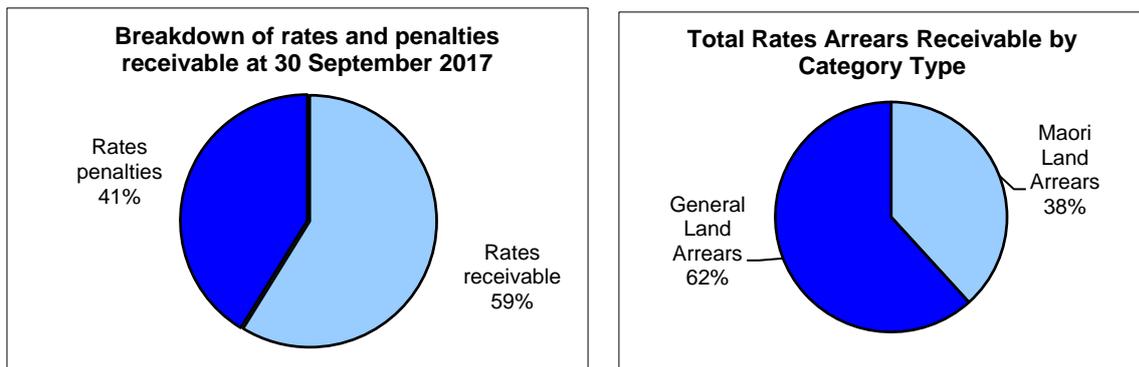
### 5.3 RATES AND PENALTIES RECEIVABLE

#### 5.4 Current year rates

5.5 At 30 September, the first rates instalment had been issued and was due and payable by August 2017. The collection percentage on the first instalment to date was 94% (2016: 93%).

#### 5.6 Rates Receivables (excluding metered water rates)

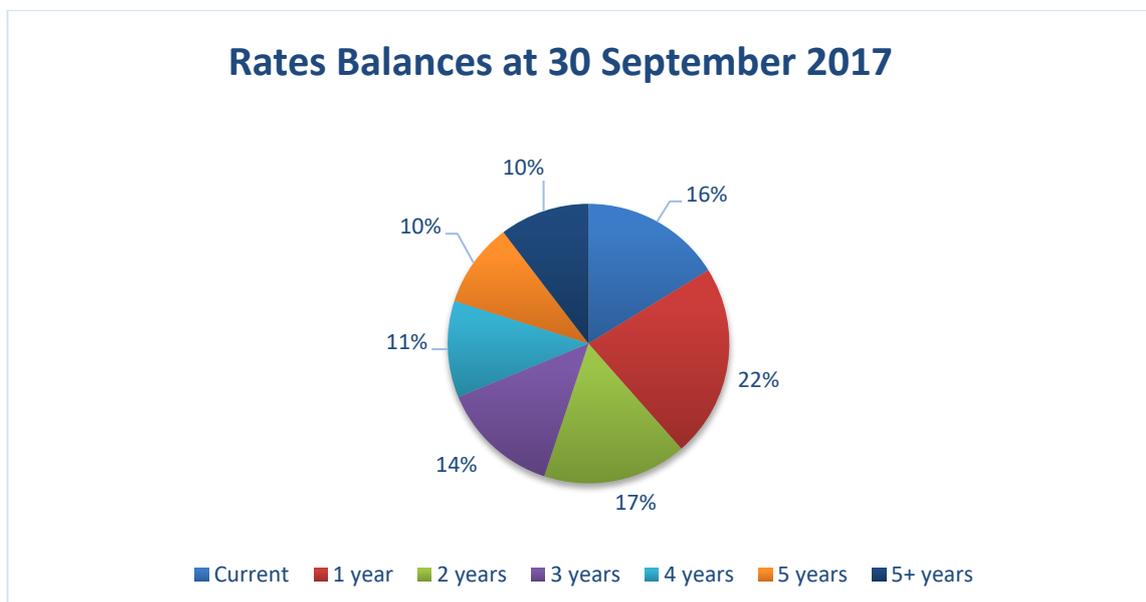
5.7 There was \$4.16 million of rates and penalties outstanding at 30 September 2017 (2016: \$4.32 million). This amount excludes rates paid in advance on future instalments. This total is made up of rates of \$2.45 million (2016: \$2.63 million) and penalties of \$1.72 million (2016: \$1.67 million).



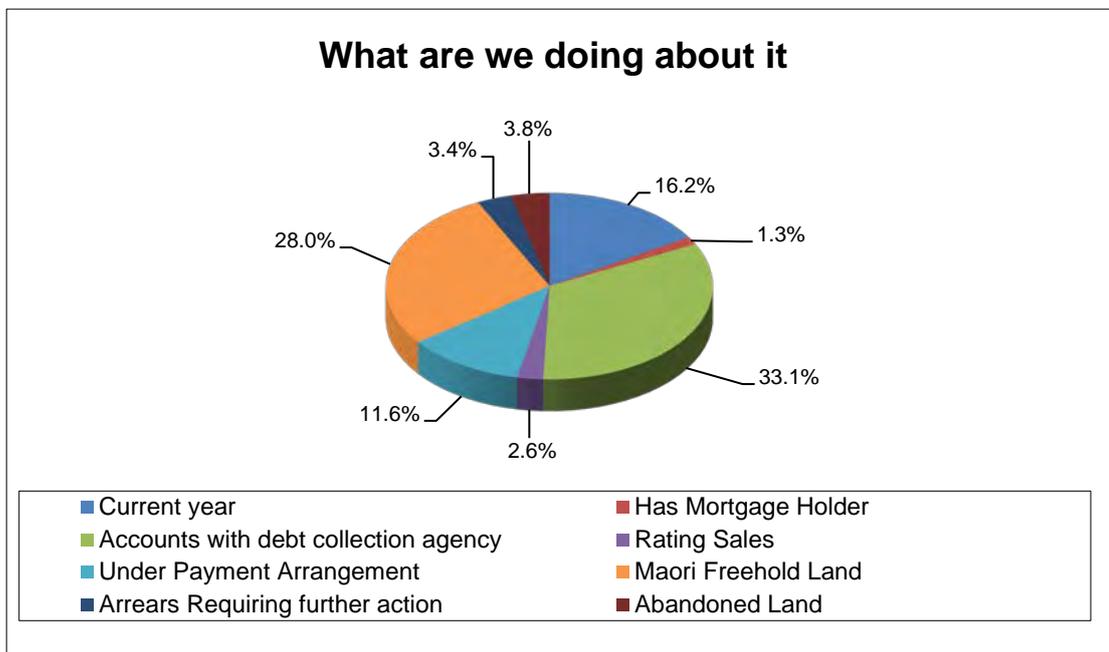
5.8 Rates and penalties receivable decreased by \$155,189 from 30 September 2016. Of this decrease, rates receivable decreased by \$180,166 and rates penalties increased by \$24,976.

5.9 A total of \$88,814 in rates and penalty remissions have been granted against a full year budget of \$290,000.

5.10 The following graph illustrates the ageing of the rates receivable balance. Of the outstanding balance of \$4.16 million, \$675K (16%) relates to current year, \$931K (22%) for the 2016/2017 year rates and the balance spread across the remaining years in a diminishing fashion.



- 5.11 The outstanding balance of rates is being actively managed through a variety of collection methods including lump sum payments, approved payment arrangements, demands on mortgage holders, placement of arrears with external debt collection agency and initiating properties for abandoned land and rating sale processes.
- 5.12 For the three months to 30 September 2017, arrears have been reduced by \$351,331 (9%) of the \$3.84 million that was outstanding at 30 June 2017.
- 5.13 Recovery of arrears with the bank or financial institution that hold the mortgage over a property is available for general land properties, where there is a mortgage registered on the title. The notices of default were issued during August for those with mortgages and rates arrears owing at 30 September 2017. A further demand will be issued in November on these properties where the arrears remain outstanding and no payment arrangement is in place.
- 5.14 The action being taken on outstanding balances is shown in the following graph:



- 5.15 Of the total arrears owing as at 30 September 2017 -
- \$1,581,290 relates to Maori freehold land
  - \$1,377,742 have been placed with an external debt collection agency for collection
  - \$483,769 are under some form of payment arrangement
  - In addition to this, there are \$158,968 of arrears relating to 12 properties that meet the criteria for abandoned land and are being progressed through the abandoned land process. The courts have granted approval for the sale or lease of 9 of these properties.
  - A further \$141,497 of arrears requires further action. Some of these properties have been identified to be placed with an external debt collection agency in the next quarter. These are properties where there is no mortgage registered against the property and communications with the ratepayers have not resulted in payment arrangements being entered into or payments being received to clear the arrears.

**5.16 Other Debtors Receivable**

- 5.17 At 30 September 2017 'Other Receivables' totalled \$2.75 million of which \$45,813 was due and owing for more than three months. These include dog registrations, dog infringements and other sundry debtors.

<b>Suggested Resolution</b>
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1. The business paper on Financial and Non-Financial Report for the period ended 30 September 2017 be received.



VIBHUTI CHOPRA  
**GROUP MANAGER – CORPORATE SERVICES**

18 October 2017

**Attachment 1:** Treasury Report for the quarter ended 30 September 2017 (Bancorp Treasury Services Limited (A374138))

**Attachment 2:** Performance Management Report on Levels of Service and Key Performance Indicators (zA2673)

## Appendix 1: Combined Cost of Service Statements

Summary Cost of Service (Amounts in \$000's)	Draft Unaudited Actual 2016/17	EAP Budget 2017/18	YTD Budget Sept 2017	YTD Actual Sept 2017	Variance Sept 2017	% Variance
<b>Direct Operating Expenditure</b>						
- Leadership	721	1,341	171	160	(11)	
- Community Service	1,827	2,380	666	507	(159)	
- Community Development	714	913	258	322	64	
- Regulation	142	200	53	27	(26)	
- Solid Waste Management	1,072	1,223	300	265	(35)	
- Stormwater Drainage	81	174	64	42	(22)	
- Resource Management	53	61	10	0	(10)	
- Sewerage	1,531	1,867	498	344	(154)	
- Water Supply	1,614	1,655	440	322	(118)	
- Roads and Footpaths	5,654	6,276	1,443	1,432	(11)	
<b>Total Direct Operating Expenditure</b>	<b>13,409</b>	<b>16,090</b>	<b>3,903</b>	<b>3,421</b>	<b>(482)</b>	<b>-12%</b>
<b>Indirect Expenditure</b>						
- Allocated Costs	4,160	4,595	1,148	922	(226)	
- Interest	1,981	2,690	672	439	(233)	
- Depreciation	5,839	6,005	1,500	1,378	(122)	
<b>Total Indirect Expenditure</b>	<b>11,980</b>	<b>13,290</b>	<b>3,320</b>	<b>2,739</b>	<b>(581)</b>	<b>-18%</b>
<b>TOTAL EXPENDITURE</b>	<b>25,389</b>	<b>29,380</b>	<b>7,223</b>	<b>6,160</b>	<b>(1,063)</b>	<b>-15%</b>
<b>Operating Revenue</b>						
- Leadership	(327)	(132)	(27)	(19)	8	
- Community Service	(959)	(523)	(118)	(115)	3	
- Community Development	(98)	(59)	(13)	(93)	(80)	
- Regulation	(433)	(481)	(250)	(274)	(24)	
- Stormwater Drainage	(7)	0	0	(7)	(7)	
- Resource Management	(91)	(59)	(15)	(27)	(12)	
- Solid Waste Management	(1,067)	(998)	(250)	(457)	(207)	
- Sewerage	(997)	(863)	(218)	(207)	11	
- Water Supply	(12)	0	0	(9)	(9)	
- Roads and Footpaths	(6,589)	(7,652)	(1,421)	(1,325)	96	
<b>Total Operating Revenue</b>	<b>(10,580)</b>	<b>(10,767)</b>	<b>(2,312)</b>	<b>(2,533)</b>	<b>(221)</b>	<b>10%</b>
<b>Rates Revenue</b>						
- General Rate	(3,503)	(3,646)	(880)	(918)	(38)	
- UAGC	(3,113)	(3,268)	(817)	(829)	(12)	
- Targeted Rate	(11,447)	(11,945)	(2,967)	(3,007)	(40)	
- Rates Penalties	(444)	(460)	(355)	(339)	16	
- Metered Water Rates	(690)	(712)	(177)	(108)	69	
<b>Total Rates Revenue</b>	<b>(19,197)</b>	<b>(20,031)</b>	<b>(5,196)</b>	<b>(5,201)</b>	<b>(5)</b>	<b>0%</b>
<b>TOTAL REVENUE</b>	<b>(29,777)</b>	<b>(30,798)</b>	<b>(7,508)</b>	<b>(7,734)</b>	<b>(226)</b>	<b>3%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>(4,388)</b>	<b>(1,418)</b>	<b>(285)</b>	<b>(1,574)</b>	<b>(1,289)</b>	<b>452%</b>

The reasons for variance have been set out in sections 3.4 and 3.5 in the main body of the report and further details are also contained in the COSS for each activity that follows.

The draft unaudited actuals for 2016/17 excludes rates on Council properties from both revenue and expenditure.

