

GROWING THE DISTRICT OUR JOURNEY SO FAR



ANNUAL REPORT 2016/17
Te Riipoata-a-tau

OUR VISION

To be a recognised leader in creating a district that prides itself on economic excellence, local participation and sustainable communities.

*Kia mohio whaanui te haapori i
too maatou oohanga pai rawa,
te piritata ki te haapori aa,
kia tupu kia hua.*



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*Tauaaki Tuutohu me
oona Takohanga*

OVERVIEW

TIROHANGA WHAANUI

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Who we are

THIS IS WAIKATO DISTRICT

WAIKATO IS HOME TO...

71,200
PEOPLE

(24.6% IDENTIFY
AS MAAORI)



203 NEW
NZ
CITIZENS IN 2016/17

14,750 DOGS



WE PROVIDE...

9,245,000

LITRES OF
DRINKING WATER A DAY

**54 PUBLIC
TOILETS**

12 
SKATEPARKS

**KERBSIDE
COLLECTIONS
OF 10,315
TONNES OF
REFUSE EACH YEAR**

51 
PLAYGROUNDS

3 **SWIMMING
POOLS**

WAIKATO SPANS...

OVER

445,000

**HECTARES
OF LAND**

IN 2016/17 WE SUPPORTED...

136

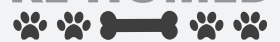
**COMMUNITY
GROUPS**



AND

241

**DOGS WERE
RE-HOMED**



WE MAINTAIN...

1,827KMS 
OF SEALED ROADS

227KMS
OF FOOTPATHS

601KMS 
**OF UNSEALED
ROADS**

51 **PARKS AND
RESERVES**  

35      
COMMUNITY HALLS

WE OPERATE...

6 **LIBRARIES THAT SERVICE**
19,984 LIBRARY MEMBERS



28 **WATER
RESERVOIRS**
**WITH A TOTAL
CAPACITY OF** **30,867m³**



**7 WATER TREATMENT
PLANTS WITH A TOTAL CAPACITY
OF** **19,206m³**
PER DAY



22
CEMETERIES

  **2** **ANIMAL
SHELTERS**

25 **DOG
EXERCISE AREAS**

FROM THE MAYOR AND CHIEF EXECUTIVE

Managing our rapid growth

Waikato District is now the third fastest-growing district in the country, and among the top eight growth councils in the country. We are issuing consents for new dwellings in numbers that rival Wellington, and our business and employment growth is higher than the national average.

Our focus in the past year has been on developing and maintaining the physical and social infrastructure that our growing communities need: to deliver roading, waste management and waters services in sustainable ways, to encourage economic development and employment opportunities, and to provide the facilities and resources that will support vibrant and resilient communities.

We have also been reviewing our district plan to set guidelines for future development, and we continued to work with our neighbouring councils and other agencies to reach common understandings over shared cross-boundary issues. We adopted the Waikato Plan, to guide regional development, shortly after the year under review. We updated our sub-regional Future Proof strategy to manage growth across Hamilton and Waikato and Waipa districts, and we developed a business case for integrated growth management in North Waikato.

Sustainable delivery of services

Following the October local body elections we have a Council that combines experience with fresh energy for the task, and we are determined to work with you to meet your expectations. Our customer satisfaction survey tells us that satisfaction with the services you received was 70% overall.

We made good progress in finding sustainable ways for maintaining and building our infrastructure to deliver the services we need to support an expected population growth of about 45 per cent over the next 30 years (from about 71,200 this year to 103,000 in 2045.)

Our Waikato District Alliance (with Downer NZ) set new records in efficiency and customer responsiveness for our roading and footpath maintenance services. The 2016/17 construction programme was delivered below budget, and response times to customer requests now average less than two days compared with six days before the Alliance was established.

We held informal discussions with Watercare Services Ltd and Waikato-Tainui to consider forming a separate company to manage our water and wastewater services.

A non-asset-owning Waters CCO (council-controlled organisation) with Hamilton City and Waipa District Council is another option arising from discussions last year, but we need to consider whether this offers the financial savings and other benefits that we hope to achieve.

Caring for our environment

Environmental sustainability was an important consideration in several initiatives.

We completed our district-wide water metering programme by installing meters in Raglan, Huntly and Ngaruawahia with an aim of encouraging conservation by our residents, and to help us to track, locate and fix water loss from the system.

The introduction of a user-pays system for all our kerbside waste collections, together with a 'Less Waste Saves More' educational campaign, were successful in reducing the amount of refuse we sent to landfill from our central and southern areas by more than 1,000 tonnes.

We decided to invest in upgrading our wastewater systems after spills closed Raglan Harbour three times in 2016, and an independent report outlined weaknesses in our networks. We kick-started improvements by investing \$1.76 million. Then, after consulting with the 11,000 ratepayers who pay for wastewater services, we adopted a plan to increase wastewater rates to broaden our works programme with a vision to protect our waterways and environmentally sensitive areas.

Economic development

In the interests of balanced growth and the provision of local employment opportunities, we rolled out key initiatives to attract new business to the district including a Freight and Logistics Prospectus, a Small Business Guide and the extension of a free business advisory service partnered by Waikato Innovation Park. We also worked with Hamilton & Waikato Tourism to develop a plan to build Raglan into a key regional tourist destination.

Our registration of interest for extended Government funding of broadband in our district bore fruit when it was announced eight Waikato townships would be included in the latest UFB rollout, and we were successful in winning \$37 million from the Government's Housing Infrastructure Fund to facilitate housing development in Te Kauwhata over the next decade.

Latest figures show the Waikato district attracted 183 new businesses and nearly 1,000 new jobs in the year to March 2016. Major developments included announcements that the country's second largest dairy processor, Open Country Dairy, is building a new plant at Horotiu, and that US-based Cobb Vantress plans to establish a \$58 million poultry farm and hatchery near Huntly.

Financial performance

We met our financial targets for the year. We set rates and debt levels that are affordable, but that also enable us to provide for the needs of our growing community.

Average rates per rateable property were \$2,622 for the 2016/17 year compared with a calculated affordability limit of \$2,888. Average debt per rateable property is \$2,617. This is 66 per cent below our debt servicing limit, offering capacity for funding services and facilities as needed for the future.

Building communities together

We want to involve you in decisions affecting the future of our district. We engaged with you on more than 30 major initiatives during the year from decisions on our wastewater services to implementing our Placemaking strategy, encouraging communities to reclaim their public spaces through artistic and cultural endeavours.

We reviewed our Joint Management Agreements for the Waikato and Waipa Rivers with Waikato-Tainui, and with Ngati Maniapoto, and we signed an MOU with Ngaati Haua Iwi Trust as part of a wider goal to recognise tangata whenua and their interests.

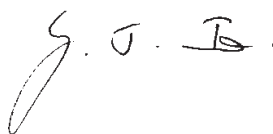
We nurtured youth leadership through a 'Govern Up' programme supporting youth action groups to tackle projects from planting fruit trees to running a health expo. We also supported youth employment initiatives from cadetships to driver training days.

We committed grants totalling more than \$750,000 on behalf of the Creative Communities Scheme Fund, the Waikato District Community Wellbeing Trust, and from targeted and discretionary Council funds, for distribution to 160 community groups and charities throughout the district to enable our communities to come together to meet some of their own needs.

We are proud of what we have achieved by working together to meet our district's present and future needs.



Allan Sanson
Mayor



Gavin Ion
Chief Executive

**"We are determined
to work with
you to meet your
expectations."**



OUR ROLE AND STRUCTURE

The Council is elected by the residents and ratepayers of the Waikato district. Thirteen Councillors are elected from within the 10 wards they represent. The Mayor is elected at large. The Councillors and the Mayor make the decisions affecting the communities across the whole district.

Wards

The district is divided into 10 wards as identified in the map opposite. They are: Awaroa ki Tuakau, Eureka, Hukanui-Waerenga, Huntly, Newcastle, Ngaruawahia, Onewhero-Te Akau, Raglan, Tamahere, and Whangamarino.

Community boards

Five community boards, whose members are elected within the board areas, deal with local issues within their areas. Community boards are established in Huntly, Ngaruawahia, Onewhero-Tuakau, Raglan and Taupiri.

Community committees and groups

By advocating on behalf of their local communities, voluntary community committees and groups play an important role within community decision-making. The Council works with them and the community boards so it can take into account local perspectives as part of its decision-making.

They include: Aka Aka, Eureka, Glen Afton/Pukemiro, Gordonton, Horsham Downs, Matangi, Meremere, Newstead, North East Waikato (including Mangatawhiri, Mangatangi and Maramarua), Pokeno, Port Waikato, Pukekawa, Rangiriri, Tamahere, Te Kauwhata, Te Kowhai, and Whatawhata.

Our Governance Structure



Mayor
2016/17
Allan Sanson



WHO WE ARE 2016/17

The Council



The Executive Team



Gavin Ion
Chief Executive



Sue Duignan
General Manager
Customer Support
(until June 2017)



Tim Harty
General Manager
Service Delivery



Tony Whittaker
General Manager
Strategy and Support

STATEMENT OF SERVICE PROVISION *TAUAAKI RATONGA WHAKARITENGA*

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STATEMENT OF SERVICE PROVISION

What we did

This Annual Report reviews our progress towards achieving what we set out to do in the second year of our 2015-2025 Long Term Plan. The Long Term Plan sets out our strategic direction for the next 10 years and is reviewed every three years. It establishes our community goals and outlines the work programmes we need to carry out to achieve the community outcomes identified.

Our work programmes and associated budgets are divided into eight groups of activities that contribute to the community outcomes we're seeking. Our community outcomes are encapsulated by the Council's guiding principles of People, Energy and Economy.

People

We will develop and maintain relationships and partnerships and provide accessible services, facilities and activities that create a supported, healthy, safe and engaged community.

Economy

We will promote sustainable growth, maintain accessible, safe and connected infrastructure and services, create an attractive business environment and provide sound financial governance.

Energy

We will provide active leadership, empowerment and collaboration in our business environment and we will effectively and sustainably manage natural resources.

Activity	Outcome		
	People	Economy	Energy
Governance	✓	✓	✓
Sustainable Communities - Customer and partnership focus - Economic development - Emergency management - Grants and donations - Parks and facilities	✓	✓	✓
Sustainable Environment - Animal control - Building quality - Environmental health - Strategic and district planning - Solid waste	✓	✓	✓
Roading	✓	✓	✓
Stormwater	✓	✓	✓
Wastewater	✓	✓	✓
Water Supply	✓	✓	✓
Organisational Support			

How we did

We have established performance measures for our work programmes to gauge our progress towards the community outcomes identified. In the following

pages, you'll see we have shown how we're doing against our performance measures. We've used the 'traffic light' system to indicate whether:



We've achieved



We're on track towards the target but haven't quite made it (within 5%)



We've not met the target (variance greater than 5%)

We conclude with a tabular presentation of our progress towards community outcomes on pages 48 to 51.

GOVERNANCE

What we did

Our new Council took office on 27 October after an election that drew a turnout of 30% of the district's 45,000 electors. Mayor Allan Sanson and seven councillors were re-elected and joined by six new councillors. Councillor Dynes Fulton was appointed Deputy Mayor.

Involved our communities in decision-making

Our goal, as a democratically-elected Council, is to involve you in the decisions that affect the future of our district.

We engaged with our communities on more than 30 initiatives, plans, strategies and bylaws during the year, from our Easter Trading Policy to our Annual Plan consultation on wastewater services, and from the development of our Natural Parks Reserve Management Plan to rolling out our Placemaking strategy to encourage communities to take 'ownership' of their public places.

We also began discussing the long term strategic direction for the district to set the framework for our next 10-year Long Term Plan on which we will seek your input in the next financial year.

We expanded our efforts to interact and consult with you through a range of media, surveys, public meetings and local market days, and we added to our range of online services and searchable databases. We attracted nearly 175,000 people to visit our website in the past year, and we have more than 6,000 followers on Facebook.

We supported youth leadership, activities and representation on our Community Boards and Committees through a youth 'Govern Up' programme, with funding from the Ministry of Social Development. We also recognised the outstanding contribution being made by community volunteers across the district in our biennial Mayoral Community Awards.

Monitored our performance

We continued to measure your response to our work through an independent customer satisfaction survey which involves weekly telephone polling. This tells us we are achieving 70% satisfaction overall with the services you received, but we need to work harder to engage with you on all the right issues.

We also monitored our performance to ensure we continue to provide an acceptable standard of

infrastructure, community services and facilities. We published our performance measurements on a quarterly basis.

Developed our regional partnerships

Through the Waikato Mayoral Forum we worked with other Waikato councils to develop a Waikato Plan to guide regional development in four priority areas: planning for population change, getting investment right, partnering with iwi/Māori, and addressing issues around the allocation and quality of fresh water. Following public consultation early in 2017, and a recommendation from the Forum's Joint Committee in June, we adopted the Waikato Plan shortly after the year under review.

Working with Hamilton City, Waipa District and Waikato Regional Councils, tangata whenua and NZ Transport Agency representatives, we updated our sub-regional Future Proof strategy to manage growth while addressing complex cross-boundary issues. The first phase of this update, designed to establish an agreed 'settlement pattern' over the next 30 years, was released for public feedback in June.

We also worked with Auckland Council, NZ Transport Agency and other key parties in North Waikato to develop a business case for integrated growth management to ensure future growth is supported by the infrastructure needed.

Maintained iwi partnerships

A five-year review of the Joint Management Agreements for the Waikato and Waipa Rivers, including Waikato-Tainui, Ngāti Maniapoto and other council signatories, was completed in late 2016 in line with statutory requirements. Arising from the review are a number of recommendations that the Council will be working with iwi and other local authorities to implement.

In early 2017 we signed an MOU with the Ngaati Haua Iwi Trust as part of a wider goal to recognise tangata whenua and their interests, and we entered discussions to develop an MOU with Mai Uenuku ki te Whenua Trust.

Engagement with iwi on resource consents, council planning documents and community projects occurred regularly as required, and we progressed efforts to upskill and inform council staff on protocol and other "kaupapa Māori" to ensure that we continue to 'do the right thing'.

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
Satisfaction of residents that they were able to contact their councillor as and when required.	76%	100%	83%		Contact details for councillors are available on our website, through our call centre and in our Link newsletter. Some councillors write regular newspaper columns with their contact details provided. Councillors also attend many community meetings.
Number of upheld objections/appeals lodged against election process.	0	0	0		Target met.
Number of joint committee meetings held per annum.	1 Waikato-Tainui, 1 Maniapoto	2 Waikato-Tainui, 2 Maniapoto	2 Waikato-Tainui, 2 Maniapoto		Target met.
Number of identified or notified breaches/objections under Joint Management Agreements, MOU's and MOA's.	0	0	0		Target met.
Number of formal governance hui held between the Council and iwi/hapuu groups.	4	Minimum of 3	7		Target met.
Percentage of minutes of all open meetings that are made publicly available via the Council's website.	100%	100%	100%		Target met.
Percentage of Council decisions that comply with statutory requirements.	100%	100%	100%		Target met.

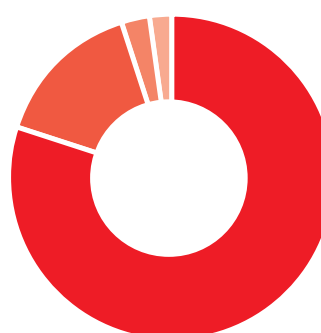
What this tells us

Your feedback through our regular customer satisfaction survey is giving us the information we need to improve the way we work with you. We have not met all our targets for the year overall, but we are making positive progress in working with you to ensure our district continues to develop as an attractive place to live and work.

- *There are no potential significant negative effects associated with this activity.*

How we paid for it

Operational funding



80%	General rates
15%	Internal charges recovered
3%	Local authorities fuel tax, fines, infringement fees and other receipts
2%	Targeted rates

SUSTAINABLE COMMUNITIES

This group of activities includes economic development, grants and donations, parks and facilities, emergency management, and customer and partnership focus. We provide these services to address social and economic wellbeing to support the development of 'communities' and not just discrete sets of towns and villages. It's about the provision of leisure options and the protection of enduring communities.

Our strategic focus is to support economic growth rather than spatial growth, and to enrich our communities through employment and improved quality of life rather than simply encouraging population growth.

Customer and partnership focus

We want to make it easy for you to contact us about issues and questions regarding the services we provide. Key contact points include staff in our libraries and service centres, and our call centre. In order for our customer to feel supported outside of normal working hours, an after-hours service is provided by Hamilton City Council.

Economic development

We are continually providing infrastructure to support businesses and residents, and updating the district plan to attract industry to our district, along with many other initiatives. The goal is to ensure our district has longevity by bringing more employment opportunities. The unit leads, supports and co-ordinates economic development activities, plans and initiatives across the district's growth nodes to help build a local environment that attracts and sustains new and existing business investment, residential development and visitor experiences.

Emergency management

Public safety and emergency management activities are fundamental to the protection of life and property in the community. We have a key role in disaster and emergency response, management and recovery, including rural fire management.

Grants and donations

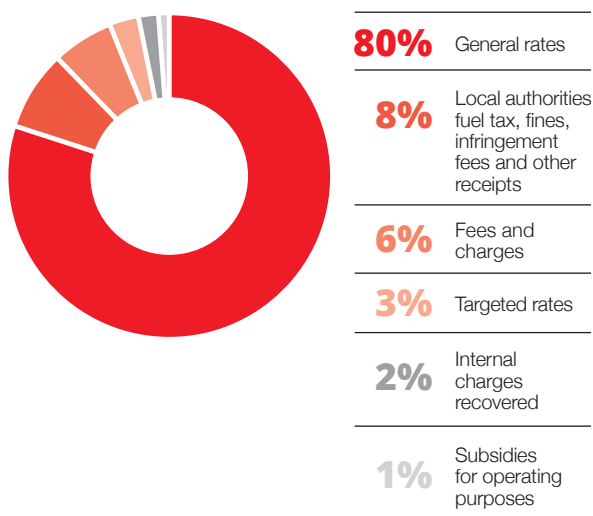
Every year we provide grants and donations to various organisations and charities throughout the district, which otherwise might not have access to funding for their work.

