

Waikato District Council

Financial statements

for the year ended 30 June 2019

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Statement of comprehensive revenue and expense

for the year ended 30 June 2019

		Council		2017/18	Group	
	Note	2018/19 Actual \$'000	2018/19 Budget \$'000	Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Revenue						
Rates	2	84,036	84,300	77,405		77,405
Development and financial contributions		10,521	6,174	12,633		12,633
Subsidies and grants		18,742	19,754	18,507		18,507
Finance revenue	3	555	130	466		474
Other revenue	4	32,639	26,925	46,928		47,321
Total revenue		146,493	137,283	155,939		156,340
Expenses						
Employee costs	6	29,487	31,068	27,452		27,452
Depreciation and amortisation expense	7	27,375	28,165	26,093		26,093
Finance costs	3	4,316	4,267	4,113		4,113
Other expenses and losses	8	94,678	61,991	59,772		60,070
Total operating expenses		155,856	125,491	117,430		117,728
Surplus(deficit) before tax		(9,363)	11,792	38,509		38,612
Income tax expense	9	-	-	-		-
Surplus(deficit) after tax wholly attributable to Waikato District Council		(9,363)	11,792	38,509		38,612
Other comprehensive revenue and expense						
Gain(loss) on property revaluations	14	27,218	30,680	42,940		42,940
Revaluation reserve – landfill	20	616	-	(51)		(51)
Financial assets at fair value through other comprehensive revenue		1,913	-	469		469
Other comprehensive revenue and expense (net of tax)		29,747	30,680	43,358		43,358
Total comprehensive revenue and expense for the year		20,384	42,472	81,867		81,970

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The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 33

Statement of financial position

as at 30 June 2019

		2018/19 Actual \$'000	Council 2018/19 Budget \$'000	2017/18 Actual \$'000	Group 2018/19 Actual \$'000	2017/18 Actual \$'000
	Note					
Assets						
Current assets						
Cash and cash equivalents	10	10,405	492	14,932		15,716
Receivables from exchange transactions	11	6,998	4,624	5,338		5,412
Recoverables from non-exchange transactions	11	6,755	4,338	5,662		5,662
Prepayments		890	822	821		821
Other financial assets	13	940	61	1,009		5,047
Cattle	12	94	110	101		101
Non-current assets held for sale	14	-	-	-		-
Total current assets		26,082	10,447	27,863		32,759
Non-current assets						
Investment in CCO's and other similar entities	13	16,095	13,016	14,186		13,486
Investments in other entities	13	1,513	3,442	1,301		1,301
Property, plant and equipment	14	1,830,482	1,864,200	1,799,366		1,799,366
Intangible assets	15	5,148	7,423	5,542		5,542
Investment property	16	560	490	545		545
Total non-current assets		1,853,798	1,888,571	1,820,940		1,820,240
Total assets		1,879,880	1,899,018	1,848,803		1,852,999
Liabilities						
Current liabilities						
Payables under exchange transactions	17	16,526	20,165	13,825		13,868
Taxes and transfers payable	17	1,340	950	1,397		1,398
Derivative financial instruments	21	156	-	65		65
Borrowing	19	5,000	29,233	10,000		10,000
Employee entitlements	18	3,173	2,724	2,890		2,890
Provisions	20	69	310	111		111
Total current liabilities		26,264	53,382	28,288		28,332
Non-current liabilities						
Derivative financial instruments	21	15,510	4,963	7,192		7,192
Borrowing	19	75,000	87,698	70,000		70,000
Employee entitlements	18	143	181	114		114
Provisions	20	1,378	1,801	2,008		2,008
Total non-current liabilities		92,031	94,643	79,314		79,314
Total liabilities		118,295	148,025	107,602		107,646
Net assets		1,761,585	1,750,993	1,741,201		1,745,353
Net assets/ equity						
Accumulated comprehensive revenue and expense		1,062,038	1,114,968	1,062,601		1,063,766
Other reserves		699,547	636,025	678,600		681,587
Total net assets/equity		1,761,585	1,750,993	1,741,201		1,745,353

The accompanying notes form part of these financial statements
 Explanations of major variances against budget are provided in note 33

Statement of changes in net assets / equity

for the year ended 30 June 2019

	Council		Group		
	2018/19 Actual \$'000	2018/19 Budget \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Balance at the beginning of the year					
Accumulated comprehensive revenue and expense	1,062,601	1,071,311	1,029,070		1,030,204
Other reserves					
Revaluation	667,253	650,957	625,482		625,482
Restricted	187	182	181		3,096
Council-created	27,542	17,218	26,526		26,526
Special rates and user pays	(6,403)	(8,155)	(6,185)		(6,185)
Capital replacement fund	16,086	9,033	13,648		13,648
Development contributions	(36,739)	(42,231)	(39,593)		(39,593)
Fair value through other comprehensive revenue and expense	10,674	10,206	10,205		10,205
Balance at 1 July as previously reported	1,741,201	1,708,521	1,659,334		1,663,383
Comprehensive revenue and expense for the year					
Accumulated comprehensive revenue and expense					
Surplus(deficit) after tax	(9,363)	11,792	38,509		38,612
Other reserves					
Revaluation	27,218	30,680	42,940		42,940
Revaluation – landfill	616	-	(51)		(51)
Fair value through other comprehensive revenue and expense	1,913	-	469		469
Total comprehensive revenue for the year wholly attributable to Waikato District Council	20,384	42,472	81,867		81,970
Transfers to(from) accumulated comprehensive revenue and expense					
Accumulated comprehensive revenue and expense	8,800	31,865	(4,978)		(5,050)
Other reserves					
Revaluation	(6,523)	-	(1,118)		(1,118)
Restricted	7	-	6		78
Council-created	2,979	108	1,016		1,016
Special rates and user pays	(430)	(7,810)	(218)		(218)
Capital replacement fund	3,032	(1,823)	2,438		2,438
Development contributions	(7,865)	(22,340)	2,854		2,854
Total transfers to(from) accumulated comprehensive revenue and expense	-	-	-		-
Balance at 30 June wholly attributable to Waikato District Council	1,761,585	1,750,993	1,741,201		1,745,353
Represented by net assets/equity at the end of the year					
Accumulated comprehensive revenue and expense	1,062,038	1,114,968	1,062,601		1,063,766
Other reserves					
Revaluation	688,564	681,637	667,253		667,253
Restricted	194	182	187		3,174
Council-created	30,521	17,326	27,542		27,542
Special rates and user pays	(6,833)	(15,965)	(6,403)		(6,403)
Capital replacement fund	19,118	7,210	16,086		16,086
Development contributions	(44,604)	(64,571)	(36,739)		(36,739)
Fair value through other comprehensive revenue and expense	12,587	10,206	10,674		10,674
Balance at 30 June wholly attributable to Waikato District Council	1,761,585	1,750,993	1,741,201		1,745,353

The accompanying notes form part of these financial statements
 Explanations of major variances against budget are provided in note 33

Statement of cash flows

for the year ended 30 June 2019

	Note	Council		Group	
		2018/19 Actual \$'000	2018/19 Budget \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000
Cash flows from operating activities					
Receipts					
Receipts from rates revenue		84,376	77,706	76,667	76,667
Subsidies received		18,182	20,145	18,909	18,909
Contributions received		10,094	6,982	13,134	13,134
Receipts from other revenue		17,648	25,321	17,721	17,721
Interest received		555	130	522	530
Dividends received		39	-	31	47
Goods and service tax (net)		55	-	169	186
Payments					
Payments to employees		(29,174)	(30,909)	(27,337)	(27,337)
Payments to suppliers		(56,708)	(61,641)	(53,594)	(53,750)
Interest paid		(4,145)	(4,267)	(3,841)	(3,841)
Net cash flows from (used in) operating activities	23	40,922	33,467	42,381	42,266
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		926	693	2,590	2,590
Proceeds from the sale of investments		-	160	-	4,546
Proceeds from the sale of non-current assets held for sale		-	-	-	-
Community loan repayments received		44	-	75	75
Receipts from repayment of advance		-	-	-	125
Purchase of intangible assets		(329)	(2,931)	(312)	(312)
Purchase of property, plant and equipment		(45,902)	(70,163)	(43,209)	(43,209)
Acquisition of investments		(188)	(554)	9,703	5,164
Net cash flow from (used in) investing activities		(45,449)	(72,795)	(31,153)	(31,021)
Cash flows from financing activities					
Proceeds from borrowing		10,000	42,031	10,000	10,000
Repayment from related party		-	-	-	-
Repayment of borrowing		(10,000)	(10,000)	(10,000)	(10,000)
Net cash flow from financing activities		-	32,031	-	-
Net increase(decrease) in cash, cash equivalents and bank overdrafts		(4,527)	(7,297)	11,228	11,245
Cash, cash equivalents and bank overdrafts at the beginning of the year		14,932	7,789	3,704	4,471
Cash, cash equivalents and bank overdrafts at the end of the year		10,405	492	14,932	15,716

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Statement of reserve funds for the year ended 30 June 2019

Reserves showing as negative have a debit balance and are mainly for development contributions and structure plan reserves. These reserves are in place to monitor the revenue and costs associated with development and growth. Often Council must incur the cost of works for base infrastructure before development contributions are received. Essentially the negative balance for a reserve is the amount borrowed internally to fund the work ahead of revenue being received. A negative reserve is used instead of an internal loan because the amount is repaid by revenue received rather than a loan repayment regime. Like a loan, interest is charged and is added to the reserve balance for repayment from contributions received over time.

Reserve	Purpose	Related activities	Opening balance 1 July 2018 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2019 \$'000
Conservation fund	To fund expenditure items for conservation purposes.	Sustainable environment	673	354	(377)	650
Raglan Harbour reserve	Council took over assets from the Raglan Harbour Board. Any revenue or expenditure on these properties is kept separate from general funds.	Sustainable communities	(25)	457	(395)	37
Housing for the elderly	Revenue from housing for the elderly is put aside for use on the properties involved.	Sustainable communities	(122)	248	(329)	(203)
Plant reserve	Reserve used for control of expenditure and sale proceeds for vehicle and other plant running and maintenance costs.	Organisational support	455	1,444	(1,427)	472
Lake Hakanoa Caravan Park reserve	Revenue and expenditure for the Lake Hakanoa Caravan Park at Huntly is kept separate. The camp operation is self-funding.	Sustainable communities	167	209	(178)	198
Raglan Kopua Holiday Park reserve	Revenue and expenditure for Kopua Camp at Raglan is kept separate. The camp operation is self-funding.	Sustainable communities	1,099	1,841	(1,699)	1,241
Wainui Reserve farm	Revenue and expenditure for Wainui Reserve farm operations is kept separate. The farm operation is self-funding and surpluses are used towards projects at Wainui Reserve.	Sustainable communities	259	171	(148)	282
Hillary Commission grants	These funds are committed to a club development programme for the future	Sustainable communities	22	-	-	22
Creative NZ grant	The balance from Creative Communities New Zealand to be re-distributed as grants to suitable candidates.	Sustainable communities	29	116	(128)	17
Disaster recovery fund	Fund set aside for use in the event of a disaster.	Organisational support	405	130	-	535
Hillary Commission loans	Remaining funds and interest credits built up from Council's contribution to match Hillary Commission loans used in the past to assist sporting organisations. All loans have been repaid.	Sustainable communities	58	2	-	60

*The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 33*

Statement of reserve funds *continued*

Reserve	Purpose	Related activities	Opening balance 1 July 2018 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2019 \$'000
North Waikato development reserve	Remaining funds with interest credits from the Department of Corrections for use to assist the local community.	Sustainable communities	350	14	-	364
Hamilton East property proceeds	Proceeds from the sale of the Hamilton East property held separate for property related purposes.	Organisational support	2,308	2,520	(2,520)	2,308
Hakarimata Restoration Trust	A restricted reserve for Hakarimata Hills Reserve Trust to record all trust operations.	Sustainable environment	16	1	-	17
Landfill aftercare contribution	Reserve created on amalgamation of part of the Franklin District Council with Waikato District Council to assist with aftercare costs for closed landfills transferred.	Sustainable environment	258	9	(49)	218
Structure plan non-growth reserve	Reserve to provide funding for the non-growth element of Structure Plan development.	Organisational support	887	34	-	921
Waste minimisation reserve	To manage waste minimisation grants and qualifying expenditure.	Sustainable environment	306	810	(659)	457
Huntly College Jubilee Award	A restricted reserve for the interest revenue to be used as educational sponsorship.	Sustainable communities	13	-	-	13
Frances Paki Trust	A restricted reserve in memory of Francis Paki of Huntly. Interest revenue to be used as sponsorship for educational purposes.	Sustainable communities	1	-	-	1
Mungall Scholarship Trust	A restricted reserve in memory of Agnes Simpson Mungall. Interest revenue to be used for educational sponsorship.	Sustainable communities	1	-	-	1
Huntly social services	A restricted reserve created by the transfer of funds from the former Huntly Social Services Co-Ordinating Committee Inc when it was wound up in 2015.	Sustainable communities	156	6	-	162
Sundry reserves	Sundry reserves for township development and other operational purposes.	Sustainable communities	24,224	4,828	(1,898)	27,154

*The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 33*

Statement of reserve funds *continued*

Reserve	Purpose	Related activities	Opening balance 1 July 2018 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2019 \$'000
Targeted rate reserves – operational	Reserves to monitor operational costs in relation to special rates and user pays.	Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply	(6,403)	6,016	(6,446)	(6,833)
Replacement funds	Reserves where amounts equivalent to funded depreciation are held for use on capital renewals work.	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply, Organisational support	16,086	22,911	(19,879)	19,118
Revaluation reserves	These non-cash reserves relate to the revaluation of property, plant and equipment to fair value.	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply, Organisational support	667,253	27,834	(6,523)	688,564
Capital rates and contributions	Reserves for structure plans, development contributions, financial contributions and capital targeted rates.	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply	(29,876)	12,789	(19,142)	(36,229)
Total reserves			678,600	82,744	(61,797)	699,954

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*The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 33*

Notes to the financial statements

Note I STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Waikato District Council (the Council) is a territorial local authority governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing Council's operations includes the LGA and the Local Government (Rating) Act 2002 (LG(R)A).

The Group consists of the ultimate parent Waikato District Council; its 100% owned subsidiary Strada Corporation Limited (Strada) and the Waikato District Community Wellbeing Trust (WBT). Strada was a 50% party to a Joint Venture Agreement, Waikato Quarries Limited. The Joint Venture Agreement ceased during the 2016/17 financial year. All the entities in which Council has an interest, either directly or through Strada, are incorporated and domiciled in New Zealand.

The principal activity of Council is the provision of local infrastructure, local public services and the performance of regulatory functions to the community. Council does not operate to make financial return.

Council has designated itself and the Group as public benefit entities (PBE's) for financial reporting purposes.

These financial statements of Council and the Group are for the year ended 30 June 2019. The financial statements were authorised for issue by Council on 7 October 2019.

Basis of preparation

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

The financial statements of Strada have again been prepared on a realisation basis. During the year ended 30 June 2017 almost all of Strada's operational assets were sold and liabilities extinguished.

The Company has remained open in order to receive the final settlement payments in relation to the disposal of the joint venture; the final settlement was received during 2018/19. While Strada is no longer trading it is still a going concern as it is able to meet its commitments.

Statement of compliance

The financial statements of Council and the Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R) 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 I PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000's) except for those within sections of narrative which are rounded to the nearest dollar.

Standards issued and not yet effective which have been early adopted

No standards or amendments issued but not yet effective have been early adopted.

Standards issued and not yet effective and not early adopted

Standards and amendments issued but not yet effective have not been early adopted and which are relevant to Council and the Group are:

Interest in other entities

PBE-IPSAS 34 – 38 replace the existing standards for interests in other entities (PBE-IPSAS 6 – 8). These new standards are effective for annual periods beginning on or after 1 January 2019.

Council plans to apply the new standards in preparing the 30 June 2020 financial statements. Council has not yet assessed the effects of these new standards.

Financial instruments

The XRB issued PBE-IFRS 4 *Financial instruments* in March 2019. This standard supercedes PBE IFRS 9 *Financial Instruments* which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Council plans to apply the new standards in preparing the 30 June 2023 financial statements. Council has not yet assessed the effects of the new standard.

Statement of cash flows

An amendment to PBE-IPSAS 2 Statement of cash flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and from non-cash changes. This amendment is effective for annual period beginning on or after 1 January 2021, with early application permitted. Council does not intend to early adopt the amendment.

Service performance reporting

PBE- FRS 48 replaces the service reporting requirements of PBE-IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. Council has not yet determined how the application of PBE-FRS 48 will affect its statement of performance.

Other changes in accounting policies

There have been no other changes in accounting policies.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Basis of consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue and expenses on a line-by-line basis. All significant intra-group balances, transactions, revenues and expenses are eliminated on consolidation.

Critical accounting estimates and assumptions

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

Infrastructural assets

Note 14 provides information about the estimates and assumptions applied in determining the fair value of infrastructural assets.

Employee entitlement provisions

Note 18 provides information about the estimates and assumptions surrounding the retirement gratuities and long service leave provision.

Landfill aftercare provision

Note 20 provides information about the estimates and assumptions surrounding the landfill aftercare provision.

Goods and services tax

All items in the financial statements are stated exclusive of GST except for payables and receivables, which are presented on a GST inclusive basis. When GST is not recoverable as an 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 statement of cash flows.

Commitments and contingencies are disclosed exclusive of recoverable GST.

Budget figures

The budget figures are those approved by Council at the beginning of the year in its 2018-28 Long Term Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Foreign currency transactions

Foreign currency transactions are translated into NZ dollars using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Equity

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Accumulated funds;
- Other reserves
 - revaluation
 - restricted
 - council-created
 - special rates and user pays
 - capital replacement fund
 - development contributions
 - fair value through other comprehensive revenue and expense.