## Governance: Leadership and Investments

GOVERNANCE: LEADERSHIP AND INVESTMENTS (Amounts in \$000's)	Draft Unaudited Actual 2016/17	EAP Budget 2017/18	YTD Budget Sept 2017	YTD Actual Sept 2017	Variance Sept 2017	% Variance
<b>Direct Expenditure</b>						
- Representation	297	300	77	77	0	
- Planning & Policy & Monitoring	282	386	41	40	(1)	
- District and Urban Development	8	505	0	0	0	
- Investments	118	140	53	43	(10)	
- Treasury Management and Overhead Accounts	16	10	0	0	0	
<b>Total Direct Expenditure</b>	<b>721</b>	<b>1,341</b>	<b>171</b>	<b>160</b>	<b>(11)</b>	<b>-6%</b>
- Allocated Costs	893	1,250	313	222	(91)	
- Interest	241	386	96	70	(26)	
- Depreciation	484	495	122	110	(12)	
<b>Total Operating Expenditure</b>	<b>2,339</b>	<b>3,472</b>	<b>702</b>	<b>562</b>	<b>(140)</b>	<b>-20%</b>
<b>Operating Revenue</b>						
- Representation	(18)	(19)	(3)	(1)	2	
- Investments	(234)	(103)	(22)	(15)	7	
- Treasury Management and Overhead Accounts	(75)	(10)	(2)	(3)	(1)	
<b>Total Operating Revenue</b>	<b>(327)</b>	<b>(132)</b>	<b>(27)</b>	<b>(19)</b>	<b>8</b>	<b>-30%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>2,012</b>	<b>3,340</b>	<b>675</b>	<b>543</b>	<b>(132)</b>	<b>-20%</b>

The budget for Representation operating revenue excludes rates penalties revenue which is disclosed as part of rates revenue in the Combined Cost of Service Statement on the previous page.

**Net Operating Cost** for the Governance Activity was 20% (\$132,000) less than budget for the period ended 30 September 2017.

**Direct Expenditure** was 6% (\$11,000) less than budget for the period.

- No expenditures incurred for the WLASS regional initiatives.

**Operating Revenue** was 30% (\$8,000) less than budget for the period due to less quarry royalties revenue being received.

## Community Service

COMMUNITY SERVICE (Amounts in \$000's)	Draft Unaudited Actual 2016/17	EAP Budget 2017/18	YTD Budget Sept 2017	YTD Actual Sept 2017	Variance Sept 2017	% Variance
<b>Direct Expenditure</b>						
- Parks and Reserves	392	553	155	104	(51)	
- Housing and Other Property	249	479	210	178	(32)	
- Recreation and Culture	469	524	89	74	(15)	
- Public Amenities	633	700	183	139	(44)	
- Safety	84	124	29	12	(17)	
<b>Total Direct Expenditure</b>	<b>1,827</b>	<b>2,380</b>	<b>666</b>	<b>507</b>	<b>(159)</b>	<b>-24%</b>
- Allocated Costs	747	832	208	156	(52)	
- Interest	130	207	52	29	(23)	
- Depreciation	814	897	224	208	(16)	
<b>Total Operating Expenditure</b>	<b>3,518</b>	<b>4,316</b>	<b>1,150</b>	<b>900</b>	<b>(250)</b>	<b>-22%</b>
<b>Operating Revenue</b>						
- Parks and Reserves	(9)	(18)	(5)	(6)	(1)	
- Housing and Other Property	(305)	(290)	(73)	(76)	(3)	
- Recreation and Culture	(132)	(159)	(26)	(21)	5	
- Public Amenities	(513)	(56)	(14)	(12)	2	
- Safety	0	0	0	0	0	
<b>Total Operating Revenue</b>	<b>(959)</b>	<b>(523)</b>	<b>(118)</b>	<b>(115)</b>	<b>3</b>	<b>-3%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>2,559</b>	<b>3,793</b>	<b>1,032</b>	<b>785</b>	<b>(247)</b>	<b>-24%</b>

**Net Operating Cost** was 24% (\$247,000) below budget for the period ended 30 September 2017.

**Direct Expenditure** was 24% (\$159,000) below budget for the period.

- Expenditure for Parks and Reserves, Housing and Other Property and Recreation and Culture activities are tracking less than budget as repairs and maintenance expenditure is only spent when required.
- Safety: Expenditure for rural fires is zero. The New Zealand Fire Service Commission (NZFSC) has undertaken this work stream from this financial year. There is a 12 month transitional agreement in place with NZFSC which involves WDC issuing Fire Permits.

**Operating Revenue** was 3% (\$3,000) less than budget.

## Community Development

COMMUNITY DEVELOPMENT (Amounts in \$000's)	Draft Unaudited Actual 2016/17	EAP Budget 2017/18	YTD Budget Sept 2017	YTD Actual Sept 2017	Variance Sept 2017	% Variance
<b>Direct Expenditure</b>						
- Community Support	503	515	181	172	(9)	
- District Development	211	398	77	150	73	
- Agencies	0	0	0	0	0	
<b>Total Direct Expenditure</b>	<b>714</b>	<b>913</b>	<b>258</b>	<b>322</b>	<b>64</b>	<b>25%</b>
- Allocated Costs	520	683	170	130	(40)	
- Interest	1	2	1	0	(1)	
- Depreciation	9	7	2	3	1	
<b>Total Expenditure</b>	<b>1,244</b>	<b>1,605</b>	<b>431</b>	<b>455</b>	<b>24</b>	<b>6%</b>
<b>Operating Revenue</b>						
- Community Support	(23)	(2)	0	0	0	
- District Development	(62)	(57)	(13)	(93)	(80)	
- Agencies	(13)	0	0	0	0	
<b>Total Operating Revenue</b>	<b>(98)</b>	<b>(59)</b>	<b>(13)</b>	<b>(93)</b>	<b>(80)</b>	<b>615%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>1,146</b>	<b>1,546</b>	<b>418</b>	<b>362</b>	<b>(56)</b>	<b>-13%</b>

**Net Operating Cost** for the Community Development Activity was 13% (\$56,000) less than budget for the period ended 30 September 2017.

**Direct Expenditure** was 25% (\$64,000) more than budget for the period.

- Included in the District Development activity was Sir Colin Meads Public Memorial Service cost. This was offset by additional funding recovered from the Office of the Prime Minister.
- Community support grants expenditure tracking less than budget.

**Operating Revenue** was 615% (\$80,000) more than budget for the period.

- Funding contribution has been received from the Office of the Prime Minister for Sir Colin Meads Public Memorial Service.
- A donation received from Destination Waitomo as part of the organisation winding up process.
- Funding contribution has been received from Ruapehu District Council for the Timber Trail Marketing initiative. The unspent funds has been carried over to this financial year.

## Regulation

REGULATION (Amounts in \$000's)	Draft Unaudited Actual 2016/17	EAP Budget 2017/18	YTD Budget Sept 2017	YTD Actual Sept 2017	Variance Sept 2017	% Variance
<b>Direct Expenditure</b>						
- Regulation	142	200	53	27	(26)	
<b>Total Direct Expenditure</b>	<b>142</b>	<b>200</b>	<b>53</b>	<b>27</b>	<b>(26)</b>	<b>-49%</b>
- Allocated Costs	814	733	183	151	(32)	
- Interest	1	1	0	0	0	
- Depreciation	5	4	1	1	0	
<b>Total Expenditure</b>	<b>962</b>	<b>938</b>	<b>237</b>	<b>179</b>	<b>(58)</b>	<b>-24%</b>
<b>Operating Revenue</b>						
- Regulation	(433)	(481)	(250)	(274)	(24)	
<b>Total Operating Revenue</b>	<b>(433)</b>	<b>(481)</b>	<b>(250)</b>	<b>(274)</b>	<b>(24)</b>	<b>10%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>529</b>	<b>457</b>	<b>(13)</b>	<b>(95)</b>	<b>(82)</b>	<b>631%</b>

**Net Operating Surplus** for the Regulation Activity was 631% (\$82,000) more than budget for the period ended 30 September 2017.

**Direct Expenditure** was 49% (\$26,000) less than budget for the period.

- No costs have been incurred for the compliance schedule project to date.
- Some costs have been incurred in relation to the Carter Holt Harvey litigation proceedings (that 48 other councils are also party to). These litigation costs are being shared as appropriate between all councils party to the proceedings.

**Operating Revenue** was 10% (\$24,000) more than budget for the period.

- Animal and Dog Control and Building Control revenue were more than budget. Building consent revenue received for the three months to September was \$67,000 from 47 processed consents, slightly higher than that received from 41 processed consents for last period. This was offset by reduced revenue received for Health Act licencing.
- The grant contribution from the Central Government has been carried over to current year. These funds are specific for the neutering of the menacing of dogs campaign.

## Resource Management

RESOURCE MANAGEMENT (Amounts in \$000's)	Draft Unaudited Actual 2016/17	EAP Budget 2017/18	YTD Budget Sept 2017	YTD Actual Sept 2017	Variance Sept 2017	% Variance
<b>Direct Expenditure</b>						
- District Plan Administration	53	61	10	0	(10)	
<b>Total Direct Expenditure</b>	<b>53</b>	<b>61</b>	<b>10</b>	<b>0</b>	<b>(10)</b>	<b>-100%</b>
- Allocated Costs	160	184	46	37	(9)	
<b>Total Expenditure</b>	<b>213</b>	<b>245</b>	<b>56</b>	<b>37</b>	<b>(19)</b>	<b>-34%</b>
<b>Operating Revenue</b>						
- District Plan Administration	(91)	(59)	(15)	(27)	(12)	
<b>Total Operating Revenue</b>	<b>(91)</b>	<b>(59)</b>	<b>(15)</b>	<b>(27)</b>	<b>(12)</b>	<b>80%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>122</b>	<b>186</b>	<b>41</b>	<b>10</b>	<b>(31)</b>	<b>-76%</b>

**Net Operating Cost** for the Resource Management Activity was 76% (\$31,000) less than budget for the period ended 30 September 2017.

**Direct Expenditure** There were no direct expenditures incurred for the period.

**Operating Revenue** was 80% (\$12,000) more than budget for the period.

- District Plan Administration revenue is more than forecast due to an increase in resource consent and LIM revenue. There have been 9 resource consents and 45 LIM's processed for the three months to September.

## Solid Waste Management

SOLID WASTE MANAGEMENT (Amounts in \$000's)	Draft Unaudited Actual 2016/17	EAP Budget 2017/18	YTD Budget Sept 2017	YTD Actual Sept 2017	Variance Sept 2017	% Variance
<b>Direct Expenditure</b>						
- Collection	277	297	74	66	(8)	
- Landfill Management	795	926	226	199	(27)	
<b>Total Direct Expenditure</b>	<b>1,072</b>	<b>1,223</b>	<b>300</b>	<b>265</b>	<b>(35)</b>	<b>-12%</b>
- Allocated Costs	353	371	93	91	(2)	
- Interest	224	244	61	41	(20)	
- Depreciation	91	64	16	15	(1)	
<b>Total Expenditure</b>	<b>1,740</b>	<b>1,902</b>	<b>470</b>	<b>412</b>	<b>(58)</b>	<b>-12%</b>
<b>Operating Revenue</b>						
- Collection	(134)	(134)	(34)	(29)	5	
- Landfill Management	(933)	(864)	(216)	(428)	(212)	
<b>Total Operating Revenue</b>	<b>(1,067)</b>	<b>(998)</b>	<b>(250)</b>	<b>(457)</b>	<b>(207)</b>	<b>83%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>673</b>	<b>904</b>	<b>220</b>	<b>(45)</b>	<b>(265)</b>	<b>-120%</b>

**Net Operating Surplus** for the Solid Waste Management Activity was 120% (\$265,000) more than budget for the period ended 30 September 2017.

**Direct Expenditure** was 12% (\$35,000) less than budget for the period.

- Expenditures for intermediary capping material, resource consent compliance and weighbridge certification were less than budget. This was partly offset by increased landfill operational costs.

**Operating Revenue** was 83% (\$207,000) more than budget for the period.

- Revenue received at the landfill was more than budget mainly due to a significant one-off increase in building material charges from a commercial user. There has also been an increase in contaminated waste and general refuse charges.

## Stormwater Drainage

STORMWATER DRAINAGE (Amounts in \$000's)	Draft Unaudited Actual 2016/17	EAP Budget 2017/18	YTD Budget Sept 2017	YTD Actual Sept 2017	Variance Sept 2017	% Variance
<b>Direct Expenditure</b>						
- Te Kuiti Stormwater	65	146	58	42	(16)	
- Rural Stormwater	16	28	6	0	(6)	
<b>Total Direct Expenditure</b>	<b>81</b>	<b>174</b>	<b>64</b>	<b>42</b>	<b>(22)</b>	<b>-34%</b>
- Allocated Costs	94	57	14	14	0	
- Interest	4	5	1	1	0	
- Depreciation	170	172	43	42	(1)	
<b>Total Expenditure</b>	<b>349</b>	<b>408</b>	<b>122</b>	<b>99</b>	<b>(23)</b>	<b>-19%</b>
<b>Operating Revenue</b>						
- Te Kuiti Stormwater	(7)	0	0	(7)	(7)	
<b>Total Operating Revenue</b>	<b>(7)</b>	<b>0</b>	<b>0</b>	<b>(7)</b>	<b>(7)</b>	<b>0%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>342</b>	<b>408</b>	<b>122</b>	<b>92</b>	<b>(30)</b>	<b>-25%</b>

**Net Operating Cost** for the Stormwater Drainage Activity was 25% (\$30,000) less than budget for the period ended 30 September 2017.

**Direct Expenditure** was 34% (\$22,000) less than budget for the period.

- Expenditure for Te Kuiti Stormwater drainage maintenance and sampling and monitoring costs were less than budget.