Parks and facilities

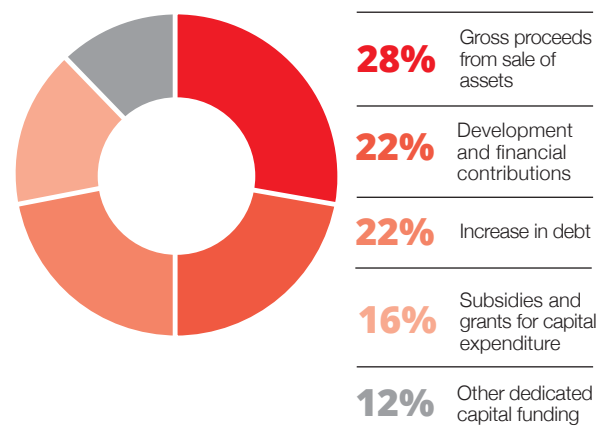
We provide many parks and open spaces, playgrounds and public facilities, including aquatic centres and libraries, walkways and sports grounds. Providing these facilities and amenities supports a healthy and thriving community.

How we paid for it

Operational funding



Capital funding



Customer and partnership focus

What we did

Customer satisfaction survey

To help improve our customer focus we continued to commission the National Research Bureau to undertake a customer satisfaction survey by means of randomised telephone polling throughout the year. Overall 70% of respondents were satisfied or very satisfied with the service received from the Council. Detailed feedback ranged from 41 per cent satisfaction with our stormwater services (although in this area 47% of respondents were either neutral or had no opinion) to 92 per cent satisfaction with the district's parks and reserves, including sports fields and playgrounds, and 90 per cent satisfaction with the quality of our library services.

Staff responsiveness

We undertook quality assurance coaching for our call centre staff on a regular basis to review call handling and how our approach could be improved.

We exceeded targets for the timeliness of our response to customers' service requests and 68% of survey respondents said it took little or no effort to conduct business with the Council.

Satisfaction with the resolution of requests was 62 per cent overall despite exceeding targets in some quarters.

Customer engagement

We engaged with our communities on more than 30 initiatives, plans, strategies and bylaws during the year, from our Easter Trading Policy to our Annual Plan consultation on wastewater services, and from the development of our Natural Parks Reserve Management Plan to rolling out our Placemaking strategy by working with community groups district-wide.

To complement our formal consultation and engagement processes we undertook electronic and print communications and surveys, ran public meetings and market day stands, and sought your feedback through social media.

Our online customer engagement continued to rise as we expanded our online services and lifted our social media engagement. Compared with 2015/16 there was an 11 per cent increase in website visits during 2016/17, an 18 per cent rise in website users (to nearly 174,500 unique visitors during the year) and an 8 per cent increase in new users. Traffic coming to the website via social media has continued to rise (up 29 per cent) accompanied by a growing trend for visitors to view the website via mobile phones (up 55 per cent).

A new 'placemaking' programme led by Council staff is encouraging communities to come together to reclaim their public spaces through artistic and cultural endeavours. Two projects were notable in winning wide engagement and placed the Council as a finalist for a Local Government NZ award: an ANZAC poppy tree 'yarn bombing' project, and an ongoing 'little libraries' book exchange project.









Youth engagement is another key initiative. With Ministry of Social Development funding we have established and worked with eight youth action groups on projects of their own choosing.






Library services

Our libraries are an important focus for community activity, hosting community group meetings as well as regular reading programmes and other learning opportunities. Our Springtime reading programme welcomed 200 participants this year, our Matariki creative writing and design competitions attracted more than 600 entries, and movie night during Love Your Library week proved popular in February.

We refurbished our Huntly library this year with a focus on reflecting our local heritage and creating a safe hub for community activities, and we extended our library opening hours in Huntly and Te Kauwhata in line with our other libraries in the district. Following the refurbishment the Huntly library became a cash-free site, but with a full range of non-cash payment options including online banking via the library's free wi-fi.

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
Percentage of customers satisfied that the Council engages with the community regarding the right issues.	41%	60%	45%		The result has improved, but does not reflect the amount of community engagement undertaken in 2016/17. We engaged the community on all issues we believed were of interest to the community. The recent targeted engagement on the Annual Plan is a good example.
Percentage of customers satisfied with the ease of access to information regarding key community issues.	46%	60%	52%		We improved the result through continued efforts to provide information to the community through various means (e.g. website, social media, the Link newsletter, community open days, letter drops and counter pamphlets). Staff are also always on hand to address any requests for information.
Percentage of customers satisfied that the material available on key issues is clear and provides sufficient information to allow feedback.	42%	60%	49%		We improved the result and will continue with our efforts in this area. Our Communications team helps with the review and layout of information provided to the public. Complex issues are always simplified for the purpose of ease of understanding by our community without detracting from legislative requirements.
Percentage of customers satisfied that council provides a suitable range of options and avenues to engage through.	50%	60%	49%		Councillors and staff made strong efforts to use a range of tools to engage our community on Council issues. It's hard to ascertain why the result is falling short.
Percentage of customers satisfied that Council provides sufficient time and opportunity for engagement with the community.	47%	60%	55%		This result has improved and we will continue to work for more improvement. One month is a standard timeframe used to engage the community on a particular issue however if timeframes are tight, no less than 3 weeks is allowed to receive feedback from the community.
Average level of effort to conduct business with council. On a scale of 1 – 5 (5 being high effort) how much effort did it take to conduct your business with the Council?	2.6	Less than or equal to 3	2.25		Target met.
Percentage of CRM calls responded to within agreed timeframes.	93%	85%	90%		Target met.
Percentage of respondents/ customers who are satisfied or very satisfied with the resolution of their request of the Council.	59%	70%	62%		We cannot always provide the outcome that our customers are seeking, but there has been a concerted effort to improve communication and clarity in setting customer expectations. Although we did not reach our target, the 3% improvement on last year's result endorses the effort and direction towards making business as simple as possible for our customers.

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
Percentage of respondents who are satisfied or very satisfied with the overall service received when contacting the Council.	66%	75%	70%		All staff focused on our effort to simplify the customer experience and to represent council professionally so it is likely this behaviour is helping to improve our customers' perception of our service. The organisation knows the importance of making every interaction count. A 4% increase on last years result supports the positive changes staff continually endeavour to make.
Net Promoter Score (level of likelihood that library users will recommend to friends and family their library as a place to go).	93%	80%	92%		Target met.
Level of customer satisfaction that the quality of library resources meets their needs.	93%	90%	90%		Target met.
Percentage of books that are less than five years old.	69%	50%	68%		We undertook a project to check the condition of our collection, and many items had to be removed or replaced due to damage.
Percentage of books that are less than 10 years old (excluding reference, specialist items, local history and core stock of long term value).	93%	100%	95%		The reporting software does not easily identify reference material and stock of long term value and it's assumed some of this stock is being included in the main collection reporting. The improved result is a reflection of the hard work that has been made by all of the Customer Delivery team to ensure that our Library collections are relevant and meeting the needs of our communities.
Percentage of time that access to a free internet service is available in libraries.	98%	100%	100%		Target met.
Number of publicly shared reports assessing Council's progress against its goals and objectives.	4	4	4		Target met.

What this tells us

A strong focus on the ways in which we engage with our communities on key issues has seen customer satisfaction levels rise. We will continue to strive to meet our targets in this area. We engaged with our communities on more than 30 major initiatives through the year, and survey results varied through

the year depending on the issues at hand and the level of perceived engagement activity. Overall there were high 'neutral' response rates and relatively low dissatisfaction scores on questions relating to community engagement, so some 'low satisfaction' results may be misleading.

Potential significant negative effects

Potential negative effect	How we are addressing this
Damaged library items.	Repaired as condition assessed during the issuing or receipting process, or discarded in accordance with the collections policy.
Inappropriate books/magazines/material in the collection (such as adult material, or offensive to cultures, religion, or in general).	Items are acquired in accordance with the collections policy and catalogued as per the nature of the material.

Economic development

What we did

Strategy

In line with our Economic Development Plan and implementation strategy we continued a programme to support growth in areas of identified economic strength, including primary and food industries, energy, freight and logistic industries, and in identified growth industries, notably tourism.

Regional approach

We collaborated with our regional partners through the Waikato Mayoral Forum to support the development of 'The Waikato Story', a toolkit of digital resources to support business growth through a strong, consistent profile for the region.

We worked with Hamilton & Waikato Tourism to develop a Raglan Destination Action Plan and a destination tourism operators' network to build Raglan into a key destination for the region. We also led the compilation of a Raglan Visitor Infrastructure Report to identify the challenges in providing for surges in visitor numbers that reach 40,000 a day or more during peak holiday periods in the small (estimated 5,000 population) township.

Local initiatives

We appointed a marketing officer to help roll out key initiatives under the 'Explore the Open Waikato District' brand to attract new business to the district. These included a Freight and Logistics Prospectus,

a Small Business Guide, and the extension of a free business advisory service established in North Waikato in partnership with Waikato Innovation Park to both Raglan and Huntly.

We reviewed the support processes that the Council offers to large development projects to ensure a business-friendly, streamlined approach. We also sponsored a youth employment scheme to strengthen relationships between Waikato secondary schools and local employers.

With a growing suite of digital resources for business users, the 'Open Waikato' website attracted nearly 9,000 visitors and generated 145 business-related enquiries.

Highlights

Business development

Latest figures show the Waikato District attracted 183 new businesses and nearly 1,000 new jobs in the year to March 2016, posting an annual employment growth of 4.6 per cent (well ahead of national employment growth of 2.7 per cent) and a 2.2 per cent growth in new businesses (compared with 1.6 per cent across New Zealand).

Major developments included announcements that the country's second largest dairy processor, Open Country Dairy, is building a new plant at Horotiu for the start of the 2018-19 milking season, and that US-based Cobb Vantress Inc has gained Overseas

Investment Office approval to establish a \$58 million poultry farm and hatchery on 149 hectares at Rotongaro just outside Huntly.

Business park developments in Horotiu and Pokeno are filling fast with 42% of the 109-hectare development at Horotiu now sold and Pokeno well underway.

Tourism spending in the District jumped 17% to \$112 million in the year to March 2017 compared with an 8.3% rise to \$25,988 million of tourism spending in New Zealand overall.

Housing Infrastructure Fund






We were successful in winning \$37 million from the Government's Housing Infrastructure Fund to facilitate

development in Te Kauwhata over the next decade with infrastructure that will better protect the local environment. Our plans include options to integrate Te Kauwhata's wastewater scheme with a larger neighbouring scheme in order to remove all municipal wastewater discharge from the Lake Waikare and Whangamarino wetlands area.

Ultrafast broadband (UFB)

Our Registration of Interest (ROI) for extended Government funding of broadband in our district bore fruit this year. Eight Waikato district towns are included in the latest UFB rollout including Tuakau, Te Kauwhata, Huntly, Taupiri, Ngaruawahia, Horotiu, Whatawhata and Raglan.

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
Net Promoter Score (level of likelihood that business owners will recommend WDC as a district to do business in).	+6 (A positive shift of 14 percentage points from -8.0)	20% increase on previous year	+12 (100% increase)		Respondents in the business perception survey rated the Waikato district 8.7 out of 10 as a place to do business (up from 8.6 last year), and we achieved a Net Promoter Score of 12 (up from 6 last year).
The percentage increase in number of business units in the Waikato District. (Same or higher than New Zealand growth rate in number of business units).	2.2%	District growth rate is = or higher than NZ growth rate	2.2%		Growth in the Waikato district exceeded the national average of 1.6%. The district now has 8,691 business units.
Percentage increase in number of enquiries generated through the Open Waikato website.	109%	20%	116%		There were 145 enquiries via Open Waikato channels over the 2016/17 year, with the primary generator being bookings for the Waikato Innovation Park business service held in Raglan, Tuakau and Huntly. We more than doubled the number of enquiries we received last year (67).
Measureable tourism expenditure in \$.	\$85m	\$99m	\$112m		Total tourism expenditure for Waikato District to March 2017 was \$112m. This reflects a 17% increase in spend, compared to a national average of 8.3% for the same period.
The percentage of the Economic Development strategic work programme delivered.	93%	90%	100%		In addition to the successful delivery of the economic development strategy work programme, the economic development team has also successfully led or supported the following strategic projects: applications to the regional mid-sized tourism infrastructure fund (x2), application to \$1B Housing Infrastructure Fund, a sub-regional Council's Business Friendliness Survey, and organisational development and marketing initiatives.

What this tells us

Business and employment growth are supported by a fast-growing population which fuelled a 10% growth in building consents in the March 2017 year, and saw Waikato district overtake Wellington for that period to become the fourth highest-growth area in the North Island (after Auckland, Hamilton and Tauranga) and seventh overall in New Zealand.

Our continuing rate of household growth is tipped to mirror that of Auckland, albeit on a smaller scale, so we are working with neighbouring Councils and transport agencies to ensure we can support this growth with the infrastructure that will be needed in the next 30 years, while taking care to ensure that our urban developments do not put our economic base of prime agricultural and horticultural land at risk.

A matching growth in demand for Council services means we are continuing to focus on improving our overall customer service and community engagement processes.

Waikato district's reputation as a place to do business is increasing according to the six-monthly business perception surveys we've commissioned. In March 2017 respondents rated the district as 8.7 out of 10 as a place where business owners would recommend a colleague or friend do business. The 'net promoter score' for our district - which measures advocates versus detractors - rose to +12 this year compared with +6.0 last year.

- *There are no potential significant negative effects associated with this activity.*

Emergency management

What we did

Integrated incidence preparedness

This year we have further developed an integrated approach to risk, incident and emergency management.

The frameworks developed are designed to align our approach to business continuity with our Civil Defence and Emergency Management so that we follow the same principles for each, but simply scale our response appropriately. A redeveloped risk management framework will contribute to a business-as-usual approach to risk reduction and preparedness within the organisation as a whole. Central to the concept is the appointment of an Incident Management Team and the development of processes to help guide our response.

Ongoing Civil Defence and Emergency Management (CDEM) training means we have a large cohort of staff capable of forming teams to operate and support the district's Emergency Operations Centre (EOC). We took part in the Ministry of Civil Defence and Emergency Management's national simulated tsunami exercise, Operation Tangaroa, in September and the 'Get Ready Get Thru' public campaign in October.

Emergency management in action

We responded successfully to several incidents and emergencies during the year. In November we trucked more than 3 million litres of drinking water to the Raglan community for a week, after the Kaikoura earthquake disturbed the clarity of the spring water feeding the township's water reservoirs. In March and April we managed a series of floods and road closures, established emergency shelter for residents and coordinated recovery efforts, as a result of three severe weather systems that struck New Zealand.

These proved to be good tests of our local community response plans and galvanised our communities to work with us to develop more. We now have four fully-operable local community response plans and seven more in development.





Our business resilience response and recovery was also tested by a computer malware attack that we managed successfully.

Audit

An independent audit of our Civil Defence Emergency Management (CDEM) function praised the Council's capabilities in relation to its small size saying, "Waikato District Council has a unique culture and commitment to CDEM that most other local authorities would be envious of."

We continued to maintain good working relationships with local emergency services, the Waikato District Health Board, NZ Red Cross, local Lions groups and the Ministry of Social Development, who are key partners in an emergency and recovery.

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
The percentage of community response plans completed.	13%	30%	13%		We currently have seven plans at different stages of development around the district. Staff have been working with communities to develop their community response plans however it is up to the communities to complete these plans with the support of staff.
Council maintains a minimum number of trained staff to fulfil core Emergency Operations Centre roles.	103 staff trained	30 staff trained	120 staff trained		Civil Defence Emergency Management training is offered to all our staff and there is a high take-up.
Percentage of Council's business continuity processes implemented.	100%	100%	80%		Critical business processes have been captured. A full review of business continuity processes was not undertaken during final quarter due to prioritisation of resources. This will now be undertaken during the first half of the new financial year.
Council manages local participation in the national Get Ready, Get Thru campaign annually.	100%	100%	100%		Target met.

- *There are no potential significant negative effects identified with this activity.*

Grants and donations

What we did

Local groups supported

We supported the work of 160 organisations and charities throughout the district this year with grants and donations from Council-owned or administered funds.

From Council-owned funds (see table) we committed more than \$610,000 for distribution to 136 local groups. Of this the largest single amount was \$150,000 to support the work of Hamilton and Waikato Tourism, and this is already paying dividends in joint research and planning work to underpin our growing tourist industry sector in Raglan.

We also spent the balance of \$600,000 committed in 2015/16 for completing the northern section of Te Awa – Great New Zealand River Ride. (This was transferred to our roading team and so is not reflected in the table). We expect to celebrate the completion of this project early in the new financial year.

On behalf of the Creative Communities Scheme Fund we distributed \$48,441 to benefit 17 local groups, and the work of seven more groups benefited from \$88,250 we distributed on behalf of an independent trust we administer, the Waikato District Community Wellbeing Trust (see page 58).

Council funds committed

Council funds committed for distribution (see table) included \$354,000 for 22 local groups and projects as a result of Long Term Plan pledges. A further \$257,600 of discretionary grants and other funding was committed for distribution to 114 local groups during the year through applications processes managed by Council committees and Community Boards.

One initiative we supported from our Rural Ward fund was the installation of a new water fountain feature for the Woodlands Historic Homestead and Garden Estate to enhance this popular heritage destination in our district. Established in the 1870s, the Estate's gardens have been awarded a 5 star Garden of National Significance rating by the New Zealand Garden Trust.



Among the first projects to be funded through the Council's new Heritage Project Fund this year were signs depicting the heritage of Raglan and Te Kowhai, and restoration work on the exterior of the Tuakau Museum.