Revaluation reserves

These reserves relate to the revaluation of property, plant and equipment to fair value.

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Restricted reserves represent funds subject to specific conditions accepted as binding by Council and which may not be revised by Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Council-created reserves

Council-created reserves are reserves established by Council decisions. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of Council.

Council and the Group's objectives, policies, and processes for managing capital are explained in note 32.

Fair value through other comprehensive revenue

This reserve comprises the cumulative net change in the fair value of financial instruments at fair value through other comprehensive revenue.

Cost allocation policy

Council has derived the cost of service for each significant activity of Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs which cannot be identified, in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

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Note 2 RATES

Accounting policy

General rates, targeted rates (excluding those for water-by-meter) and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. Council considers the effect of payment by instalment is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when the rates become overdue.

Revenue from water-by-meter rates is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Rates remissions are recognised as a reduction of rates revenue when Council has received an application that satisfies its rates remission policy.

	Council and Group	
	2018/19	2017/18
	Actual	Actual
	\$'000	\$'000
General rates	48,908	42,149
Uniform annual general charge	9,044	11,332
Total general rates revenue	57,952	53,481
Targeted rates		
Community boards	219	197
Community centres and facilities	716	630
Refuse & waste management	3,453	2,786
Stormwater	1,733	1,615
Wastewater	11,000	9,639
Metered water supply	5,184	5,444
Other water rates	3,130	2,931
Total targeted rates	25,435	23,242
plus: Penalties revenue	1,401	1,435
Total rates revenue	84,788	78,158
less: Rate remissions	(752)	(753)
Total net rates	84,036	77,405

Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates revenue. That Deed defines annual rates revenue as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received by Council from other local authorities for services provided by Council for which those other local authorities rate. Annual rates revenue by this definition is as disclosed in the table above.

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Rates remissions

Rates revenue is shown net of rates remissions. Council's rates remission policy allows Council to remit rates on condition of a ratepayer's extreme hardship, land used for community and sporting purposes, land protected for historic or cultural purposes, rating units with a capital valuation (CV) of \$1,500 or less and Maori freehold land.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Land used for community and sporting purposes	203	196
Land protected for historical or cultural purposes	41	47
CV's under \$1,500	119	92 *
Rating exclusions	335	343
Maori freehold land	54	75
Total rates remissions	752	753

* In 2018, this exclusion was for CV's under \$1,000.

Rates remissions are recognised as a reduction of rates revenue when Council has received an application that satisfies its rates remission policy.

Non-rateable land

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens and reserves. Non-rateable properties may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. Non-rateable land does not constitute a remission under Council's remission policy.

Rating base information

Council's rating base is as follows:

	Council	
	2018/19 Actual	2017/18 Actual
Total number of rating units	33,073	31,283
Total land value	\$17,410m	\$12,120m
Total capital value	\$28,706m	\$20,487m

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Note 3 FINANCE REVENUE AND COSTS

Accounting policy

Interest revenue is recognised using the effective interest method.

All borrowing costs are recognised as an expense in the period in which they are incurred.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Finance revenue				
Interest - bank deposits	348	421		426
Interest - financial assets	3	-		-
Interest - community loans	10	14		14
Interest - other	2	-		3
Interest - LGFA borrower notes	192	31		31
Total finance revenue	555	466		474
less: Finance costs				
Interest - bank borrowing	25	2		2
Interest - LGFA borrowing	1,868	2,332		2,332
Interest - swaps differences	2,305	1,662		1,662
Provision: discount unwinding	117	116		116
Other finance costs	1	1		1
Total finance costs	4,316	4,113		4,113
Net finance costs	(3,761)	(3,647)		(3,639)

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Note 4 OTHER REVENUE

Accounting policy

Found and vested physical assets are recognised at fair value at the time Council obtains control of the asset. The fair value is recognised as revenue and the amount is determined by reference to the costs of purchase and/or construction.

Revenue from the sale or provision of goods is recognised when a product is sold to the customer.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Dividends are recognised as revenue when the right to receive payment has been established.

Revenue from traffic and parking infringements is recognised when the infringement notice is issued.

Rental revenue from investment properties is recognised as revenue on a straight-line basis over the term of the lease.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Found assets	3,978	1,111		1,111
Vested assets	9,210	24,602		24,602
Dividends	39	31		47
Other revenue	9,549	10,188		10,182
Regulatory revenue	8,020	7,706		7,706
Fees and charges – Council	1,647	2,146		2,146
Fair value through surplus (deficit) - realised gain	-	-		344
Interest rate swaps revaluation gain	-	-		-
Property, plant and equipment gains on disposal	161	987		987
Investment property revaluation gain	15	55		55
Fair value through surplus (deficit) – gains on revaluation of property, plant and equipment	20	102		102
Fair value through surplus (deficit) - unrealised gains	-	-		39
Total other revenue	32,639	46,928		47,321

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Note 5 EXCHANGE AND NON-EXCHANGE REVENUE

Accounting policy

Revenue is measured at fair value. For exchange revenue this equals the fair value of the consideration received or receivable. For non-exchange revenue it is the amount of the increase in net assets recognised by the Group.

Council receives government grants from New Zealand Transport Agency (NZTA) which subsidise part of Council's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Development and financial contributions are recognised as revenue when Council is capable of providing the service for which the contribution is charged.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Revenue from exchange transactions				
Revenue from metered water supply	5,184	5,444		5,444
Development and financial contributions	10,521	12,633		12,633
Other fees and charges – Council	12,024	11,726		11,726
Finance revenue	555	466		474
Dividends received	39	31		47
Other exchange revenue	3,621	4,660		5,047
Total revenue from exchange transactions	31,944	34,960		35,371
Revenue from non-exchange transactions				
Revenue from rates	78,852	71,961		71,961
Vested and found assets	13,188	25,713		25,713
Regulatory revenue	1,749	1,637		1,637
Infringements and fines	202	227		227
NZTA government subsidies	17,904	18,145		18,145
Petrol tax	565	496		496
Other subsidies and grants	838	362		362
Other fees and charges – Council	900	1,420		1,420
Other non-exchange revenue	351	1,018		1,008
Total revenue from non-exchange transactions	114,549	120,979		120,969
Revenue from exchange transactions	31,944	34,960		35,371
Revenue from non-exchange transactions	114,549	120,979		120,969
Total revenue per statement of comprehensive revenue and expense	146,493	155,939		156,340

There are no unfulfilled conditions or other contingencies attached to subsidies and grants recognised. (2018: \$nil)

Note 6 EMPLOYEE COSTS

Accounting policy

Obligations for contributions to defined contribution superannuation schemes such as KiwiSaver are recognised as an expense in the surplus or deficit when incurred.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Salaries and wages	28,477	26,689		26,689
Defined contribution plan employer contributions	697	649		649
Increase (decrease) in employee liabilities	313	114		114
Total employee costs	29,487	27,452		27,452

Employer contributions to defined contribution plans is made up of contributions to KiwiSaver.

Note 7 DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Water supply	2,633	2,336
Wastewater	3,264	3,130
Stormwater	796	699
Roading	14,595	13,896
Sustainable environment	82	62
Sustainable communities	4,217	4,167
Governance	-	-
Organisational support	1,788	1,803
Total directly attributable depreciation and amortisation	27,375	26,093

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Note 8 OTHER EXPENSES AND LOSSES

Accounting policy

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria. They are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's approval.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Audit fees – Annual report	160	155		184
Audit fees – Long Term Plan	-	111		111
Other payments to Audit New Zealand *	30	4		4
Total payments to Audit New Zealand	190	270		299
Asset write-off	30,541	2,917		2,917
Bad debt written off	85	142		154
Rates penalty write-offs	463	533		533
Other expenditure	44,718	43,247		43,393
Other personnel expenses	1,256	1,099		1,099
Minimum lease payments under operating leases	94	117		117
Legal expenses	647	476		476
Other professional fees	36	301		301
Consultant expenses	7,256	7,041		7,041
Grants and sponsorship	939	1,023		1,023
Fair value loss on cattle	8	8		8
Loss on revaluation of assets	-	-		-
Impairment of related party receivable	-	-		105
Property, plant & equipment – losses on disposal	2,423	303		309
Interest rate swaps revaluation loss	8,409	2,295		2,295
Total other expenses and losses	97,065	59,772		60,070

* Other payments to Audit New Zealand were for assurance work relating to procurement processes, for a probity review; for the audit of the Debenture Trust Deed and for ad hoc support.

In 2018 other payments made to Audit New Zealand were for the audit of the Debenture Trust Deed.

Note 9 INCOME TAX

Accounting policy

Income tax expense includes both current 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 substantially enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group 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 a taxable profit will be available against 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 which at the time of the transaction affects neither accounting 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 revenue or directly in equity.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Operating surplus before tax expense	(9,363)	38,509		38,612
Prima facie tax at 28%	(2,622)	10,783		10,811
Non-assessable income (net)	2622	(10,783)		(10,811)
Non-deductible expenditure	-	-		-
Total income tax expense	-	-		-
Made up of:				
Deferred tax	-	-	-	-
Prior period adjustment	-	-	-	-
Income tax expense	-	-	-	-

Deferred tax (assets) liabilities	Plant and Equipment \$'000	Employee entitlements \$'000	Other provisions \$'000	Total tax loss \$'000	Total \$'000
Balance at 1 July 2017	-	-	(5)	5	-
Charged to surplus (deficit)	-	-	-	-	-
Charged to other comprehensive revenue	-	-	-	-	-
Balance at 30 June 2018 *	-	-	(5)	5	-
Balance at 1 July 2018	-	-	(5)	5	-
Charged to surplus (deficit)	-	-	-	-	-
Charged to other comprehensive revenue	-	-	-	-	-
Balance at 30 June 2019	-	-	(5)	5	-

* In 2018, this note was based on draft amounts. In April 2019, Strada's accounts and tax return were finalised; last year's amounts here are based on the final financial statements.

Note 10 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. The carrying value of cash and cash equivalents approximates their fair value.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Cash at bank and on hand	1,505	1,132		1,615
Short term deposits maturing within three months or less from date of acquisition	8,900	13,800		14,101
Total cash and cash equivalents per statement of financial position	10,405	14,932		15,716
Bank overdrafts		-		-
Cash and cash equivalents per statement of cash flows	10,405	14,932		15,716

The total value of cash equivalents that can only be used for a specific purpose is \$194,021 (2018: \$187,495).

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Note 11 RECOVERABLES AND RECEIVABLES

Accounting policy

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

A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Receivables from exchange transactions				
Receivables from related parties	232	223		280
Water rates receivable	664	880		880
Other receivables from exchange transactions	6,151	4,325		4,342
Gross receivables	7,047	5,428		5,502
Provision for uncollectability	(49)	(90)		(90)
Net receivables from exchange transactions	6,998	5,338		5,412
Recoverables from non-exchange transactions				
Rates receivable	4,125	3,446		3,446
Recoverables from user charges, taxes and other non-exchange revenue	3,548	3,016		3,016
GST refund	192	247		247
Gross recoverables	7,865	6,709		6,709
Provision for uncollectability	(1,110)	(1,047)		(1,047)
Net recoverables from non-exchange transactions	6,755	5,662		5,662
Total gross receivables and recoverables	14,912	12,137		12,211
Total provision for uncollectability	(1,159)	(1,137)		(1,137)
Total net recoverables and receivables	13,753	11,000		11,074

Fair value

Receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their fair value.

Assessment of uncollectability

Council provides for uncollectability of rates receivable in certain circumstances; when the property is multiple-owned Maaori land or when there is no guarantor available. In all other circumstances, Council does not provide for any uncollectability because it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then Council is able to apply to the Registrar of the High Court to have the judgement enforced by the sale or lease of the rating unit.

Ratepayers can apply for payment options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value if the effect of discounting is material.

Strada does not provide for any uncollectability of receivables as it has various powers under the Construction Contracts Act 2002 to recover any outstanding debts and no debtors exhibit a financial status that would lead Strada to believe a debt is impaired.

The ageing profile of recoverables and receivables is:

	Gross \$'000	Uncollect- able \$'000	Total \$'000
Council 2019			
Not past due	12,878	-	12,878
Past due 1 – 60 days	321	-	321
Past due 61 – 120 days	93	-	93
Past due > 120 days	1,620	(1,159)	461
Total gross recoverables and receivables	14,912	(1,159)	13,753
Council 2018			
Not past due	10,456	-	10,456
Past due 1 – 60 days	294	-	294
Past due 61 – 120 days	47	-	47
Past due > 120 days	1,340	(1,137)	203
Total gross recoverables and receivables	12,137	(1,137)	11,000
Group 2019			
Not past due			
Past due 1 – 60 days			
Past due 61 – 120 days			
Past due > 120 days			
Total gross recoverables and receivables			
Group 2018			
Not past due	10,530	-	10,530
Past due 1 – 60 days	294	-	294
Past due 61 – 120 days	47	-	47
Past due > 120 days	1,340	(1,137)	203
Total gross recoverables and receivables	12,211	(1,137)	11,074

Provision for uncollectability

The uncollectability provision has been calculated based on a review of specific overdue receivables together with a collective assessment. The collective uncollectability provision is based on an analysis of past collection and debt write-off history.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Individual uncollectability	132	161
Collective uncollectability	1,027	976
Total provision for uncollectability	1,159	1,137

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Individually impaired receivables have been determined to be impaired because of the improbability of collection. An analysis of the individually impaired debtors is shown below:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Past due 1 – 60 days	-	-
Past due 61 – 120 days	-	-
Past due > 120 days	132	161
Total individual uncollectability	132	161

Movements in the provision for uncollectability of recoverables and receivables are as follows:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Balance at 1 July	1,137	1,410
Additional provision made during the year	111	135
Provisions reversed during the year	(41)	(37)
Debts written off during the period	(48)	(371)
Balance at 30 June	1,159	1,137

Note 12 CATTLE

Accounting policy

Cattle on Council's reserves are revalued annually at fair value less estimated costs to sell. Fair value is determined based on market price at balance date.

Gains and losses from a change in fair value less estimated costs to sell are recognised in the surplus or deficit. The costs incurred in relation to the cattle are included in the surplus or deficit.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Balance at 1 July	101	110
Increase through purchases	102	109
Gains (losses) from fair value adjustments	(8)	(8)
Decrease through sales	(101)	(110)
Balance at 30 June	94	101

Council keeps cattle to graze on one of its reserves as part of reserve maintenance. Although a financial gain is achieved in most years it is not Council's primary purpose. The cattle are normally sold within the next twelve months after balance date. The number of cattle at balance date was 88 (2018: 101).

Council has no cattle with restricted title.

Note 13 OTHER FINANCIAL ASSETS

Accounting policy

Subsidiaries

Council consolidates in the Group financial statements all entities where Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by Council. If the consideration transferred is lower than the net fair value of Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

The investment in subsidiaries is carried at cost in Council's parent entity financial statements.

Valuation

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which Council and the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council and the Group have transferred substantially all the risks and rewards of ownership.

Council and the Group classify their financial assets into the following categories for the purposes of measurement:

- Loans and receivables
- Held to maturity investments
- Fair value through surplus or deficit
- Fair value through other comprehensive revenue and expense

The classification depends on the purpose for which the investment was acquired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Loans to community organisations made by Council at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the surplus or deficit.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments, with fixed maturities and with a positive intention and ability to hold to maturity. They are included in current assets, except for those with maturities greater than 12 months after balance date which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses when the asset is impaired or de-recognised are recognised in surplus or deficit.

Fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term and such an asset is classified as a current asset. Council's derivatives are categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied. The current/non-current classification of derivatives is explained in the derivatives accounting policy in note 21. After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

Fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of or realise the investment within 12 months of balance date. They comprise of the following:

- Investments that it intends to hold long-term but which may be realised before maturity; and
- Shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue, except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition the cumulative gain or loss previously recognised in other comprehensive revenue is reclassified from equity to the surplus or deficit.

Impairment of financial assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and other receivables

Impairment is established when there is objective evidence that Council and the Group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the asset is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

For receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollected, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (ie not past due).

For community loans, impairment losses are recognised directly against the instruments' carrying amount.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment.

If impairment evidence exists for investments at fair value through other comprehensive revenue, the cumulative loss previously recognised in other comprehensive revenue is reclassified from equity to the surplus or deficit. The cumulative loss of a financial asset is measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the surplus or deficit.

Impairment losses recognised in the surplus or deficit on equity investments are not reversed through the surplus or deficit.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Current portion				
Term deposits	809	789		789
Equity instruments	-	-		2,210
Fixed interest instruments	-	-		1,828
LGFA borrower notes	80	160		160
Community loans	51	60		60
Total current portion	940	1,009		5,047
Non-current portion				
<i>Investments in CCO's and other similar entities</i>				
Waikato Local Authority Shared Services Limited (a)	219	219		219
Strada - shares	700	700		-
Waikato Regional Airport Limited	15,176	13,267		13,267
<i>Total investment in CCO's and similar entities</i>	16,095	14,186		13,486
<i>Investment in other entities</i>				
Community loans	87	119		119
LGFA borrower notes	1,360	1,120		1,120
Civic Financial Services Limited	66	62		62
Deferred settlement receivable	-	-		-
<i>Total investment in other entities</i>	1,513	1,301		1,301
Total non-current portion	17,608	15,487		14,787
Total other financial assets	18,548	16,496		19,834

- (a) Council's investment in Local Authority Shared Services Limited comprises four distinct classes of share. The numbers held and values of each share class are as follows:

	No. of shares	Value per Share \$	Total Capital \$	Uncalled Capital \$	Paid up Capital \$
Ordinary shares	1	1,000	1,000	1,000	-
Shared Valuation Database Service	106,674	1	106,674	-	106,674
Waikato Regional Photography Service	9,376	1	9,376	9,376	-
Waikato Regional Transport Model	11,250	10	112,500	-	112,500
			229,550	10,376	219,174

Fair value

Community loans

Community loans are measured at amortised cost using the effective interest method.