**Operating Revenue** was \$7,000 more than budget for the period.

- Revenue was received for connection fees during the quarter.

## Sewerage and Treatment and Disposal of Sewage

SEWERAGE AND TREATMENT AND DISPOSAL OF SEWAGE (Amounts in \$000's)	Draft Unaudited Actual 2016/17	EAP Budget 2017/18	YTD Budget Sept 2017	YTD Actual Sept 2017	Variance Sept 2017	% Variance
<b>Direct Expenditure</b>						
- Waitomo Village	9	0	0	5	5	
- Te Kuiti	1,326	1,549	417	306	(111)	
- Te Waitere	31	40	10	3	(7)	
- Benneydale	72	118	30	8	(22)	
- Piopio	93	160	41	22	(19)	
<b>Total Direct Expenditure</b>	<b>1,531</b>	<b>1,867</b>	<b>498</b>	<b>344</b>	<b>(154)</b>	<b>-31%</b>
- Allocated Costs	272	237	59	59	0	
- Interest	417	525	131	86	(45)	
- Depreciation	753	781	195	189	(6)	
<b>Total Expenditure</b>	<b>2,973</b>	<b>3,410</b>	<b>883</b>	<b>678</b>	<b>(205)</b>	<b>-23%</b>
<b>Operating Revenue</b>						
- Te Kuiti	(954)	(860)	(215)	(196)	19	
- Benneydale	(2)	(1)	(1)	(2)	(1)	
- Piopio	(41)	(2)	(2)	(9)	(7)	
<b>Total Operating Revenue</b>	<b>(997)</b>	<b>(863)</b>	<b>(218)</b>	<b>(207)</b>	<b>11</b>	<b>-5%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>1,976</b>	<b>2,547</b>	<b>665</b>	<b>471</b>	<b>(194)</b>	<b>-29%</b>

**Net Operating Cost** for the Sewerage Activity was 29% (\$194,000) below budget for the period ended 30 September 2017.

**Direct Expenditure** was 31% (\$154,000) less than budget for the period.

- Expenditure for power, chemicals, internal WSBU charges and sludge disposal for Te Kuiti were less than budget.
- Operations and maintenance costs are also less than budget for Benneydale and Piopio schemes.
- Investigation and planning expenditure was incurred for the possible supply of sewerage services for Waitomo Village.

**Operating Revenue** was 5% (\$11,000) less than budget for the period.

- Trade waste revenue from the major commercial users in Te Kuiti is less than forecast due to better pre-treatment and therefore reduced nutrient loads in their discharge.
- Trade waste revenue in Piopio was more than full year budget.

## Water Supply

WATER SUPPLY (Amounts in \$000's)	Draft Unaudited Actual 2016/17	EAP Budget 2017/18	YTD Budget Sept 2017	YTD Actual Sept 2017	Variance Sept 2017	% Variance
<b>Direct Expenditure</b>						
- Te Kuiti	1,032	1,064	283	213	(70)	
- Mokau	247	212	60	35	(25)	
- Piopio	217	280	74	52	(22)	
- Benneydale	109	99	23	17	(6)	
- Waitomo Village	9	0	0	5	5	
<b>Total Direct Expenditure</b>	<b>1,614</b>	<b>1,655</b>	<b>440</b>	<b>322</b>	<b>(118)</b>	<b>-27%</b>
- Allocated Costs	290	248	62	62	0	
- Interest	264	458	115	69	(46)	
- Depreciation	552	627	157	109	(48)	
<b>Total Expenditure</b>	<b>2,720</b>	<b>2,988</b>	<b>774</b>	<b>562</b>	<b>(212)</b>	<b>-27%</b>
<b>Operating Revenue</b>						
- Te Kuiti	(2)	0	0	(1)	(1)	
- Piopio	(2)	0	0	0	0	
- Benneydale	0	0	0	(2)	(2)	
<b>Total Operating Revenue</b>	<b>(4)</b>	<b>0</b>	<b>0</b>	<b>(3)</b>	<b>(3)</b>	
<b>Subsidy Revenue</b>						
- Mokau	(8)	0	0	(6)	(6)	
<b>Total Subsidy Revenue</b>	<b>(8)</b>	<b>0</b>	<b>0</b>	<b>(6)</b>	<b>(6)</b>	
<b>Total Revenue</b>	<b>(12)</b>	<b>0</b>	<b>0</b>	<b>(9)</b>	<b>(9)</b>	
<b>Net Operating Cost/(Surplus)</b>	<b>2,708</b>	<b>2,988</b>	<b>774</b>	<b>553</b>	<b>(221)</b>	<b>-29%</b>

**Net Operating Cost** for the Water Supply Activity was 29% (\$221,000) less than budget for the period ended 30 September 2017.

**Direct Expenditure** was 27% (\$118,000) less than budget for the period.

- Expenditure for chemicals, electricity, reticulation and pump station maintenance and operational costs were less than budget for Te Kuiti and Piopio.
- Expenditure for WSBU and overall operational expenditure was less for Mokau.
- Investigation and planning expenditure was incurred for the possible supply of water services for Waitomo Village.
- The disposal of old building at Te Kuiti water treatment plant has not yet been recognised in accounts.

**Operational Revenue** was \$9,000 more than budget for the period.

- Revenue received for new water connections in Te Kuiti and Benneydale.
- The Ministry Of Health allowed claiming the full subsidy for Mokau water which resulted an increase in revenue.

## Roads and Footpaths

ROADS AND FOOTPATHS (Amounts in \$000's)	Draft Unaudited Actual 2016/17	EAP Budget 2017/18	YTD Budget Sept 2017	YTD Actual Sept 2017	Variance Sept 2017	% Variance
<b>Direct Expenditure</b>						
- Subsidised Roads	5,496	6,019	1,363	1,419	56	
- Unsubsidised Roads	158	257	80	13	(67)	
<b>Total Direct Expenditure</b>	<b>5,654</b>	<b>6,276</b>	<b>1,443</b>	<b>1,432</b>	<b>(11)</b>	<b>-1%</b>
- Allocated Costs	17	0	0	0	0	
- Interest	699	862	215	143	(72)	
- Depreciation	2,961	2,958	740	701	(39)	
<b>Total Expenditure</b>	<b>9,331</b>	<b>10,096</b>	<b>2,398</b>	<b>2,276</b>	<b>(122)</b>	<b>-5%</b>
<b>Operating Revenue</b>						
- Subsidised Roads	(6,465)	(7,562)	(1,415)	(1,314)	101	
- Unsubsidised Roads	(124)	(90)	(6)	(11)	(5)	
<b>Total Operating Revenue</b>	<b>(6,589)</b>	<b>(7,652)</b>	<b>(1,421)</b>	<b>(1,325)</b>	<b>96</b>	<b>-7%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>2,742</b>	<b>2,444</b>	<b>977</b>	<b>951</b>	<b>(26)</b>	<b>-3%</b>
Subsidised Roads Maintenance (Excluding losses on asset disposals)	5,496	5,918	1,363	1,403	40	
Subsidised Roads Capital	4,561	5,680	799	594	(205)	
<b>Combined Maintenance and Capital</b>	<b>10,057</b>	<b>11,598</b>	<b>2,162</b>	<b>1,997</b>	<b>(165)</b>	<b>-8%</b>
<b>Subsidy Revenue for Subsidised Roads</b>	<b>(6,317)</b>	<b>(7,422)</b>	<b>(1,384)</b>	<b>(1,276)</b>	<b>108</b>	<b>-8%</b>

**Net Operating Cost** for the Roads and Footpaths Activity was 3% (\$26,000) less than budget for the period ended 30 September 2017.

**Direct Expenditure** was 1% (\$11,000) less than budget for the period.

- The Emergency Re-instatement (first response) expenditures were more than budget due to weather related damages on the network.
- The Network and Asset Management expenditures were more than budget.
- The overspent detailed above are partly offset by reduced expenditure in sealed and unsealed pavement maintenance, and structures maintenance.
- Unsubsidised roads expenditure is less than budget for street cleaning and footpath maintenance.

**Operating Revenue** was 7% (\$96,000) less than budget for the period.

- Subsidy revenue is based on both maintenance and capital expenditure and for most work categories the subsidy rate is 64%. As the maintenance and capital expenditure were less than forecast the resulted subsidy associated with this also less than budget.
- Revenue for unsubsidised roads was less than budget for other sundry revenue. This was partly offset by increased overweight permit applications.

## Appendix 2: Balance Sheet as at 30 September 2017

STATEMENT OF FINANCIAL POSITION (Amounts in \$000's)	Draft Unaudited Actual  30 Jun 2017	Actual Position  30 Sept 2017	Movement from  30 Jun 2017	Exceptions Annual Plan  30 Jun 2018	Variance from EAP
<b>Equity</b>					
- Accumulated Funds	210,367	211,941	1,574	214,877	2,936
- Other Reserves	13,287	13,287	0	6,741	(6,546)
- Revaluation Reserve	70,536	70,536	0	77,413	6,877
<b>TOTAL EQUITY</b>	<b>294,190</b>	<b>295,764</b>	<b>1,574</b>	<b>299,031</b>	<b>3,267</b>
<b>Current Assets</b>					
- Cash and Cash Equivalents	112	400	288	100	(300)
- Inventory	49	49	0	38	(11)
- Other Financial Assets	378	378	0	3	(375)
- Receivables (Non-exchange)	5,966	4,687	(1,279)	5,688	1,001
- Receivables (Exchange)	395	395	0	357	(38)
- Assets Held for Sale	1,050	1,050	0	9	(1,041)
<b>Total Current Assets</b>	<b>7,950</b>	<b>6,959</b>	<b>(991)</b>	<b>6,195</b>	<b>(764)</b>
<b>Current Liabilities</b>					
- Payables and Deferred Revenue (Exchange)	4,111	2,026	(2,085)	2,811	785
- Payables and Deferred Revenue (Non-exchange)	685	685	0	719	34
- Current Portion of Borrowings	13,419	17,935	4,516	5,200	(12,735)
- Provisions	26	26	0	20	(6)
- Employee Entitlements	549	499	(50)	514	15
- Derivative Financial Instruments	608	608	0	561	(47)
<b>Total Current Liabilities</b>	<b>19,398</b>	<b>21,779</b>	<b>2,381</b>	<b>9,825</b>	<b>(11,954)</b>
<b>NET WORKING CAPITAL</b>	<b>(11,448)</b>	<b>(14,820)</b>	<b>(3,372)</b>	<b>(3,630)</b>	<b>11,190</b>
<b>Non Current Assets</b>					
- Property Plant and Equipment	331,301	331,205	(96)	345,685	14,480
- Intangible Assets	388	388	0	733	345
- Investment Property	750	750	0	742	(8)
- Other Financial Assets	788	790	2	5	(785)
- Investment in CCO & Civic Financial Services Ltd	4,520	4,520	0	4,520	0
<b>Total Non Current Assets</b>	<b>337,747</b>	<b>337,653</b>	<b>(94)</b>	<b>351,685</b>	<b>14,032</b>
<b>Non Current Liabilities</b>					
- Payables and Deferred Revenue (Non- exchange)	141	101	(40)	0	(101)
- Borrowings	30,000	25,000	(5,000)	45,936	20,936
- Provisions	940	940	0	933	(7)
- Derivative Financial Instruments	1,028	1,028	0	2,155	1,127
<b>Total Non Current Liabilities</b>	<b>32,109</b>	<b>27,069</b>	<b>(5,040)</b>	<b>49,024</b>	<b>21,955</b>
<b>NET ASSETS</b>	<b>294,190</b>	<b>295,764</b>	<b>1,574</b>	<b>299,031</b>	<b>3,267</b>

# TREASURY REPORT

FOR



FOR THE QUARTER ENDED 30 SEPTEMBER 2017



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

AUCKLAND • WELLINGTON • CHRISTCHURCH

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# 1. MARKET ENVIRONMENT

## 1.1 GLOBAL MARKETS OVERVIEW (FOR THE SEPTEMBER 2017 QUARTER)

Market direction in the September quarter was again dictated by central bank rhetoric and actions, with 'backup' provided by doses of on/off geopolitical risks. The Bank of Canada ("BoC") raised its Policy Interest Rate twice (25 basis points each). The Federal Reserve ("Fed") announced plans to reduce its USD4.5 trillion balance sheet, albeit by not reinvesting 'only' USD10 billion of bonds maturing each month, while sticking to its previously signalled path of interest rate rises in 2017 and 2018.

In other central bank pronouncements, the Bank of England ("BoE") shifted closer to battling rising inflation, hinting at a possible rate hike, while the European Central Bank ("ECB") again signalled an intention to consider unwinding its quantitative easing programme. The Bank of Japan ("BoJ") and Reserve Bank of Australia ("RBA") repeated their respective 'on hold' mantras.

The Fed's Open Market Committee ("FOMC") consensus for the federal funds rate (known as the dot plot) was unchanged at the FOMC's September meeting and indicated one more 25 basis point rate rise in 2017 and three in 2018. The dot plot for 2019 and beyond was 25 basis points lower than in June. US Treasury yields rose in September in response to the Fed's persistent signalling of interest rate rises and the October start of its balance sheet unwinding. The yield on the 10 year Treasury bond ended September at 2.33%, up from 2.12% at the end of August.

US economic data has remained relatively firm, although two devastating hurricanes during the September quarter will have an effect on growth and the jobs market. The unemployment rate remains near its multi-decade low and the economy is growing at an annual rate of 3.1%, ticking enough boxes for the Fed to stick to its normalisation path. Inflation still remains below target, but this has not held back the Fed.