Description	Annual Plan 2016/17 Committed \$	Amount Paid 2016/17 \$
Twin Arts Information Centre	5,000	5,000
Raglan Museum	20,000	20,000
Waikato District Sports Award	5,000	5,000
Life Education Trust	5,000	5,000
Ecosourced Waikato in the District	2,000	2,000
Waikato district crime prevention	10,000	-
Bush Tramway	1,000	1,000
Te Akau Community	7,000	7,000
Te Otamanui Lagoon	25,000	25,000
Tamahere Community Committee	4,000	2,714
Hamilton & Waikato Tourism	150,000	150,000
Tuakau and District Museum Society Inc.	10,000	10,000
Onewhero Old School Building	10,000	-

Description	Annual Plan 2016/17 Committed \$	Amount Paid 2016/17 \$
North Waikato Transport Trust	2,000	2,000
Waikato district lakes	20,000	-
Para Kore	5,000	5,000
Karioitahi Hall	2,906	2,906
Te Kauwhata & Districts Information and Support Centre	10,000	10,000
Waikato Coalfields Museum	50,000	50,000
Waikato Biodiversity Forum	3,000	3,000
Franklin Tourism	2,500	2,500
Matariki Festival	5,000	1,692
Sub-total of Annual Plan 2015/16 commitments	354,406	309,812
A total of 114 other groups benefited from:		
Heritage assistance fund	19,029	95,377*
Conservation Fund Grants	30,750	4,099
Heritage project fund	40,000	3,381
Discretionary Grants	167,795	204,224*
Total Council funds committed 2016-2017	611,980	616,893

* Includes funds committed in 2015/16.

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
Number of discretionary grant funding rounds undertaken per year.	4	4	4		Target met.
The percentage of community funding/grant recipients meeting grant obligations, as evidenced through accountability reports.	90%	100%	100%		Target met.

- There are no potential significant negative effects associated with this activity.

Parks and facilities

What we did

District wide

We continued to develop and update our key Parks and Facilities strategies including plans for our playgrounds, halls, toilets and trails (encompassing the district's walkways, cycle ways and bridleways). These strategies provide a framework for maintaining and improving our district's key assets by outlining priority works, timeframes and budgets required.

Two significant new contracts to manage our aquatic facilities and to maintain our parks and open spaces commenced in August last year. Both have produced good results to date.

Since we appointed Belgravia Leisure Ltd to operate our summer pools in Ngaruawahia and Tuakau and our all-season Huntly Aquatic Centre there has been a 72% increase in learn to swim numbers, a 71% increase in gym memberships and a 32% increase in overall use of our facilities.

We have also had a significant improvement in our parks audit results, especially with our gardens and turf maintenance areas, since City Care Ltd began maintaining all our open spaces including our sportsgrounds, playgrounds and cemeteries.

Central Waikato

Detailed designs were completed for the Tamahere Recreation Reserve (which will include a piazza, playground, skate park, basketball half court and sports ground with a cricket pitch), and all preliminary earthworks were undertaken and storm water treatments installed.

A new skate park was completed at Te Kauwhata to form part of the popular Te Kauwhata Village Green and to complement the attractions there for the community and visitors.

A new playground at Te Kowhai Village Green Reserve, completed in July last year, has set a new standard for playground design throughout the district with a combination of five different play stations in one, winning good reviews from the community.

We completed the first of a four-year Lake Rotokauri restoration programme including fencing boundaries and planting native species. This four-year programme is supported with nearly \$400,000 in funding from the Waikato River Authority.

North Waikato











The Meremere skate park was upgraded and a well-patronised opening day held in December last year.

The Onewhero Domain has been improved for community use with a new playground and a new toilet block attached to the local rugby club.

Raglan area

Te Kopua Playground was upgraded with new attractions including a spinner, rope bridge, modular unit and seesaws to complement existing playground equipment in the Kopua park area.

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
Percentage of customers who are satisfied with Parks and Reserves, including sports fields and playgrounds overall.	90%	85%	92%		Target met.
Percentage of interments completed within the requested timeframe.	100%	95%	100%		Target met.
Percentage progress of the Playground Strategy implementation plan.	100%	90%	100%		Target met.
Percentage of customers who are satisfied with public toilets in the annual satisfaction survey.	73%	75%	74%		We improved our performance from the previous year and will continue to strive to meet this target.
Percentage of natural areas (categorised in parks strategy) which have had restoration efforts undertaken.	4%	4%	7%		Target met.
Percentage of buildings that require a warrant of fitness and that comply with it.	100%	100%	100%		Target met.
Percentage of time that pool water meets the NZS5826 Part 1 Water Standards: 2000 Code of Practice for the operation of swimming pools.	95%	95%	90%		Non compliance of the water standards occurred at the beginning of the new contract. Issues that were identified as a result of non compliance have been addressed.
Percentage of customers who are satisfied with the pool facility.	86%	85%	91%		Target met.
Percentage of satisfied customers as per the Council 'Housing for the Elderly' survey.	75%	72%	92%		Target met.
Total annual energy consumption.	8% increase on previous year	1.5% reduction on previous year	2.5% increase		Energy use increased primarily due to water and wastewater treatment plant requirements, and some temporary operational requirements at the Huntly Aquatic Centre. However, the dollar value has decreased by 6.5% due to the All of Government Contract which started on 1 July 2016.

Potential significant negative effects

Potential negative effect	How we are addressing this
Disability access to facilities.	Development of the disabilities access policy. Design and maneuverability for wheelchair access, or mobility scooter. New facilities to be designed in accordance with the Hamilton City Council development manual.
Noise and disorderly behaviour issues from events at reserves, and general use of reserves.	Events managed in line with the council's terms and conditions of hire. Any disturbance will be handled by local police or noise control if required.
Herbicides impacting environment.	Working in conjunction with Hazardous Substances and New Organisms (HSNO) standards for handling agri-chemicals. Enforcing appropriate conduct and use of wash down facilities and hard stands. Ensuring pest and weed control activities are within guidelines.
Damages to property and harm to people from falling trees and branches.	Tree maintenance programme according to industry standards. Focus on higher risk areas such as walkways, playgrounds, higher use reserves, and power networks. Responsive to customer requests and cyclical maintenance.
Reserves can create a fire hazard for properties.	Management of fire breaks to prevent this effect.
Hazardous chemicals used to keep bio hazards under control, can be harmful if mishandled.	Staff training to identify and handle emergency events and safety standards strictly adhered to. Sodium hypochloride used which is safer alternative than traditional chemicals.
Accidents at aquatic facilities.	Pools managed to Pool Safe certification standards. Wet floor signage for appropriate areas.
Isolation/location of public toilets leading to safety concerns.	Ensure toilets are designed appropriately and located in areas that are easily visible and accessible. Use Crime Prevention Through Environmental Design (CPTED) principles.
Congregation of undesirable groups with the potential to vandalise equipment.	Maintenance regimes in place to rectify any issues, installation of CCTV as appropriate. CPTED principles.
Toilets can present a sanitary risk to the community.	Included in Water & Sanitary services assessments (three yearly).
Considered to have a negative aesthetic effect.	Use of eco design, strategic locations, planting to minimise the impact, environmentally complementary plain colour.
Noise and disorderly behaviour issues from events at cemeteries and general use of cemeteries.	Restricted opening hours.
Congregation of undesirable groups with the potential to vandalise equipment.	Maintenance regimes in place to rectify any issues, installation of CCTV as appropriate. Use CPTED design principles.
Potential pollution of waterways from cemetery activities.	Maintain an adequate separation distance between human remains and the highest seasonal ground water table. Maintain an adequate buffer zone around cemeteries, and plant with deep rooting trees.

SUSTAINABLE ENVIRONMENT

This group of activities includes animal control, building quality, strategic and district planning, solid waste and environmental health.

Our strategic focus is to develop and maintain an integrated approach to providing sustainable, attractive, affordable and safe options for living, in a way that's in tune with what ratepayers want. We need to provide more streamlined processes that cost less while still delivering required results for our community and Council.

Animal control

The Animal Control Team provides animal control services through dog registration, complaint response, and impounding wandering stock and animals as required by the Dog Control Act 1996, Impounding of Stock Act 1955, and Council's Dog Control Policies and Bylaws. This is achieved through active enforcement of requirements and via the education of dog owners and the general public.

Building quality

We protect the community by ensuring that buildings in our district comply with legislation, including the fencing of swimming pools. We process building consent applications and carry out construction inspections.

Environmental health

We provide a range of services to ensure food outlets maintain high food safety standards, alcohol outlets operate to the conditions of their licences, and that noise and nuisance complaints, hazardous substances and contaminated sites are all managed.

Strategic and district planning

Land use and growth management planning ensures the district can grow and develop in a sustainable manner and in accordance with the principles contained in the Resource Management Act (RMA) 1991.

Solid waste

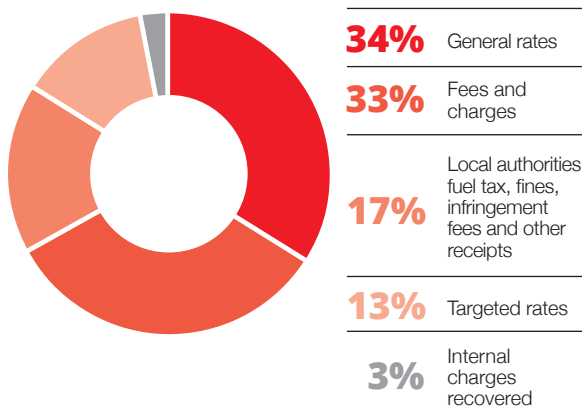
As set out in the Waste Minimisation and Management Plan (WMMP), Council has adopted an aspirational vision of 'Working towards zero waste for the Waikato district.'

The goals of the WMMP are summarised as:

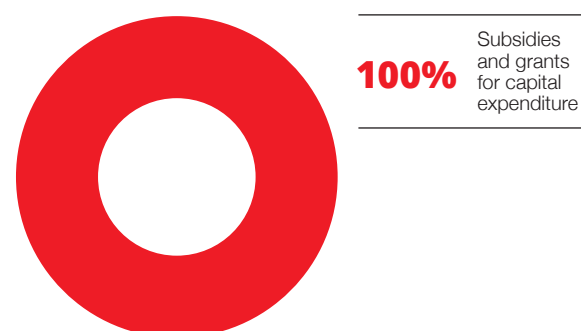
- Working more closely with our communities in managing waste;
- Working more closely with the growing waste management industry in the district and the other councils around us;
- Improving our kerbside recycling collections;
- Considering ways to reduce the amount of rubbish we collect and how much it costs; and
- Improving transfer stations to recover and recycle more material than we do now.

How we paid for it

Operational funding



Capital funding



Animal control

What we did

Public education

Our focus on educating owners about responsible dog ownership is continuing to lead to fewer call-outs and higher dog registration numbers, and growing community satisfaction. Our Council customer satisfaction survey showed 77% of respondents were either satisfied or very satisfied with animal control services (compared with 69% last year).

Our education efforts include the district's future dog owners. This year we ran 26 school visits in our 'Dogsmart Education Programme' to teach children about dogs, safety and responsible ownership. We also launched a 'Dogs in Libraries' programme, giving children opportunities to read to well-trained dogs in weekly after-school sessions in each of our libraries. The programme helps children to read as well as learn about dogs, and is proving very popular.

Ahead of our annual registration we again offered free property inspections to help responsible owners who meet fencing requirements to qualify for our 'selected dog owner' list and enjoy reduced registration fees. Of more than 9,000 dog owners in the district, nearly 3,000 now meet the same stringent criteria as farm dog owners. We also attracted nearly \$20,000 in government funding to promote dog de-sexing, and we ran a Facebook campaign to offer subsidised de-sexing as part of that effort.

Working with our Parks and Facilities team we developed a unique new dog agility park at Horotiu with recycled playground equipment and ran a fun day to promote it. We also led community consultations to help identify new dog exercise areas in Tamahere and Pokeno.

Dog registrations

The number of registrations is 14,111, compared with 13,901 last year, and this represents nearly 96% per cent of all known dogs in the district.




Animals impounded, returned and rehomed

The number of dogs impounded was 1,120, compared with 1,190 last year. The number of wandering stock impounded was 57. With the help of 10,000 followers on our Pound Pups Facebook page generating enquiries from all over the country we rehomed 241 dogs, even sending some as far afield as Christchurch.

Response times to call-outs

Although some parts of our district cannot be reached within an hour's travel time, we still met our goals to be on-site within an hour for 95 per cent of emergency animal control call-outs.

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
The percentage of aggressive dog behaviour complaints, where immediate risk to public safety is present, that has council personnel on site within 1 hour.	98%	95%	99%		Target met.
The percentage of complaints regarding stray stock that have council personnel on site within 1 hour.	97%	95%	95%		Target met.
The number of dog owners on the selected owner policy list (i.e. good dog owners) for known dogs increases by 5% each year.	32%	35%	32%		We set an ambitious target. While we have not met it, we have been encouraged by the positive response we have had from our customers when undertaking property inspections to assess suitability for 'selected dog owner' status. Property inspections are proving a good opportunity to engage with and educate our dog owners.

Potential significant negative effects

Potential negative effect	How we are addressing this
Injury to Animal Control Officers from attack by dog owners, dogs and livestock.	Continue to provide ongoing training and ensure the correct and required personal protection equipment is provided.
Dog owners disgruntled by enforcement action taken against them.	Professional and courteous enforcement.
Members of the public are at risk from dog attack.	Ensure animal control services are maintained at a level to ensure stray dogs are impounded.
Dog control activity is predominantly paid for through registration of known dogs which may not target those that use the service.	Implement cost recovery options where possible.

Building quality

What we did

Building consents systems

To help meet a growing demand for building consents in our district, partly fuelled by housing scarcity and rising prices in Auckland, we investigated and built new digital 'back-of-house' systems for improving our efficiency in handling consent applications. The new paperless system is now ready for trialling with selected customers before it is rolled out. Once completed, we will encourage all customers to prepare digital applications and any paper-based applications will be scanned into the system for consenting purposes. The plan is to augment the system with an online portal which will allow all consents to be lodged via the internet in the future.

Accreditation

We undertook a bi-annual assessment by IANZ (International Accreditation NZ) and were successfully re-accredited as a Building Consent Authority.

Issues

Consents processing

Building consent numbers have dropped slightly in the past year to 1,977 overall (2,006 last year) with consents for new dwellings falling to 726 across the district (from 797 last year). Nevertheless these

numbers represent a new scale of activity for the district with consents for new dwellings up 42% and overall consents up 20% when compared with consents issued in 2014/15.





This has had a significant impact on our consent processing and building inspection workloads, especially as any staff vacancies have proved very difficult to fill in the face of strong industry demand for qualified personnel. At critical times we were unable to maintain statutory timeframes for consents despite costly outsourcing arrangements. We expanded staff numbers for the second year running and will continue to review staffing levels as required.

Inspections

For the past few years our ability to meet targets for swimming pool inspections has depended on pool owner consent for this activity. New legislation now offers us an opportunity to review our processes and we will employ a dedicated staff member to undertake these inspections.

We have met our targets for auditing other buildings for code compliance.

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
The percentage of existing buildings with building WOFs that are monitored and audited for compliance annually.	55%	33%	51%		Our inspections staff prioritised building WOFs, significantly exceeding the target, before moving to focus on other work.
The percentage of buildings that provide sleeping care or paid accommodation that are audited for compliance annually.	100%	100%	100%		Target met.
The percentage of swimming pools that are inspected for compliance annually.	0.5%	20%	1.7%		Our ability to meet the target has depended on pool owner consent. New legislation offers us an opportunity to review our processes and we will employ a dedicated resource to improve performance in this area.
The percentage of building consent applications that are processed within 20 working days.	96%	100%	86%		The current levels of growth in our district has meant that we have struggled to meet the performance measure, due to the timing of getting additional resources. An additional staff member has started in the Tuakau office as a response to the continued high demand.

Potential significant negative effects

Potential negative effect	How we are addressing this
Legislation is requiring more council input into plan review and building inspection, which increases costs.	The council has to react to new legislation, but tries to limit the cost increase as much as possible.
Non-compliance requires the council to take offenders before the Courts.	Prosecution of blatant offences against the Building Act is necessary to reinforce compliance, maintain equity for those who obtain consents and fulfil statutory duty.
The time to process applications might be regarded as a delay to construction.	This is mitigated through the simplification of the consent process.
Leaky homes are identified.	More thorough vetting of the drawings, inspections by better trained highly skilled inspectors, will assist in reducing the incidence of leaky homes.

Environmental health

What we did

Implementing new food legislation

We continued to work with local food manufacturers and suppliers to support a three-year transition to a new regulatory system under The Food Act 2014 which came into force in March last year.

The new auditing system has different requirements for different types of food operations dependent on perceived risk. A 'higher risk' category business must register and operate a 'food control plan' that is audited by the Council. A 'lower risk' category business must register under a national programme that may be audited independently.





All premises with an on-licence were required to move to the new regime by the end of the financial year (30

June). All but two of these were registered under the new Act by that time and we are working with those businesses to ensure they meet the new requirements. Other food premises have longer to make the change. For example those that voluntarily adopted a food control plan under the old Act have until early 2019 to make the change to the new system.

Applications, inspections and audits

During the year we registered and inspected or audited 256 food premises, handled 322 alcohol licensing applications and 529 contaminated land property information requests, provided technical comment on a range of resource consent applications and responded to 227 general nuisance complaints. We also received 1,212 excessive noise complaints.

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
The percentage of registered food premises that are inspected/audited annually.	100%	100%	100%		Target met.
The percentage of medium risk or higher fee category licensed premises that are inspected annually.	100%	100%	100%		Target met.
Percentage of excessive noise complaints responded to within agreed timeframes.	86%	90%	79%		1,212 complaints were received relating to excessive noise. Staff are working with the contractor to address the variable performance. As a result changes to how the service is delivered have been proposed.
Percentage of environmental health complaints responded to within agreed timeframes.	95%	95%	94%		A total of 227 complaints were received during the year of which 214 were responded to within agreed timeframes.

What this tells us

All food premises and licensed premises requiring inspection were visited during the year. Our response rates to noise and nuisance complaints slipped, but we are working with our contractors to improve this performance. A significant increase in the number of

contaminated land property information requests likely reflects increased development activity in the district and greater awareness of the service.