Their fair value is \$123,145 (2018: \$174,776). Fair value has been determined using cash flows discounted at the interest rate (current at 1 July 2019) charged by Council on community loans. The rate used is 5.28% (2018: 5.49%).

The face value of total community loans is \$140,673 (2018 \$171,454).

Unlisted investments and advances

The fair value of Council's shares in Local Authority Shared Services Limited has not been disclosed because the fair value cannot be reliably measured as there is no active market for these instruments; therefore the shares are

held at cost.

Council's investments in Waikato Regional Airport Limited (WRAL) and Civic Financial Services Limited (formerly NZ Local Government Insurance Corporation Limited) are carried at fair value. Those values are based on Council's share of the assets less liabilities of each of the companies and changes in value are taken to fair value through other comprehensive revenue. The details are:

	Share of net assets	Fair value	
		2018/19	2017/18
Waikato Regional Airport Limited	15.6%	\$15,176,460	\$13,267,159
Civic Financial Services Limited	0.37%	\$65,515	\$62,239

Note 14 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant, and equipment consists of:

- Operational assets: These include land, buildings, improvements, landfill post closure, library books, plant and equipment, furniture, computers and motor vehicles.
- Restricted assets: These are parks and reserves owned by Council which provide a benefit or service to the community and which can only be disposed of after following a rigorous legal and public consultation process.
- Infrastructural assets: These are the fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function. For example, wastewater reticulation includes reticulation piping and wastewater pump stations.

Land (operational and restricted) is measured at fair value; buildings (operational and restricted), and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Council and the Group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is initially recognised at cost. Where an asset is acquired through a non-exchange transaction it is recognised at its fair value as at the date of acquisition.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land. The depreciation rates used will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

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

Description	Useful life (years)	Depreciation rate
Audio-visual materials and electronic games - Libraries	5	20%
Buildings	15 – 100	1 – 6.7%
Vehicles / moveable plant	4 – 20	5 – 25%
Library books	8	12.5%
Computers	4 – 7	14 – 25%
Office equipment	3 – 15	6.67 – 33.3%
Furniture and fixtures	10	10%
Water supply	4 – 100	1 – 25%
Wastewater	3 – 100	1 – 33.3%
Urban stormwater	5 – 100	1 – 20%
Roading pavement - sealed	2 – 100	1 – 50%
Pavement (basecourse)		
- sealed	65 – 105	0.95 – 1.5%
- unsealed metal	20	5%
Surface water channel	20 – 80	1.25 – 5%
Culverts	50 – 80	1.25 – 2%
Guardrails / barriers	40 – 80	1.25 – 2.5%
Drainage	50 – 80	1.25 – 2%
Retaining walls	50 – 100	1 – 2%
Footpaths	15 – 80	1.25 – 6.67%
Street lighting	20	5%
Bridges	40 – 100	1 – 2.5%
Parks & reserves	1 – 100	1 – 100%
Solid waste		
- refuse transfer stations	10 – 80	1.25 – 10%
- landfills	5 - 90	1.11 - 20%
Signs	20	5%

The residual value, depreciation method and useful life of an asset is reviewed and adjusted if applicable, at each balance date.

Revaluation

Land and buildings (operational and restricted); parks and reserves and infrastructural assets (except land under roads) are revalued on a regular basis (at least every three years) to ensure that their carrying amounts do not differ materially from fair value.

The carrying values of the revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair value. If there is a material difference, the off-cycle asset classes are revalued.

Revaluations of property, plant and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve, in equity, for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, with any remainder recognised

in other comprehensive revenue and expense.

Impairment of property, plant and equipment

Items of property, plant and equipment having a finite useful life are reviewed for impairment at each balance date and 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount the entire loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, 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,

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a series of service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

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Work in progress

The total amount of Council property, plant and equipment in the course of construction by class of asset is detailed below:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Buildings - operational	1,262	437
Buildings – restricted	194	29
Parks and reserves	13,987	8,535
Wastewater	4,935	10,416
Stormwater	3,344	2,031
Water	5,199	16,349
Solid waste	80	24
Roading	4,468	12,844
Total work in progress	33,469	50,665

Infrastructural assets – further disclosures

	Closing book value \$'000	Additions		Estimated replacement cost \$'000
		Constructed by Council \$'000	* Assets transferred to Council \$'000	
Council 2019				
Water treatment plants and facilities	8,095	1,984	2,938	15,604
Other water assets	109,639	13,684	-	155,431
Wastewater treatment plants and facilities	17,486	1,968	3,556	25,644
Other wastewater assets	97,478	7,144	-	160,707
Stormwater and drainage	65,032	1,455	2,800	79,913
Roads, footpaths, bridges and culverts	1,167,719	28,132	2,344	1,464,157
Total infrastructural assets	1,465,449	54,367	11,638	1,901,456
Council 2018				
Water treatment plants and facilities	6,977	147	-	11,953
Other water assets	99,494	3,767	3,474	144,194
Wastewater treatment plants and facilities	14,155	134	-	21,375
Other wastewater assets	94,941	1,148	5,867	159,475
Stormwater and drainage	61,521	1,170	7,788	75,247
Roads, footpaths, bridges and culverts	1,146,074	19,319	8,366	1,425,991
Total infrastructural assets	1,423,162	25,685	25,495	1,838,235

* This includes found assets of \$3,977,984 (2018: \$1,109,604).

Council and Group 2018/19	Cost / valuation 1 Jul 2018 \$'000	Accumulated depreciation and impairment charges 1 Jul 2018 \$'000	Carrying amount 1 Jul 2018 \$'000	Current year additions \$'000	Current year Disposals and transfers from WIP \$'000
Operational assets					
Land	20,347	-	20,347	697	(350)
Buildings	28,013	(1,014)	26,999	411	(30)
Library books	5,596	(4,303)	1,293	422	-
Vehicles / moveable plant	5,737	(3,259)	2,478	1,136	(805)
Office equipment	1,391	(1,132)	259	13	-
Computer equipment	5,380	(4,887)	493	190	-
Furniture	1,479	(925)	554	78	-
Total operational assets	67,943	(15,520)	52,423	2,947	(1,185)
Infrastructural assets					
Wastewater	109,096	-	109,096	12,669	(5,383)
Stormwater	59,291	-	59,291	4,174	(238)
Water	106,471	-	106,471	18,786	(7,659)
Drainage	2,231	-	2,231	81	(8)
Solid waste	1,845	-	1,845	27	-
Roading	1,012,317	-	1,012,317	21,142	(17,092)
Bridges / culverts / pipes	133,756	-	133,756	9,334	(12)
Land under roads	107,656	-	107,656	822	(190)
Work in progress	50,665	-	50,665	49,007	(66,203)
Total infrastructural assets	1,583,328	-	1,583,328	116,042	(96,785)
Restricted assets					
Land	95,476	-	95,476	3,831	-
Buildings	26,658	(987)	25,671	241	-
Parks and reserves	42,468	-	42,468	5,010	(873)
Total restricted assets	164,602	(987)	163,615	9,082	(873)
Total Council and Group	1,815,873	(16,507)	1,799,366	128,071	(98,843)

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Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / valuation 30 Jun 2019 \$'000	Accumulated depreciation and impairment charges 30 Jun 2019 \$'000	Carrying amount 30 Jun 2019 \$'000
-	-	-	20,694	-	20,694
(1,050)	-	-	28,394	(2,064)	26,330
(324)	-	-	6,018	(4,627)	1,391
(633)	569	-	6,068	(3,323)	2,745
(50)	-	-	1,404	(1,182)	222
(209)	-	-	5,570	(5,096)	474
(103)	-	-	1,557	(1,028)	529
(2,369)	569	-	69,705	(17,320)	52,385
(3,076)	123	1,534	114,963	-	114,963
(767)	2	255	62,717	-	62,717
(2,619)	206	2,549	117,734	-	117,734
(27)	-	39	2,316	-	2,316
(82)	-	(61)	1,729	-	1,729
(11,844)	374	18,664	1,023,561	-	1,023,561
(2,753)	-	3,833	144,158	-	144,158
-	-	-	108,288	-	108,288
-	-	-	33,469	-	33,469
(21,168)	705	26,813	1,608,935	-	1,608,935
-	-	-	99,307	-	99,307
(977)	-	-	26,899	(1,964)	24,935
(2,160)	47	428	44,920	-	44,920
(3,137)	47	428	171,126	(1,964)	169,162
(26,674)	1,321	27,241	1,849,766	(19,284)	1,830,482

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Council and Group 2017/18	Cost / valuation 1 Jul 2017 \$'000	Accumulated depreciation and impairment charges 1 Jul 2017 \$'000	Carrying amount 1 Jul 2017 \$'000	Current year additions and transfers from WIP \$'000	Current year disposals \$'000
Operational assets					
Land	20,740	-	20,740	156	(549)
Buildings	26,623	-	26,623	1,710	(320)
Library books	5,235	(3,997)	1,238	361	-
Vehicles / moveable plant	6,036	(3,531)	2,505	919	(1,218)
Office equipment	1,391	(1,080)	311	-	-
Computer equipment	5,225	(4,657)	568	155	-
Furniture	1,406	(827)	579	73	-
Total operational assets	66,656	(14,092)	52,564	3,374	(2,087)
Infrastructural assets					
Wastewater	102,283	-	102,283	7,149	(1,218)
Stormwater	52,477	-	52,477	8,080	(436)
Water	98,594	-	98,594	7,388	(866)
Drainage	1,264	-	1,264	878	-
Solid waste	1,578	-	1,578	270	-
Roading	969,313	-	969,313	27,089	(297)
Bridges / culverts / pipes	130,344	-	130,344	596	(31)
Land under roads	107,667	-	107,667	744	(755)
Work in progress	42,175	-	42,175	8,490	-
Total infrastructural assets	1,505,695	-	1,505,695	60,684	(3,603)
Restricted assets					
Land	95,304	-	95,304	172	-
Buildings	26,370	-	26,370	288	-
Parks and reserves	40,804	-	40,804	1,232	(174)
Total restricted assets	162,478	-	162,478	1,692	(174)
Total Council and Group	1,734,829	(14,092)	1,720,737	65,750	(5,864)

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Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / valuation 30 Jun 2018 \$'000	Accumulated depreciation and impairment charges 30 Jun 2018 \$'000	Carrying amount 30 Jun 2018 \$'000
-	-	-	20,347	-	20,347
(1,030)	16	-	28,013	(1,014)	26,999
(306)	-	-	5,596	(4,303)	1,293
(629)	901	-	5,737	(3,259)	2,478
(52)	-	-	1,391	(1,132)	259
(230)	-	-	5,380	(4,887)	493
(98)	-	-	1,479	(925)	554
(2,345)	917	-	67,943	(15,520)	52,423
(2,941)	41	3,782	109,096	-	109,096
(683)	5	(152)	59,291	-	59,291
(2,322)	31	3,646	106,471	-	106,471
(13)	-	102	2,231	-	2,231
(61)	-	58	1,845	-	1,845
(11,256)	35	27,433	1,012,317	-	1,012,317
(2,640)	1	5,486	133,756	-	133,756
-	-	-	107,656	-	107,656
-	-	-	50,665	-	50,665
(19,916)	113	40,355	1,583,328	-	1,583,328
-	-	-	95,476	-	95,476
(987)	-	-	26,658	(987)	25,671
(2,094)	13	2,687	42,468	-	42,468
(3,081)	13	2,687	164,602	(987)	163,615
(25,342)	1,043	43,042	1,815,873	(16,507)	1,799,366

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Valuation

Operational and restricted land and buildings

Land, buildings and properties valued by their components have been valued at fair value either as determined by an independent valuer using market-based evidence or by using a replacement cost approach. The most recent valuation was performed by Richard Allen, Andrew Jaques and Chelsea Muggeridge of QV Valuations (QV) a division of Quotable Value Limited and dated 30 June 2017.

The fair value of Council's land and buildings has been determined based on the highest and best use in accordance with PBE IPSAS 17 Property, Plant and Equipment.

Land

A number of estimates and assumptions must be made when valuing land and buildings. In this instance they include:

- Land valuations have been based on extensive local knowledge, the district rating records, the QV Mapping system and records held by QV and its predecessor Valuation New Zealand.
- Land has been valued as if vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage.
- All land is valued on an open market "willing buyer willing seller" scenario. This is effectively the price an informed purchaser would have to spend to acquire a similar property.
- Where there is a designation held against the land, adjustments have been made to reflect that designation.

Buildings

All buildings have been valued on either a fair market or depreciated replacement cost basis (DRC). Where the fair value of an asset can be determined by reference to the price in an active market for the same or similar asset, the fair value of the asset is determined using this information. Where the fair value of the asset is not able to be determined using market-based evidence, depreciated replacement cost is considered to be the most appropriate basis for determination of fair value.

QV have considered the highest and best use of the property when formulating which approach to undertake the building valuations with. Where market-based evidence exists structures have been valued on a market basis in relation to a market-based per square metre.

A number of estimates and assumptions must be made when valuing land and buildings. They may differ depending on the degree of specialisation inherent in the purpose or use of each particular building.

For specialised assets which are valued on a depreciated replacement cost basis:

- Replacement cost rates are derived from construction contracts of like assets, reference to publications such as qv Cost Builder (previously the Rawlinson's Construction Handbook), recent costings obtained from construction details and Property Institute of New Zealand's cost information.
- A componentisation approach is taken in most cases. The exceptions are where the cost of a component or the lives do not differ materially to the entire value of the structure to warrant being componentised. In all these cases, the building is reported as a structure only and will generally be under \$50,000 in value. The components are summarised for financial reporting purposes as structure, roof, internal fit-out, services, plant and external works/other improvements.
- The remaining useful life of properties is estimated by determining the effective age of the components within each property and comparing with the economic life of the improvements. A minimum residual life of five years has been adopted for properties nearing the end of their theoretical lives.
- Straight line depreciation has been applied to all DRC valued assets to determine their DRC.
- Optimisation has been considered in the process of determining DRC. Optimisation defines the most efficient set of assets that deliver the required services.

Residential dwellings and commercial properties have been valued in relation to market-based evidence.

- Market rents and capitalisation rates were applied to reflect market value while considering the highest and best use alternatives.
- Optimisation is not considered under a market-derived assessment.

Comparisons of the carrying value of buildings valued using depreciated replacement cost and buildings valued using market-based evidence is as follows:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Operational buildings		
Depreciated replacement cost	25,395	26,051
Market-based evidence	935	948
Total carrying value of operational buildings	26,330	26,999
Restricted buildings		
Depreciated replacement cost	23,475	24,211
Market-based evidence	1,460	1,460
Total carrying value of restricted buildings	24,935	25,671

Classification of property

Council owns a number of properties held to provide housing for the elderly. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of Council's social housing policy. The properties are therefore accounted for as property, plant and equipment rather than as investment property.

Parks and reserves

Parks and reserves assets include assets associated with cemeteries, public toilets (including toilet buildings); assets such as playgrounds, skate parks, carparks, roading within reserves, bollards, fences, pathways, gardens, rubbish bins, seating and signage; and reserves-like assets associated with swimming pools.

Parks and reserves assets have been valued at fair value as determined on an optimised depreciated cost basis by an independent valuer. The most recent valuation was performed by Robert Berghuis and Marvin Clough of Beca Limited and is dated 30 June 2019.

A number of estimates and assumptions must be made when valuing parks and reserves assets using the optimised depreciated replacement cost method. In this instance they include:

- The optimised replacement costs assume the use of modern materials, techniques and designs. They further assume that some assets may be surplus to requirements, technically obsolete or over-designed for their purpose.
- Unit replacement cost rates allowed for modern equivalent asset replacement for known obsolete or redundant assets. For example, in the case of toilet blocks, rural plywood buildings are being replaced with circular concrete buildings, brick or weather-board clad buildings with concrete block buildings.
- Useful (or base) lives are determined from the information provided in the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines 2006 and from information gained by Beca during previous assessments of this type. Remaining useful life (RUL) is assessed on useful life less age, with adjustments depending on condition and performance which may vary from one asset to another. Minimum remaining useful life is assumed to be two years.
- Assets are assumed to have zero residual value at the end of their effective useful lives.

Infrastructural asset classes: water, wastewater, stormwater, drainage and solid waste

Utilities and solid waste assets have been valued at fair value determined on an optimised depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Miles Wyatt, Michelle Too and Stephen Garlick and reviewed by Ian Martin of AECOM New Zealand Limited and is dated 30 June 2019.

Estimates and assumptions for the revaluation of these assets included:

- Straight-line depreciation was used.
- Waters and solid waste assets were used in the valuation (land was not included).
- Assets were assumed to have zero residual value.
- Remaining useful life is assessed on useful life less age, with adjustments depending on condition and performance. A minimum remaining useful life of two years was used.

- An optimisation approach was employed. Optimisation seeks to remove excess capacity, redundant assets, inappropriate design practices, old technologies and conservative design work. No areas of significant optimisation opportunities were identified.
- Asset unit rates have been determined from actual costs where available, rates from comparable local authorities and rates used in previous valuations. This data was cost indexed as appropriate using indices published by Statistics New Zealand and compared with unit rates from other valuations carried out by AECOM; this included rates from four peer Councils in the Waikato/Bay of Plenty area. Rates from a study carried out for Council in 2017 by Jacobs into unit rates were also used to ensure valuation rates are a fair representation of actual construction costs in the Waikato area.