The ECB hinted that its bond buying programme may be scaled back thanks to some better than expected economic growth and inflation figures. The suggestion whipped the markets into a euro buying frenzy, sending the EUR/USD above 1.2000 for the first time since January 2015 before the USD strength returned and reversed much of the EUR/USD's gains.

Interest rate markets had a slightly volatile quarter as the flows of funds between safe haven and risky assets were dictated by rhetoric between and actions by the US and North Korea. US 10 year Treasury yields fell to a post-US election low of 2.01% before

climbing back to close the quarter at 2.33%. Global bond yields followed a similar pattern, although the German 10 year bond yield had the added influence of ECB rhetoric, which pushed it to an 18 month high at 0.60%, then it fell with US Treasury yields to as low as 0.31% on risk off sentiment before settling at 0.46% at the end of the quarter.

## 1.2 NEW ZEALAND MARKET OVERVIEW (FOR THE SEPTEMBER 2017 QUARTER)

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
30-Jun-17	1.75%	1.98%	2.33%	2.54%	2.87%	3.11%	3.35%
30-Sep-17	1.75%	1.96%	2.21%	2.40%	2.74%	3.00%	3.27%
Change	Nil	-0.02%	-0.12%	-0.14%	-0.13%	-0.11%	-0.08%

New Zealand GDP rose 0.8% in the June quarter, in line with expectations, with annual GDP growth for the June 2017 year at 2.7%. GDP per capita was less promising; rising 0.3% in the June quarter, following a flat result in the March quarter and a fall in the December 2016 quarter as the migration boom negated the wider benefits.

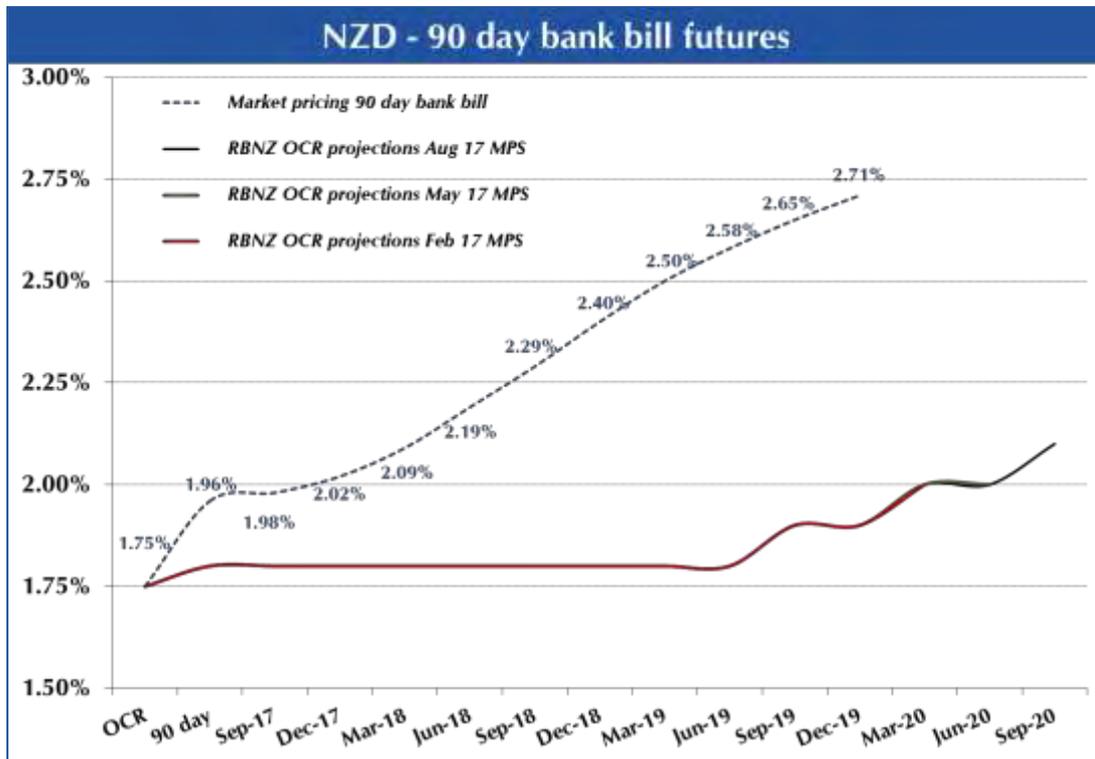
Strong export and domestic demand have underpinned economic growth, with prices for key exports close to record highs providing an added stimulus. Butter topped USD6,000 per tonne and Whole Milk Powder sat over USD3,000 per tonne for the quarter. Meat, log and fruit prices all remain elevated, providing excellent returns for exporters.

However, some cracks are beginning to show in the New Zealand economy, with the latest ANZ business confidence measure falling to 0% in September from 18.3% in August and 19.4% in July. The housing market continues to slow, which should translate into weaker consumer confidence and spending in the months ahead as 'house value wealth' is dented from "affordability constraints, and a tightening in credit conditions", as the Reserve Bank of New Zealand ("RBNZ") put it.

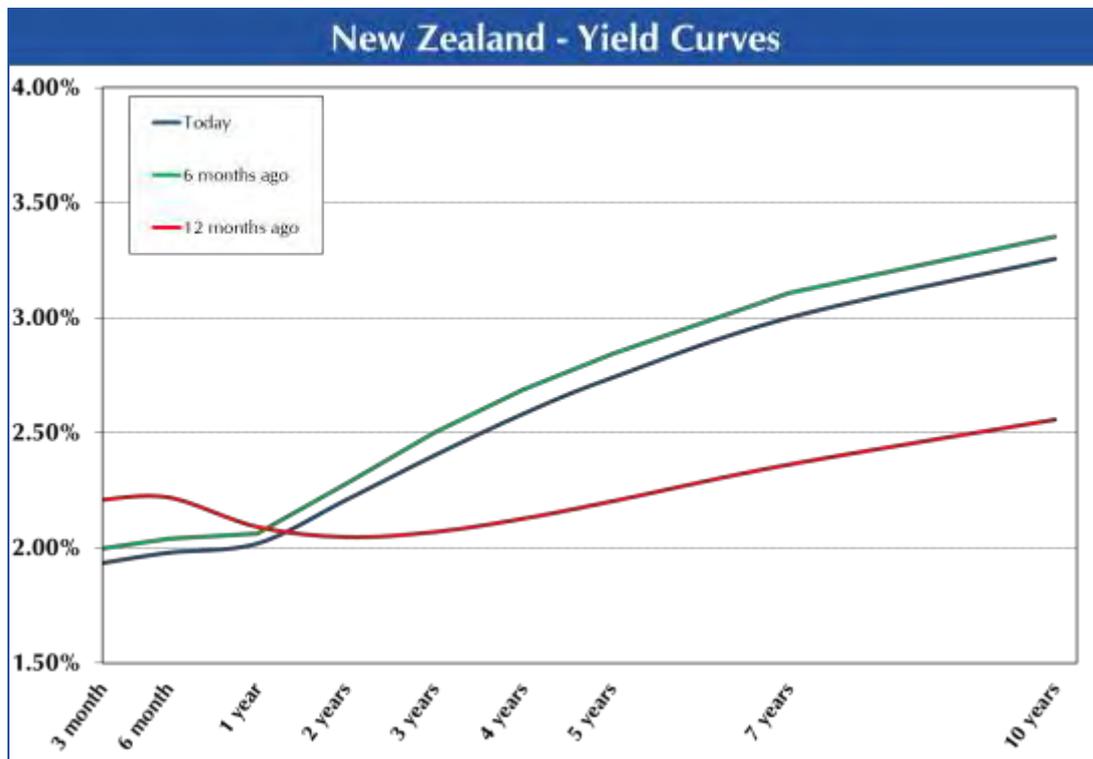
The general election in late September was as predicted by the opinion polls with Winston Peters in the position of King (or Queen) maker. The election risk in late September kept the NZD/USD volatile, trading in a wide 0.7150 to 0.7435 range. The interest rate markets shrugged off the inconclusive election result, with medium and longer term interest rates taking their lead from offshore bond markets, notably the US.

At its September *Official Cash Rate ("OCR") Review*, the RBNZ kept the OCR at 1.75%. Its statement not only delivered an entirely predictable and expected outcome (i.e. an unchanged OCR and a neutral monetary policy bias) but was almost a repeat of the August *Monetary Policy Statement ("MPS")* announcement.

The divergence between market pricing and the RBNZ's projections remains, as illustrated in the chart on the following page, although the gap has narrowed since the beginning of 2017. The February, May and August MPS projections overlap as there was no change to the RBNZ's projections.



Medium and longer term swap rates remain dictated by offshore bond market moves. Over the quarter, New Zealand swap rates mirrored the 'down then up' move seen in global markets. The 10 year swap rate fell as low as 3.03% in early September before climbing to close the quarter at 3.27%. The chart on the following page shows the changing shape of the New Zealand yield curve over the past year.



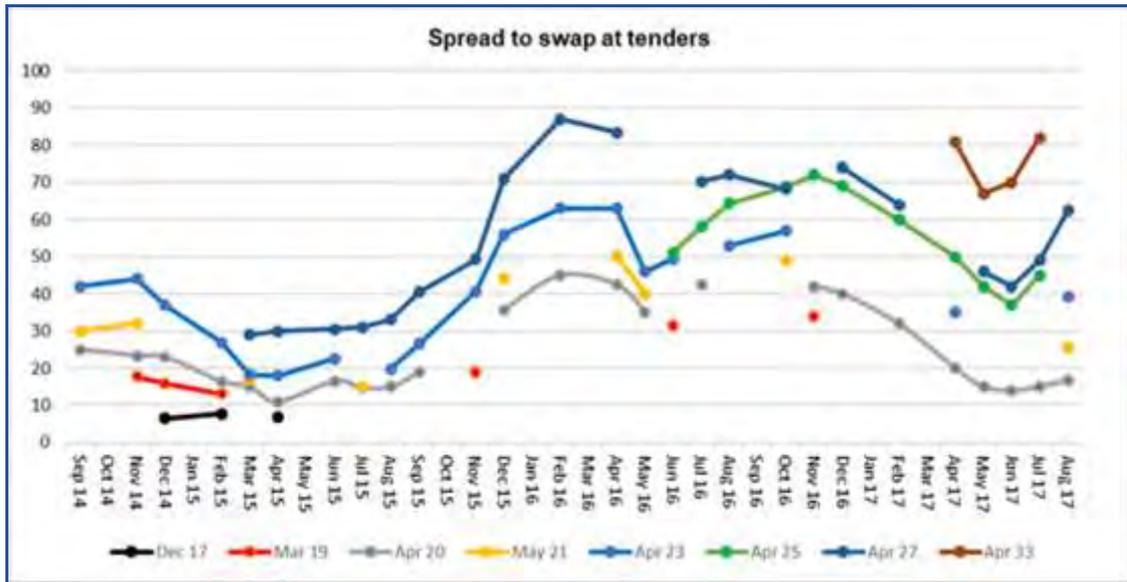
### 1.3 LOCAL AUTHORITY SECTOR

The last Local Government Funding Agency (“LGFA”) tender for the quarter was held on 24 August, at which \$110 million of bonds were issued. \$327 million of bids were received, equating to a bid to issuance ratio of 2.97. Details of the tender were as follows:

- 15 April 2020 maturity - \$30 million issued at a margin of 46.8 basis points over swap for an unrated borrower.
- 15 May 2021 maturity - \$30 million issued at a margin of 55.6 basis points over swap for an unrated borrower.
- 15 April 2023 maturity - \$39 million issued at a margin of 69.0 basis points over swap for an unrated borrower.
- 14 April 2027 maturity - \$11 million issued at a margin of 92.5 basis points over swap for an unrated borrower.

The tender was mixed, with very good support for the 2020 and 2021 maturities and average support for the 2023 maturity, while support for the 2027 maturity was disappointing. Since May 2017, credit margins for LGFA debt have increased, especially in the two tenders held in the September quarter. This is partly in response to the higher than usual level of LGFA issuance in the June quarter (\$580 million of debt was tendered), which appears to have left the market somewhat saturated with LGFA debt. However, we do not regard this saturation as being a long term feature of the LGFA debt market.

The chart below shows the LGFA issuance margins (to the underlying swap rate) dating back to September 2014 for a 'AA' rated borrower and depicts the sharp increase in margins especially in the longer dated maturities over the past two to three months.



#### 1.4 CREDIT SPREADS

The chart below shows credit spreads for the S&P/NZX Corporate 'A' Grade Bond index (the grey shaded area) and the three year swap rate (red line) dating back to 2008. At the end of September 2017, the average credit spread of the index was 58 basis points, compared to 53 basis points at the end of June 2017.