- *There are no potential significant negative effects associated with this activity.*

Strategic and district planning

What we did

Planning for growth

We continued to make good progress with the review of the District Plan which will integrate the Waikato and Franklin sections into a single plan for the first time since the district's boundary changes in 2010. We are on track for a new proposed District Plan to be publicly notified in 2018.

The Social and Economic Profile we commissioned to support our District Plan predicts household growth of 660 to 880 a year and a projected growth rate of between 56% and 73% in the period 2016-2043, which will outstrip Hamilton (49-67%) to match Auckland's projected growth rate (53-76%).

Planning is focussed on managing this growth sustainably and in line with the Government's National Policy Statement on Urban Development Capacity 2016 (NPS-UDC) which requires us to provide sufficient land for housing and business development both now and in the future.

Sub-regional and regional

A new draft Future Proof Growth Strategy was developed with Hamilton City, Waipa District and Waikato Regional Councils and published in May 2017 for public consultation prior to finalisation for adoption in August 2017. It will be reviewed again once another assessment of land requirements triggered by the NPS-UDC has been completed.

We continued to play a key role in developing the Waikato Plan with nine other councils that comprise the Waikato region. Following public consultation in early 2017 the Plan was recommended for adoption by the partner councils and is expected to be launched in late 2017. This is a significant milestone which will provide a collective voice on regional priorities, guide decision-making on regional issues involving population change, infrastructure, economic development and the environment, and enable leverage of central government funding.

We worked with Auckland Council, New Zealand Transport Agency and other key parties in North Waikato to develop a business case for integrated growth management to ensure future growth is supported by the infrastructure needed.

District wide

A new structure plan providing for long term growth in Ngaruawahia and surrounding villages was made operative, while the timetable for progressing the Tuakau Structure Plan was re-assessed in light of the District Plan Review.

To help our communities develop as our townships grow we began a programme of 'placemaking' (social infrastructure) projects to encourage communities to come together to reclaim their public spaces through artistic and cultural endeavours. 'Placemaking' has included community-based projects as diverse as building oversized outdoor seating in Huntly, installing creative planter boxes in Raglan, a public sculpture project in Tauwhare, redesigning an empty carpark space in Tuakau, and two district-wide projects: an ANZAC poppy tree 'yarn bombing' project in nine communities and a 'little libraries' project that started in Pokeno and Huntly and is expected to spread to 30 more communities.

Youth engagement is another key initiative. With Ministry of Social Development funding we have established and worked with youth action groups empowering them to identify and implement local community projects. These include a skate park in Te Kauwhata, community planting in Taupiri, a fruit tree project in Onewhero, and a health expo in Ngaruawahia.

Consents workload

A rapid growth in demand for housing has led to another year of significant increases in our resource consents workload, although planning and property enquiry numbers have eased.





Our Consent Planners and Land Development Engineers received 1,120 resource consent applications, up 12 per cent from last year. Our Planning and Engineering Officers undertook detailed assessments of 1,487 building consent applications, about the same as last year, but up 34 per cent from two years ago.

Meanwhile, LIM staff processed 1,389 requests, down 17 per cent since last year. Our Duty Planner service handled 4,523 enquiries, down 5 per cent on last year, and our Property Enquiry service received 1,761 enquiries, down 9 per cent from last year.

Highlights

- We secured \$37 million from the Government's Housing Infrastructure Fund for infrastructure projects to facilitate residential development in Te Kauwhata over the next decade.
- Plan Change 17 supporting the Structure Plan for Ngaruawahia and surrounding villages was successfully completed with no appeals.
- The Iwi Reference Group established to provide input into the District Plan Review continues to be a valuable think tank.

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
The percentage of resource consent applications which are processed within statutory timeframes.	100%	100%	99.9%		Of the 938 consents that were processed in the 2016/17 financial year, one was not processed within statutory timeframes.
Percentage of residents who feel they have the opportunity to be involved and participate in publicly-notified Council projects and processes, to help Council make informed decisions.	67%	70%	59%		The final result does not reflect our increasing efforts to provide opportunities for public participation, but may be a reflection of the community's increasing appetite for engagement.
The percentage of projects in identified areas of growth and as contained in the Long Term Plan, which are on track or completed.	97%	100%	100%		Target met.
The percentage of all land use consents that have been issued and are current that have been monitored for compliance in the past two years.	79%	77%	78%		Target met.

What this tells us

Our district is growing rapidly and this is putting pressure on our planning and consents teams to meet targets and ensure our district develops in a sustainable manner.

However we are making good progress in planning for growth by developing structure plans for our growing communities, and by taking a balanced and sustainable approach to growth through our District Plan Review currently in progress.

Potential significant negative effects

Potential negative effect	How we are addressing this
Planning may increase development costs, through compliance costs, development levies or financial contributions.	Benefits flow back to developers from improved environmental quality, and provision and co-ordination of services such as infrastructure, and any net negative effect is not significant.
Non-compliance with statutory requirements for the issuing of resource consents may cause delays.	Improvement of systems is ongoing to ensure continual improvement in services.
Inadequate or harsh monitoring of District Plan requirements may discourage development, affecting the economy in the district.	Apply a reasonable, concise, consistent monitoring process.

Solid waste

What we did




Changes in our refuse and recycling services together with a 'Less Waste Saves More' educational campaign were successful in reducing the refuse tonnage that we sent to landfill this year.

In our central and southern areas alone we reduced the amount of refuse we sent to landfill from our kerbside collections by more than 1,000 tonnes, from 7,019 to 5,995 tonnes. (We do not have comparative data for the northern area due to extension of our service and considerable residential growth.) We had estimated that 64% of our previous years' refuse collections could be recycled so there is still room to improve and we will continue these efforts. With a vision of 'Working towards zero waste for the Waikato district' as set out in our Waste Minimisation and Management Plan (WMMP), we:

- introduced a district-wide user-pays system for all households that have a kerbside waste collection,
- standardised kerbside recycling services and an annual inorganic refuse service for all areas with kerbside waste collection services (except Raglan which has an alternative service), and
- listened to residents in Pukekawa and parts of Onewhero where we have now introduced a kerbside refuse and recycling service for the first time.

A new dedicated food waste kerbside collection for Raglan has been planned for introduction in the new financial year (starting in August 2017).

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
The percentage of schools in the district that receive solid waste education.	72%	55%	81%		Resourcing arrangements in Raglan mean more schools in the area received this education than expected.
The number of times that bags or bins are missed in Council's kerbside collection.	141	Less than 200 per annum	1,784		The large number of missed collections were due to service changes and were predominately in the Northern area. This was due to a new contractor being unfamiliar with the collection area.
The percentage of kerbside collection complaints that are resolved within agreed timeframes.	97%	100%	96%		1,049 complaints out of 1,094 were responded to within the required timeframes.

Potential significant negative effects

Potential negative effect	How we are addressing this
Increase in the amount of refuse to be disposed as population increases over time.	The council acts as the advocate for waste reduction through the adoption of the Waste Management Plan. The council also supports education initiatives and provides education material for its customers.
Environmental impacts caused by the discharge of contaminants to land and water from closed landfills.	Compliance with resource consent conditions that stipulate the frequency and parameters to be monitored.
Ease of disposal, through convenient waste management services, encourages increased quantities of material to be sent to waste by customers.	Education and programmes to build awareness and foster ownership of waste minimisation within the community.
Potential impacts on customer satisfaction due to service failure /delays /responsiveness.	Monitor and report on Levels of Service and in Service provider contracts. Seek to resolve customer complaints to 'close the loop'.
Health and safety risks associated with the operation, maintenance, or construction of solid waste infrastructure.	Ensure compliance with legislation and health and safety management plans. Maintain an incidents register.
Under-provision of recycling facilities fails to promote a positive shift in the community's attitude to waste.	Each main urban community in our district has green waste and/or recycling facilities.
Waste entering the water bodies affect the mauri of the environment.	Each main urban community in our district has green waste and/or recycling facilities.

ROADING

What we did

The Waikato District Alliance joint venture between the Council and Downer NZ is the country's largest roading alliance and has continued to deliver improvements in roading asset management and maintenance, and customer responsiveness. The 2016/17 construction programme has been delivered within budget. Response times to customer requests averaged six days before the Alliance was established, but now average less than two days. These performance levels saw the Waikato District Alliance win the 2017 Local Government NZ 'Chorus Excellence Award for Best Practice in Infrastructure Management'.

Emergency response

Our performance standards are exemplified by the way in which we reinstated access along Otonga Valley Road within 20 hours of a catastrophic collapse of a culvert under the road in November 2016, isolating 28 residents on the no exit road. An engineer visited the site the same day to assess the damage. Additional resources were arranged, including transportation to get children to school to sit national exams. A bridge deck and crane were speedily taken to the site and Waikato District Alliance teams worked through the day and part of the night to re-establish access for the community.

With 50 per cent funding support from the NZ Transport Agency, we undertook a \$1 million programme of short term road repairs after major storms in April resulted in slips and widespread damage in Mercer, Pokeno and Pukekawa. Following a district-wide assessment we compiled a longer term road restoration programme that is expected to cost a further \$2.4 million.

Innovation

We have identified and instituted a number of innovations to improve processes and outcomes. One example is assessment of the condition of our sealed road network by High Speed Data (HSD) collection, including video, to inform our 10-year forward work programme. Another example is a 'Roadroid' smartphone app that allows us to assess the condition of our unsealed roads while driving along them. The smartphone records how smooth or rough the journey is, enabling us to map the data and schedule road grading as efficiently as possible.

Employment

We provided employment and a career pathway for a number of young people from the district through two apprenticeship programmes. We also provided internships for three engineering graduates, and we continued a comprehensive mentoring and development programme for our permanent staff.

Road safety education

We worked with the NZ Police, NZ Transport Agency and other agencies to deliver a road safety education programme covering issues such as driver fatigue, driving to the conditions, and drink driving. We ran skills training days, workshop, roadside education stops, and advertising campaigns. We also worked with other local Councils to run five 'young driver training days,' focussing on driving skills and vehicle maintenance for young drivers about to sit their restricted or full licence.

Bridge construction and maintenance

We completed a project to repaint Tainui Bridge, Huntly, by hand (using rollers rather than spray painting) to ensure that no residue ended up on passing cars or in the Waikato River.

Resource consents were received for a new Taupiri-Mangawara Stream Bridge that will allow safe access to the Taupiri Mountain urupa (Māori burial ground). Waikato District Council, Kiwi Rail, Waikato-Tainui and the NZ Transport Agency are each contributing to the cost of the project. A temporary staging bridge is in place and we expect the new bridge to be constructed and open for use by June 2018.

Te Awa cycleway

Construction began on a \$1.3 million suspension bridge at Horotiu to provide the final link in the Ngaruawahia to Hamilton section of Te Awa – The Great New Zealand River Ride to complete a continuous Waikato riverside cycleway from The Point in Ngaruawahia to Hamilton Gardens. The bridge will be installed early in the 2017/18 year to complete a \$4.5m project funded by the Te Awa River Ride Charitable Trust, the government's Urban Cycling Fund, Waikato District Council and the NZ Transport Agency.

Road surfacing and strengthening


During the past year, through the Waikato District Alliance, we have re-surfaced 115 km of sealed roads in the district, completed 18 km of road strengthening work, and traction sealed a section of Hills Rd, Raglan. In conjunction with this work we have also undertaken work to improve road safety by increasing road widths and improving visibility. Savings of about \$200,000 from better network management were reinvested into strengthening some sections of our unsealed roads.

Footpath upgrades

As a result of residents' requests we laid a number of new footpaths district-wide at a cost of \$100,000. These included:

- Raglan – Nihinihi Ave and Uenuku Ave
- Puketaha – Sainsbury Rd
- Tamahere – Newell Rd.

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network.	+22	Target for reducing the number of serious injuries or fatalities -1	+9		For the year to 30 June 2017, 68 fatal and serious injury crashes are recorded in the NZTA crash database compared with 59 the previous year. (Reporting delays mean the database figure for 2015/2016 is now higher than the 37 we reported last year.) Further analysis is required, but road conditions do not appear to have been a significant factor.
The average quality of ride on a sealed local road network, measured by smooth travel exposure.	95%	91% (minimum)	98%		Target met.
The percentage of footpaths that fall within the level of service or service standard for the condition of footpaths that is set out in relevant documents (such as its annual plan, activity management plan, asset management plan, annual works program or long term plan).	99.7%	90% or greater at Category 3 or better	99.7%		Target met.
Percentage of development areas that have co-ordination plans for forward works programming and development requirements complete.	33%	60%	66%		The development areas are Pokeno, Tuakau and Te Kauwhata. A development plan for Pokeno was established in 2015/16 and one for Te Kauwhata was established in 2016/17.
The percentage of the sealed local road network that is resurfaced.	8.7%	8% (minimum)	7.3%		A spike in bitumen costs meant the programme had to be scaled back. 133 km of the road network was resurfaced during 2016/17 which equates to 7.3% of the length of sealed road.
The percentage of customer service requests relating to roads to which we respond within the timeframes specified.	94%	80%	96%		Waikato District Alliance resourcing has allowed greater focus on customer service requests than anticipated when the target was set.
The percentage of customer service requests relating to footpaths responded to within the timeframes specified.	94%	80%	100%		Waikato District Alliance resourcing has allowed greater focus on customer service requests than anticipated when the target was set.

What this tells us

We surpassed our targets for the quality of the roading and footpath network, and for our responsiveness to customers' maintenance requests.

Our road re-sealing programme was impacted by a 25% spike in the cost of bitumen which required a scaling back of the programme.

Despite a focus on road safety we were unable to reduce the local road toll, but road conditions do not appear to have been a significant factor.

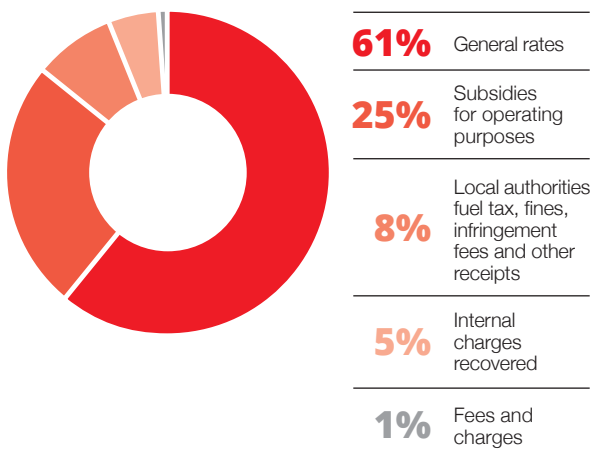
Potential significant negative effects

Potential negative effect	How we are addressing this
Road and environmental factors can contribute to crashes, particularly those that involve loss of control.	NZTA monitors and records through the Crash Analysis System (CAS) the percentage of accidents caused by loss of control. Undertake crash reduction studies (CRS). Maximise funding for minor safety works.
Increased traffic congestion on existing transport network.	Roading contributions imposed under consent conditions contribute to road upgrading.
The particular needs of cyclists and pedestrians and their conflicts with other forms of traffic.	Implement the recommendations of the Walking and Cycling Strategy.
Speed restrictions imposed on inappropriate locations causing speed limits to be ignored.	Speed limit surveys carried out and resulting recommendation in accordance with Speed Limit New Zealand and Transport Agency rules.
If effect is not given to the Livestock Movement Bylaw 2011 then existing crossings will remain with resulting traffic hazards and public nuisance.	Monitor to ensure the appropriate and safe crossing of cattle as per bylaw.
Economically, the cost of desired infrastructure improvements may exceed the community's ability to pay.	Consult with the community on all costs and options for levels of service through the Long Term Plan process.
The quality of surface runoff from roads that discharges into adjacent coastal or other waters.	Compliance with resource consents and the Council's engineering standards and guidelines. Environmental controls.
Dust nuisance.	Track and record complaints and comply with resource consent conditions during construction activities.
Danger to people and property and high social cost from crashes.	Continuing the programme of road safety improvements.
Main roads can divide communities.	Continuing to advocate for by-passes around urban centres.
Potential for negative impacts from traffic noise and vibration to properties adjoining roads.	High use roads are usually surfaced with asphalt to improve useful life and level of service. Traffic calming will avoid use of speed humps. Specific issues will be investigated and mitigation measures undertaken as appropriate.

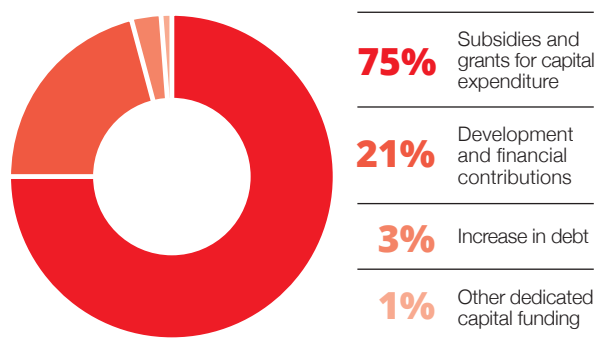
Potential negative effect	How we are addressing this
Potential for air pollution from traffic fumes to affect health.	Continuing to advocate for bypasses around urban centres.
Heavy traffic volumes can lead to loss of amenity in urban areas.	Continuing to advocate for bypasses around urban centres.
Provides easier access to sites that are culturally sensitive.	Continuing to better identify sites of cultural significance.
Potential for road construction to disturb sites of cultural significance, including waahi tapu.	Continuing to invest in good relationships with tangata whenua.

How we paid for it

Operational funding



Capital funding



STORMWATER

What we did

We undertook a schedule of minor upgrades across the district, installing new pipes to increase stormwater capacity where required, and undertook planning and investigations in some high growth areas in preparation for the district's next 10-year Long Term Plan 2018-28.

Pokeno

In Pokeno we continued to oversee development-led extensions of the stormwater network and riparian planting beside streams to ensure that infrastructure and stormwater management keeps up with growth in the area.

Tuakau

We began work on a stormwater catchment management plan for the area.