Infrastructural asset classes: roading and bridges

Road and bridge assets have also been valued at fair value as determined using the optimised depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Gregg Morrow, John Vessey and Shahaanan Arulgnanapragasam of Opus International Consultants Limited. The valuation is effective at 30 June 2019.

A number of estimates and assumptions must be made when valuing infrastructural assets using the optimised depreciated replacement cost method. In this instance they include:

- Replacement cost is the cost of building the existing infrastructure using present-day technology while maintaining the originally designed level of service.
- Unit cost rates are factored to allow for other direct costs such as professional fees. NZTA Cost Adjustment Factors this year increased the unit rates between 2.84% and 2.93% for all assets when compared to March 2018 values. Unit costs represent brown-field costs which reflect increased difficulties and constraints of undertaking construction, maintenance and renewal work simultaneously with continuous operation of infrastructure.
- Overhead factors (10%) have been applied to allow for all expenses incidental to the asset acquisition and all costs directly attributable to bringing the asset into working condition and location.
- An optimisation approach was employed. Optimisation means provision of the required utility at a minimum overall cost.
- Assets have been valued based on unit costs provided and quantities expressed as length, area or each.
- Useful life has been calculated in accordance with the International Infrastructure Management Manual and further modified if local knowledge and experience suggest it is appropriate. Remaining useful life is then assessed as the difference between useful life and the age of the asset.
- A zero residual value is assumed for all assets.
- Straight line depreciation is used.

Land under roads

Land under roads was valued by both the former Franklin District Council (FDC) and Waikato District Council (WDC) before the transition by each to NZ Equivalent International Financial Reporting Standard (NZIFRS). On transition to NZIFRS both Councils elected to use the revaluation amounts for land under roads as the deemed cost. Following the merger of part of the former FDC and WDC, land under roads is stated at deemed cost and is not revalued.

Other comments

There are no items of property, plant and equipment that are not in current use. There have been no restrictions in titles relating to property, plant and equipment or items pledged as security for liabilities.

No impairment losses have been recognised for property, plant and equipment in the current period (2018: \$nil).

There are no items of property, plant and equipment held under finance leases in the current period (2018: nil).

The net gain on disposal of property, plant and equipment \$2,548,477 (2018: \$987,088) has been recognised in the Statement of comprehensive revenue and expense in the line item Other revenue. Losses on disposal amounting to \$2,422,701 have also been recognised in comprehensive revenue and expense in the line item Other expenses and losses.

Note 15 INTANGIBLE ASSETS

Accounting policy

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. This asset class, which is amortised on a straight-line basis, has a finite useful life of three to seven years and the amortisation rates are between 14% and 33%.

Consents

Consent costs for capital works are recognised at cost, and amortised on a straight-line basis over the finite life of the consents (between 10 and 35 years). The amortisation charge for each period is recognised in the surplus or deficit.

Impairment of intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Intangible assets 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.

If an asset's 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 surplus or deficit.

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

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,

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a series of service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

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	Council			Group		
	Computer software \$'000	Consents \$'000	Total \$'000	Computer software \$'000	Consents \$'000	Total \$'000
Balance at 1 July 2018						
Cost	5,981	5,491	11,472	5,981	5,491	11,472
Accumulated amortisation and impairment	(4,653)	(1,277)	(5,930)	(4,653)	(1,277)	(5,930)
Opening carrying amount	1,328	4,214	5,542	1,328	4,214	5,542
Year ended 30 June 2019						
Additions	330	-	330			
Disposal – cost	(23)	-	(23)			
Disposal – accumulated amortisation	-	-	-			
Impairment losses	-	-	-			
Amortisation charge	(482)	(219)	(701)			
Closing carrying amount	1,153	3,995	5,148			
Balance at 30 June 2019						
Cost	6,288	5,491	11,779			
Accumulated amortisation and impairment	(5,135)	(1,496)	(6,631)			
Closing carrying amount	1,153	3,995	5,148			
Balance at 1 July 2017						
Cost	5,669	5,491	11,160	5,669	5,491	11,160
Accumulated amortisation and impairment	(4,122)	(1,057)	(5,179)	(4,122)	(1,057)	(5,179)
Opening carrying amount	1,547	4,434	5,981	1,547	4,434	5,981
Year ended 30 June 2018						
Additions	312	-	312	312	-	312
Disposal – cost	-	-	-	-	-	-
Disposal – accumulated amortisation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Amortisation charge	(531)	(220)	(751)	(531)	(220)	(751)
Closing carrying amount	1,328	4,214	5,542	1,328	4,214	5,542
Balance at 30 June 2018						
Cost	5,981	5,491	11,472	5,981	5,491	11,472
Accumulated amortisation and impairment	(4,653)	(1,277)	(5,930)	(4,653)	(1,277)	(5,930)
Closing carrying amount	1,328	4,214	5,542	1,328	4,214	5,542

The carrying amount of the assets has been assessed as less than their replacement cost.

There are no restrictions over the title of the Council's intangible assets, nor are any intangible assets pledged as security for liabilities.

There are no intangible assets which have been internally generated.

Note 16 INVESTMENT PROPERTY

Accounting policy

Properties leased to third parties under non-cancellable operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is initially measured at cost, including transaction costs. After initial recognition, all investment properties are measured at fair value effective at 30 June each year. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Balance at 1 July	545	490
Fair value gains (losses) on valuation	15	55
Disposals	-	-
Balance at 30 June (at valuation)	560	545

Valuation

At 30 June 2019 the valuation was performed by Mairi Macdonald, an independent valuer from Quotable Value Limited. Quotable Value is an experienced valuer with extensive market knowledge in the types and locations of investment properties owned by Council.

The fair value of Council's investment properties has been determined based on the highest and best use in accordance with PBE IPSAS 16 Investment Property.

A number of estimates and assumptions must be made when valuing investment property. In this instance they include:

- All land is valued on a fair market basis determined from market based evidence and conditions that prevailed at 30 June 2019.
- Land has been valued as if vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage.
- Where there is a designation held against the land, adjustments have been made to reflect that designation.
- All buildings have been valued on either a fair market or depreciated replacement cost basis. Where the fair value of an asset can be determined by reference to the price in an active market for the same or similar asset, the fair value of the asset is determined using this information. Where the fair value of the asset is not able to be determined using market-based evidence, depreciated replacement cost is considered to be the most appropriate basis for determination of fair value.

Revenue and expenses relating to investment property

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Rental revenue	44	44
Expenses from investment property generating revenue	-	-

Rental revenue from investment properties is recognised as revenue on a straight-line basis over the term of the lease.

Note 17 PAYABLES, TAXES AND TRANSFERS

Accounting policy

Short-term payables are recorded at their face value.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Payables under exchange transactions				
Trade payables	2,445	2,605		2,620
Water rates in advance	427	134		134
Accrued expenses	12,182	9,623		9,651
Revenue in advance	1,472	1,463		1,463
Total payables under exchange transactions	16,526	13,825		13,868
Taxes and transfers payable under non-exchange transactions				
Rates in advance	965	1,047		1,047
Deposits and bonds	221	221		221
GST and FBT payable	38	35		36
Other non-exchange payables	116	94		94
Total taxes and transfers payable	1,340	1,397		1,398
Total payables, taxes and transfers	17,866	15,222		15,266

Payables are non-interest bearing and are normally settled within 30 days, therefore the carrying value of payables approximates their fair value.

Note 18 EMPLOYEE ENTITLEMENTS

Accounting policy

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

Long-term employee entitlements

Entitlements that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculation is based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information;
- The present value of the estimated future cash flows; and
- An inflation factor based on the expected long-term increase in remuneration for employees.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Current portion		
Annual leave	1,717	1,821
Long service leave	17	16
Sick leave provision	132	66
Accrued payroll	542	480
Other employee liabilities	765	507
Total current portion	3,173	2,890
Non-current portion		
Long service leave	72	71
Retirement gratuities	71	43
Sick leave	-	-
Total non-current portion	143	114
Total employee entitlements	3,316	3,004

Estimating retirement and long service leave obligations

The present values of Council's non-current retirement gratuities and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any change in these assumptions will affect the carrying amount of the liability. Expected future payments are discounted using forward rates derived from 10 year New Zealand Government bonds. The salary inflation factor has been determined in accordance with the inflation factors forecast by Berl in September 2018. A discount rate of 1.62% (2018: 2.85%) and an inflation factor of 1.86% (2018: 1.79%) have been used.

Note 19 BORROWING

Accounting policy

All borrowing is initially recognised at cost, being the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Council or the Group has an unconditional right to defer settlement of the liability at least 12 months after balance date.

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	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Current portion		
LGFA borrowing	5,000	10,000
Total current portion	5,000	10,000
Non-current portion		
LGFA borrowing	75,000	70,000
Total non-current portion	75,000	70,000
Total borrowing (all secured)	80,000	80,000

Council secured debt of \$80,000,000 (2018: \$80,000,000) is either issued at a fixed rate of interest or has been swapped for fixed interest instruments. Council has 36 swap contracts in place (2018: 37). During the year one swap matured (2018: six) and two contracts were cancelled and replaced by contracts with more suitable terms; no outright new contracts (2018: ten) were undertaken. Council has 12 (2018: 15) swaps with start dates after 30 June 2019.

Council's committed cash advance facility of \$15,000,000 (2018: \$15,000,000) expires on 31 July 2021.

At 30 June 2019 total borrowings from Local Government Funding Agency Limited (LGFA) were \$80,000,000 (2018: \$80,000,000). The average rate of interest was 2.56% (2018: 2.79%).

The carrying amounts and the fair values of non-current borrowings are as follows:

	Carrying amount		Fair value	
	2018/19 \$'000	2017/18 \$'000	2018/19 \$'000	2017/18 \$'000
Council and Group				
Secured loans	75,000	70,000	69,715	69,475
Total non-current borrowing	75,000	70,000	69,715	69,475

The fair values are based on cash flows discounted using a weighted average rate based on the borrowing rates which range:

	2018/19	2017/18
From	2.4%	2.6%
To	2.8%	3.0%

Internal loans

Council has a policy to utilise investment funds for internal debt purposes so that external borrowing is minimised and Council keeps its borrowing costs to a minimum.

Council	Balance at 1 July \$'000	Borrowing \$'000	Repayments \$'000	Balance at 30 June \$'000	Interest paid \$'000
2019					
Water supply	16,258	1,900	(774)	17,384	671
Wastewater	10,226	482	(432)	10,276	423
Stormwater	3,479	513	(139)	3,853	144
Roading	22,699	802	(1,750)	21,751	923
Sustainable environment	395	-	(32)	363	16
Sustainable communities	15,960	2,104	(936)	17,128	655
Governance	-	-	-	-	-
Organisational support	527	530	(28)	1,029	22
Total internal loans (gross)	69,544	6,331	(4,091)	71,784	2,854
2018					
Water supply	15,434	1,720	(896)	16,258	645
Wastewater	9,644	1,364	(782)	10,226	398
Stormwater	2,895	701	(117)	3,479	122
Roading	23,535	1,086	(1,922)	22,699	972
Sustainable environment	426	-	(31)	395	18
Sustainable communities	15,835	1,013	(888)	15,960	662
Governance	762	-	(762)	-	17
Organisational support	377	173	(23)	527	16
Total internal loans (gross)	68,908	6,057	(5,421)	69,544	2,850

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Note 20 PROVISIONS

Accounting policy

A provision is recognised for future expenditure of uncertain amount or timing when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time (discount unwinding) is recognised as an interest expense and is included in finance costs.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Current portion				
Weathertightness	-	-	-	-
Landfill aftercare	69	111		111
Contract completion	-	-		-
Total current portion	69	111		111
Non-current portion				
Landfill aftercare	1,378	2,008		2,008
Total non-current portion	1,378	2,008		2,008
Total provisions	1,447	2,119		2,119

Movements for each class of provision are as follows:

Council	Landfill aftercare \$'000	Weather- tightness \$'000	Total \$'000
2019			
Balance at 1 July 2018	2,119	-	2,119
Change in provision made during the year	(616)	-	(616)
Amounts used	(173)	-	(173)
Unused amounts reversed	-	-	-
Discount unwind	117	-	117
Balance at 30 June 2019	1,447	-	1,447
2018			
Balance at 1 July 2017	2,111	-	2,111
Change in provision made during the year	51	-	51
Amounts used	(159)	-	(159)
Unused amounts reversed	-	-	-
Discount unwind	116	-	116
Balance at 30 June 2018	2,119	-	2,119

Group	Landfill aftercare \$'000	Weather- tightness \$'000	Contract Completion \$,000	Total \$'000
2019				
Balance at 1 July	2,119	-	-	2,119
Change in provision made during the year	(616)	-	-	(616)
Amounts used	(173)	-	-	(173)
Unused amounts reversed	-	-	-	-
Discount unwind	117	-	-	117
Balance at 30 June	1,447	-	-	1,447
2018				
Balance at 1 July	2,111	-	5	2,116
Change in provision made during the year	51	-	-	51
Amounts used	(159)	-	(5)	(164)
Unused amounts reversed	-	-	-	-
Discount unwind	116	-	-	116
Balance at 30 June	2,119	-	-	2,119

Weather-tightness claims

No claims remain with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2019 (2018: none).

At 30 June 2019, no further claim had been received directly by Council (2018: none).

Landfill aftercare costs

Council has five landfill sites within the District. They are at Te Kauwhata, Ngaruawahia, Huntly, Raglan and Tuakau. Council has responsibility under the resource consents to provide ongoing maintenance and monitoring of the landfills after the sites are closed.

The cash outflows for landfill post-closure are expected to occur over 35 years. The long term nature of the liability means that there are inherent uncertainties in estimating the costs which will be incurred. The provision has been made taking into account existing technology and known changes to legal requirements. The gross provision before discounting is \$3,130,248 (2018: \$5,209,875). A discount rate of 4.7% (2018: 5.50%) and an inflation factor of 2.5% (2018: 2.5%) have been used.

Contract completion costs

Provision for contract completion costs is estimated based on the likelihood of further construction work being required to rectify construction deficiencies.

Note 21 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

Council uses derivative financial instruments to manage exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. The associated gains or losses on derivatives are recognised in the surplus or deficit. The portion of the fair value of non-hedge accounted interest rate derivatives that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion of the derivative classified as non-current.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Current liability portion		
Interest rate swaps	156	65
Non-current liability portion		
Interest rate swaps	15,510	7,192
Total derivative financial instruments liabilities	15,666	7,257

The fair values of interest rate swaps are measured against the prevailing market conditions at balance date. The Council's interest rate swaps have been independently valued using Hedgebook software designed to capture, value and report interest rate swaps. Hedgebook uses daily rate feeds of floating rate references such as BKBM and NNSW from industry benchmark sources.

The notional principal amounts of outstanding interest rate swap contracts for Council and the Group is:

	2018/19		2017/18	
	Actual \$'000	No.	Actual \$'000	No.
Active swaps	95,500	24	75,500	22
Forward starting swaps	51,000	12	73,000	15
	146,500	36	148,500	37

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Note 22 REVALUATION RESERVE – PROPERTY, PLANT AND EQUIPMENT

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Land	70,177	69,911
Buildings	30,615	30,615
Parks and reserves	22,494	22,500
Wastewater	39,090	38,944
Water	43,082	38,679
Bridges	89,415	85,583
Roading	378,622	366,137
Urban stormwater	14,076	13,848
Rural drainage	18	-
Solid waste	975	1,036
Balance at 30 June	688,564	667,253

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Note 23 RECONCILIATION OF NET SURPLUS (DEFICIT) AFTER TAX WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Net surplus (deficit) after tax	(9,363)	38,509		38,612
Plus (minus) non-cash items				
Depreciation, amortisation and asset write-off	57,916	29,008		29,008
Vested and found assets	(13,188)	(25,713)		(25,713)
(Gains) losses on fair value of investment property	(15)	(55)		(55)
(Gains) losses on derivative financial instruments	8,409	2,295		2,295
(Gains) losses on revaluation of property, plant and equipment	(20)	(102)		(102)
(Gains) losses on financial assets	-	-		-
(Gains) losses on cattle	8	8		8
Interest revenue on financial assets not at fair value through surplus (deficit)	(3)	-		-
Capitalised internal charges	(1,087)	(700)		(700)
Impairment of related party receivable	-	-		105
Gain on fair value through surplus (deficit)	-	-		(382)
Plus (minus) items classified as investing or financing activities				
(Gains) losses on disposal of property, plant and equipment	(125)	(684)		(678)
Decrease (increase) in creditors for capital expenditure	(1,692)	3,867		3,867
Plus (minus) movements in working capital items				
Receivables and recoverables	(2,745)	(1,558)		(1,538)
Prepayments	(73)	(114)		(115)
Inventories	-	-		-
Cattle	(1)	2		2
Payables, taxes and transfers	2,644	(2,454)		(2,414)
Changes in provision	(56)	(42)		(48)
Employee entitlements	313	114		114
Net cash inflow (outflow) from operating activities	40,922	42,381		42,266

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Note 24 RECONCILIATION OF TOTAL COMPREHENSIVE REVENUE WITH NET OPERATING FUNDING (PER FUNDING IMPACT STATEMENT)

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Total comprehensive revenue wholly attributable to Waikato District Council	20,384	81,867
Surplus (deficit) of operating funding per Whole of Council funding impact statement	22,053	18,590
	(1,669)	63,277
The difference comprises:		
Capital revenue	21,510	24,636
Revaluation of assets	27,218	42,940
Revaluation reserve - landfill	616	(51)
Financial assets at fair value	1,913	469
Depreciation and amortisation	(27,375)	(26,093)
Profit (loss) on sale	125	684
Write off of assets	(30,541)	(2,917)
Vested and found assets	13,188	25,713
Change in provisions	56	42
Interest revenue from financial assets	3	-
Unrealised gains	35	157
Unrealised losses	(8,417)	(2,303)
Total difference	(1,669)	63,277

Note 25 CAPITAL COMMITMENTS AND OPERATING LEASES

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Capital commitments are for expenditure on:		
Water	818	884
Wastewater	1,383	986
Stormwater	-	-
Parks and reserves	1,202	4,533
Buildings - operational	-	97
Roading	24,526	34,055
Bridges	-	-
Library books	-	354
Intangible assets	17	40
Total capital commitments	27,946	40,949

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

Operating leases as lessee

Council and the Group lease property, plant and equipment in the normal course of business. The leases have non-cancellable terms of between three years three months and two years three months (2018: between three years three months and two years three months).