## 2. DEBT AND HEDGING

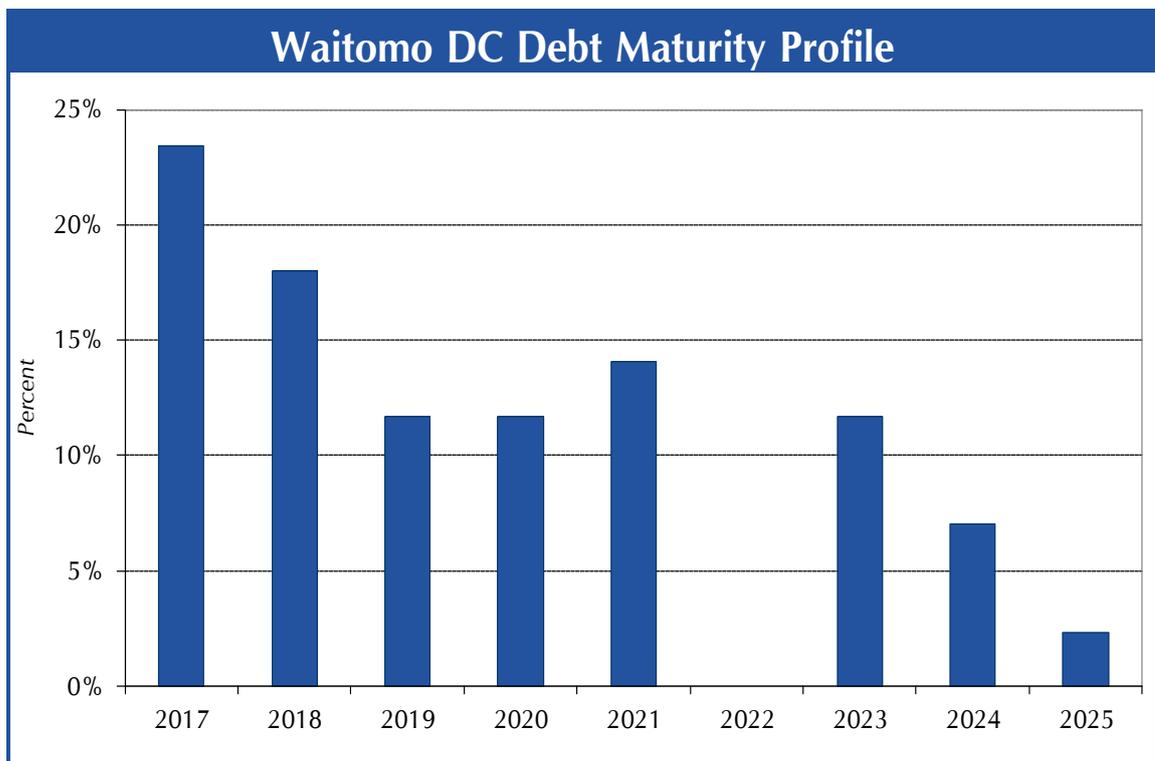
### 2.1 DEBT

As at 30 September 2017, Waitomo District Council (“WDC”) had \$42.685 million of external debt. Of this, \$35.0 million was sourced from the LGFA, \$5.0 million of Floating Rate Notes (“FRN”) were issued by WDC, \$1.935 million was drawn on the Westpac Wholesale Advance Facility (which totals \$10.0 million) and a Term Loan of \$0.75 million from Westpac that was on-lent to Inframax. A breakdown of the funding profile is contained in the table below:

Loans			
Value Date	Reprice/Maturity	Base Rate	Amount
<b>LGFA FRNs</b>			
19-Jun-2017	18-Apr-2024	1.9400%	3,000,000
19-Jun-2017	15-Nov-2021	1.9550%	6,000,000
19-Jun-2017	10-Sep-2020	1.9400%	5,000,000
19-Jun-2017	24-Apr-2023	1.9300%	5,000,000
19-Jun-2017	28-Jun-2019	1.9700%	5,000,000
<b>Westpac Bank</b>			
06-Jul-2017	02-Oct-2017	1.9500%	1,935,000
<b>LGFA Fixed Rate Bond</b>			
19-Jun-2017	19-Apr-2025	3.6800%	1,000,000
<b>Inframax Loan</b>			
14-Aug-2017	13-Nov-2017	5.1000%	750,000
<b>LGFA CP</b>			
18-Jul-2017	18-Oct-2017	1.9400%	5,000,000
07-Aug-2017	02-Feb-2018	1.9950%	5,000,000
<b>WDC FRNs</b>			
28-Aug-2015	28-Aug-2018	1.9400%	5,000,000
<b>TOTAL</b>			<b>42,685,000</b>

The term loan of \$0.75 million that has been on-lent to Inframax has interest rate resets every three months. The current rate is 5.10%, with the next reset due on 13 November 2017.

The maturity profile of WDC’s debt is depicted in the graph on the following page. The \$1.935 million Westpac funding and the \$0.75 million Term Loan on-lent to Inframax are included as 2018 maturities.



Section 7.2 of WDC's Liability Management Policy ("LMP") states that "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." While this is an objective, not an actual requirement, it is nonetheless being complied with.

## 2.2 HEDGING

As at 30 September 2017, WDC had eight interest rate swaps to convert a portion of the floating rate exposures associated with the FRNs and bank debt into fixed rate. Seven of the interest rate swaps are current and one is forward starting. Details of the interest rate swaps are contained in the table below:

Start Date	Maturity Date	Swaps		
		Rate	Amount	Market Value
24-Jan-2017	24-Jan-2024	3.840%	5,000,000	(\$286,172)
30-Aug-2013	30-Aug-2019	3.900%	3,500,000	(\$117,853)
30-Aug-2013	30-Aug-2019	3.900%	1,500,000	(\$50,508)
18-Oct-2013	20-Apr-2020	4.315%	5,000,000	(\$269,738)
11-Sep-2017	11-Sep-2020	3.780%	5,000,000	(\$202,119)
31-Mar-2014	17-May-2021	4.900%	6,000,000	(\$517,243)
18-Apr-2017	18-Apr-2023	3.950%	3,000,000	(\$187,476)
<b>Total current hedging</b>			<b>29,000,000</b>	
<b>Forward starting swaps</b>				
20-Apr-2020	20-Apr-2025	3.930%	5,000,000	(\$101,711)
				<b>(\$1,732,821)</b>

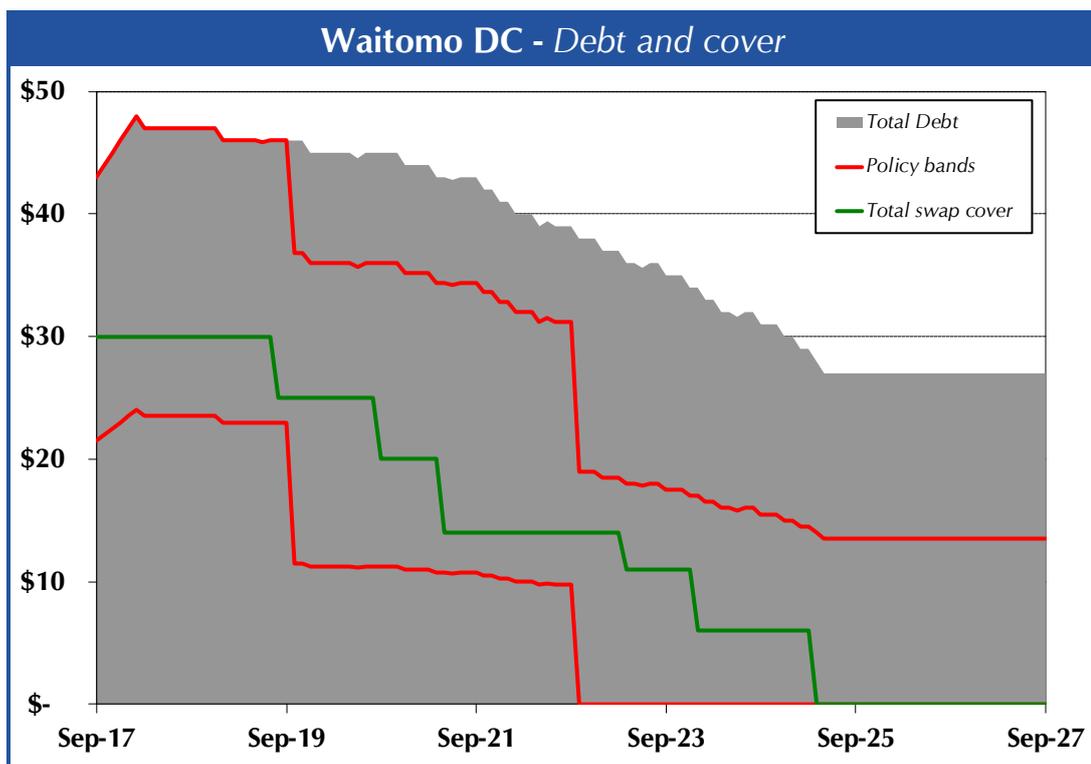
There were no new interest rate swaps entered into during the September 2017 quarter, as none were required for policy compliance purposes with WDC currently sitting comfortably within its hedging bands.

The 'marked to market' revaluation on the swap portfolio deteriorated slightly, from a loss of \$1,635,777 at the end of June 2017, to a loss of \$1,732,821 at the end of September 2017. This was due to the decline in interest rates that occurred during the quarter.

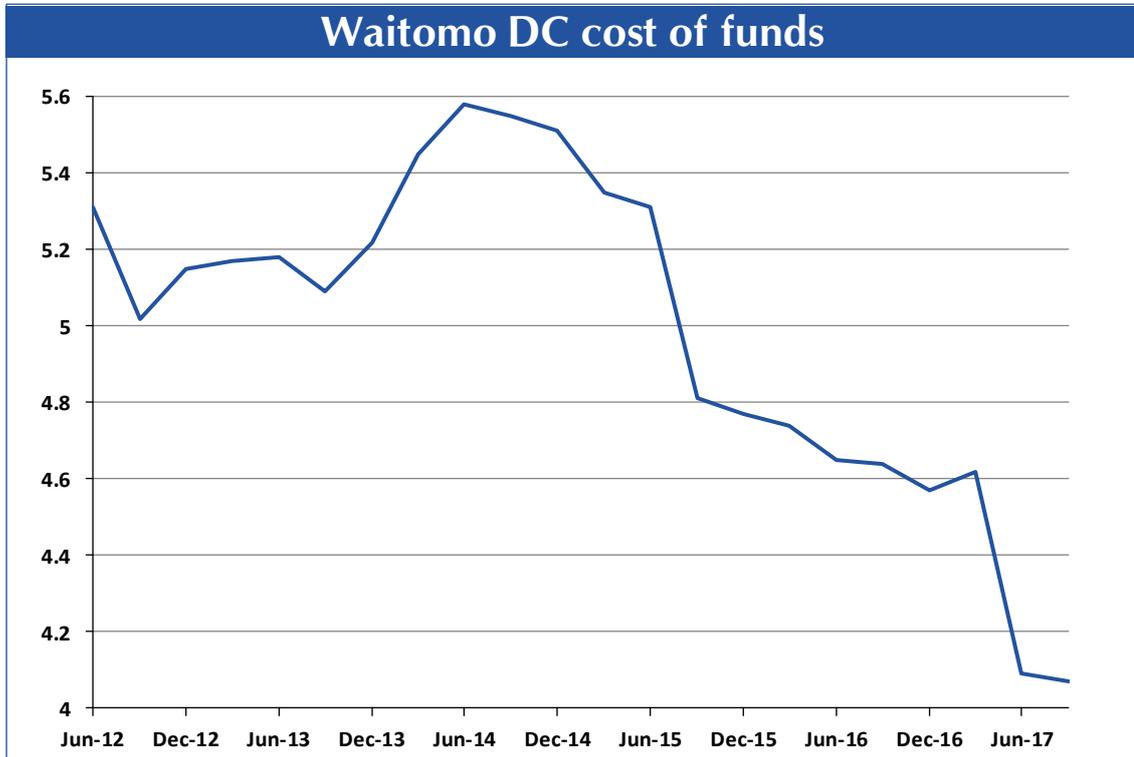
## 2.3 DEBT AND HEDGING PROFILE

WDC manages its debt under the fixed rate hedging parameters detailed in the table below. The debt profile incorporating these parameters, the interest rate swaps and projected debt figures, as supplied by WDC, are depicted in the graph at the foot of the page. This indicates that, as at 30 September 2017, WDC was policy compliant.

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%



WDC’s weighted average cost of funds as at 30 September 2017, including the bank line fee and margin, was 4.07%, down from 4.09% at the end of June 2017. WDC’s cost of funds is the fourth lowest of any local or regional council that Bancorp Treasury is aware of. It should be noted that WDC’s cost of funds is well below many ‘rated’ local government entities. WDC’s cost of funds going back to June 2012 is depicted in the graph below.



## 2.4 POLICY COMPLIANCE (AS AT 30 SEPTEMBER 2017)

	Yes/No
<i>Have all transactions been entered into compliance with policy?</i>	√
<i>Are the fixed rate hedging percentages within policy control limits?</i>	√
<i>Is WDC maintaining liquidity within policy control limits?</i>	√
<i>Are all counterparty exposures within policy control limits?</i>	√
<i>Is WDC compliant with the financial covenants contained in the LMP</i>	√

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**Statements of Service Performance Report  
on  
Levels of Service and Key Performance Indicators**



Statements of Service Performance Report On  
Levels of Service and Key Performance Indicators

2017/18

(For the period ending 30 September 2017)

## Introduction

- 1.1 The purpose of this report is to record the detail of non-financial performance or service performance for different periods of the 2017/18 financial year. These service performance measures were adopted as part of the Long Term Plan 2015-25. Council uses service performance measures to measure performance in providing services to its Community.
- 1.2 The format of the report is in tabular form and the results are grouped under each major activity;
- Description of the **level of service**, which translates the high level strategic goal into measurable levels of service.
  - The **key performance indicator**, which is a description of the measure that will be monitored throughout the financial year and the life of the Long Term Plan 2015-25.
  - The **performance target**, which is the quantitative target Council will strive to achieve.
  - **Performance achieved** to 31 September 2017. The result is recorded, whether the target has been achieved and comments to further explain actual results to target result.