Raglan

We also began designing the works required for a 10-year project to extend and upgrade the Raglan stormwater network, based on the stormwater catchment management plan for the area.

Huntly

We undertook improvements to the stormwater network in Kent St and George St, Huntly.

How we did

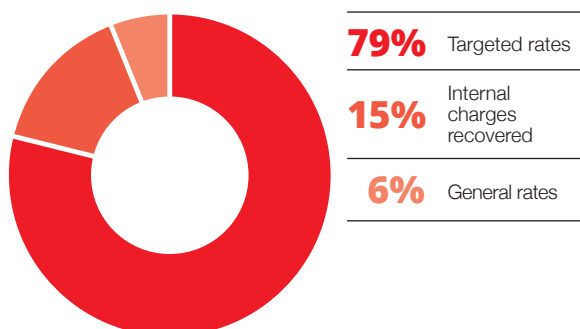
Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
The number of flooding events that occur in the district.	0	<5 events per annum	0		Target met.
For each flooding event, the number of habitable floors affected (expressed per 1000 properties connected to the stormwater system).	0	0.3 affected per thousand properties per event	0		Target met.
The median response time to attend a flooding event, measured from the time that Council receives notification to the time that service personnel reach the site.	137 minutes	< 8 hours	0		Target met. There were no flooding events in 2016/17.
The number of complaints received by Council about the performance of its stormwater system, expressed per 1000 properties connected to the stormwater system.	5.28 per 1000 properties for the year	<1 per 1000 properties per quarter	3.65 per 1000 properties for the year		Target met.
Council's level of compliance with resource consents for discharge from its stormwater system, measured by the number of: <ul style="list-style-type: none"> - Abatement notices - Infringement notices - Enforcement orders - Convictions 	0	0	0		Target met.

Potential significant negative effects

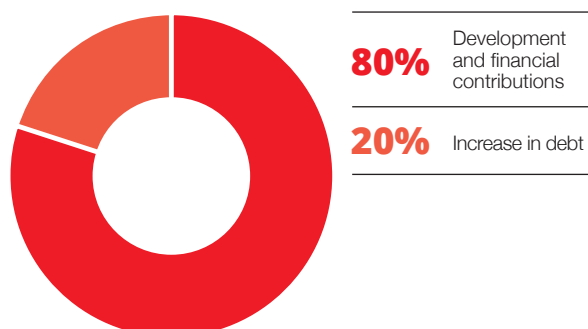
Potential negative effect	How we are addressing this
Discharges to land and waterways not complying with resource consents.	Improve processes (may be capital related) and continue to monitor discharges.
Discharge of contaminants to waterways and streams impacting upon public health and the environment (includes but not limited to wastewater overflows and stormwater runoff containing sediments, oils, greases and heavy metals).	Implement improvements (capital related) and ensure compliance with the council's Development Manual Guidelines for new developments.
Erosion of streams and river beds.	Implement Development Manual Guidelines.
Chemical spills affecting waterways.	Establish procedures and emergency response plans with Waikato Regional Council.
Health and safety risks associated with the operation, maintenance, or construction of stormwater infrastructure.	Ensure compliance with legislation and health and safety management plans. Maintain an incidents register.
Potential impacts on customer satisfaction due to service failure/delays/responsiveness.	Monitor customer requests for service and report on Levels of Service. Ensure customer complaints are resolved.
Disruption during the implementation of works.	Works will be implemented under resource consent or contract conditions dictating how the service will be maintained (case by case basis).
Individuals can affect the stormwater network and neighbouring properties by altering natural flow paths.	Monitor new developments to ensure natural flow paths are maintained.
Flooding can affect public health and safety.	Continue to advise land owners of potentially flood-prone areas.
Stormwater can cause public health issues through bacterial contamination of beaches.	Establish procedures and emergency response plans with Waikato Regional Council.
Contamination of the receiving environment is unacceptable to tangata whenua.	Continuing to better identify sites of cultural significance.

How we paid for it

Operational funding



Capital funding



WASTEWATER

What we did

We took a series of decisions to invest in upgrading our wastewater systems after spills closed Raglan Harbour three times in 2016, resulting in a formal warning from the Waikato Regional Council.

District-wide continuous improvement programme

In August we commissioned an independent report that outlined weaknesses in our wastewater networks that contributed to wastewater overflows district-wide. The report recommended a series of steps to fast-track improvements in the network. In December we kick-started an improvement programme by investing an extra \$1.76 million to:

- install a parallel alarm system on all Raglan pump stations,
- launch a CCTV network investigation programme, and
- fund community education designed to help reduce the blockages causing 80% of our wastewater overflows.

Following consultation with 11,000 of our ratepayers who pay for wastewater services, we adopted a new Annual Plan for 2017/18 to broaden this works programme to mitigate the risk of wastewater overflows, with a particular focus on protecting waterways and environmentally sensitive areas. This will allow us to undertake the investigations needed to propose lifting our wastewater service performance levels throughout the district in our next 10-year Long Term Plan 2018-28.

We have started a staged programme to invest in separate teams and equipment for drinking water supply and wastewater services in line with Ministry of Health best practice guidelines.

The single district-wide targeted wastewater rate planned for introduction in 2017/18 (to supersede five different local rates) will now rise from \$752.68 to \$896.62 (including GST).

Development-led works

In our high-growth northern areas we oversaw development-led extensions of the wastewater networks in Tuakau and Te Kauwhata. We also began construction on phase 2 of the new Pokeno wastewater system that will service the existing village so that septic tanks can be phased out.

Housing Infrastructure Fund bid successful







We applied for a \$37 million share of the Government's \$1 billion Housing Infrastructure Fund to invest in wastewater systems and other infrastructure servicing Te Kauwhata to facilitate housing development in the township over the next decade to meet the demands of a rapidly growing north Waikato community.

The Government's decision to approve our application – announced just after the close of the financial year – recognised an opportunity to address growth pressures arising from Auckland's housing shortage.

Treatment plant upgrades

We began concept designs to upgrade the Huntly wastewater treatment plant to allow for future network expansion, including a possible link to Te Kauwhata to improve network resilience and to achieve better environmental outcomes in that area. We also started preliminary designs for upgrades to our treatment plants in Raglan, Te Kauwhata and Meremere.

How we did

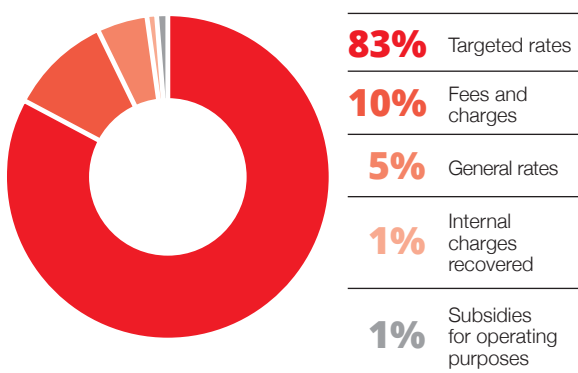
Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
The number of dry weather sewage overflows from Council's system expressed per 1000 sewage connections to that sewage system.	2.9 per 1000 connections	Equal or less than 5	1.8		Target met.
Where Council attends to sewage overflows resulting from a blockage or other fault in its sewage system, the following median response times measured:					
- Attendance time: from the time that Council receives notification to the time that service personnel reach the site.	26 minutes	Less than or equal to 1 hour (60 minutes)	30 minutes		Target met.
- Resolution time: from the time that Council receives notification to the time that service personnel confirm resolution of the blockage or other fault.	110 minutes	Less than or equal to 4 hours (240 minutes)	106 minutes		Target met.
The total number of complaints received by Council about any of the following (expressed per 1000 connections to the sewage system):					
- Sewage odour					
- Sewage system faults					
- Sewage system blockages					
- Council's response to issues with its sewage system	7.8 per 1000 connections	Less than or equal to 25 per 1000 connections	7.3 per 1000 connections		Target met.
Council's level of compliance with resource consents for discharge from its stormwater system, measured by the number of:					
- Abatement notices					
- Infringement notices	0	Equal or less than 2	0		Target met.
- Enforcement orders					
- Convictions	0	0	0		Target met.

Potential significant negative effects

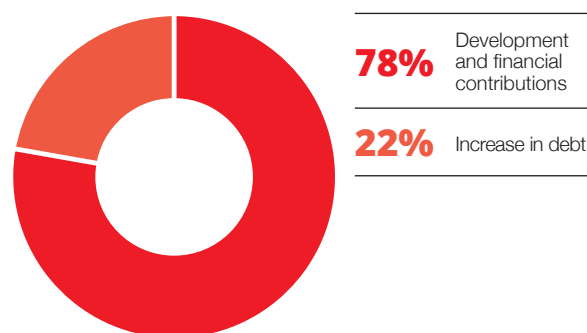
Potential negative effect	How we are addressing this
Discharges to land and waterways not complying with resource consents.	Improve processes (may be capital related) and continue to monitor discharge.
Odour from manholes, pump stations and at treatment plants.	Improve process and implement improvements (capital related).
Discharges from manholes.	Investigate and take remedial measures.
Health and safety risks associated with the operation, maintenance, or construction of wastewater infrastructure.	Ensure compliance with legislation and health and safety management plans. Maintain an incidents register.
Pump station overflows.	Investigate causes and provide additional storage if required.
Chemical spills at treatment plants.	Ensure procedures are in place for correct identification, storage and handling of chemicals. Ensure appropriate funded areas and storage facilities are in place.
The cost of providing, operating and maintaining the schemes is high due to energy requirements.	When looking for solutions for small communities, consider alternatives to traditional public wastewater systems.
Unless properly maintained there can be problems with foul odour.	We will continue to investigate alternatives for the sustainable disposal of sewage sludge.
Creates an ongoing need for the disposal of sewage sludge.	We will continue to encourage households to reduce the amount of wastewater they produce, for example through reuse of grey water for garden irrigation.

How we paid for it

Operational funding



Capital funding



WATER SUPPLY

What we did

We have a growing district and so we continued to address the need for a safe and adequate water supply for our communities, with a particular focus on the central and northern areas of our district this year. We also completed our district-wide water metering programme to help residents understand their usage and to encourage conservation, as well as to assist us to track, locate and fix water loss from the system.

Security of supply

We progressed work to connect the Ngaruawahia and Huntly water supply networks to provide extra security of supply through our central supply area. Following an earlier project to connect the Hopuhopu/Taupiri and Ngaruawahia systems we decommissioned the Hopuhopu treatment plant to rationalise our resources. Extensions to the water supply network in Pokeno were constructed as required to meet the needs of new subdivision in the area.

We constructed new reservoirs in Pokeno and in central districts (in Ngaruawahia, Huntly and Hopuhopu.)

We continued to work with other Councils to investigate joint options for future water management.

Safe water

We undertook a number of improvements at our water treatment plants including:

- UV treatment system upgrade at Huntly
- Equipment renewals of items, including pumps
- Health and safety initiatives such as updating our Emergency Response Plans.







We began a programme to invest in separate teams and equipment for handling our drinking water supply and wastewater services in line with Ministry of Health best practice guidelines.






We installed a new supervisory control and data acquisition (SCADA) system to achieve a marked improvement in meeting the testing regimes required for compliance with drinking water standards compared with previous years.

Sustainability

To facilitate the sustainable supply and consumption of drinking water in our district we completed a programme to install water meters in Raglan, Huntly and Ngaruawahia, and undertook a public awareness campaign about water usage which included distributing trial water meter readings to owners of newly metered properties. All properties in the district connected to our water infrastructure are now metered. Newly metered properties in Raglan, Ngaruawahia and Huntly will switch to water meter charging in the new financial year.

How we did

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
<p>The extent to which Council's drinking water supply complies with:</p> <ul style="list-style-type: none"> - Part 4 of the drinking water standards (bacteria compliance criteria). - Part 5 of the drinking water standards (protozoal compliance criteria). 	16	18 (no. of zones that comply out of 18)	18		Target met.
	4	13 (no. of zones that comply out of 18)	18		Water treatment plant upgrades and a new SCADA system have resulted in a significant improvement in compliance.
<p>Where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:</p> <ul style="list-style-type: none"> - Attendance for urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site. - Resolution of urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption. 	26 minutes	Equal or less than 1hr (60 minutes)	28 minutes		Target met.
	76 minutes	Equal or less than 4hrs (240 minutes)	88 minutes		Target met.
<p>Where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:</p> <ul style="list-style-type: none"> - Attendance for non-urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site. - Resolution of non-urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption. 	1 day	Equal or less than five days	1		Target met.
	1 day	Equal or less than five days	1		Target met.

Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
<p>The total number of complaints received by Council about any of the following (expressed per 1000 connections to the networked reticulation system):</p> <ul style="list-style-type: none"> - Drinking water clarity - Drinking water taste - Drinking water odour - Drinking water pressure or flow - Continuity of supply - The local authority's response to any of these issues 	16.6 per 1000 connections	Maximum 17 per 1000 connections	22 per 1000 connections		We received 317 complaints relating to drinking water in 2016/17. One common theme concerns the clarity of Huntly's drinking water. Research is being undertaken to determine the cause and how it can be handled to improve results.
The average consumption of drinking water per day per resident within the Waikato district.	240L per annum	250L per annum	270L per annum		The installation of water meters means fewer assumptions are required when calculating water consumption.
The percentage of real water loss from Council's networked reticulation system.					
- Tuakau	15.3%	<20%	14.5		Target met.
- Pokeno	18.3%	<20%	34.2		A data quality issue may have impacted the result.
- Mid Waikato	22.7%	<30%	34.4		This is calculated from a partial data set due to the timing of the district wide meter installation project and includes some assumptions.

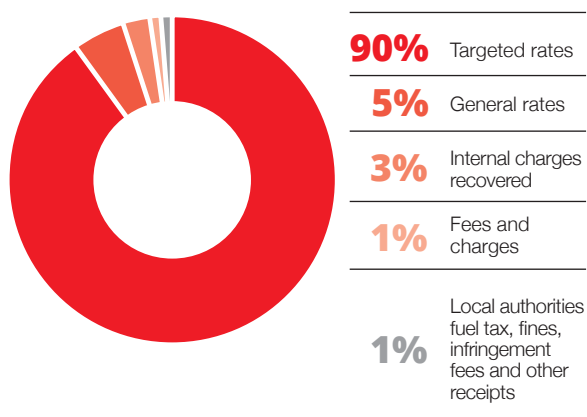
Performance measures	2015/16 result	2016/17 target	2016/17 result	Rating	Explanation
- Central Districts	32.5%	<25%	33.5		Water loss remains steady at above 30%. Further work is planned to reduce losses to below target.
- Raglan	25.4%	<30%	28.1		Target met.
- Huntly	23.6%	<20%	30.5		This is calculated from a partial data set due to the timing of the district wide meter installation project and includes some assumptions.
- Southern & Western Districts	26.6%	<20%	15.3		Target met.
- Onewhero	6.5%	<25%	10.6		Target met.
- Port Waikato	71.2%	<25%	53.0		A large leak occurred in the Port Waikato supply area which has now been rectified, as System Input volume has returned to typical levels.
- Te Akau	56%	<25%	34.0		This is a small scheme with low demand, water loss as a percent does not accurately represent network performance.
- Taupiri / Hopuhopu	Not measured	<10%	0	Not measured	This scheme is now included in Central Districts.

Potential significant negative effects

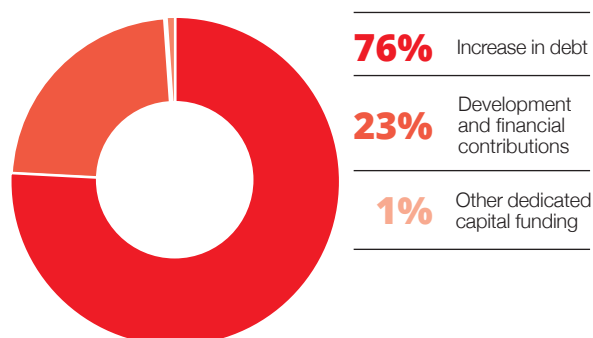
Potential negative effect	How we are addressing this
Potential contamination of the raw water supply.	Emergency response plans, operational procedures and monitoring of the raw water supply as per the Water Safety Plan (WSP) are all in place.
Discharges of backwash water from treatment plants and chlorinated water from maintenance activities or pipe failures.	Compliance with resource consents, the Council's engineering standards and guidelines and maintenance programme.
Effects on river ecology caused by river water extraction during low flows.	Compliance with resource consents.
Depletion of aquifer resources.	Compliance with resource consents.
Health and safety risks associated with the operation, maintenance, or construction of water supply infrastructure.	Ensure compliance with legislation and health and safety management plans. Maintain an incidents register.
Insufficient water supplies during times of drought or emergency.	Ensure water sources security and identify potential new sources and back up supplies as per the WSP.
Drinking water not meeting DWS2005.	Continue to monitor water quality and improve process if necessary as per the WSP (may be capital related).
Inadequate pressure and flow to fight fires.	Carry out modelling/pressure testing and implement remedial works.
Water abstraction from streams and rivers can have an adverse effect on the mauri of the water body.	Continuing to better identify the cultural significance of water catchments through resource consent conditions.
Insufficient water available during times of drought and emergencies.	Implement conservation measures and prioritise use for public health requirements.

How we paid for it

Operational funding



Capital funding



ORGANISATIONAL SUPPORT

What we did

Business process improvements

We continued to review and upgrade our business processes and our use of technology with a focus on improving community engagement and customer service efficiencies.

We expanded our range of online services for residents, ratepayers, and developers. For example, we provided more in-depth access to our geospatial data by cataloging it, and publishing web maps enabling customers to visualise our District Plan and locate things like underground pipes. We also progressed our three-dimensional GIS (Geographical Information Systems) capability and will be making this publicly available in the near future.

Other developments mean property owners can now submit a building consent application electronically and track its progress online, and residents can make a range of online requests covering dogs and dog ownership, and library services including book requests and renewals.

We redesigned our rates and water invoices to make them easier to read and understand, added an online facility for ratepayers to apply for rates and water invoices to be emailed to them and progressed development of systems to provide credit card and pay wave at all our public counters.