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Not later than one year	223	223
Later than one year and not later than five years	177	400
Later than five years	-	-
Total minimum operating lease payments payable	400	623

Council

Council had a contract with Canon NZ for the lease of photocopiers. There are no minimum amounts payable; charges are based on actual volumes of printing. The agreement was renewed with a term of five years from October 2017.

No contingent rent relating to copiers was recognised during the period. (2018:\$nil)

Council's Tuakau office is leased from Young Investors Limited. The current agreement has a three year term effective from October 2017 with one right of renewal for a further three year term.

Other leases may be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council and the Group do not have the option to purchase any assets at the end of the lease term.

Strada

Strada has no leased property.

Operating leases as lessor

Council leases community and investment properties and grazing rights under operating leases. The leases have non-cancellable terms ranging from less than one year up to 30 years.

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Not later than one year	369	560
Later than one year and not later than five years	1,273	1,585
Later than five years	600	935
Total minimum operating lease payments receivable	2,242	3,080

Council has recognised no contingent rents during the period (2018: \$nil).

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Note 26 CONTINGENCIES

Contingent liabilities

Quantifiable contingent liabilities are as follows:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Uncalled share capital (LASS – ordinary shares)	1	1
Uncalled share capital (LASS - WRPS shares)	9	9

Outstanding insurance claims

There is one outstanding claim (2018: one) in progress. Council is unable to quantify its contingent liability for this claim (2018: this claim). The maximum Council liability for the claim is \$10,000 including GST (2018: \$10,000) which is the excess on the insurance policies.

Capital contributions

As disclosed in note 13, Council holds four classes of share in in Waikato Local Authority Shared Services Limited (LASS). There is uncalled capital on two classes of share.

Unquantified claims

Council is exposed to potential future weathertightness claims which have not yet been advised. The amount of potential future claims is not able to be reliably measured and is therefore unquantifiable. Claims must be made within ten years of construction or alteration of the dwelling in order for the claim to be eligible under the Weathertight Homes Resolution Services (WHRS) Act 2006, but other statutory limitation periods could also affect claims.

Ministry of Education and Carter Holt Harvey (CHH)

In 2013 the Ministry of Education (MoE) initiated High Court proceedings against Carter Holt Harvey Limited and others alleging inherent defects in the shadowclad plywood sheets manufactured and distributed by CHH. The MoE's claim against CHH is for 833 school buildings, 47 of which are located within the Waikato District. In 2016 CHH commenced proceedings against 48 Councils, including Waikato District Council, alleging a breach of duty on the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates.

28 school buildings (none in the Waikato District) built outside the 10 year-long stop contained within the Building Act 2004 have since been struck out by the High Court.

The court has directed that the trial be staged. The first stage will be a 6-month hearing commencing in April 2020, to determine whether shadowclad is inherently defective.

At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

Homeowners and CHH

During the year, a group of homeowners initiated High Court proceedings against CHH and others alleging inherent defects in the shadowclad plywood cladding sheets manufactured and distributed by CHH. CHH has joined 19 Councils as co-defendants in this claim.

At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

Pakau Trust

The Pakau Trust has served two proceedings on Council; one is an application for a declaratory judgement, the other for damages. Both proceedings are being effectively conducted together and the insurer is covering the costs of the defence 60:40 with Council as Council has no insurance for the declaratory judgement proceedings.

There is insufficient information to quantify the potential cost to Council.

Rural Tails Limited

This matter relates to a disputed resource consent application. Mediation has been held and it appears likely that the matter will be settled although the parties are still in discussion. There is insufficient information to quantify the potential cost to Council.

Other claims

At balance date no other claims (2018: none) expose Council or the Group to contingent liabilities. Council's maximum financial exposure is \$nil (2018: \$nil).

NZ Local Government Funding Agency Limited (LGFA)

Waikato District Council is a guarantor of LGFA. The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

Council is one of 45 local authority guarantors - 30 of which are also shareholders of LGFA. The aggregate amount of uncalled shareholder capital (\$20m) is available in the event that an imminent default is identified. Also, together with other guarantors and shareholders, Council is guarantor of all LGFA's borrowings. At 30 June 2019 LGFA had borrowings totalling \$9.531 billion (2018: \$8.271 billion).

Financial reporting standards require Council to recognise the guarantee liability at fair value. However, Council is unable to determine a sufficiently reliable fair value of the guarantee and therefore has not recognised a liability.

Council considers the risk of LGFA defaulting on payments of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Contingent assets

Council is a 35% capital beneficiary of the WEL Energy Trust. The life of the Trust ends in 2073 unless terminated earlier if its purpose is completed. Given the uncertainty surrounding the life of the Trust, Council is unable to accurately establish an appropriate value for the 35% share.

Note 27 RELATED PARTY TRANSACTIONS

Waikato District Council has a 100% shareholding in Strada Corporation Limited.

All related party transactions and related payments are on normal commercial terms. There was no impairment of any of these transactions (2018: nil).

The following transactions were carried out between related parties:

	Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Between Council and Waikato District Community Wellbeing Trust (WBT)		
Council's accounts receivable from WBT	232	223
Between Council and Local Authority Shared Services (LASS)		
Services provided to LASS	322	296
Charges from LASS	583	533
Council's accounts payable to LASS	236	11
Council's accounts receivable from LASS	85	36
Between Council and Waikato Regional Airport Limited (WRAL)		
Dividend paid by WRAL	39	31
Regional Tourism funding payment to WRAL	150	150
Between Strada and Waikato Quarries Limited (WQL)		
Payment for deferred settlement received from WQL	500	-
Deferred settlement receivable from WQL	-	280

Key management personnel compensation

Council's key management personnel include the Mayor, Councillors, the Chief Executive, General Managers and other members of the Executive Leadership Team. The Group enters into various transactions such as rates, water charges and the sale of goods or services with key management personnel in the ordinary course of business and on an arm's length basis. No disclosure has been made for these transactions.

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Remuneration		
Councillors	777	722
Senior management team (including CE)	2,337	1,406
Total key management personnel remuneration	3,114	2,128
	2018/19 Actual	2017/18 Actual
Full-time equivalent members		
Councillors	14	14
Senior management team (including CE)	11	6
Total full-time equivalent personnel	25	20

Because of the difficulties inherent in estimating the number for full-time equivalent Councillors, the figure used is the number of Councillors.

There are close family members of key management personnel employed by Council and the Group. The terms and conditions of these arrangements are no more favourable than they would have been if there were no relationships to key management personnel.

Related party transactions requiring disclosure

During the year Strada Corporation Limited purchased \$131 (2018: \$136) of legal and employment advice from Tompkins Wake in which a Strada director is a partner. There was a balance payable at 30 June 2019 of \$nil (2018: \$156).

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Note 28 REMUNERATION

Remuneration of elected members

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Councillors		
<i>Cash benefits</i>		
A Sanson, Mayor	147	129
A Bech	42	40
J Church	42	40
D Fulton	62	56
J Gibb	54	49
S Henderson	42	40
S Lynch	51	48
B Main	42	40
R McGuire	42	40
F McNally	42	40
E Patterson	42	40
J Sedgwick	53	50
N Smith	57	53
L Thomson	42	40
<i>Total cash benefits paid to Councillors</i>	<u>760</u>	<u>705</u>
<i>Non-cash benefits</i>		
A Sanson, Mayoral car	17	17
<i>Total non-cash benefits paid to Councillors</i>	<u>17</u>	<u>17</u>
Total remuneration of Councillors	<u>777</u>	<u>722</u>
Community board and committee members		
<i>Cash benefits</i>		
K Bredenbeck	5	5
B Cameron	11	11
C Conroy	5	5
W Diamond	5	5
R Farrar	5	5
P Haworth	4	4
S Jackson	5	5
R Kereopa	4	4
R Kirkwood	5	5
D Lamb	5	5
K Langlands	10	10
D Lovell	3	3
H Lovell	1	2
R MacLeod	9	9
J Morley	1	2
K Morgan	5	5
A Oosten	4	4
S Ormsby-Cocup	1	2
G Parson	4	4
J Pecekajus	1	1

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	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
L Petersen	5	5
C Rees	5	5
V Reeve	5	5
B Sherson	5	5
J Stevens	5	5
S Stewart	5	5
R Van Dam	1	2
A Vink	4	4
B Watson	5	5
J Whetu	10	10
<i>Total cash benefits paid to community board and committee members</i>	<i>143</i>	<i>147</i>
Total remuneration of Councillors and other elected representatives	920	869

Remuneration of Chief Executive

The Chief Executive of Waikato District Council is appointed under section 42 of the Local Government Act 2002. He received a salary of \$338,227 (2018: \$326,514) in terms of his contract. The Chief Executive's total remuneration included other benefits as follows:

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Salary and other short-term employee benefits	338	327
Vehicle	17	17
Defined contribution plan employer contributions (KiwiSaver)	11	11
Expenses and other allowances	8	3
Other fringe benefits (value of benefit plus FBT)	13	9
Total Chief Executive's remuneration	387	367

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Employee numbers

	Council	
	2018/19 Actual	2017/18 Actual
Number of employees (at 30 June)		
Full-time employees	321	290
Part-time employees (including casual employees)	74	73
Total employees	395	363
<i>A full-time employee works 40 hours per week</i>		
Full-time equivalent employees		
Full-time employees	321.05	290.05
Part-time employees (in full-time equivalents)	32.38	29.07
Total full-time equivalent employees	353.43	319.12

Total annual employee remuneration by band

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
\$0 - \$60,000	187	165
\$60,001 - \$80,000	78	78
\$80,001 - \$100,000	59	62
\$100,001 - \$120,000	44	42
\$120,001 - \$140,000	12	8
\$140,001 - \$180,000	9	-
\$180,001 - \$380,000 (2018: \$140,001 - \$380,000)	6	8
Total employees	395	363

Total remuneration includes non-financial benefits provided to employees.

There are fewer than five employees on each of the bands above \$140,000 therefore the numbers for those bands have been combined into two bands of \$140,001 - \$180,000 and \$180,001 - \$380,000.

In 2018 the top two bands were combined in one of \$140,001-\$380,000 as there were fewer than five employees in any of the bands in that range. There were eight employees in total in the combined band.

Note 29 SEVERANCE PAYMENTS

For the year ended 30 June 2019, Council made two (2018: two) severance payments to employees. The payment amounts were: \$16,000 and \$7,000. (2018: \$74,750).

Strada made no severance payments to employees during the year (2018: \$nil).

Note 30 EVENTS AFTER BALANCE DATE

An agreement to outsource the operation and maintenance of water, wastewater and Stormwater services of Council to Watercare Services Limited was approved on 14 August 2019. This outsourcing arrangement between local authorities falls within Local Government Act 2002 provisions, a direction that was supported through consultation with Waikato District Communities in 2017. The contract sum has initially been set at \$213,188,851

for the first five years to 30 June 2024 and is in line with Long Term Plan commitments. The contract does not come into force until 1 October 2019.

For Strada, no material events are expected to occur subsequent to 30 June 2019.

In 2018, there were no events which provided evidence of conditions existing for Council at balance date which occurred between then and the date the financial statements were authorised for issue.

Note 31 FINANCIAL INSTRUMENTS

A: FINANCIAL INSTRUMENTS CATEGORIES

The accounting policies for financial instruments have been applied to the line items below:

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Financial assets				
Loans and receivables				
Cash and cash equivalents	10,405	14,932		15,716
Recoverables and receivables	13,753	11,000		11,074
Community loans	138	179		179
Deferred settlement receivable	-	-		-
Term deposit	809	789		789
LGFA borrower notes	1,440	1,280		1,280
Total loans and receivables	26,545	28,180		29,038
Fair value through surplus (deficit)				
Fixed interest investments	-	-		1,828
Equity investments	-	-		2,210
Total fair value through surplus (deficit)	-	-		4,038
Fair value through other comprehensive revenue				
Unlisted shares in Civic Financial Services Limited	66	62		62
Waikato Regional Airport Limited	15,176	13,267		13,267
Total fair value through other comprehensive revenue	15,242	13,329		13,329
Financial assets at cost				
Local Authority Shared Services Limited	219	219		219
Shares in Strada Corporation Limited (subsidiary)	700	700		-
Total financial assets at cost	919	919		219
Financial liabilities				
Fair value through surplus (deficit)				
Derivative financial instruments liabilities	15,666	7,257		7,257
Financial liabilities at amortised cost				
Payables, taxes and transfers	17,866	15,222		15,265
Borrowing -secured loans	80,000	80,000		80,000
Total financial liabilities at amortised cost	97,866	95,222		95,265

B: FAIR VALUE HIERARCHY DISCLOSURES

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1): financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2): financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation technique with significant non-observable inputs (level 3): financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Valued at quoted market price (level 1)				
Fixed interest investments	-	-		1,828
Equity investments	-	-		2,210
Total financial instruments valued at quoted market price	-	-		4,038
Valued using observable inputs (level 2)				
Financial liabilities – derivatives	15,666	7,257		7,257
Valued using significant non-observable inputs (level 3)				
Unlisted shares	15,242	13,329		13,329

Instruments valued using significant non-observable inputs (level 3)

The table below provides reconciliation between the opening and closing balances for level 3 financial instruments:

	Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Balance at 1 July	13,329	12,859
Gains and losses recognised in other comprehensive revenue	1,913	470
Other movements	-	-
Balance at 30 June	15,242	13,329

There were no transfers between the different levels of the fair value hierarchy.

C: FINANCIAL INSTRUMENTS RISKS

Council has a series of policies to manage the risks associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established and approved a Treasury Risk Management Policy which includes a Liability Management Policy and an Investment Policy. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market prices. Council has no exposure to price risk because it does not hold any listed securities. Equity securities price risk arises on listed equity investments which are held by the Waikato District Community Wellbeing Trust (WBT) and are classified as financial assets held at fair value through surplus or deficit. The price risk arises due to market movements in listed share prices. Kiwi Wealth Limited (KWL), which manages the

investment portfolio on behalf of the Trustees, manages price risk via diversification and liquidity of investments.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Council is not exposed to currency risk, as it has minimum foreign currency transactions. WBT holds investments in foreign currencies and is exposed to currency risk. KWL, on behalf of the trustees, enters into forward currency contracts on all fixed interest investments. The default currency exposure for equity investments is 50%.

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 in interest rates.

Borrowings and investments issued at fixed rates of interest expose Council to interest rate risk. Council's Treasury Risk Management Policy sets a range of control limits for the fixed rate proportion of borrowings with different maturities. The range is from a maximum of 100% for debt maturing in the current period through to 55% for debt maturing in ten years.

KWL actively manages the average maturity date of WBT's fixed interest investments in response to changes in KWL's interest rate view.

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 Council to cash flow interest rate risk. KWL actively manages the average maturity date of WBT's fixed interest investments in response to changes in KWL's interest rate view.

Generally, Council raises long-term borrowing at floating rates and swaps them into fixed rates using interest rate swaps to manage the cash flow interest rate risk. Council enters into interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if Council borrowed at fixed rates directly. Under the interest rate swaps, Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Council and the Group, causing it to incur a loss.

Council's Treasury Risk Management Policy clearly specifies approved institutions, minimum credit ratings and investment limits. WBT is consolidated into Council's group financial statements and also includes cash and fixed interest securities that are a credit risk. KWL, on behalf of the trustees of WBT invests only in fixed interest investments in liquid securities, which means there is a secondary market available where these assets are readily traded. In addition, KWL invest primarily in investment-grade instruments and has established counterparty limits for fixed interest investments depending on their credit rating.

Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in note 26.

Council and the Group have no other collateral or credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

Council's maximum credit risk exposure for each class of financial instrument is as follows:

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Cash and cash equivalents	10,405	14,932		15,716
Recoverables and receivables	13,753	11,000		11,074
Term deposits	809	789		789
Community loans	138	179		179
Deferred settlement receivable	-	-		-
Fixed interest investments	-	-		1,828
Equity investments	-	-		2,210
LGFA borrower notes	1,440	1,280		1,280
Total credit risk	26,545	28,180		33,076

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Counterparties with credit ratings				
<i>Cash and cash equivalents</i>				
AA-	10,405	14,932		15,716
<i>Term deposits</i>				
AA-	809	789		789
<i>Borrower notes</i>				
AA+	1,440	1,280		1,280
Counterparties without credit ratings				
<i>Community and related party loans</i>				
Community loans with no defaults in the past	138	179		179
Deferred settlement receivable with no default in the past	-	-		-
Unrated equity investments	16,095	14,248		15,758
Unrated fixed interest investments	-	-		1,828

Debtors and other receivables mainly arise from Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Council aims to maintain flexibility in funding by keeping committed credit lines available.

Council manages its liquidity risks including borrowings in accordance with its Treasury Risk Management Policy, which includes a Liability Management Policy. These policies have been adopted as part of Council's Long Term Plan.