## Commentary

### 2.1 Structure of Groups of Activities

Council carries out a number of activities or functions in order to meet its statutory responsibilities and in response to the aspirations of its District community. Council's functions are arranged under ten Groups of Activities. These ten Groups of Activities are further organised under three main 'Sustainability Groups'.

Sustainability Groups			
Groups of Activities	Community and Cultural Sustainability	Environmental Sustainability	Economic Sustainability
	Governance: Leadership and Investments	Resource Management	Water Supply
	Community Service	Solid Waste Management	Roads and Footpaths
	Community Development	Stormwater	
	Regulation	Sewerage and the Treatment and Disposal of Sewage	

## 2.2 Performance Framework

### Purpose

In order to manage and monitor the performance of its activities and the work programmes undertaken by Council and to ensure that its efforts contribute to Council's purpose and Community Outcomes we have developed a Performance Framework. The two key functions of this framework are:

1. To guide Council's efforts and work streams such that the focus is on achievement Council's Purpose and Community Outcomes.
2. To demonstrate to the community what we are trying to achieve, and how our performance will be measured.

<b>PURPOSE OF LOCAL GOVERNMENT</b>
<i>'To meet the current and future needs of communities for good quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost effective for households and businesses'</i>
<b>Waitomo District Community Outcomes</b>
<b>Council's Vision:</b> 'Creating a better future with vibrant communities and thriving business'
<b>Council's Focus Areas:</b> Facilitate economic development, encourage community connectivity and development, good stewardship of assets, and financial prudence and sustainability
<b>Council's Business – Groups of Activities</b>
<b>Council's Policy and Planning Framework</b> Council Policies, Bylaws, Activity Management Plans, Financial Strategy, Long Term Plan and Annual Plan.
<b>Levels of Service and Work Programmes</b> Monitoring and Reporting of achievement against Performance Targets

## 2.3 Elements of the Framework

As shown in the table above, at the highest level of the Performance Framework is Council's Purpose, followed by Community Outcomes.

The Vision statement describes Council's focus and the Guiding Principles aim to set the parameters under which planning will be carried out.

Council's Groups of Activities is the grouping of the various functions and activities that are carried out by Council. All activities need to demonstrate their contribution to the Community Outcomes.

The 'coal-face' of the Performance Framework are the –

**Levels of Service:** what can the community expect Council to provide.

**Performance Measures:** how will success or progress be measured.

**Performance Targets:** what is the level of performance that Council is aiming for.

## 2.4 Monitoring and Reporting

2.5 Progress against agreed performance targets is monitored monthly at a management level and reported quarterly at governance level. The annual achievement against performance targets is audited and communicated to the community and stakeholders in Council's Annual Report.

2.6 There have been a range of new measures introduced as per the LTP that was adopted by Council in June 2015.

2.7 For the period ending 30 September 2017, the performance results for all ten activities are as follows:

Activity	Total number of targets	Achieved or On Track	Not Achieved	No data available
Governance: Leadership and Investments	4	3	0	1
Community Service	11	4	0	7
Community Development	7	3	0	4
Regulation	9	5	0	4
Solid Waste Management	8	6	2	0
Resource Management	3	3	0	0
Storm water Drainage	8	8	0	0
Sewerage and Treatment Disposal of Sewerage	8	8	0	0
Water Supply	17	11	2	4
Roads and Footpaths	6	2	1	3

### Performance Measures Key

Achieved or on Track
Not Achieved
No Data Available

## Community and Cultural Sustainability Group

### Governance: Leadership and Investments

#### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress to 31 March 2017		Commentary
Decision making in compliance with provisions of the Local Government Act 2002.	Number of successful challenges to the decision making process.	Achieved (0)	On track for achievement		No challenges received to date.
Consultation is in accordance with the procedures outlined in LGA 2002. Depending on the nature of the consultation, the procedure will either be the Special Consultative Procedure or a process that gives effect to the requirements of section 82 of the LGA 2002.	Number of successful challenges to the decision making process.	Achieved (0)	On track for achievement		No challenges received to date.

	Achieved or On Track		Not Achieved		No data available
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What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress to 31 March 2017	Commentary
Effective communication with the community.	Customer satisfaction rating of effectiveness and usefulness of Council communications "good or better".	≥ 60%		Will be reported Annually once RSS is completed by June 2018.
<b>Investments</b>				
Investments are managed prudently and in a manner that promotes the current and future interests of the community.	Analysis of investment financials and activity including investment company reporting statements are reported to Council and made available to the public as applicable.	2 reports per year	On track for achievement	Regular reports received on Investments.

	Achieved or On Track		Not Achieved		No data available
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## Community Service

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress to 30 September 2017	Explanation
High quality Parks and Reserves will be provided.	Percentage of community satisfied with the quality of Parks and Reserves in annual and research surveys.	≥ 80%		Will be reported annually once RSS is completed by June 2018.
Provision and maintenance of Elderly Persons Housing that meets the needs of the tenants.	Percentage of tenants satisfied with the provision and maintenance of Elderly Persons Housing.	> 65%		Will be reported annually once RSS is completed by June 2018.
Quality public amenities will be provided.	Percentage of community satisfied with the quality of public amenities (Public Toilets and Cemeteries).	≥ 82%		Will be reported annually once RSS is completed by June 2018.
Provision of effective pool facilities for the community.	Percentage of community satisfied with the quality of the pool facilities and service in the annual satisfaction survey and research survey results.	≥ 75%		Will be reported annually once RSS is completed by June 2018.

 Achieved or On Track	 Not Achieved	 No data available
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What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress to 30 September 2017	Explanation
Provision of effective Arts and Culture facilities for the community.	Percentage of community satisfied with the quality of the Arts and Culture facilities and service in the annual satisfaction survey and research survey results.	≥ 80%		Will be reported annually once RSS is completed by June 2018.
Council's public facilities are provided to standards of fitness for use.	Current Building Warrant Of Fitness (BWOFF) for facilities with compliance schedules.	100%	Achieved	All Council public facilities requiring BWOFF are current.
Pool is safe for use of pool patrons at all times.	Pool accreditation in place.	100%	Achieved	The pool accreditation is in place until 1 April 2018.
	Number of pool non complying water quality readings per year.	< 5	Achieved (0)	No non complying water quality readings have been received for the period ending 30 September 2017.  The total target for the full Financial Year is <5.
Community education and information provided to build community awareness and preparedness.	The number of residents who understand the need to plan for the ability to survive on their own for 3 days if there was an emergency event, as measured by the Resident Satisfaction Survey.	≥ 50%		Will be reported annually once RSS is completed by June 2018.
WDC is resourced and staff trained to a level sufficient to efficiently operate the Civil Defence Headquarters during an emergency	One major training exercise involving Civil Defence HQ staff will be held per year	One exercise per year		Will be reported when completed within the year.

 Achieved or On Track	 Not Achieved	 No data available
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What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress to 30 September 2017	Explanation
Playground equipment is safe to use for parks and reserves playground users.	Number of accidents directly attributable to playground equipment failure.	Nil accidents	On track for achievement.	No accidents have been recorded for the period ending 30 September 2017.

 Achieved or On Track	 Not Achieved	 No data available
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## Community Development

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress to 30 September 2017		Explanation
Provide assistance for community support activities.	Advertisement and administration of all WDC Funding Rounds as per the Community Development Fund Policy.	100% Compliance	Achieved (100%)		The following funding rounds have been completed: <ul style="list-style-type: none"> <li>September Discretionary Grant.</li> </ul>
Support the positive development of youth within the District.	Youth Council makes one submission to Council per year.	1 per annum			Will be reported when completed within the year.
	Youth Council undertakes two youth related projects per year.	2 per annum	Achieved (2)		The Youth Council hosted a Movie Evening held at the Piopio Memorial Hall on 25 August 2017.  The Youth Council participated in the Keep NZ Beautiful Clean Up Week 2017 on 15 September 2017.

	Achieved or On Track		Not Achieved		No data available
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What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress to 30 September 2017		Explanation
Council will support major District events that build community pride and raise the District's profile.	Number of major District events held on time and to budget.	One Major event (the Muster) and one minor event (the Christmas Parade)			Will be reported when completed within the year.  The Waitomo District Christmas Parade is scheduled for 9 December 2017.
Provision of comprehensive library facilities for the community.	Percentage of community satisfied with the quality of the library facilities and service in the annual satisfaction survey and research survey results.	≥ 85%			Will be reported annually once RSS is completed by June 2018.
Council through its membership of the Hamilton and Waikato Regional Tourism Organisation will ensure enhanced presence in national and international markets for the District.	Number of District Promotion opportunities taken in key publications and industry events.	> 4			HWT will be presenting their 6 monthly report to Council in November 2017.
Council will encourage and support business expansion and sustainable economic development opportunities within the District.	Economic Development Action Plan developed and implemented.	Actions implemented as per Economic Development Action Plan.	Achieved		The Economic Development Strategy was adopted by Council on 29 October 2016. Implementation of the action plan has commenced and initiatives are underway.

 Achieved or On Track	 Not Achieved	 No data available
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## Regulation

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress to 30 September 2017		Explanation
All food and alcohol retail premises will be inspected and appropriately registered and licensed.	Percentage of registration or licensing of food and alcohol retail premises	100%	On track for achievement		Properties which have been inspected are 76.81% Food Premises and 57% Alcohol Retail Premises
Provision of an effective environmental health service for the community.	Customer Satisfaction Survey Rating on Environmental Health Service.	> 50%			Will be reported annually once RSS is completed by June 2018.
Building consents and project information memoranda issued within 15 working days.	Percentage of building consents and project information memoranda issued within 15 working days.	90%	Achieved (100%)		All building consents / PIMs have been processed within the required timeframes.
Council will process, inspect and certify buildings work in the Waitomo District.	WDC maintains building control systems and process to meet IANZ Audit requirements.	BCA Accreditation achieved every 2 years.	Achieved		BCA Accreditation achieved in June 2016. The next assessment is due in June 2018.

 Achieved or On Track	 Not Achieved	 No data available
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What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress to 30 September 2017		Explanation
Provision of an effective building control service to the community.	Customer Satisfaction Survey rating on Building Control.	> 50%			Will be reported annually once RSS is completed by June 2018.
Dog owners' properties will be inspected to ensure compliance with the Dog Control Act 1996 and Council's bylaws.	Percentage of dog owners' properties inspected per year.	Urban 100%	On track for achievement (3%)		New SOP applications have been inspected. Existing inspections are ongoing and have not been able to be progressed to date due to a vacancy in the ACO role.
		Rural  *(Rural properties will be inspected if Council identifies any breaches of the Dog Control Act)	Achieved		Three breaches of the Dog Control Act with only two attributable to two specific owners of rural properties.
High level of customer satisfaction with animal control service.	Customer Satisfaction survey rating on Animal Control.	≥ 50%			Will be reported annually once RSS is completed by June 2018.
Dog Owners are well informed of their responsibilities and WDC Support.	Number of Dog/Owner Education initiatives.	≥ 2			Will be reported when completed within the year.

\*Target changed by Council resolution document number #A345198 Council Minutes #A345198

Achieved or On Track	Not Achieved	No data available
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## Environmental Sustainability Group

### Solid Waste Management

#### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 30 September 2017	Explanation
Users find the recycling facilities safe to use.	Percentage of users rate the safety of Council's recycling facilities as satisfactory or better.	75%	Achieved (95%)	This target has been measured through the results of the 2016 Residents satisfaction survey.
Provision of effective waste service for the community.	Customer satisfaction survey rating on waste transfer stations.	60%	Achieved (88%)	This target has been measured through the results of the 2016 Residents satisfaction survey.
The solid waste management facilities feel safe to the user.	Percentage of users rate the District's waste transfer stations safe to use.	70%	Achieved (91%)	This target has been measured through the results of the 2016 Residents satisfaction survey.
Users find the landfill facility safe to use.	Percentage of users rate the safety of Council's landfill facility as satisfactory or better.	75%	Achieved (96%)	This target has been measured through the results of the 2016 Residents satisfaction survey.
The solid waste management facilities are open and accessible to users at advertised times.	Number of complaints per month due to facilities not being open at advertised times.	≤1	Achieved (0)	No complaints were received due to the facilities not being open at advertised times for the quarter ended 31 March 2017. The target for the Full Financial Year is <u>≤12</u> complaints.

Achieved or On Track	Not Achieved	No data available
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What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 30 September 2017	Explanation
Reduce quantity of recyclables like paper and plastics in bag collection that goes to landfill.	Percentage of reduction per annum leading to 10% reduction by 2016 and 15% by 2025 achieved through continual education (both measured against the 2014 Biennial Waste Audit).	2.0%	Not achieved	The results from the 2016 Waste Audit identified a 1.57% reduction in recyclables against the 2014 Waste Audit. A 2% reduction was required to meet the performance target. This is however tracking in a downwards trend.
Reduce the quantity of organic waste like food scraps etc. in bag collection that goes to landfill.	Percentage of reduction per annum achieved through continual education leading to 10% reduction by 2025 (measured against the 2014 Biennial Waste Audit).	1.5%	Not achieved	The results from the 2016 Waste Audit identified an almost 3% increase in putrescible (organic/ food waste) against the 2014 Waste Audit. A 1.5% reduction was required to meet this performance target. Reducing food waste is a key strategy for meeting the goals of the Waste Minimisation Act. WDC are involved in a collective of councils throughout the country to implement a national "Love Food, Hate Waste" campaign in an effort to reduce food waste sent to landfills.
Provision of an effective solid waste service for the community.	Number of complaints received per month regarding solid waste activities.	≤ 10	Achieved (8)	A total of 8 complaints were received for the quarter. Complaints included: <ul style="list-style-type: none"> <li>• Non collection of refuse and recycling bins.</li> <li>• Damage to lawn by truck.</li> <li>• Smelly Landfill.</li> </ul> The target for the full Financial Year is ≤120 complaints.