We continued to seek efficiencies through shared services with other councils. For example, we moved our shared staff recruitment service to a new online provider offering more functionality, and are now examining shared learning and development opportunities. We also undertook a series of workshops and investigations to identify the value of a collaborative approach to geospatial services and established a prototype system that could collate and present data from different councils through one web portal serving the whole region. (See also page XX for information about the work of Local Authority Shared Services Limited that we jointly own with 11 other local authorities in the region.)

Procurement and contract management

We reviewed and streamlined our procurement processes and introduced an electronic purchase order system to reduce our procurement paperwork. We saved \$426,000 through a variety of initiatives including increased procurement through MBIE-led 'all of government' contracts. We also investigated

the potential for more shared services in procurement, including a streamlined pre-qualification process for Council contractors to ensure they have effective health and safety management systems and hold relevant insurance.

Health and safety programme

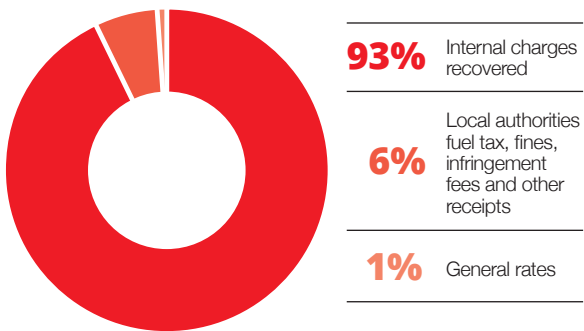
We complied with all relevant legislation and safety standards, and continued to enjoy good results from our 'zero harm' approach to health and safety to develop and retain a culture of health and safety awareness. While we have experienced three lost time injuries in the past year, awareness of the need to remain vigilant has risen throughout our workforce.

We expanded our programme with a strong emphasis on wellbeing, offering personal health testing, annual flu vaccinations, regular on-site visits from an occupational health nurse, and access to a new online service designed to support staff to maintain good physical and mental health.

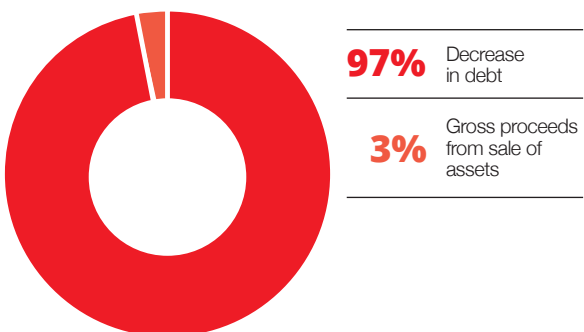
We have retained our tertiary accreditation in the ACC Workplace Safety Management Practices programme.

How we paid for it

Operational funding



Capital funding



PROGRESS TOWARDS COMMUNITY OUTCOMES

The following tables outline the progress we've made towards the community outcomes we seek as a result of the Council's work programmes.

Governance

Community outcomes		Progress
People	To ensure that our diverse community is represented in a democratically accountable and respectful manner.	A new Council was elected in 2016/17. The contact details of our elected members are available on our website and via the call centre.
Economy	To ensure that decisions are underpinned by sound financial governance.	All minutes of open meetings were made available to the public via our website.
Energy	To ensure that decisions and processes take into account both short and long term impacts on our customers and partners.	Where a decision significantly impacts our customers, we have sought the opinions of our communities. Consultation on the Annual Plan wastewater issue was a good example of this.

Sustainable communities

Community outcomes		Progress
People	To provide our customers and partners with opportunities for engagement thereby providing input to the decision making process.	We have engaged with our communities on over 30 plans, bylaws, projects and initiatives in a range of ways from formal submission procedures to open days, public meetings, and market days, and through social media.
People	To ensure Council and our communities are resilient and have the capability to respond, manage and recover from emergencies.	We have 120 staff trained in civil defence emergency management. Nine community response plans have either been finalised or are in the development stage.
People	To build community capacity by encouraging voluntary and community-based organisations to provide activities and services.	We have committed grants of more than \$750,000 to organisations that provide services to our communities relating to emergency response, education and community projects.
People	To ensure that our open spaces are safe and well maintained and offer opportunities for a wide range of recreational, cultural and community activities.	Results from our annual customer survey showed that our customers are happy with the parks and reserves that we provide. Earthworks have begun on the development of sportsfields on the Tamahere Recreation Reserve.
People	To ensure the Council provides safe, accessible and well-maintained community and leisure facilities and general properties which contribute to the community's recreational, economic and cultural needs.	Of those surveyed through our customer satisfaction survey, 91% of respondents are satisfied with their local pool facility, and 92% of customers in Council housing for the elderly are satisfied with their housing service. This is an increase from 86% and 75% respectively.
Economy	To ensure that a seamless consistent quality service is provided to our customers via a range of channels.	Our customer satisfaction survey shows we have not met some of our targets relating to customer service however we have made improvements on last years results. The customer satisfaction survey showed that customers are satisfied with our library services. When engaging with our communities, we continue to use a range of methods including social media, our website, letter drops, open days and the Link newsletter.

Community outcomes		Progress
Economy	Tourism in the district is enhanced and Council's processes and infrastructure support and facilitate new and existing business.	Tourism expenditure in our district in the March 2017 year was estimated at \$112m compared with \$85m in the year to March 2016. We support Hamilton & Waikato Tourism, an organisation that supports tourism growth throughout the region. A success in this area was a successful application to the Government's \$1b housing infrastructure fund.
Energy	To ensure that we are accountable to our customers for our outcomes.	All minutes from open meetings were made publicly available via our website. We also made publicly available the quarterly reports outlining progress against our organisational goals.
Energy	Restoration, protection and enhancement of natural areas in the district to increase natural habitat and biodiversity.	We completed the first of a four-year Lake Rotokauri restoration programme including fencing boundaries and planting native species.

Sustainable environment

Community outcomes		Progress
People	To ensure that animals are kept in a way that protects their well-being and minimises danger and public nuisance, and provide animal owners with education regarding their responsibilities.	We achieved two of our three performance measures relating to animal control. Although some parts of our district cannot be reached within an hour's travel time, we still met our goals to be on-site within an hour for 95 per cent of emergency animal control call-outs. The 'Dog in Libraries' programme was also launched, helping children gain confidence in reading while educating them about dogs.
People	To ensure that building regulations and standards are met so that people living and working in buildings are safe.	We met all of our performance measures relating to safe buildings in our district.
People	To ensure that development enhances the wellbeing and safety of the community, and that people have the opportunity to participate in the strategic and district planning process.	The community have the opportunity to be engaged in over 30 projects throughout the year. Key projects included the consultation on the wastewater issue through the Annual Plan, the Freedom Camping Bylaw and Easter Trading Policy.
People	To ensure communities are well informed about the effects of waste and opportunities they have to reduce waste.	In our central and southern areas we reduced the amount of refuse we sent to landfill by more than 1,000 tonnes, from 7,019 to 5,995 tonnes.
People	To ensure that activities are managed so that our communities are healthy and safe, legislative requirements are met and nuisance is managed.	We registered and inspected or audited 256 food premises, handled 322 alcohol licensing applications, 259 contaminated land property information requests, and responded to 1,212 noise complaints.
Economy	To ensure that timely and accurate information and efficient processes and provides to people planning to build on or purchase a property.	We are developing a new digital 'back-of-house' system to enable greater efficiencies in the handling building consents. The system is now ready to trial with selected customers before being rolled out.
Economy	To ensure sustainable growth is encouraged in appropriate locations supported by well-planned essential services.	We continued to make good progress with the review of the District Plan. Areas of growth include Tamahere, Te Kauwhata, Horotiu, Tuakau and Pokeno.
Energy	To ensure that planning controls assist in protecting cultural heritage and the natural and physical environment.	We continued to make good progress with the review of the District Plan. This is scheduled to be publicly notified in 2018.
Energy	To ensure that our waste and recycling services are efficient and effective and protect our natural environment.	The kerbside collection in the north experienced some issues due to a new contractor being unfamiliar with the collection area. The issue has since been resolved. 96% of complaints were responded to within the required timeframes.

Roading

Community outcomes		Progress
People	To ensure that the district is easy and safe to get around and alternative transport options are available.	We have undertaken work to improve road safety by increasing road widths and improving visibility.
Economy	To ensure that transport infrastructure is planned at a rate to consider growth and demand in a cost effective manner.	We have undertaken a process to engage with our northern communities to determine their transport needs and what infrastructure will need to be developed to accommodate for the growth in those areas.
Energy	To ensure that the network is well maintained and negative environmental effects are mitigated.	During the past year we have re-surfaced 115km of sealed roads in the district and completed 18km of road strengthening work.

Stormwater

Community outcomes		Progress
People	To ensure that the Council's water infrastructure supports safe and healthy conditions and conforms to established public health standards.	There are no instances where flooding from our stormwater network occurred in the district. All performance targets relating to stormwater activity were met.
Economy	To ensure that the waters infrastructure networks are managed and maintained to ensure it is both cost effective and reliable, and meets water industry best practice.	We undertook a schedule of minor upgrades across the district, installing new pipes to increase capacity where required.
Energy	To ensure that the water infrastructure network is managed effectively to minimise wastage and ensures that water is sustainably and appropriately collected, treated and disposed of to protect the environment.	In Pokeno we continued to oversee development-led extensions of the stormwater network, and riparian planting beside streams, to ensure that infrastructure and stormwater management keeps up with growth in the area.

Wastewater

Community outcomes		Progress
People	To ensure that the Council's water infrastructure supports safe and healthy conditions and conforms to established public health standards.	We have budgeted to invest in separate teams and equipment for drinking water supply and wastewater services in line with Ministry of Health best practice guidelines.
Economy	To ensure that the waters infrastructure networks are managed and maintained to ensure it is both cost effective and reliable, and meets water industry best practice.	In December we started a \$1.76m programme of works to improve our current network. We have also budgeted to invest in separate teams and equipment for drinking water supply and wastewater services in line with Ministry of Health best practice guidelines.
Energy	To ensure that the water infrastructure network is managed effectively to minimise wastage and ensures that water is sustainably and appropriately collected, treated and disposed of to protect the environment.	Following consultation with 11,000 of our ratepayers who pay for wastewater services, we adopted a new Annual Plan for 2017/18 to broaden this works programme to mitigate the risk of wastewater overflows, with a particular focus on protecting waterways and environmentally sensitive areas.

Water supply

Community outcomes		Progress
People	To ensure that the Council's water infrastructure supports safe and healthy conditions and conforms to established public health standards.	Water was treated to a safe standard and as a result we achieved our two performance targets relating to drinking water compliance.
Economy	To ensure that the waters infrastructure networks are managed and maintained to ensure it is both cost effective and reliable, and meets water industry best practice.	We progressed work to connect the Ngaruawahia and Huntly water supply networks to provide extra security of supply through our central supply area. Extensions to the water supply network in Pokeno were constructed as required to meet the needs of new subdivision in the area.
Energy	To ensure that the water infrastructure network is managed effectively to minimise wastage and ensures that water is sustainably and appropriately collected, treated and disposed of to protect the environment.	To facilitate the sustainable supply and consumption of drinking water in our district we completed a programme to install water meters in Raglan, Huntly and Ngaruawahia, and undertook a public awareness campaign about water usage which included distributing trial water meter readings to owners of newly metered properties.

FINANCIAL PATHWAY

TE ARA PUUTEA

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From the Chair Strategy
and Finance and
GM Strategy and Support

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Council controlled
organisations

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Strada Corporation
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Waikato District Community
Wellbeing Trust

From the Strategy & Finance Committee Chair and General Manager Strategy & Support

Council has had another excellent year of financial performance consistent with the desired outcomes from Council's financial strategy.

Budgeted income for this financial year was \$119.7 million, against which actual income earned was \$134.9 million, a positive variance of \$15.2 million. Vested assets, which are not a budgeted item, account for the majority of the variance, along with additional subsidies to support storm weather events and grants carried over from prior years.

The Council's operational expenditure budget was \$104.9 million of which actual operational expenditure was \$113.4 million. This includes asset write-offs of \$4.7 million which are not a budgeted item. Taking this into account the Council incurred \$3.8 million more than what was budgeted for 2016/17. This variance against budget relates mainly to wastewater reticulation maintenance works and emergency works associated with storm weather events.

Capital programmes were budgeted at \$48.1 million for 2016/17. In addition to this, budget for projects that had not been fully completed during 2015/16 totalled \$26.2 million (including \$5.2 million of developer led projects). Therefore, although when compared to the Annual Plan budget the completed works sits at 100 per cent of budget (spend of \$48.2 million) the budget usage including progression of prior years' work was approximately 65 per cent. Variance in capital work programmes can arise for various reasons; savings in construction prices, progression and related timing of subdivision activity within the district, adverse weather resulting in delays, public consultation timeframes and negotiations over land purchase. This year \$26.4 million of capital works budget will be carried forward to the 2017/18 financial year. While this is slightly higher than the carry forward amount in the prior year, the majority of these projects are in progress but were not completed before the end of the financial year.

Debt at the end of June 2017 was \$80 million, marginally higher than the forecast of \$79.4 million.

In addition to specifying debt limits, the Council's financial strategy stipulated benchmarks for rates increases going forward. These measures are in place to ensure accountability to the public with respect to rates increases and management of debt. The Council were successful in achieving both the rates affordability and debt affordability measures set for 2016/17.

Cr Janet Gibb

Chair Strategy & Finance

Tony Whittaker

GM Strategy & Support

Council-controlled organisations

The Council operates four Council Controlled Organisations (CCO's). These organisations independently manage facilities and deliver services, with the exception of Strada Corporation Limited which wound up activities during the 2016/17 financial year. The following information explains what the organisations do and how their performance is measured.

Strada Corporation Limited

Strada Corporation Limited (formerly Tanlaw Corporation prior to 1 July 2009) was established in 1992 as a wholly owned Council Controlled Organisation (CCO). The Council wished to separate the planning and development of its work programme from the physical works. Strada was established to achieve this and to operate as a profitable business for the Council's benefit, and ultimately Waikato District ratepayers'.

The company generally traded profitably and provided significant dividends that supplemented the council's income. However, in recent years in a more competitive market Strada had difficulty securing maintenance contract work and when the opportunity arose during 2015/16 to sell Strada's joint venture the decision was made to wind up operations.

The operational assets were sold during 2016/17 and liabilities extinguished. The company will remain active until the warranty requirements under the sale of the joint venture are satisfied.

Waikato Regional Airport Limited

In December 1995, the Council along with four other local authorities purchased the Crown's 50 per cent shareholding in the Waikato Regional Airport Limited. The purchase increased the Council's shareholding to 15.625 per cent. At the time the Council considered the airport to be a significant infrastructural asset for the region and important to economic growth and development. The Council's shareholding is considered a strategic asset. The airport also operates a tourism subsidiary which aims to promote the region to tourists. The Council contributes separately to this entity.

The core purpose and key objective for the year has been to operate the airport in an efficient and compliant manner whilst maintaining a viable aeronautical business.

The group had an operating surplus of \$4.1 million during the 2016/17 year due mostly to increased value of the property portfolio. The group achieved most of the financial targets and all of the non-financial targets included in their Statement of Intent.

Agreed measures	Statement of intent	Actual 2016/17	Target met
Earnings before interest, taxation and depreciation (EBITDA).	\$2.279M	\$2.443M	
Net surplus/(deficit) after tax.	(\$366K)	(\$305K)	
Net profit after tax to shareholders' funds.	0.01%	(0.42%)	
Net profit after tax to total assets.	0.00%	(0.30%)	
Percentage of non-landing charges revenue to total revenue.	76.00%	81.00%	
Total liabilities/shareholders' funds: (debt/equity ratio).	26:74	20:80	
Net operating cashflow.	\$1.594M	\$5.247M	
Net investing cashflow.	(\$1.540M)	(\$9.292M)	
Funding Titanium Park Limited.	(\$505K)	\$3.161M	
Net cashflow.	(\$451K)	(\$884K)	
Net debt.	\$8.287M	\$10.994M	
Applicable to parent company (airport) operations only			
Interest rate cover.	6.56	8.63	

Waikato Local Authority Shared Services Limited

Local Authorities of the Waikato region established the Local Authority Shared Services (WLASS) Limited during 2005/2006. The following 12 local authorities of the region jointly own the company:

- Hamilton City Council
- Rotorua District Council
- Waikato District Council
- Hauraki District Council
- South Waikato District Council
- Waikato Regional Council
- Matamata-Piako District Council
- Taupo District Council
- Waipa District Council
- Otorohanga District Council
- Thames-Coromandel District Council
- Waitomo District Council






These local authorities have worked closely together over the years on mutually beneficial joint projects. The Councils believe the company will generate saving through economies of scale and through additional purchasing power and the ability to recover costs.








WLASS is in operation to provide information collection and management at a lower aggregate cost, these include:

- Shared valuation data services;
- Waikato regional transport model;
- Waikato regional aerial photography.

The Waikato Mayoral Forum has five working parties which investigate collaborative opportunities in the areas of governance structures, planning, three waters, roading and economic development. Each working party is led by a Council Chief Executive in conjunction with a group of Mayors/Chairs from the Waikato Mayoral Forum. WLASS is available as a support entity to assist these working parties.

Shared insurance and procurement opportunities are also progressed through WLASS.

Agreed measures	Statement of intent	Target met
Joint procurement initiatives will be investigated and implemented.	Minimum of three new initiatives investigated. Implemented initiatives shall provide savings or improved levels of service. New suppliers are awarded contracts through a competitive tender process.	
Priorities for collaboration are developed and high priority projects implemented.	Minimum of three collaborative projects identified Business cases of value are developed for approval and implemented.	
Existing contracts are managed and renegotiated as required.	Contracts register is maintained. Contracts for renewal are tested for competitiveness and renegotiated or tendered through a competitive process.	
The company shall maintain a positive cash flow position.	Monthly financial statements show a positive cash flow.	
Administration expenditure shall be managed and monitored.	Administration expenditure shall not exceed budget by more than 5% without board approval.	