Council has a \$500,000 overdraft facility (2018: \$500,000) and a committed cash advance facility of \$15,000,000 (2018: \$15,000,000), of which \$15,000,000 (2018 \$15,000,000) is available to be drawn. Council's committed cash advance facility expires on 31 July 2021.

Council utilises funding through the Local Government Funding Agency Limited (LGFA). As at 30 June 2019

Council had borrowed \$80,000,000 (2018: \$80,000,000) and held borrower notes with a face value of \$1,280,000 (2018: \$1,280,000).

Council is also exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is contained in note 26.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses Council and the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Carrying amount				
Payables, taxes and transfers	17,866	15,222		15,266
Secured loans	80,000	80,000		80,000
Total carrying amount	97,866	95,222		95,266
Contractual cash flows				
Payables, taxes and transfers	17,866	15,222		15,266
Secured loans	88,329	89,654		89,654
Total contractual cash flows	106,195	104,876		104,920

The following table summarises the pattern of contractual cash flows:

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
Council 2019				
Payables, taxes and transfers	17,866	-	-	-
Secured loans	7,018	16,687	38,298	26,146
Total	24,844	16,867	38,298	26,146
Council 2018				
Payables, taxes and transfers	15,222	-	-	-
Secured loans	12,146	6,909	43,812	26,787
Total	27,368	6,909	43,812	26,787
Group 2019				
Payables, taxes and transfers				
Secured loans				
Total				
Group 2018				
Payables, taxes and transfers	15,266	-	-	-
Secured loans	12,146	6,909	43,812	26,787
Total	27,412	6,909	43,812	26,787

Contractual maturity analysis of derivative financial instruments

The table below analyses Council and the Group's derivative financial instruments into those that will be settled on a net basis and those that will be settled on a gross basis in relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Net settled derivative liabilities		
Carrying amount	15,666	7,257
Contractual cash flows	20,433	24,686

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
	Net settled derivative liabilities			
2018/19	2,457	2,561	7,970	7,445
2017/18	2,060	2,701	9,091	10,834

Contractual maturity analysis of financial assets

The table below analyses Council and the Group's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Carrying amount				
Cash and cash equivalents	10,405	14,932		15,716
Recoverables and receivables	13,753	11,000		11,074
<i>Other financial assets</i>				
- term deposit	809	789		789
- community loans	138	179		179
- deferred settlement receivable	-	-		-
- LGFA borrower notes	1,440	1,280		1,280
Total carrying amount	26,545	28,180		29,038
Contractual cash flows				
Cash and cash equivalents	10,405	14,932		15,716
Recoverables and receivables	13,753	11,000		11,074
<i>Other financial assets</i>				
- term deposit	-	804		804
- community loans	153	206		206
- deferred settlement receivable	-	-		-
- LGFA borrower notes	-	1,416		1,416
Total contractual cash flows	24,311	28,358		29,216

The following table summarises the pattern of contractual cash flows:

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
Council 2019				
Cash and cash equivalents	10,405	-	-	-
Recoverables and receivables	13,753	-	-	-
<i>Other financial assets</i>				
- term deposit	-	-	-	-
- community loans	57	96	-	-
- LGFA borrower notes	-	-	-	-
Total	24,216	96	-	-
Council 2018				
Cash and cash equivalents	14,932	-	-	-
Recoverables and receivables	11,000	-	-	-
<i>Other financial assets</i>				
- term deposit	804	-	-	-
- community loans	69	52	85	-
- LGFA borrower notes	190	107	694	425
Total	26,995	159	779	425

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
Group 2019				
Cash and cash equivalents				
Recoverables and receivables				
<i>Other financial assets</i>				
- term deposit				
- community loans				
- LGFA borrower notes				
Total				
Group 2018				
Cash and cash equivalents	15,716	-	-	-
Recoverables and receivables	11,074	-	-	-
<i>Other financial assets</i>				
- term deposit	804	-	-	-
- community loans	69	52	85	-
- LGFA borrower notes	190	107	694	425
- Total	27,853	159	779	425

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Sensitivity analysis

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on Council and the Group's financial instrument exposures at the balance date.

	2018/19		2017/18	
	Actual -100bps \$'000	Actual +100pbs \$'000	Actual -100bps \$'000	Actual +100bps \$'000
Interest rate risk				
Council				
<i>Financial assets</i>				
Cash and cash equivalents	(179)	179	(149)	149
Term deposits			(8)	8
<i>Financial liabilities</i>				
Derivatives			(7,500)	6,825
Group				
<i>Financial assets</i>				
Cash and cash equivalents			(157)	157
Term deposits			(8)	8
Fixed interest investments			(18)	18
<i>Financial liabilities</i>				
Derivatives			(7,500)	(6,825)
Foreign exchange risk				
Group				
<i>Financial assets</i>				
Cash and equity investments			8	(8)
Equity price risk				
Group				
<i>Financial assets</i>				
Equity investments			22	(22)

Explanations of sensitivity analysis

The interest rate, foreign exchange and equity price sensitivities are based on reasonably possible movements in interest rates, exchange rates and equity market valuations; with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 100bps is equivalent to a decrease in interest rates of 1%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on parallel shift in interest rates of -100bps/+100bps (2018: -100bps/+100bps).

Note 32 CAPITAL MANAGEMENT

Council's capital is its equity (or ratepayers' funds) which include accumulated funds and other reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner which promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity which is a principle promoted in the Act and applied by Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, Council has in place asset management plans for major classes of asset detailing renewal and maintenance programmes to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financing policies in Council's LTP.

Council has the following Council-created reserves:

- reserves for different areas of benefit;
- self-insurance reserves; and
- trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from payers of general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserve.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds generally can be approved only by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

Note 33 EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

The major variance explanations are set out below and explain the significant differences between actual results for 2018/19 compared to the budget for 2018/19.

Statement of comprehensive revenue and expense

Overall revenue was \$12m greater than budgeted. This difference was largely due to vested and found asset revenue of \$6m not being budgeted. Contribution revenue was also \$4m higher than budgeted from growth exceeding budgeted levels throughout the district and in particular for Pokeno.

Overall expenses were \$33m greater than budget. Asset write-offs mainly occur when infrastructure assets are disposed for no value and these were not budgeted. This year asset write-offs were \$30.5m. Majority of this relates to roading assets which were derecognised as it was identified that they belong to the NZTA. Significant write-offs were also recognised on the waters assets due to a rigorous data cleanse in preparation for the Watercare transition. More was spent on employees compared to budget due to the internal restructure and growth resulting in new positions. An additional \$2.3m above budget was also spent on consultants to cover vacancies and staff shortages. This increase was partially off-set by depreciation being \$4m lower than budget which is consistent with the large asset write-offs.

The above movements resulted in a deficit of \$9.4m at an operating level. (Compared to the budgeted surplus of \$11.8m)

Total comprehensive revenue and expense was \$20.4m and was \$22.1m below budget. Majority of the difference

is explained by the operating results noted above. Other comprehensive revenue and expense includes revaluation surpluses which were only \$1m lower than budgeted and accounts for the remainder of the variance.

Statement of financial position

The statement of financial position shows a slight increase in overall net assets of \$10.6m compared to budget. The biggest variance was for property, plant and equipment which was lower than budget due to large asset write-offs and a capital programme which was below budget. This difference is off-set by fewer borrowings compared to budget estimates which is consistent with the below budget capital programme. Current assets are higher than budgeted and is largely due to cash flow timing differences which resulted in a higher cash and cash equivalents balance compared to budget.

Statement of cash flows

The cash flow statement highlights how the capital programme was below budget and is offset by no new borrowings this year.

Funding impact statements

The whole of Council funding impact statement reports cash or soon to be cash items (such as revenue or expenses in receivables or payables) and does not consider non-cash funded items such as asset write-offs or assets vested in Council. The report analyses separately the surplus or deficit for operating funding and capital funding.

The whole of Council funding impact statement reports cash or soon to be cash items (such as revenue or expenses in receivables or payables) and does not consider non-cash funded items such as asset write-offs or assets vested in Council. The report analyses separately the surplus or deficit for operating funding and capital funding.

This year the overall operating funding surplus was \$22m which was \$7m above budget. Total sources of operating funding (revenue) was consistent with budget therefore the difference was a result of operating expenditure being \$7m lower than budgeted.

The decrease in operating expenditure was primarily due to the signing of the Watercare contract being pushed out into the 2019/20 financial year. An expense of \$6m was budgeted for the Watercare contract establishment in 2018/19 but these costs only became due upon signing of the contract which took place in August 2019. Staff costs were also lower than budgeted due to a number of budgeted positions which were vacant for a significant period of time throughout the year but this was off-set by an increase in consultant costs. Maintenance costs were also \$1m below budget and include general repairs & maintenance as well as maintenance contractors. This was a result of the vacant positions as well as a number of projects being delayed in the waters team due to the upcoming transition to Watercare.

Sources of capital funding were \$28m less compared to budget. There was no increase in borrowings due to lower actual spend on the capital programme compared to budget. Subsidy revenue received from NZTA was \$2m lower than budget due to the Horsham Road Link upgrade and the Huntly central interchange project not having started. This was partially offset by grants income received of \$750k which were not budgeted. Most of this unbudgeted grant income relates to receipts from the Tourism Infrastructure Fund. Contribution income was \$4m higher than budgeted from growth exceeding budgeted levels throughout the district and in particular for Pokeno. Also financial contributions revenue was received that was not budgeted.

Capital expenditure was \$21m less than budget. Some growth projects did not proceed such as extensions of Te Kauwhata and Pokeno wastewater reticulation, new parks and stormwater development projects at Pokeno and the Housing Infrastructure Fund which is still in the initial design phase. The delay is due to timing as well as the Watercare transition and the budgets have been carried forward. Some level of service projects were also budgeted that have not commenced such as the Horsham Downs Link road upgrade. Capital works under the Horotiu development agreement was budgeted but was not completed. Some renewal projects were budgeted but not completed including water supply renewal works in Raglan and roading capital projects in Pokeno.

In summary, because Council is a net borrower the additional borrowing of \$32m budgeted was not required in the funding mix for capital works this year because of additional capital income of \$4m, less capital expenditure of \$23m, a lower budgeted decrease in reserves of \$2m and a decrease in investments of \$2.5m.

Note 34 INSURANCE OF ASSETS

The total value of all assets of Council that are covered by insurance contracts as at 30 June 2019 is \$597,285,430 (2018: \$587,790,392) and the maximum amount to which they are insured is \$253,980,613 (2018: \$254,386,233).

Insurance Class	Total Declared Value	Policy Limit
Infrastructure	\$369,786,161	\$10,000,000 per loss (primary layer contracts provide for recovery of 100% of the costs of loss or damage to declared assets) \$100,000,000 per loss (For anything that falls outside primary layer cover, these insurance contracts provide for the recovery of 40 per cent of the costs of loss or damage to declared assets)
Material Damage	\$223,518,656	\$150,000,000 each and every loss and in the annual aggregate
Motor Vehicle	\$3,501,683	\$3,501,683
Other	\$478,930	\$478,930
Total	\$597,285,430	\$253,980,613

In addition to the insurance contracts noted above, the council maintains a disaster recovery reserve to meet the costs of damage that may not be recoverable through insurance. At 30 June 2019 the balance of this reserve was \$535,138 (2018: \$404,964).

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Other legislative disclosures

FUNDING IMPACT STATEMENT Whole of Council

	2017/18 Annual plan \$'000	2017/18 Annual report \$'000	2018/19 Annual plan \$'000	2018/19 Actual \$'000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	54,159	54,916	58,432	59,353
Targeted rates	23,304	23,242	25,868	25,435
Subsidies and grants for operating purposes	7,524	7,538	8,344	8,327
Fees and charges	10,164	9,556	10,526	10,115
Interest and dividends from investments	100	497	180	591
Local authorities fuel tax, fines, infringement fees and other receipts	7,619	9,292	8,762	8,353
Total operating funding	102,870	105,041	112,112	112,174
Applications of operating funding				
Payments to staff and suppliers	77,398	79,548	90,828	83,181
Finance costs	4,393	3,997	4,267	4,199
Other operating funding applications	2,792	2,906	2,362	2,741
Total applications of operating funding	84,583	86,451	97,457	90,121
Surplus (deficit) of operating funding	18,287	18,590	14,655	22,053
Sources of capital funding				
Subsidies and grants for capital expenditure	9,037	10,969	11,410	10,415
Development and financial contributions	8,445	12,633	6,174	10,521
Increase (decrease) in debt	28,300	-	32,031	-
Gross proceeds from the sale of assets	202	2,590	693	926
Lump sum contributions	-	-	-	-
Other dedicated capital funding	97	1,034	120	574
Total sources of capital funding	46,081	27,226	50,428	22,436
Applications of capital funding				
Capital expenditure				
- to meet additional demand	11,549	7,117	25,410	15,825
- to improve the level of service	15,741	9,227	16,430	6,398
- to replace existing assets	27,409	24,009	30,519	26,786
Increase (decrease) in reserves	9,307	4,110	(7,670)	(2,041)
Increase (decrease) of investments	362	1,353	394	(2,479)
Total applications of capital funding	64,368	45,816	65,083	44,489
Surplus (deficit) of capital funding	(18,287)	(18,590)	(14,655)	(22,053)
Funding balance for Whole of Council	-	-	-	-

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FUNDING IMPACT STATEMENT

Water supply

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	198	170	355
Targeted rates	10,957	9,191	8,314
Subsidies and grants for operating purposes	-	-	-
Fees and charges	42	94	142
Internal charges and overheads recovered	361	273	212
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	14
Total operating funding	11,558	9,728	9,037
Applications of operating funding			
Payments to staff and suppliers	3,934	7,059	4,327
Finance costs	-	-	-
Internal charges and overheads applied	3,768	3,975	3,413
Other operating funding applications	41	36	94
Total applications of operating funding	7,743	11,070	7,834
Surplus (deficit) of operating funding	3,815	(1,342)	1,203
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	1,875	1,313	2,003
Increase (decrease) in debt	3,201	1,018	1,900
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding *	97	120	105
Total sources of capital funding	5,173	2,451	4,008
Applications of capital funding			
Capital expenditure			
- to meet additional demand	3,232	7,750	1,756
- to improve the level of service	3,236	1,018	1,816
- to replace existing assets	2,022	3,582	1,296
Increase (decrease) in reserves	498	(11,241)	343
Increase (decrease) of investments	-	-	-
Total applications of capital funding	8,988	1,109	5,211
Surplus (deficit) of capital funding	(3,815)	1,342	(1,203)
Funding balance for Water supply	-	-	-

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* Other dedicated capital funding for the Water Supply group of activities represents capital revenue from fees charged to fund capital works for new connections.

FUNDING IMPACT STATEMENT

Wastewater

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	208	230	358
Targeted rates	7,208	10,601	11,000
Subsidies and grants for operating purposes	-	-	-
Fees and charges	1,618	1,241	1,420
Internal charges and overheads recovered	67	55	91
Local authorities fuel tax, fines, infringement fees and other receipts	297	-	-
Total operating funding	9,398	12,127	12,869
Applications of operating funding			
Payments to staff and suppliers	2,745	6,206	3,606
Finance costs	-	-	-
Internal charges and overheads applied	3,864	4,463	3,823
Other operating funding applications	112	333	455
Total applications of operating funding	6,721	11,002	7,884
Surplus (deficit) of operating funding	2,677	1,125	4,985
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	1,900	875	1,675
Increase (decrease) in debt	4,355	2,303	482
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	6,255	3,178	2,157
Applications of capital funding			
Capital expenditure			
- to meet additional demand	369	4,852	991
- to improve the level of service	4,355	2,304	494
- to replace existing assets	2,345	2,880	2,955
Increase (decrease) in reserves	1,863	(5,733)	2,702
Increase (decrease) of investments	-	-	-
Total applications of capital funding	8,932	4,303	7,142
Surplus (deficit) of capital funding	(2,677)	(1,125)	(4,985)
Funding balance for Wastewater	-	-	-

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FUNDING IMPACT STATEMENT

Stormwater

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	65	96	148
Targeted rates	1,695	1,692	1,733
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	1
Internal charges and overheads recovered	290	266	324
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
Total operating funding	2,050	2,054	2,206
Applications of operating funding			
Payments to staff and suppliers	803	2,376	751
Finance costs	-	-	-
Internal charges and overheads applied	607	496	427
Other operating funding applications	4	6	16
Total applications of operating funding	1,414	2,878	1,194
Surplus (deficit) of operating funding	636	(824)	1,012
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	984	343	952
Increase (decrease) in debt	706	528	512
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
-Other dedicated capital funding	-	-	-
Total sources of capital funding	1,690	871	1,464
Applications of capital funding			
Capital expenditure			
- to meet additional demand	1,325	3,572	1,921
- to improve the level of service	706	528	661
- to replace existing assets	74	160	-
Increase (decrease) in reserves	221	(4,213)	(106)
Increase (decrease) of investments	-	-	-
Total applications of capital funding	2,326	47	2,476
Surplus (deficit) of capital funding	(636)	824	(1,012)
Funding balance for Stormwater	-	-	-

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FUNDING IMPACT STATEMENT

Roading

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	19,534	21,374	20,741
Targeted rates	-	-	-
Subsidies and grants for operating purposes	8,380	8,284	8,246
Fees and charges	145	153	136
Internal charges and overheads recovered	4,736	2,185	1,773
Local authorities fuel tax, fines, infringement fees and other receipts	458	2,569	1,853
Total operating funding	33,253	34,565	32,749
Applications of operating funding			
Payments to staff and suppliers	18,461	20,564	18,432
Finance costs	-	-	-
Internal charges and overheads applied	6,489	4,549	3,347
Other operating funding applications	-	-	-
Total applications of operating funding	24,950	25,113	21,779
Surplus (deficit) of operating funding	8,303	9,452	10,970
Sources of capital funding			
Subsidies and grants for capital expenditure	9,091	11,050	9,667
Development and financial contributions	1,771	1,011	3,562
Increase (decrease) in debt	2,340	5,274	804
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding *	-	-	393
Total sources of capital funding	13,202	17,335	14,426
Applications of capital funding			
Capital expenditure			
- to meet additional demand	3,206	4,672	3,731
- to improve the level of service	2,560	7,053	1,216
- to replace existing assets	16,930	18,197	17,197
Increase (decrease) in reserves	(1,191)	(3,135)	3,252
Increase (decrease) of investments	-	-	-
Total applications of capital funding	21,505	26,787	25,396
Surplus (deficit) of capital funding	(8,303)	(9,452)	(10,970)
Funding balance for Roothing	-	-	-

* Other dedicated capital funding for the Roothing group of activities includes a contribution towards the Taupo Mangawara stream Crossing project and capital revenue for motorcycle safety upgrades.