 Achieved or On Track	 Not Achieved	 No data available
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## Resource Management

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 30 September 2017	Explanation
Council will ensure that resource consents are processed in a timely and customer friendly manner so as to facilitate district wide development.	Percentage of notified consents processed within 80 working days of receipt.	90%	Achieved (100%)	No notified consents have been submitted/processed.
	Percentage of non-notified consents processed within 20 working days.	90%	Achieved (100%)	No consents required to be processed.
All premises where resource consents have been issued will be monitored at least biennially to ensure compliance.	Percentage of consented premises visited each year.	50%	Achieved (100%)	All resource consents requiring monitoring have been monitored.

 Achieved or On Track	 Not Achieved	 No data available
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## Storm water Drainage

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress at 30 September 2017	Commentary
Storm water drainage system is adequate and is sufficiently maintained.	The number of flooding events that occur in the district in a financial year.	Nil (for less than 1 in 2 year event)	Achieved (0)	No flooding events of less than 1 in 2 year occurred in the district for this quarter.
	For each flooding event the number of habitable floors affected in a financial year.	≤ 1 per 1000 properties	Achieved (0)	There were no flooding events of less than 1 in 2 year, therefore no habitable floors were affected by a flooding event for this quarter. The target for the full Financial Year is ≤2.
Compliance with resource consent conditions for discharge from the Councils urban storm water system that relate to environmental effects	Compliance with resource consents for discharge from its Storm water system, measured by the number of the following ( <i>received by Council with a financial year</i> ):			
	• abatement notices	0	Achieved (0)	No abatement notices were issued to WDC during this quarter.
	• infringement notices	≤2	Achieved (0)	No infringement notices were issued to WDC during this quarter.
	• enforcement orders	Nil	Achieved (0)	No enforcement notices were issued to WDC during this quarter.
	• successful prosecutions	Nil	Achieved (0)	No successful prosecutions were issued to WDC during this quarter.

Achieved or On Track	Not Achieved	No data available
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What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress at 30 September 2017	Commentary
The Council responds to failures and request for service in a prompt and efficient way	The median response time to attend a flooding event, (measured from the time that the notification is received to the time that service personnel reach the site)	≤ 180 minutes (3hrs)	Achieved (0 hrs)	There were 4 reported events but no actual flood events.
The Council provides a reliable storm water collection service	The number of complaints received about the performance of the Council's urban storm water system per 1,000 properties connected - 1945 connections.	≤4 complaints per 1000 properties (1945 connections)	Achieved (2)	There have been 2 complaints received to date this quarter. Both of these were due to the heavy rainfall we have been experiencing and are beyond the 1 in 2 year events for which the WDC storm water system is designed for.  The target for the full Financial Year Target is ≤ 8 complaints.

	Achieved or On Track		Not Achieved		No data available
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## Sewerage and Treatment and Disposal of Sewage

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress at 30 September 2017	Explanation
Sewerage System is adequate and is sufficiently maintained.	<ul style="list-style-type: none"> <li>Number of complaints received in a financial year about ;</li> <li>sewage odour;</li> <li>sewage system faults;</li> <li>sewage system blockages, and</li> <li>Council's response to issues with the sewage system.</li> </ul>		Achieved (14)	<p>A total of 14 complaints were received for quarter ending 30 September 2017, regarding:</p> <p>Sewerage odour. Sewerage system faults. Sewerage system blockages. Council's response to issues with the sewerage system.</p> <p>The target for the full Financial year is ≤39.</p>
	Total complaints per 1,000 connections ≤20 (Total number of connections 1,945)			
Environmental impacts of Sewerage systems will be managed effectively.	Compliance with the Council's resource consents for discharge from its sewerage system, measured by the number of the following ( <i>received by Council in a financial year</i> )			
	<ul style="list-style-type: none"> <li>abatement notices</li> <li></li> </ul>	Nil	Achieved (0)	No abatement notices issued for quarter ending 30 September 2017.
	<ul style="list-style-type: none"> <li>infringement notices</li> </ul>	Nil	Achieved (0)	No infringement notices issued for quarter ending 30 September 2017.

	Achieved or On Track		Not Achieved		No data available
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What we do (level of service)	How we measure success (performance measure)	Performance Target	Progress at 30 September 2017	Explanation
	<ul style="list-style-type: none"> <li>enforcement orders</li> </ul>	Nil	Achieved (0)	No enforcement orders issued for quarter ending 30 September 2017.
	<ul style="list-style-type: none"> <li>convictions received</li> </ul>	Nil	Achieved (0)	No convictions received for quarter ending 30 September 2017.
Timely response and resolution for sewage overflows.	The median response times for attendance, in a year, measured from the time that the Council receives notification to the time that service personnel reach the site	≤180 minutes (3hrs)	Achieved (54 minutes)	
	The median response times for resolution, in a year, measured from the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault	≤ 540 minutes (9hrs)	Achieved (2 hours 43 minutes)	
Provision of effective and reliable sewerage systems and service to the community.	Number of dry weather sewage overflows from the Council's sewerage system in a financial year.	Total complaints per 1,000 connections ≤ 5 (Total number of connections 1,945)	Achieved (0)	Complaints received this quarter was 0.  The target for the full Financial Year is ≤10.

	Achieved or On Track		Not Achieved		No data available
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## Economic Sustainability Group

### Water Supply

#### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 30 September 2017	Explanation
Water supply system is adequate and sufficiently maintained for public health purposes.	The extent to which WDC's drinking water supplies comply with Part 4 of NZ Drinking-water Standards 2005 (revised 2008) (bacteria compliance criteria)	100%	Not achieved (75%)	Technically non-compliant  Te Kuiti's upgrade is yet to be completed, however this plant is providing an improved treatment process that meets the DW standards.
	The extent to which WDC's drinking water supplies comply with Part 5 of NZ Drinking-water Standards 2005 (revised 2008) (protozoal compliance criteria)	100%*	Not achieved	Technically non-compliant  Te Kuiti's upgrade is yet to be completed, however this plant is providing an improved treatment process that meets the DW standards.
Water Supply networks are being maintained adequately.	Percentage of real water loss from the Council's networked reticulation system in a financial year in (Water losses includes leaks in the network and apparent losses through metering inaccuracies or water theft. This does not include unauthorised consumption, which is classed as a user with a set allocation taking more than their quota):			

Achieved or On Track	Not Achieved	No data available
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What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 30 September 2017		Explanation
	Te Kuiti	≤ 25%	Currently no data available		A new methodology is being developed to determine once a year real water loss as per DIA standards
	Mokau	≤ 25%	Currently no data available		A new methodology is being developed to determine once a year real water loss as per DIA standards.
	Piopio	≤ 25%	Currently no data available		A new methodology is being developed to determine once a year real water loss as per DIA standards.
	Benneydale	≤ 15%	Currently no data available		A new methodology is being developed to determine once a year real water loss as per DIA standards.
Timely response and resolution of service requests.	The median response times for attendance for urgent call-outs in a financial year*	≤ 180 minutes (3 hrs)	Achieved (55 minutes)		The median response time for attendance for urgent call outs in a financial year for the quarter ended 30 September 2017 was 55 minutes.
	The median resolution time of urgent call-outs in a financial year**	≤ 540 minutes (9hrs)	Achieved (1.37 hours)		The median response time for attendance for urgent call outs in a financial year for the quarter ended 30 September 2017 was 1.37 hours.
	The median response times for attendance for non-urgent call outs in a financial year*	≤ 660 Minutes (11hrs)	Achieved ( 1.18 hrs)		The medium response time for attendance for urgent call outs in a financial year for the quarter ended 30 September 2017 was 1.18 hours.
	The median resolution time of non-urgent call-outs in a financial year**	≤ 850 minutes (14.1hrs)	Achieved (1.57 hrs)		The median response time for attendance for urgent call outs in a financial year for the quarter ended 30 September 2017 was 1.57 hours.

	Achieved or On Track		Not Achieved		No data available
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What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 30 September 2017	Explanation
Provision of effective and reliable water supply system to the community.	The total number of complaints received by Council in a year for:			
	drinking water clarity	≤ 5 per 1000 connections (Total number of connections 2580)	Achieved (8)	Total of 8 complaints were received for the quarter ending 30 September 2017,  3 were due to contractors working in the area. 1 due to upgrading of water main and connections to a private property. 4 due to a slip. The target for the full Financial Year is ≤13.
	drinking water taste	≤ 5 per 1000 connections (Total number of connections 2580)	Achieved (3)	Total of 3 complaints received for the quarter.  2 associated with system flushing. 1 due to a slip. The target for the full Financial Year is ≤13.
	drinking water odour	≤ 5 per 1000 connections (Total number of connections 2580)	Achieved (2)	Total of 2 complaints were received this quarter due to odour.  The target for the full Financial Year is ≤13.

	Achieved or On Track		Not Achieved		No data available
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What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 30 September 2017	Explanation
	drinking water pressure flow	≤ 5 per 1000 connections (Total number of connections 2580)	Achieved (0)	No reported complaints this quarter.  The target for the full Financial Year is less than ≤13.
	continuity of supply	≤ 5 per 1000 connections (Total number of connections 2580)	Achieved (4)	Total of 4 complaints for this quarter: <ul style="list-style-type: none"> <li>• 2 no water to the property, separate areas of Te Kuiti</li> <li>• 2 due to contractor working on new water main replacement</li> </ul> The target for the full Financial year is ≤13.
	Median response time to any of these issues within a year.	≤ 180 minutes	Achieved (55 minutes)	The median response times for attendance for the quarter ended 30 September 2017 was <55 minutes.
Efficient management of demand for water for the community.	Average consumption of drinking water per day per resident within the district.	≤ 400 litres per person per day	Achieved (276 litres)	This quarter indicated the average consumption being 276 litres per person per day.

	Achieved or On Track		Not Achieved		No data available
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## Roads and Footpaths

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Our Progress 30 September 2017		Explanation
Monitor safety of local roads to assist in planning and prioritising works required to upgrade, maintain or change the condition of the roading environment in order to reach and maintain a specified level of safety.	The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network.	1 (or maintain at 0)	Achieved (0)		
Maintain the overall condition of local roads to a specified adequate standard  *NAASRA is a generally acceptable measure of road roughness. A NAASRA count of less than 150 indicates an acceptable level of ride comfort	The average quality of ride on a sealed local road network, measured by smooth travel exposure, in a financial year. (Percentage of measured sealed road lane kilometres not exceeding a NAASRA* roughness count rating of 150 to be at least 90%.)	90%	Achieved (95.4%)		This is measured every two years. The latest NAASRA roughness count from 2016 was 95.4%.

	Achieved or On Track		Not Achieved		No data available
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What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Our Progress 30 September 2017	Explanation
Maintain the overall condition of the unsealed roads to a specified adequate standard.	Percentage of unsealed road metalled each year.	15% (of total)	-	This activity is a seasonal component of the maintenance conducted and is traditionally carried out over the summer period.
Maintain the overall condition of sealed roads to a specified adequate standard.	Percentage of the sealed local road network that is resurfaced each year.	7% (of total)	-	This activity is a seasonal component of the maintenance conducted and is traditionally carried out over the summer period.
Maintain the overall condition of footpaths to a specified adequate standard.	The percentage of footpath network that falls within a condition rating of 3.	90%	91%	91% of the footpaths in the Waitomo District network had a condition rating of 3 in the 2016/17 year.
Manage the timeliness and appropriateness of responses to problems and service requests.	The percentage of customer service requests relating to roads and foot paths responded to within 10 working days.	95%	Not Achieved (61%)	A total of 31 complaints were received for this quarter, 19 of these were responded to within 10 working days. A majority of the requests related to thick mud on the roads, slippery and soft spots on metal roads, diesel on roads, potholes, flooding due to blocked drains, broken glass on footpaths, slips and rocks on roads.

	Achieved or On Track		Not Achieved		No data available
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Document No: A368365

Report To: Council



Meeting Date: 31 October 2017

Subject: Annual Report 2016/2017 – Adoption

Type: Decision Required

## Purpose of Report

- 1.1 The purpose of this business paper is to present the Draft Annual Report 2016-2017 (Draft AR) for Council's consideration and adoption.

## Background

- 2.1 The Draft AR shows the financial and non financial performance of Waitomo District Council for the year ended 30 June 2017.
- 2.2 Council received the Unaudited Interim Financials (IFR) for the year ended 30 June 2017 at the 29 August 2017 Council meeting and the Unaudited Interim Non Financial Report at the 26 September 2017 Council meeting.
- 2.3 As well as presenting the Draft AR for Council's consideration this paper also provides a summary of significant changes since the IFR and commentaries on Council and Group results.
- 2.4 Council's auditors (Deloitte) will be in attendance at the Council meeting to discuss the audit and to present the audit opinion.