Agreed measures	Statement of intent	Target met
Six monthly reports are provided to shareholders.	A written report on the business operations and financial position to be provided every six months. Every second report is the annual report with statutory requirements adhered to.	
The company shall provide administrative support to the Mayoral forum.	Mayoral forum is updated on the progress of each work stream. Approved invoices for mayoral forum projects are paid by the 20th of the month following receipt.	
The shared valuation data services is reliable, well maintained and available.	SVDS is available to users at least 99% of normal working hours. SVDS advisory group meets at least six monthly.	
Key performance indicators of the insurance brokerage contract are achieved.	Strategic advice received is assessed as satisfactory in the annual shareholder survey. Day-to-day service is assessed as satisfactory in the annual shareholder survey.	Results will be reported on 26 August so fall outside the financial year.
All stakeholders are informed about the roading accord technical alliance (RATA) projects and achievements. Sub-regional data collection contracts deliver good quality asset data.	Reports are provided six monthly. Reports include a summary of savings. Councils participate in the Annual Forward Works Programme tour. Report provided on tour outcomes. Any data issues are resolved with incidents reported.	
Waikato regional transport model is reliable, well maintained and available.	Modelling reports requested are actioned by the supplier within the agreed scope, time and budget. A status report from RATA on the model status is provided six monthly. The quality complies with NZTA guidelines and is independently reviewed when updated.	
Waikato Building consent group actively pursue improvements.	Internal audits are completed annually for each group member. Provide a joint quality assurance system that meets statutory requirements. Report six monthly on the group's activities.	
Stakeholders are kept informed about FutureProof projects and achievements.	Six monthly reports provided.	
Shareholders are satisfied with the performance of WLASS.	A shareholder survey is conducted and reported on annually.	In progress.
Shareholders are informed of the benefits being provided.	Information on non-financial and financial benefits are reported on six monthly.	

Waikato District Community Wellbeing Trust

In 2010, the Waikato Foundation Trust proposed to distribute its capital fund to projects or trusts of a community nature which will result in long term benefits to as many people as possible within the geographical area of the three constituent territorial authorities; namely the Hamilton City Council, the Waikato District Council and the Waipa District Council. The Waikato District Community Wellbeing Trust was established to receive funds from the Waikato Foundation Trust which wound up in 2010. \$2.56 million was transferred to the Waikato District Community Wellbeing Trust during 2011/12.




The Trust distributes funds that:

- Promote the social, environmental and cultural wellbeing of the Waikato district and its communities; and
- Deliver on the aspirations and community outcomes of the Waikato district identified and promoted by the community and endorsed by Waikato District Council.

The Trust approved the following grants during 2016/17:

- Ngaruawahia Community House \$13,557
- Menzshed \$10,000
- Ngaruawahia Community Board \$10,000
- Turangawaewae Rugby League Club \$15,000
- Whitikahu Hall \$15,000
- Taupiri Rugby Football Club \$15,000
- Pukemokemoke Bush Trust \$17,193

A summary of the trust performance for the 2016/17 year is provided in the table below:

Agreed measures	Statement of Intent	Target met
Governance: To comply with the terms of the Trust Deed and in particular with the duties of the Trust as set out in clause 11 of the Deed.	Undertake an annual legal review of compliance with the Trust Deed no later than two months after the end of each financial year.	
Investment: To adhere to the Trust's <i>Management of Investment Portfolio and Distribution Policy</i> . To review on an annual basis the investment mandate and the performance of the portfolio manager.	At each quarterly meeting review compliance with the Trust's <i>Management of Investment Portfolio and Distribution Policy</i> during that quarter.	
Fund disbursement: As per the <i>Management of Investment Portfolio and Distribution Policy</i> , to distribute a total grant disbursement that does not exceed 50% of the accumulated retained net income after allowing for accumulated expenses, inflation movements and prior year distributions.	A distribution process is undertaken that distributes the annual fund to eligible recipients in accordance with funding targets set by the Trustees in accordance with the <i>Management of Investment Portfolio and Distribution Policy</i> for the current year. Six-monthly reports are received from all successful applicants within the required timeframe.	

Returns on investment	Limit	2016/17 results	Our performance
Financial	4%	6%	
Property	10%	9%	
Returns on equity as follows:			
Strada Corporation Ltd (before capital return)	9%	16%	
Waikato Regional Airport Ltd	0%	0%	
Civic Financial Services Ltd	0%	0%	
Local Authority Shared Services Ltd	0%	0%	
Waikato District Community Wellbeing Trust	0%	0%	

FINANCIAL STATEMENTS

NGA RAARANGI PUUTEA

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STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2017

		Council			Group	
	Note	2016/17 Actual \$'000	2016/17 Budget \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Revenue						
Rates	2	71,719	73,161	68,749	71,719	68,749
Development and financial contributions		8,547	8,217	9,454	8,547	9,454
Subsidies and grants		19,317	17,541	19,881	19,317	19,881
Finance revenue	3	156	100	604	173	668
Other revenue	4	35,152	20,643	42,369	35,724	46,912
Total revenue		134,891	119,662	141,057	135,480	145,664
Expenses						
Employee costs	6	26,912	28,028	26,010	27,193	27,589
Depreciation and amortisation expense	7	25,132	24,462	22,683	25,193	23,120
Finance costs	3	3,659	3,588	4,259	3,659	4,416
Other expenses and losses	8	57,700	48,799	59,209	58,356	62,897
Total operating expenses		113,403	104,877	112,161	114,401	118,022
Operating surplus(deficit) before tax and share of equity accounted investments		21,488	14,785	28,896	21,079	27,642
Share of joint venture's surplus(deficit)	19	-	-	-	-	(2,438)
Surplus(deficit) before tax		21,488	14,785	28,896	21,079	25,204
Income tax expense	9	-	-	-	-	(26)
Surplus(deficit) after tax wholly attributable to Waikato District Council		21,488	14,785	28,896	21,079	25,230
Other comprehensive revenue and expense						
Gain(loss) on property revaluations	16	64,849	25,507	12,072	64,849	12,000
Revaluation reserve – landfill	23	(204)	-	(104)	(204)	(104)
Financial assets at fair value through other comprehensive income		10,162	-	9	10,162	9
Other comprehensive revenue and expense (net of tax)		74,807	25,507	11,977	74,807	11,905
Total comprehensive revenue and expense for the year		96,295	40,292	40,873	95,886	37,135

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 36.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		Council			Group	
	Note	2016/17 Actual \$'000	2016/17 Budget \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Assets						
Current assets						
Cash and cash equivalents	10	3,705	10,418	4,010	4,473	6,522
Receivables from exchange transactions	11	3,433	13,457	6,554	3,342	7,003
Recoverables from non-exchange transactions	11	5,912	9,142	6,465	5,912	6,465
Prepayments		703	447	598	701	619
Other financial assets	14	10,967	55	78	14,629	3,320
Inventory	12	-	-	-	-	14
Cattle	13	110	90	102	110	102
Non-current assets held for sale	15	-	-	386	5	2,864
Total current assets		24,830	33,609	18,193	29,172	26,909
Non-current assets						
Investment in CCO's and other similar entities	14	13,716	7,359	7,359	13,016	2,859
Investments in other entities	14	1,219	1,346	1,253	1,729	1,878
Property, plant and equipment	16	1,720,737	1,679,519	1,626,407	1,720,737	1,626,407
Intangible assets	17	5,981	5,623	5,399	5,981	5,399
Investment property	18	490	445	475	490	475
Investment in joint venture	19	-	-	-	-	-
Total non-current assets		1,742,143	1,694,292	1,640,893	1,741,953	1,637,018
Total assets		1,766,973	1,727,901	1,659,086	1,771,125	1,663,927
Liabilities						
Current liabilities						
Payables under exchange transactions	20	16,548	33,908	23,602	16,646	23,865
Taxes and transfers payable	20	1,128	1,244	1,090	1,128	1,133
Derivative financial instruments	24	244	-	105	244	105
Borrowing	22	20,000	24,820	-	20,000	-
Employee entitlements	21	2,790	3,150	3,184	2,790	3,251
Provisions	23	99	356	669	104	679
Total current liabilities		40,809	63,478	28,650	40,912	29,033
Non-current liabilities						
Derivative financial instruments	24	4,719	2,052	5,456	4,719	5,456
Borrowing	22	60,000	54,634	60,000	60,000	60,000
Employee entitlements	21	99	203	169	99	169
Provisions	23	2,012	1,645	1,772	2,012	1,772
Deferred tax liabilities	9	-	-	-	-	-
Total non-current liabilities		66,830	58,534	67,397	66,830	67,397
Total liabilities		107,639	122,012	96,047	107,742	96,430
Net assets		1,659,334	1,605,889	1,563,039	1,663,383	1,567,497
Net assets/equity						
Accumulated comprehensive revenue and expense		1,029,070	1,024,526	1,004,834	1,030,204	1,006,334
Other reserves		630,264	581,363	558,205	633,179	561,163
Total net assets/equity		1,659,334	1,605,889	1,563,039	1,663,383	1,567,497

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 36.

STATEMENT OF CHANGES IN NET ASSETS / EQUITY

For the year ended 30 June 2017

	Council			Group	
	2016/17 Actual \$'000	2016/17 Budget \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Balance at the beginning of the year					
Accumulated comprehensive revenue and expense	1,004,834	1,005,693	964,246	1,006,334	967,413
Share of joint venture's earnings	-	-	-	-	672
Other reserves					
Revaluation	562,131	577,921	554,745	562,243	556,328
Restricted	174	168	30	3,020	2,804
Council-created	22,482	15,239	19,919	22,482	19,919
Special rates and user pays	(3,331)	(3,292)	(1,305)	(3,331)	(1,305)
Capital replacement fund	13,331	8,363	14,897	13,331	14,897
Development contributions	(36,625)	(38,529)	(30,400)	(36,625)	(30,400)
Fair value through other comprehensive revenue and expense	43	34	34	43	34
Balance at 1 July as previously reported	1,563,039	1,565,597	1,522,166	1,567,497	1,530,362
Comprehensive revenue and expense for the year					
Accumulated comprehensive revenue and expense					
Surplus(deficit) after tax	21,488	14,785	28,896	21,079	27,668
Share of joint venture's retained earnings	-	-	-	-	(2,438)
Other reserves					
Revaluation	64,849	25,507	12,072	64,849	12,000
Revaluation – landfill	(204)	-	(104)	(204)	(104)
Fair value through other comprehensive revenue and expense	10,162	-	9	10,162	9
Total comprehensive income for the year wholly attributable to Waikato District Council	96,295	40,292	40,873	95,886	37,135
Transfers to (from) accumulated comprehensive revenue and expense					
Accumulated comprehensive revenue and expense	2,748	4,048	11,692	2,791	13,019
Other reserves					
Revaluation	(1,294)	-	(4,582)	(1,406)	(5,981)
Restricted	7	1	144	76	216
Council-created	4,044	(1,139)	2,563	4,044	2,563
Special rates and user pays	(2,854)	(1,235)	(2,026)	(2,854)	(2,026)
Capital replacement fund	317	124	(1,566)	317	(1,566)
Development contributions	(2,968)	(1,799)	(6,225)	(2,968)	(6,225)
Total transfers to (from) accumulated comprehensive revenue and expense	-	-	-	-	-
Balance at 30 June wholly attributable to Waikato District Council	1,659,334	1,605,889	1,563,039	1,663,383	1,567,497

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 36.

STATEMENT OF CHANGES IN NET ASSETS / EQUITY

For the year ended 30 June 2017 - *Continued*

	Council			Group	
	2016/17 Actual \$'000	2016/17 Budget \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Represented by net assets/equity at the end of the year					
Accumulated comprehensive revenue and expense	1,029,070	1,024,526	1,004,834	1,030,204	1,006,334
Share of joint venture's earnings	-	-	-	-	-
Other reserves					
Revaluation	625,482	603,428	562,131	625,482	562,243
Restricted	181	169	174	3,096	3,020
Council-created	26,526	14,100	22,482	26,526	22,482
Special rates and user pays	(6,185)	(4,527)	(3,331)	(6,185)	(3,331)
Capital replacement fund	13,648	8,487	13,331	13,648	13,331
Development contributions	(39,593)	(40,328)	(36,625)	(39,593)	(36,625)
Fair value through other comprehensive revenue and expense	10,205	34	43	10,205	43
Balance at 30 June wholly attributable to Waikato District Council	1,659,334	1,605,889	1,563,039	1,663,383	1,567,497

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 36.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

		Council			Group	
	Note	2016/17 Actual \$'000	2016/17 Budget \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Cash flows from operating activities						
Receipts						
Receipts from rates revenue		72,164	67,179	69,848	72,164	69,848
Subsidies received		19,500	18,217	20,628	19,500	20,628
Contributions received		9,221	8,618	18,023	9,221	18,023
Receipts from other revenue		21,866	23,247	16,485	22,340	20,156
Interest received		96	100	556	113	620
Dividends received		700	300	-	34	40
Income tax refund		-	-	-	-	72
Goods and service tax (net)		571	-	(895)	528	(927)
Payments		-	-	-	-	-
Payments to employees		(27,827)	(27,885)	(25,614)	(28,084)	(27,378)
Payments to suppliers		(54,858)	(48,970)	(49,893)	(55,566)	(52,676)
Interest paid		(3,566)	(3,588)	(4,087)	(3,566)	(4,261)
Income tax paid		-	-	-	-	-
Net cash flows from (used in) operating activities	26	37,867	37,218	45,051	36,684	44,145
Cash flows from investing activities						
Proceeds from the sale of property, plant and equipment		1,884	217	1,008	1,884	3,886
Proceeds from the sale of investments		3,801	-	-	2,311	5,783
Proceeds from the sale of non-current assets held for sale		653	-	-	3,878	-
Community loan repayments received		61	-	69	61	69
Receipts from repayment of advance		-	-	104	-	1,692
Purchase of intangible assets		(1,214)	(819)	(538)	(1,214)	(538)
Purchase of property, plant and equipment		(52,379)	(55,574)	(58,913)	(52,379)	(57,705)
Acquisition of investments		(10,978)	(242)	(160)	(13,388)	(5,425)
Net cash flow from (used in) investing activities		(58,172)	(56,418)	(58,430)	(58,847)	(52,238)
Cash flows from financing activities						
Proceeds from borrowing		20,000	19,142	7,050	20,000	7,050
Repayment from related party		-	-	-	115	-
Repayment of borrowing		-	-	-	-	(3,250)
Net cash flow from financing activities		20,000	19,142	7,050	20,115	3,800
Net increase(decrease) in cash, cash equivalents and bank overdrafts		(305)	(58)	(6,329)	(2,048)	(4,293)
Cash, cash equivalents and bank overdrafts at the beginning of the year		4,010	10,476	10,339	6,521	10,815
Cash, cash equivalents and bank overdrafts at the end of the year		3,705	10,418	4,010	4,473	6,522

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 36.

STATEMENT OF RESERVE FUNDS

For the year ended 30 June 2017

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 income 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 income being received. A negative reserve is used instead of an internal loan because the amount is repaid by income 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 2016 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2017 \$'000
Conservation fund	To fund expenditure items for conservation purposes.	Sustainable environment	625	57	(12)	670
Raglan Harbour reserve	Council took over assets from the Raglan Harbour Board. Any income or expenditure on these properties is kept separate from general funds.	Sustainable communities	135	381	(463)	53
Housing for the elderly	Income from housing for the elderly is put aside for use on the properties involved.	Sustainable communities	32	187	(244)	(25)
Plant reserve	Reserve used for control of expenditure and sale proceeds for vehicle and other plant running and maintenance costs.	Organisational support	241	1,360	(1,318)	283
Lake Hakanoa Caravan Park reserve	Income and expenditure for the Lake Hakanoa Caravan Park at Huntly is kept separate. The camp operation is self-funding.	Sustainable communities	86	166	(125)	127
Raglan Kopua Holiday Park reserve	Income and expenditure for Kopua Camp at Raglan is kept separate. The camp operation is self-funding.	Sustainable communities	739	1,471	(1,178)	1,032
Wainui Reserve farm	Income 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	231	3,178	(3,134)	275
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	37	9	-	46
Disaster recovery fund	Fund set aside for use in the event of a disaster.	Organisational support	1,307	2,020	(2,844)	483
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	53	3	-	56

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 36.

STATEMENT OF RESERVE FUNDS

For the year ended 30 June 2016 – Continued

Reserve	Purpose	Related activities	Opening Balance 1 July 2016 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2017 \$'000
North Waikato development reserve	Remaining funds with interest credits from the Department of Corrections for use to assist the local community.	Sustainable communities	322	15	-	337
Hamilton East property proceeds	Proceeds from the sale of the Hamilton East property held separate for property related purposes.	Organisational support	2,308	-	-	2,308
Hakarimata Restoration Trust	A restricted reserve for Hakarimata Hills Reserve Trust to record all trust operations.	Sustainable environment	15	1	-	16
Development fund (from shares sold)	Reserve representing the share of the Auckland Airport Shares received by the former Franklin District Council and transferred to Waikato District Council on part amalgamation in 2010.	Organisational support	1,583	-	(897)	686
LTCCP contribution reserve	Reserve created on amalgamation of part of the Franklin District Council with Waikato District Council to assist with operational funding.	Organisational support	2,779	-	(722)	2,057
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	332	14	(50)	296
Structure plan non-growth reserve	Reserve to provide funding for the non-growth element of Structure Plan development.	Organisational support	627	130	-	757
Waste minimisation reserve	To manage waste minimisation grants and qualifying expenditure.	Sustainable environment	331	1,063	(1,061)	333
Huntly College Jubilee Award	A restricted reserve for the interest income to be used as educational sponsorship.	Sustainable communities	13	-	(1)	12
Frances Paki Trust	A restricted reserve in memory of Frances Paki of Huntly. Interest income to be used as sponsorship for educational purposes.	Sustainable communities	1	-	-	1

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 36.