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FUNDING IMPACT STATEMENT

Sustainable environment

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	7,191	7,926	7,874
Targeted rates	2,572	3,458	3,453
Subsidies and grants for operating purposes	-	-	-
Fees and charges	6,350	7,347	6,878
Internal charges and overheads recovered	677	762	758
Local authorities fuel tax, fines, infringement fees and other receipts	2,986	4,215	3,991
Total operating funding	19,776	23,708	22,954
Applications of operating funding			
Payments to staff and suppliers	14,019	17,509	17,061
Finance costs	-	-	-
Internal charges and overheads applied	5,742	5,938	5,336
Other operating funding applications	8	39	63
Total applications of operating funding	19,769	23,486	22,460
Surplus (deficit) of operating funding	7	222	494
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	16	-	-
- to replace existing assets	5	153	57
Increase (decrease) in reserves	(14)	69	437
Increase (decrease) of investments	-	-	-
Total applications of capital funding	7	222	494
Surplus (deficit) of capital funding	(7)	(222)	(494)
Funding balance for Sustainable environment			
	-	-	-

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FUNDING IMPACT STATEMENT

Sustainable communities

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	19,275	20,155	20,777
Targeted rates	600	704	716
Subsidies and grants for operating purposes	-	60	81
Fees and charges	1,633	1,691	1,536
Internal charges and overheads recovered	282	380	401
Local authorities fuel tax, fines, infringement fees and other receipts	1,465	1,717	2,021
Total operating funding	23,255	24,707	25,532
Applications of operating funding			
Payments to staff and suppliers	13,425	14,277	15,509
Finance costs	-	-	-
Internal charges and overheads applied	5,872	5,779	5,271
Other operating funding applications	595	564	591
Total applications of operating funding	19,892	20,620	21,371
Surplus (deficit) of operating funding	3,363	4,087	4,161
Sources of capital funding			
Subsidies and grants for capital expenditure	-	360	748
Development and financial contributions	1,915	2,632	2,329
Increase (decrease) in debt	3,459	3,479	2,103
Gross proceeds from the sale of assets	-	500	562
Lump sum contributions	-	-	-
Other dedicated capital funding *	-	-	76
Total sources of capital funding	5,374	6,971	5,818
Applications of capital funding			
Capital expenditure			
- to meet additional demand	3,988	4,564	7,426
- to improve the level of service	3,549	4,112	1,577
- to replace existing assets	2,761	3,355	3,475
Increase (decrease) in reserves	(1,561)	(973)	(2,499)
Increase (decrease) of investments	-	-	-
Total applications of capital funding	8,737	11,058	9,979
Surplus (deficit) of capital funding	(3,363)	(4,087)	(4,161)
Funding balance for Sustainable communities	-	-	-

* Other dedicated capital funding for the Sustainable Communities group of activities represents capital revenue for the Ngaruawahia golf course to Horotiu section of the Te Awa Cycleway, seating for the Tamahere Sports Ground and a feasibility study for the Whatawhata Community Centre.

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FUNDING IMPACT STATEMENT

Governance

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	6,597	5,247	5,261
Targeted rates	193	222	219
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	1
Internal charges and overheads recovered	1,097	1,031	1,160
Local authorities fuel tax, fines, infringement fees and other receipts	16	5	5
Total operating funding	7,903	6,505	6,646
Applications of operating funding			
Payments to staff and suppliers	2,494	2,535	2,776
Finance costs	-	-	-
Internal charges and overheads applied	4,655	3,972	3,818
Other operating funding applications	-	2	3
Total applications of operating funding	7,149	6,509	6,597
Surplus (deficit) of operating funding	754	(4)	49
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	35
- to replace existing assets	-	-	42
Increase (decrease) in reserves	754	(4)	(28)
Increase (decrease) of investments	-	-	-
Total applications of capital funding	754	(4)	49
Surplus (deficit) of capital funding	(754)	4	(49)
Funding balance for Governance	-	-	-

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FUNDING IMPACT STATEMENT

Organisational support

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	691	3,234	3,839
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	12	-	1
Internal charges and overheads recovered	33,984	32,956	28,904
Local authorities fuel tax, fines, infringement fees and other receipts	1,248	436	1,060
Total operating funding	35,935	36,626	33,804
Applications of operating funding			
Payments to staff and suppliers	19,748	21,558	21,804
Finance costs	4,934	4,267	4,199
Internal charges and overheads applied	7,698	7,480	7,103
Other operating funding applications	1,814	1,382	1,519
Total applications of operating funding	34,194	34,687	34,625
Surplus (deficit) of operating funding	1,741	1,939	(821)
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	7,059	19,429	(5,801)
Gross proceeds from the sale of assets	202	193	364
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	7,261	19,622	(5,437)
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	68	1,415	599
- to replace existing assets	3,278	2,192	1,764
Increase (decrease) in reserves	5,136	17,560	(6,142)
Increase (decrease) of investments	520	394	(2,479)
Total applications of capital funding	9,002	21,561	(6,258)
Surplus (deficit) of capital funding	(1,741)	(1,939)	821
Funding balance for Organisational support			
	-	-	-

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ANNUAL REPORT DISCLOSURE STATEMENT

for the year ended 30 June 2019

What is the purpose of this statement?

The purpose of this statement is to disclose Council's financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definition of some of the terms used in this statement.

Council's 2018-28 long-term plan set revised limits for its rates and debt affordability benchmarks. For this reason results for the previous targets are included for the years ending 2014-2018 together with graphs depicting the results for the revised targets for the 2019 year.

Rates affordability benchmarks

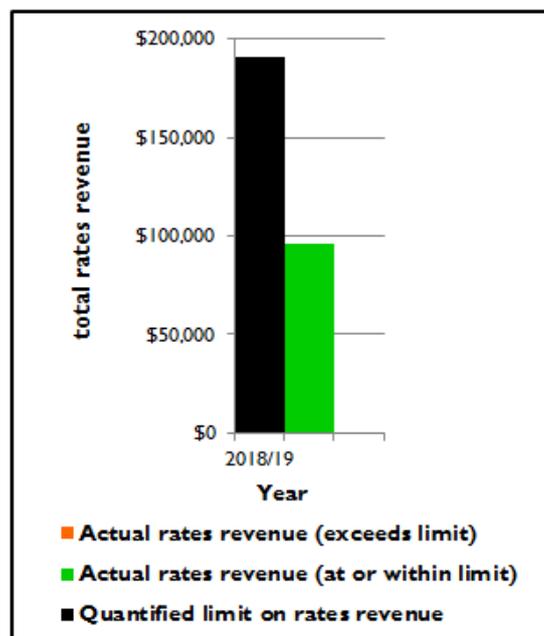
Council meets the rates affordability benchmarks if:

- its actual rates revenue equals or is less than each quantified limit on rates; and,
- its actual rates increases equal or are less than each quantified limit on rates increases.

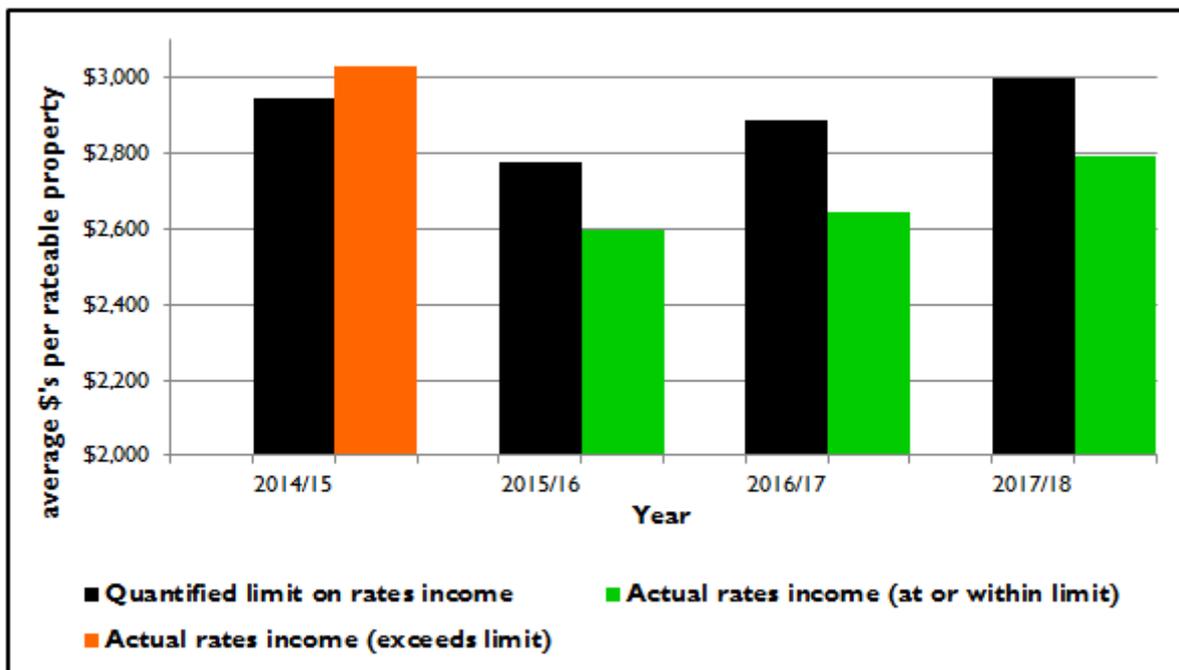
Rates (income) affordability

This graph compares Council's actual rates income with a quantified limit on rates contained in the financial strategy included in Council's 2018-28 long-term plan (pg 10).

The quantified limit for the current year is that total rates revenue in not to exceed 0.7% of the total capital value of the District (based on 2017 rating valuations and inclusive of GST).



The quantified limit on rates revenue contained in Council's 2015-2025 long-term plan was based on an amount per rateable property. That amount ranged from \$2,943 in 2015 to \$2,999 in 2018

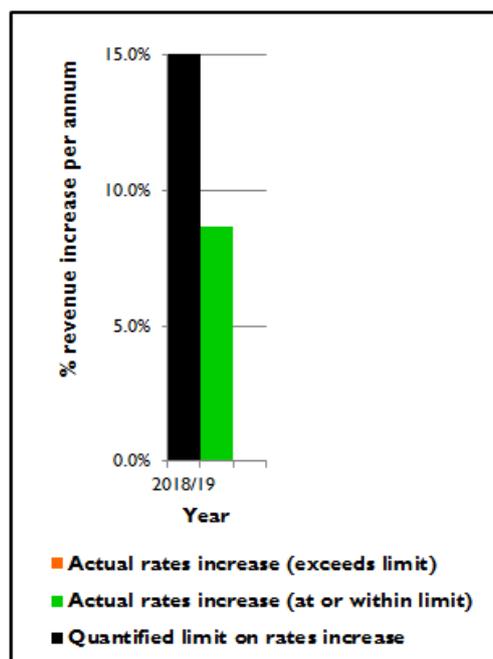


Rates (increases) affordability

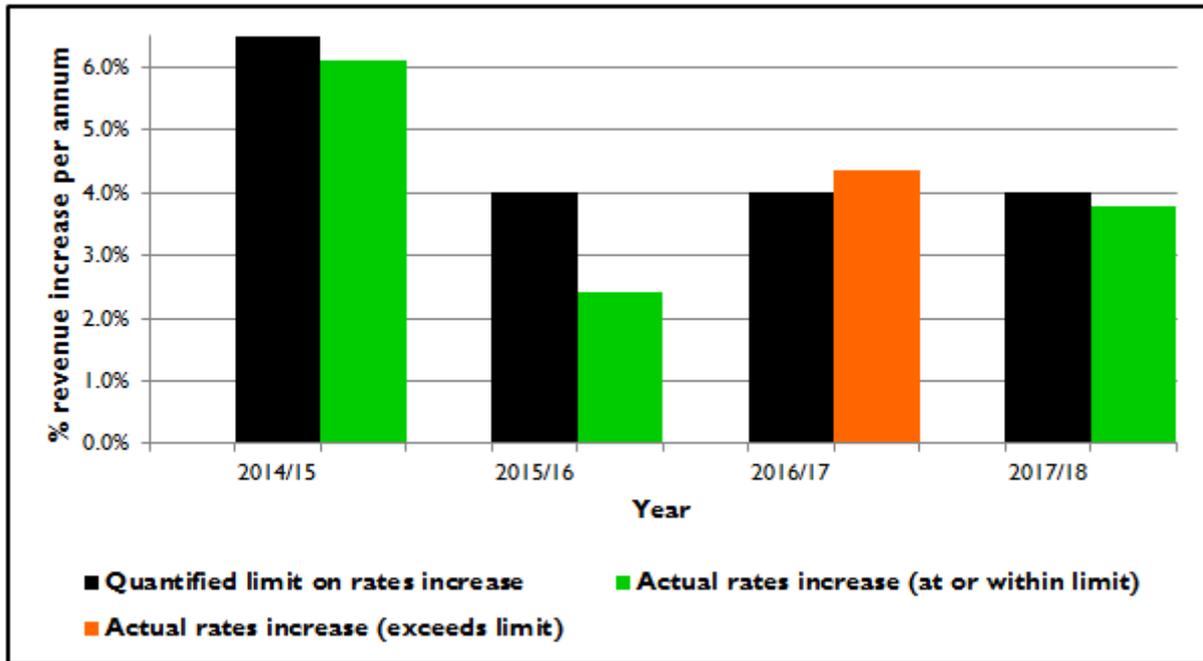
This graph compares Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in Council's 2018-28 long-term plan (pg 10).

The quantified limit on increases in rates is that average annual rate increases to existing ratepayers* are not to exceed 15 percent in the first three years, reducing to five percent per annum from 2022.

* Based on 2017 rating valuations.



Council's previous limit on rates increases was set at 4% per annum (measured cumulatively from 2015/2016).

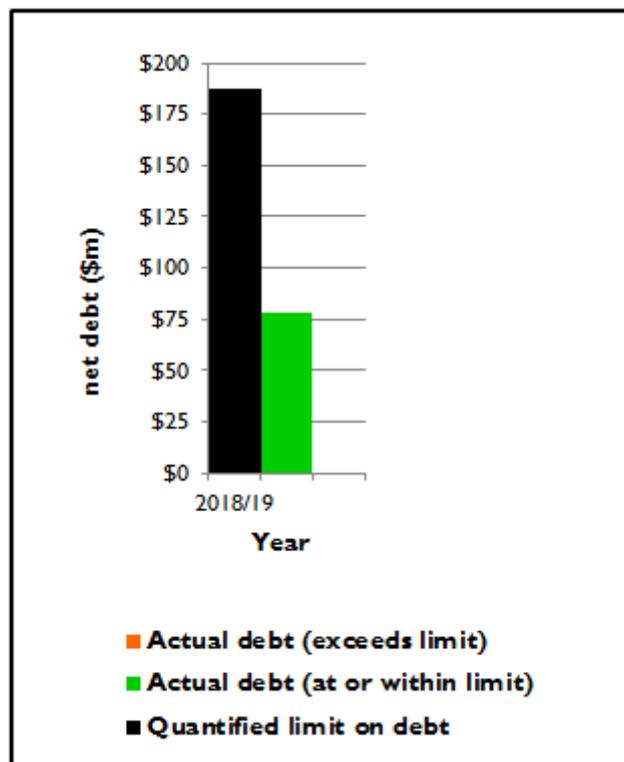


Debt affordability benchmark

This graph compares Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's 2018-28 long-term plan (pg 9).

The quantified limit on net debt¹ is that it does not exceed 150 percent of revenue².