## Commentary

- 3.1 **Significant changes since the unaudited IFR**
- 3.2 The unaudited IFR was presented at 29 August Council meeting, while the financial results and position were still in the process of being finalised. There have been subsequent changes to the results due to finalising the ledgers and the significant changes are discussed in section 3.3 to 3.11.
- 3.3 **Statement of Financial Performance**
- 3.4 Total revenue has decreased from \$30.1 million in the IFR to \$29.8 million in the Draft AR mainly as a result of the elimination of rates paid on Council owned properties.
- 3.5 Total expenditure decreased from \$25.8 million to \$25.4 million mainly as a result of the elimination of rates paid on Council owned properties and additional depreciation expense as a result of the completion of the asset ledger.
- 3.6 As a result of these changes, the total surplus for the year has increased from \$4.31 million in the IFR to \$4.39 million in the Draft AR.
- 3.7 The loss on revaluation on roads assets of \$831,000 and a gain on revaluation of solid waste assets of \$338,000 were recognised in other comprehensive revenue

and expense. This, along with the changes to total surplus discussed in 3.4 and 3.5, decreased the Total comprehensive revenue and expense from \$5.8 million to \$5.0 million.

### 3.8 **Statement of Financial Position**

3.9 Total assets decreased from \$348.0 million to \$345.7 million as a result of:

- A decrease in property, plant and equipment as a result of finalising the asset ledger (since the IFR was reported).

3.10 Total equity decreased by \$2.3 million from the IFR as a result of:

- Decrease in revaluation reserve as a result of asset disposals, the loss on revaluation of roads assets and the prior period adjustment relating to duplicate road assets.
- Offset by an increase in surplus as detailed above
- Increase in other reserves as a result of the final reserve transfers

### 3.11 **Draft 2016-17 Annual Report Highlights**

#### 3.12 **Statement of Financial Performance (pg 64)**

3.13 The 2016-17 budget provided for a surplus of \$2.9 million. The actual result was a greater surplus of \$4.39 million. The main variances are detailed below.

#### 3.14 **Revenue**

3.15 Revenue was \$0.7 million less than budget due to:

- Rates revenue was \$0.3 million less than budget. This was the result of excluding rates revenue on council owned properties.
- Subsidies and grants were also \$1 million less than budget. Road subsidy revenue was less than budget due to reduced capital expenditure for subsidised roads. This resulted in less subsidy revenue being received.
- Fees and charges revenue was \$0.3 million less due to reduced trade waste revenue being received as a result of better pre-treatment of trade waste by major commercial users. In addition to this no revenue was received in relation to the safety improvement work at council owned quarry sites as this project has not commenced.
- This decrease in revenue was partly offset by an increase in other revenue of \$0.8 million due to donation revenue being recognised for the transfer of the Sir Colin Meads statue. Gains were also recognised for revaluation of assets held for sale and investment property, Parkside section sales and additional revenue for depreciation recovered from the sale of motor vehicles.

3.16 Expenditure was \$2.2 million less than budget due to:

- Finance costs were \$0.7 million less than budget due to a reduced public debt level than what was budgeted for and interest rates were less than anticipated at the time the budget was prepared.

- Community service costs were \$0.6 million less than budget due to rates paid on council owned properties being excluded. The budget figure includes rates on council owned properties. Repairs and maintenance expenditure was also less than budget as this work is only carried out as required.
- Sewerage costs were \$0.3 million less than budget due to reduced operations and maintenance costs for all schemes. There were additional costs for land easement expenditure and increased expenditure for chemicals.
- Leadership costs were \$0.6 million less than budget reflecting the delivery of the District Plan work-stream and budget associated with Parkside sections not spent.

### 3.17 **Statement of Financial Position (pg 66)**

3.18 Total equity was \$4.4 million more than forecast due to:

- The surplus was \$1.5 million more than budget (net result of 3.16 and 3.17 above).
- The revaluation reserve was \$8.2 million less than budget due to the revaluation of roads assets being less than anticipated and the removal of the previous revaluation entries for duplicate assets from the revaluation reserve.
- The gain on revaluation of assets available for sale reserve for the increase in value of the investment in Inframax Construction Ltd of \$1.9 million in 2015/16 year.
- Council created reserves were also \$5.6 million more than budget.
- These increases were offset by the loss on cashflow hedges which was \$0.7 million more than budget.

3.19 Current assets were \$2.5 million more due to a higher level of receivables at balance date than was anticipated at the time the budget were prepared and investment property being reclassified as current assets held for sale.

3.20 Current liabilities were \$9.4 million more than budget due to a greater portion of borrowings being recognised as current than when the budget was prepared and a higher level of payables at balance date than was anticipated.

3.21 Non current assets were \$13.9 million less than expected due to property, plant and equipment less than budget as less capital expenditure was undertaken during the year than planned and revaluation of roads assets were less than anticipated. Investment property was also less than budget due mainly to the reclassification of the Parkside sections to current assets held for sale. These decreases were partly offset by the increase in the value of other financial assets from the valuation of Inframax Construction Ltd in the 2015/16 year to \$4.5 million.

3.22 Non current liabilities were \$16.4 million less than budget due to a lesser portion of borrowings being recognised as non current than when the budget was prepared. Derivative financial instruments were also \$0.3 million more than expected.

3.23 Rates receivable decreased from \$3,969,000 outstanding at 30 June 2016 to \$3,842,000 outstanding at 30 June 2017 (a decrease of \$127,000). Of the \$3,969,000 that was receivable for rates and penalties charged to 30 June 2016,

this has now reduced to \$2,686,000 (a reduction of \$1,283,000). This represents the successful debt recovery actions implemented during the year.

	2016/17 \$000's	2015/16 \$000's
Rates receivable at 30 June 2016	3,969	3,973
Less cash received	(980)	(1,025)
Less remissions and RID amendments	(303)	(239)
<b>Sub total</b>	<b>2,686</b>	<b>2,709</b>
Plus current year rates outstanding	797	866
Plus current year penalties outstanding	354	393
Plus court costs charged	5	1
<b>Rates receivable at 30 June 2017</b>	<b>3,842</b>	<b>3,969</b>

### 3.24 Capital Expenditure (pg 15-16)

3.25 Total capital expenditure for the year ended 30 June 2017 was \$9.7 million against a budget of \$12.3 million.

3.26 Capital expenditure on Leadership and Investments was \$0.2 million less than budget as the planned safety improvement capital works at a number of council owned quarries was deferred.

3.27 Capital expenditure on Community Service assets was \$0.2 million more than budget. The Sir Colin Meads statue commissioned by Legendary Te Kuiti has been donated to Council as a community asset and was recognised as capital expenditure. The new Benneydale public toilet work commenced and was completed in July 2017. These projects were in the previous year's budget. The development of the community space in the northern building of the railway station building complex and the I-site linkage upgrade were completed during the year.

3.28 Capital expenditure on Sewerage assets was \$0.5 million less than budget as the work on the bunded chemical tank and the base structure for the sludge removal process at Te Kuiti wastewater plant are yet to be completed. Some sewer pipe renewal projects in Te Kuiti were delayed and will be carried out in the 2017/18 year. Te Waitere unspecified renewals and pump station renewals work were also planned and will be carried out in 2017/18 year.

3.29 Capital expenditure was \$2.1 million under budget for Roads assets as the remaining chip sealing work for pavement rehabilitation will now be completed in the summer months when the weather is warmer. Also the Oparure Rd structures reinstatement project was not completed as this work required confirmation from OMYA regarding their quarry plan which has been put on hold. The emergency reinstatement budget was also not fully spent. Maraeroa Road seal extension was more than budget and this was offset by reduced expenditure in drainage renewals and unsealed road metaling.

3.30 Capital expenditure was \$0.1 million more than budget for Water Supply. Phase 1 of the Te Kuiti water treatment plant upgrade was completed which including expenditure for design work, filter replacement and the new building. The installation of the main reticulation line on SH3 in Mokau and dam upgrades for safety requirements were also completed. Amounts budgeted for Mokau in future years in 2015-25 LTP were brought forward.

### 3.31 Borrowings and Reserves

3.32 Council's Long Term Plan (LTP) provides annual forecasts for the levels of borrowings and reserve funds. The following table illustrates favourable trends in the level of borrowings and reserve funds over the last 3 financial years.

\$000's	30 June		
	2014/15	2015/16	2016/17
<b>Borrowings</b>			
Forecast Public Debt (LTPs)	52,120	52,834	54,628
Actual Public Debt	46,139	44,786	43,419
<b>\$ Trend</b>	<b>-5,981</b>	<b>-8,048</b>	<b>-11,209</b>
<b>% Trend</b>	<b>-11.5%</b>	<b>-15.2%</b>	<b>-20.5%</b>
Capex	10,663	9,810	9,703
<b>Reserves</b>			
Forecast Other Reserves (LTPs)	2,104	7,127	6,101
Actual Reserves	9,850	10,352	13,287
<b>\$ Trend</b>	<b>7,746</b>	<b>3,225</b>	<b>7,186</b>
<b>% Trend</b>	<b>+368.1%</b>	<b>+45.2%</b>	<b>+117.8%</b>

3.33 These trends show that actual borrowings have reduced to \$43.4 million at 30 June 2017 and are considerably less than forecast despite major capital investment of \$30.2 million over the last three years.

3.34 Council has continued to manage the funding of the capital works programme from subsidies and grants and available reserves and has also been reducing debt where possible.

3.35 The increase in actual reserves from 2016 to 2017 is mainly the result of the gain on investment in ICL, the increase in losses on cash flow hedges and the increase in council created reserves.

### 3.36 Group Balance Sheet

3.37 At 30 June 2017 total equity for the Group was \$296 million. There was an \$8.4 million increase in equity reflecting the Group's after tax surplus of \$6.8 million.

3.38 Current assets increased by \$1.3 million mainly due to a reclassification of Parkside section to current assets held for sale.

3.39 Current liabilities decreased by \$0.1 million mainly due to a decrease in borrowings.

- 3.40 Non current assets increased by \$5.4 million due mostly to an increase in property, plant and equipment and deferred tax asset.
- 3.41 Non current liabilities decreased by \$1.6 million due mainly to a decrease in derivative financial instruments.
- 3.42 **Statement of Service Performance (Key Performance Indicators)**
- 3.43 The Statements of Service Performance provide detailed information on the performance measures and targets for each of the significant activities. The performance summary is given on pages 20-21 of the Draft Annual Report with more detailed information disclosed within each activity on pages 22-61 of the Draft Annual Report.
- 3.44 Of the 80 key performance indicators measured, 68 (85%) (2016: 81%) were achieved and 12 (15%) (2016: 19%) were not achieved.
- 3.45 **Audit**
- 3.46 Auditors will be present at the meeting to report on the Audit process and present the Audit report.

### **Analysis of Options**

- 4.1 Council has the option of adopting the Annual Report or requesting further information/changes from its staff and auditors. Council must adopt the Annual Report prior to 31 October 2017.

### **Considerations**

- 5.1 **Risk**
- 5.2 There is potential risk that some revenue included in the financial statements is subsequently not converted to cash or cash equivalents. The raising of invoices and recognition of income is carried out with management review and approval to minimise this risk. Debtors and other receivables are actively monitored and reviewed. The risk is also mitigated by the recognition of a provision for doubtful debt at 30 June 2017.
- 5.3 There is a risk that the accounting estimates and judgments used when performing valuations over assets may not reflect the assets actual condition or, the useful lives do not reflect the actual consumption of benefits of the asset. To minimise this risk, infrastructural asset valuations have been determined in reference to industry guidelines and adjusted for local conditions. Asset inspections, deterioration and condition modeling are also carried out as part of asset management planning.
- 5.4 There is a risk that the financial results and position stated within this report is materially different for those assets were not revalued at 30 June 2017. These assets include wastewater, water and stormwater assets and land and buildings. To minimise this risk, an assessment of the fair value of significant assets in between revaluation years has been completed by external valuers.

5.5 There is a risk that some financial assets may become impaired, but that the impairment amount is unknown. This will cause an over statement of carrying value of the asset in this report, that would subsequently need to be corrected in a later report.

**5.6 Consistency with Existing Plans and Policies**

5.7 This Annual Report measures our performance against Year Two of the Long Term Plan 2015-2025.

**5.8 Significance and Community Views**

5.9 The financial performance of Council in the past year is a significant matter to be shared with the District Community. The Annual Report and Summary Annual Report will be available on Council's website and in Council offices and library.

<b>Recommendation</b>
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6.1 It is recommended that Council adopt the audited Annual Report 2016-2017. A copy of the Annual Report 2016-2017 is enclosed separately and forms part of this business paper.

<b>Suggested Resolutions</b>
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- 1 The business paper on the Annual Report 2016-2017 – Adoption be received.
- 2 The Chief Executive be delegated authority to ensure any formatting/grammatical changes and feedback from Council is accurately reflected in the Final Annual Report 2016-2017 prior to publication.
- 3 The audited Annual Report 2016-2017 be adopted.



VIBHUTI CHOPRA  
**GROUP MANAGER – CORPORATE SERVICES**

13 October 2017

Separate Enclosure: Draft Annual Report 2016-2017

Document No: A374308

**Report To: Council**

Meeting Date: 31 October 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. Te Kuiti Community House Trust - Lease Agreement	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. Risk Management – Contract Register	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.

A handwritten signature in blue ink, appearing to read "Michelle Higgin".

MICHELLE HIGGIE  
**EXECUTIVE ASSISTANT**