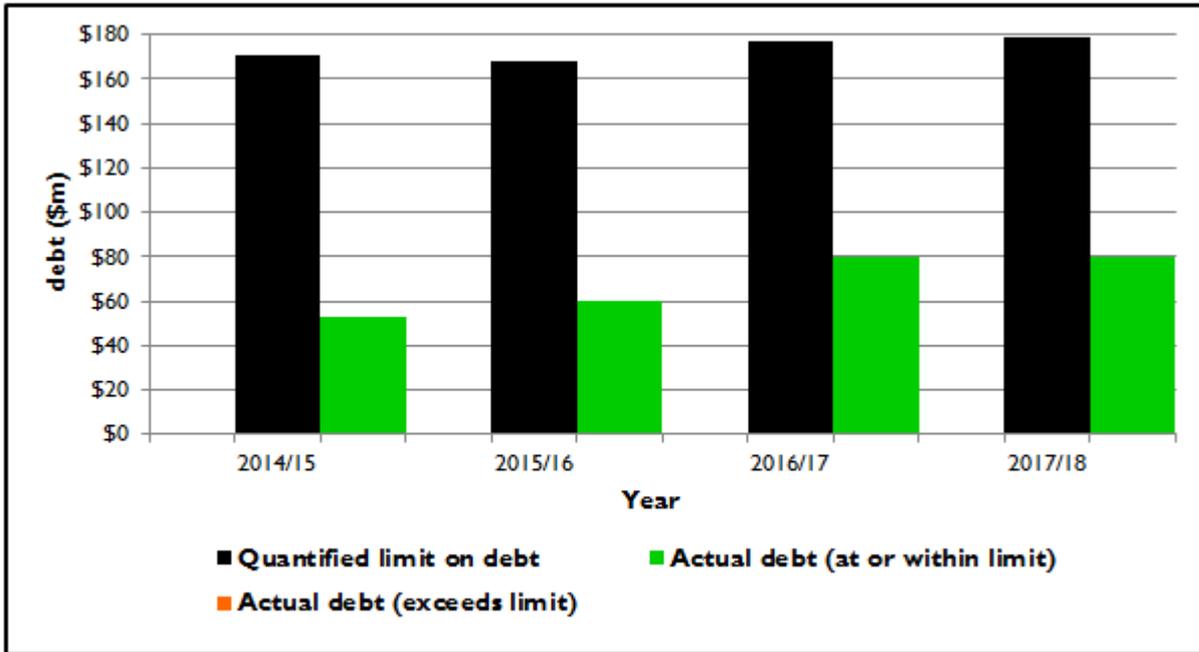
- 1 Net debt equals total external debt, net of borrower notes.
- 2 Revenue is net of developer contributions and vested assets.



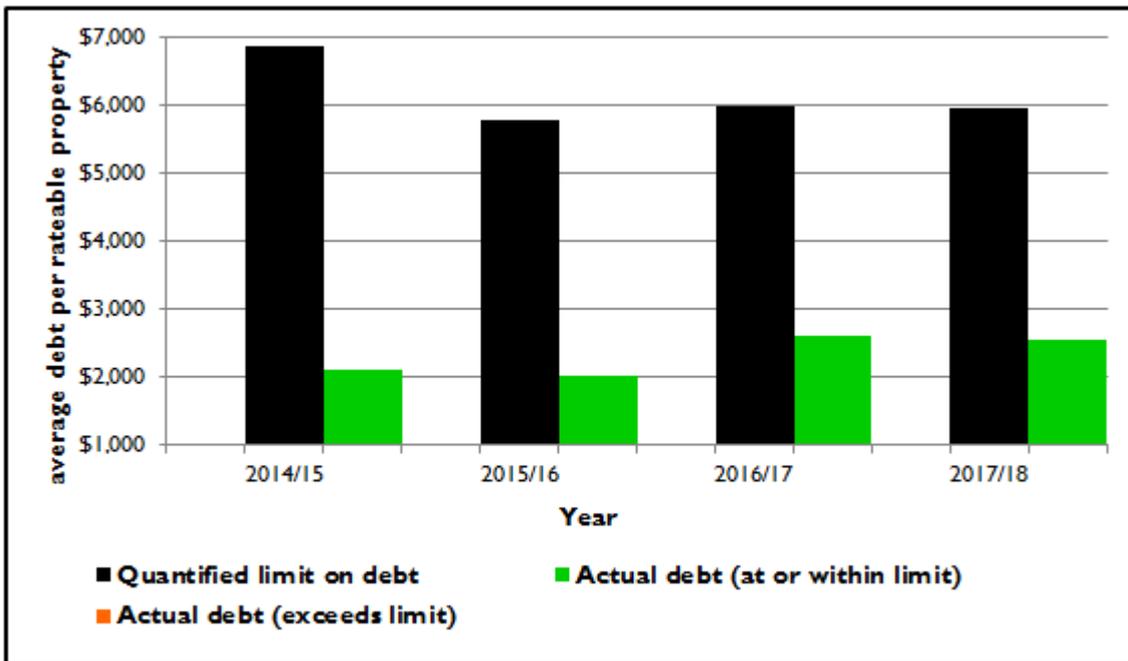
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Council's revised financial strategy only contains one debt limit but the previous strategy had two limits on net debt.

The first of the previous limits ranged from \$171m in 2015 to \$178.9m in 2018.



The previous strategy also limited the average net debt per dwelling. That limit ranged from \$6,872 in 2015 to \$5,957 in 2018.

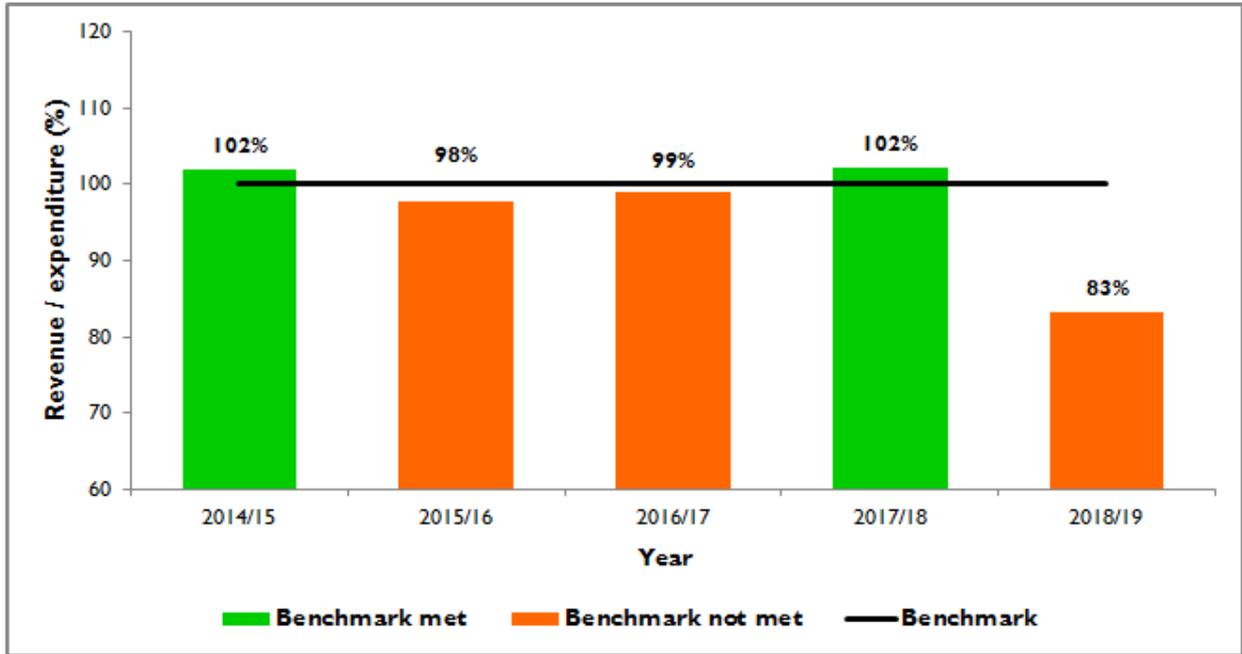


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Balanced budget benchmark

This graph displays Council's revenue (excluding development contributions; financial contributions; vested assets; gains on derivative financial instruments and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

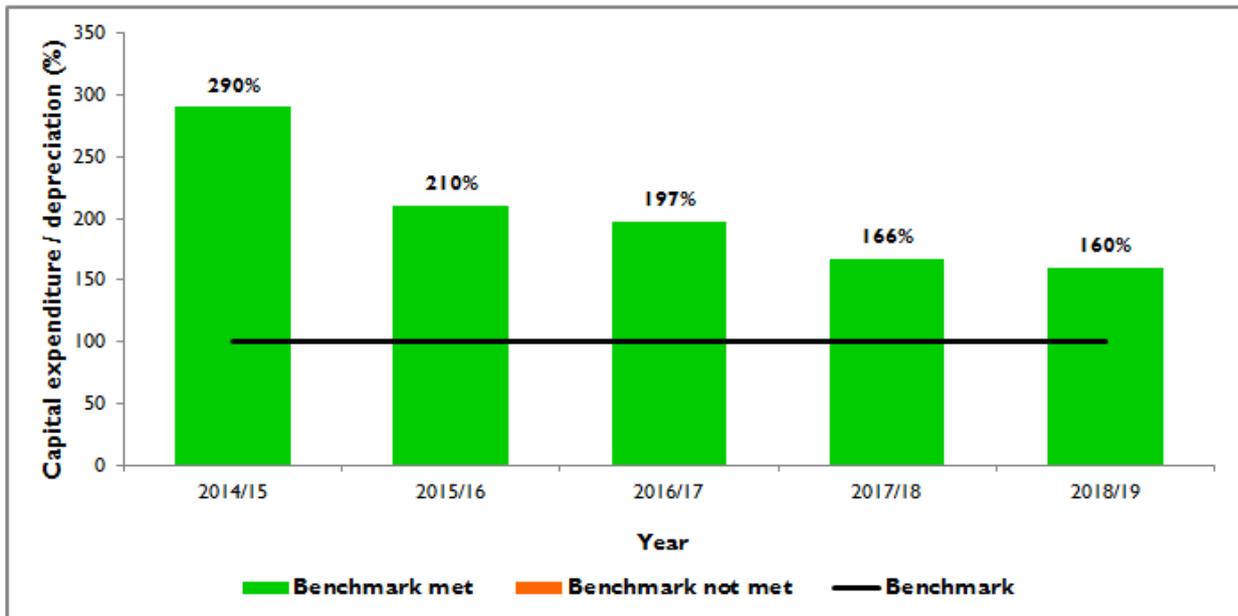
Council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential services benchmark

This graph displays Council's capital expenditure on network services as a proportion of depreciation on network services.

Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

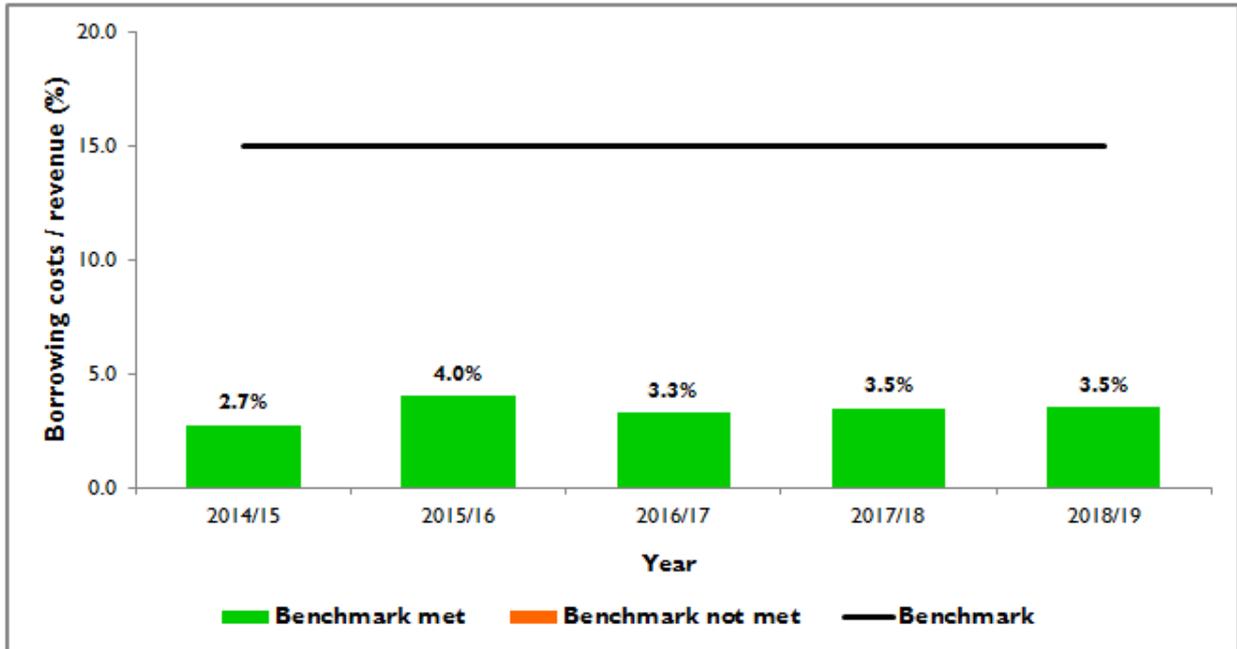


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Debt servicing benchmark

This graph displays Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property plant or equipment).

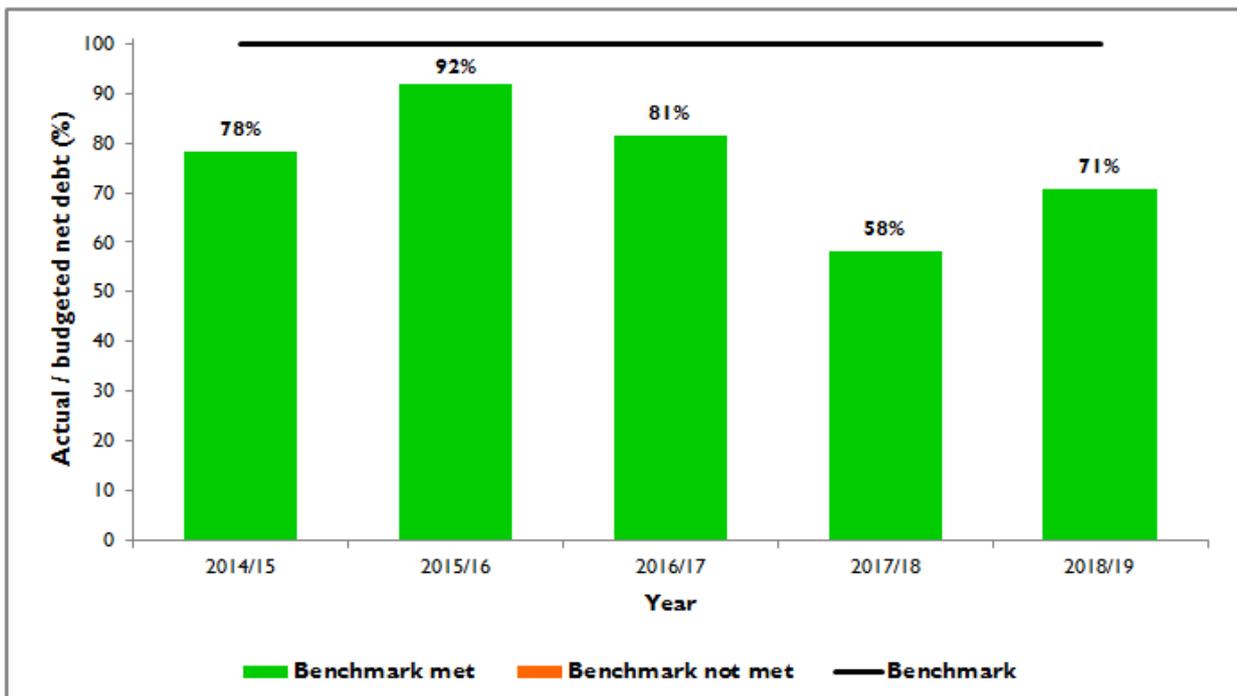
Because Statistics New Zealand projects that Council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its planned revenue.



Debt control benchmark

This graph displays Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

Council meets the debt control benchmark if its actual net debt equals or is less than planned net debt.

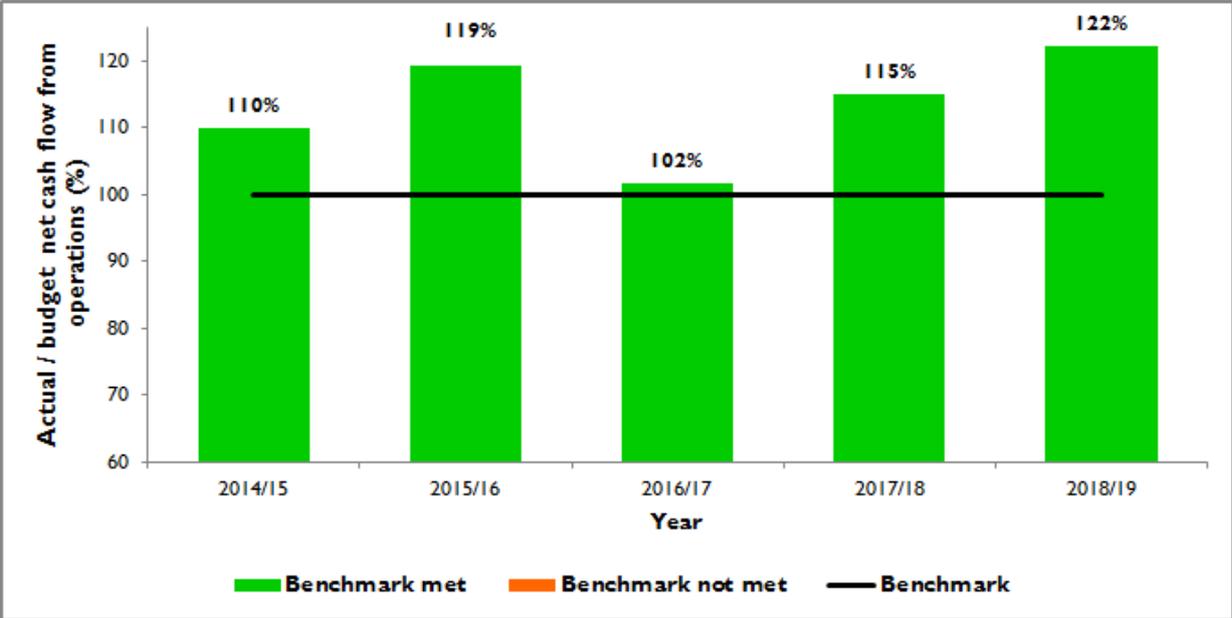


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Operations control benchmark

This graph displays Council’s actual net cash flow from operations as a proportion of its planned net cash flow from operations.

Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



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