Reserve	Purpose	Related activities	Opening Balance 1 July 2016 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2017 \$'000
Mungall Scholarship Trust	A restricted reserve in memory of Agnes Simpson Mungall. Interest income 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	144	7	-	151
Sundry reserves	Sundry reserves for township development and other operational purposes.	Sustainable communities	6,900	21,211	(6,709)	21,402
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	(3,331)	3,595	(6,449)	(6,185)
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	13,331	18,275	(17,958)	13,648
Revaluation reserves	Non-cash reserves representing the increases or decreases in the value of infrastructural assets that are periodically revalued.	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply, Organisational support	562,131	64,849	(1,498)	625,482
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	(32,790)	11,719	(12,989)	(34,060)
Total reserves			558,205	129,711	(57,652)	630,264

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 36.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – 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 had a 50% party to a Joint Venture Agreement, Waikato Quarries Limited. 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 2017. The financial statements were authorised for issue by Council on 9 October 2017.

Basis of preparation

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

The financial statements of Strada have been prepared on a realisation basis because its Directors have resolved to sell all its operational assets and extinguish all of its liabilities during the year ended 30 June 2017. While the company will remain open after this point in order to receive the final settlement payments in relation to the disposal of the joint venture, it will not remain a going concern.

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 1 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 and not early adopted

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

Impairment of revalued assets

In April 2017, the XRB issued *Impairment of Financial Assets* which now includes revalued property, plant and equipment in its scope; previously, only property, plant and equipment assets measured at cost were included.

Council will apply this amendment in preparing its financial statements for the 30 June 2018 year onwards. Council will be required to assess at each reporting date whether there is any indication an asset may be impaired. If any indication exists, Council is required to assess the recoverable amount of the asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. Council will therefore be able to impair a revalued asset without having to revalue the entire class of asset to which the asset belongs.

Interest in other entities

In January 2017 the XRB issued new standards for interests in other entities (PBE-IPSAS 34 – 38). These new standards replace the existing standards for interests in other entities (PBE-IPSAS 6 – 8).

The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

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

In January 2017 the XRB issued PBE-IFRS 9 *Financial Instruments*. PBE-IFRS 9 replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risk.

Council plans to apply the new standards in preparing the 30 June 2022 financial statements. Council has not yet assessed the effects of these new standards.

Other changes in accounting policies

As a result of the increasing portion of Waikato Regional Airport Limited's (WRAL) balance sheet being carried at fair value, Council are now able to reliably measure its investment in WRAL at fair value. Refer Note 14.

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

Employee entitlement provisions

Note 21 provides information about the estimates and assumptions surrounding the retirement gratuities and long service leave provision.

Landfill aftercare provision

Note 23 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 GST.

Budget figures

The budget figures are those approved by Council at the beginning of the year in its 2016/17 Annual 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 are those 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 35.

Fair value through other comprehensive income

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

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.

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	
	2016/17 Actual \$'000	2015/16 Actual \$'000
General rates	40,157	38,698
Uniform annual general charge	10,754	10,159
Total general rates revenue	50,911	48,857
Targeted rates		
Community boards	196	185
Community centres and facilities	617	603
Refuse & waste management	2,594	3,526
Stormwater	1,520	1,455
Wastewater	7,255	6,264
Metered water supply	3,115	2,706
Other water rates	4,566	4,150
Total targeted rates	19,863	18,889
Plus: Penalties revenue	1,483	1,443
Total rates revenue	72,257	69,189
Less: Rate remissions	(538)	(440)
Total net rates	71,719	68,749

Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates income. That Deed defines annual rates income 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 income by this definition is as disclosed in the table above.

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 and rating units with a capital valuation (CV) of \$1,000 or less and Maaori freehold land.

	Council and Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Land used for community and sporting purposes	188	180
Land protected for historical or cultural purposes	45	48
CV's under \$1,000	91	73
Rating exclusions	146	85
Maaori freehold land	68	54
Total rates remissions	538	440

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	
	2016/17 Actual	2015/16 Actual
Total number of rating units	30,571	29,820
Total land value	\$11,984m	\$11,854m
Total capital value	\$20,039m	\$19,620m

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	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Finance revenue				
Interest – bank deposits	110	532	122	534
Interest – financial assets	1	5	6	64
Interest – community loans	16	20	16	20
Interest – other	1	20	1	23
Interest – LGFA borrower notes	28	27	28	27
Total finance revenue	156	604	173	668
<i>Less: Finance costs</i>				
Interest – bank borrowing	46	167	46	317
Interest – LGFA borrowing	2,021	1,908	2,021	1,908
Interest – swaps differences	1,471	903	1,471	903
Provision: discount unwinding	110	110	110	110
Other finance costs	11	1,171	11	1,178
Total finance costs	3,659	4,259	3,659	4,416
Net finance costs	(3,503)	(3,655)	(3,486)	(3,748)

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

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Found assets	1,454	5,488	1,454	5,488
Vested assets	12,115	19,804	12,115	19,804
Dividends	700	-	35	40
Other revenue	10,669	8,058	10,775	11,543
Regulatory revenue	7,494	6,953	7,494	6,953
Fees and charges – Council	1,744	1,996	1,744	1,996
Fair value through surplus (deficit) – realised gain	-	-	115	188
Interest rate swaps revaluation gain	599	-	599	-
Property, plant and equipment gains on disposal	362	40	1,176	718
Investment property gain on disposal	-	-	-	47
Investment property revaluation gain	15	30	15	30
Gain on cessation of joint venture agreement	-	-	-	105
Fair value through surplus (deficit) – unrealised gains	-	-	202	-
Total other revenue	35,152	42,369	35,724	46,912

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	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Revenue from exchange transactions				
Revenue from metered water supply	3,115	2,706	3,115	2,706
Development and financial contributions	8,547	9,454	8,547	9,454
Other fees and charges – Council	10,843	9,126	10,843	9,126
Finance revenue	156	604	173	668
Dividends received	700	-	35	40
Other exchange revenue	3,914	3,768	5,151	8,278
Total revenue from exchange transactions	27,275	25,658	27,864	30,272
Revenue from non-exchange transactions				
Revenue from rates	68,604	66,043	68,604	66,043
Vested and found assets	13,569	25,292	13,569	25,292
Regulatory revenue	1,677	1,730	1,677	1,730
Infringements and fines	227	214	227	214
NZTA government subsidies	19,112	18,375	19,112	18,375
Petrol tax	488	459	488	459
Other subsidies and grants	205	1,506	205	1,506
Other fees and charges – Council	2,026	593	2,026	593
Other non-exchange revenue	1,708	1,187	1,708	1,180
Total revenue from non-exchange transactions	107,616	115,399	107,616	115,392
Revenue from exchange transactions	27,275	25,658	27,864	30,272
Revenue from non-exchange transactions	107,616	115,399	107,616	115,392
Total revenue per statement of comprehensive revenue and expense	134,891	141,057	135,480	145,664

There are no unfulfilled conditions or other contingencies attached to subsidies and grants recognised (2016: \$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	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Salaries and wages	26,765	25,036	27,106	26,747
Defined contribution plan employer contributions	610	578	618	623
Increase (decrease) in employee liabilities	(463)	396	(531)	219
Total employee costs	26,912	26,010	27,193	27,589

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

Note 7 – DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

	Council	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Water supply	2,165	1,662
Wastewater	2,996	2,473
Stormwater	611	452
Roading	13,373	12,724
Sustainable environment	60	56
Sustainable communities	4,149	3,663
Governance	-	-
Organisational support	1,778	1,653
Total directly attributable depreciation and amortisation	25,132	22,683

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	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Audit fees – Annual report	151	150	175	204
Other payments to Audit New Zealand	-	35	-	35
	151	185	175	239
Asset write-off	4,705	7,469	4,705	7,469
Bad debt written off	397	166	397	173
Rates penalty write-offs	529	578	529	578
Other expenditure	43,527	39,904	43,869	41,985
Other personnel expenses	1,082	799	1,096	1,009
Inventories consumed	-	-	14	391
Minimum lease payments under operating leases	171	153	171	161
Legal expenses	809	854	818	906
Other professional fees	1,037	1,150	1,037	1,156
Consultant expenses	4,303	3,222	4,377	3,434
Grants and sponsorship	859	1,214	1,038	1,265
Fair value loss on cattle	8	6	8	6
Fair value through surplus (deficit) – unrealised loss	-	-	-	353
Loss on revaluation of assets	122	-	122	-
Impairment loss – computer software	-	-	-	29
Impairment of equity accounted joint venture	-	-	-	234
Interest rate swaps revaluation loss	-	3,509	-	3,509
Total other expenses and losses	57,700	59,209	58,356	62,897

During the current year no payments were made to Audit New Zealand apart from for audit of the annual report. In 2016 other payments were made for assurance services relating to the selection of a contractor for the maintenance of open spaces.

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 income or directly in equity.

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Operating surplus before tax expense	21,488	29,196	21,079	25,504
Prima facie tax at 28%	6017	8,175	5,902	7,141
Non-assessable income (net)	(6,017)	(8,175)	(5,902)	(7,627)
Non-deductible expenditure	-	-	-	460
Total income tax expense	-	-	-	(26)
Made up of:				
Deferred tax	-	-	-	(96)
Prior period adjustment	-	-	-	70
Income tax expense	-	-	-	(26)

Deferred tax (assets) liabilities

	Plant and Equipment \$'000	Employee entitlements \$'000	Other provisions \$'000	Total tax loss \$'000	Total \$'000
Balance at 1 July 2015	(273)	33	(8)	194	(54)
Charged to surplus (deficit)	238	(20)	(75)	(117)	26
Charged to other comprehensive income	28	-	-	-	28
Balance at 30 June 2016	(7)	13	(83)	77	-
Balance at 1 July 2016	(7)	13	(83)	77	-
Charged to surplus (deficit)	-	-	-	-	-
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2017	(7)	13	(83)	77	-

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	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Cash at bank and on hand	905	1,810	1,673	4,322
Short term deposits maturing within three months or less from date of acquisition	2,800	2,200	2,800	2,200
Total cash and cash equivalents per statement of financial position	3,705	4,010	4,473	6,522
Bank overdrafts	-	-	-	-
Cash and cash equivalents per statement of cash flows	3,705	4,010	4,473	6,522

The total value of cash equivalents that can only be used for a specific purpose is \$181,029 (2016: \$173,536).

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	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Receivables from exchange transactions				
Receivables from related parties	126	58	-	-
Water rates receivable	615	548	615	548
Other receivables from exchange transactions	2,909	6,098	2,944	6,605
Gross receivables	3,650	6,704	3,559	7,153
Provision for uncollectability	(217)	(150)	(217)	(150)
Net receivables from exchange transactions	3,433	6,554	3,342	7,003
Recoverables from non-exchange transactions				
Rates receivable	4,200	4,010	4,200	4,010
Recoverables from user charges, taxes and other non-exchange revenue	2,489	2,579	2,489	2,579
GST refund	416	986	416	986
Income tax refund	-	-	-	-
Gross recoverables	7,105	7,575	7,105	7,575
Provision for uncollectability	(1,193)	(1,110)	(1,193)	(1,110)
Net recoverables from non-exchange transactions	5,912	6,465	5,912	6,465
Total gross receivables and recoverables	10,755	14,279	10,664	14,728
Total provision for uncollectability	(1,410)	(1,260)	(1,410)	(1,260)
Total net recoverables and receivables	9,345	13,019	9,254	13,468

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	Uncollectability \$'000	Total \$'000
Council 2017			
Not past due	8,877	-	8,877
Past due 1 – 60 days	98	-	98
Past due 61 – 120 days	115	-	115
Past due > 120 days	1,665	(1,410)	255
Total gross recoverables and receivables	10,755	(1,410)	9,345
Council 2016			
Not past due	11,164	-	11,164
Past due 1 – 60 days	96	-	96
Past due 61 – 120 days	-	-	-
Past due > 120 days	3,019	(1,260)	1,759
Total gross recoverables and receivables	14,279	(1,260)	13,019
Group 2017			
Not past due	8,786	-	8,786
Past due 1 – 60 days	98	-	98
Past due 61 – 120 days	115	-	115
Past due > 120 days	1,665	(1,410)	255
Total gross recoverables and receivables	10,664	(1,410)	9,254
Group 2016			
Not past due	11,498	-	11,498
Past due 1 – 60 days	211	-	211
Past due 61 – 120 days	-	-	-
Past due > 120 days	3,019	(1,260)	1,759
Total gross recoverables and receivables	14,728	(1,260)	13,468

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	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Individual uncollectability	138	143
Collective uncollectability	1,272	1,117
Total provision for uncollectability	1,410	1,260

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	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Past due 1 – 60 days	-	-
Past due 61 – 120 days	-	-
Past due > 120 days	138	143
Total individual uncollectability	138	143

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

	Council and Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Balance at 1 July	1,260	1,225
Additional provision made during the year	56	155
Provisions reversed during the year	-	(30)
Debts written off during the period	94	(90)
Balance at 30 June	1,410	1,260

Note 12 – INVENTORY

Accounting policy

Inventory held for use in the provision of goods and services on a commercial basis is valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Fuel	-	-	-	2
Bitumen	-	-	-	8
Cement	-	-	-	4
Total inventory (at cost)	-	-	-	14

No inventory items are pledged as security for liabilities (2016: \$nil).

Note 13 – 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	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Balance at 1 July	102	90
Increase through purchases	117	108
Gains (losses) from fair value adjustments	(8)	(6)
Decrease through sales	(101)	(90)
Balance at 30 June	110	102

Council keeps cattle to graze on one of its reserves as part of reserve maintenance. Although a financial gain was achieved it was 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 102 (2016: 100).

Council has no cattle with restricted title.

Note 14 – 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 the 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 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 24. 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 income 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 the 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 income, 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 income, the cumulative loss previously recognised in other comprehensive income 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	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Current portion				
Term deposits	10,590	-	10,590	-
Equity instruments	-	-	1,951	1,664
Fixed interest instruments	-	-	1,711	1,578
LGFA borrower notes	320	-	320	-
Community loans	57	78	57	78
Total current portion	10,967	78	14,629	3,320
Non-current portion				
<i>Investments in CCO's and other similar entities</i>				
Local Authority Shared Services Limited (a)	219	220	219	220
Waikato Regional Airport Limited	12,797	2,639	12,797	2,639
Advance to Waikato Quarries Limited	-	-	-	-
Strada – shares	700	4,500	-	-
Total investment in CCO's and similar entities	13,716	7,359	13,016	2,859
<i>Investment in other entities</i>				
Community loans	197	235	197	235
LGFA borrower notes	960	960	960	960
NZ Local Government Insurance Corp Limited	62	58	62	58
Deferred settlement receivable	-	-	510	625
Total investment in other entities	1,219	1,253	1,729	1,878
Total non-current portion	14,935	8,612	14,745	4,737
Total other financial assets	25,902	8,690	29,374	8,057

- (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	1,000.00	1,000	1,000	-
Shared Valuation Database Service	106,674	1.00	106,674	-	106,674
Waikato Regional Photography Service	9,376	1.00	9,376	9,376	-
Waikato Regional Transport Model	11,250	10.00	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 \$253,723 (2016: \$282,753). Fair value has been determined using cash flows discounted at the interest rate (current at 1 July 2017) charged by Council on community loans. The rate used is 6.33% (2016: 6.34%).

The face value of total community loans is \$259,330 (2016 \$319,997).

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.

As a result of the increasing portion of Waikato Regional Airport Limited's (WRAL) balance sheet being carried at fair value, Council are now able to reliably measure its investment at fair value (previously recognised at cost). This has resulted in an increase of investment in WRAL of \$10,147,000 in the current year.

The fair value of Council's investment in Civic Financial Services Limited (formerly NZ Local Government Insurance Corporation Limited) is \$62,809 (2016: \$58,532). This is based on Council's share, currently 0.37% (2016: 0.37%), of the assets less liabilities of the company. The change in value has been taken to fair value through other comprehensive income.

Note 15 – NON-CURRENT ASSETS HELD FOR SALE

Accounting policy

Non-current assets no longer required in Council's operations and therefore intended for sale have been measured at the lower of their carrying amount and their fair value, less costs to sell.

Any impairment losses for write-downs of such assets are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised.

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Land	-	210	-	535
Buildings	-	176	-	351
Plant and equipment	-	-	5	1,978
Total non-current assets held for sale	-	386	5	2,864

At 30 June 2017 Council had no non-current assets held for sale (2016: two).

Because the Directors of Strada had resolved to sell all of its operational assets during the year ended 30 June 2017, all items of property, plant and equipment were been reclassified as non-current assets held for sale and are measured at the lower of their carrying amount and fair value less costs to sell. The immaterial value of assets remaining, continues to be classified as held for sale.

Note 16 – 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; except that some of Strada's operational assets are depreciated on the diminishing value basis. The depreciation rates used will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

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%

Description	Useful life (years)	Depreciation rate
Furniture and fixtures	10	10%
Water supply	2 – 100	1 – 50%
Wastewater	4 – 100	1 – 25%
Urban stormwater	3 – 100	1 – 33.3%
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%
Retained walls	50 – 100	1 – 2%
Footpaths	15 – 80	1.25 – 6.67%
Street lighting	20	5%
Bridges	40 – 100	1 – 2.5%
Parks & reserves	1.5 – 125	0.8 – 66.7%
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 sheet date.

Revaluation

Land and buildings (operational and restricted) and infrastructural assets (except land under roads) are revalued on a regular basis (at least every three years) to ensure that their carrying amount does 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 and recognised in other comprehensive revenue and expense.

Impairment of property, plant and equipment

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.

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.
- 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 prices 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	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Operational buildings		
Depreciated replacement cost	25,271	26,240
Market-based evidence	1,352	1,244
Total carrying value of operational buildings	26,623	27,484
Restricted buildings		
Depreciated replacement cost	24,855	25,819
Market-based evidence	1,515	1,425
Total carrying value of restricted buildings	26,370	27,244

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 Vaibhav Gandhi, Robert Berghuis and Marvin Clough of Beca Limited and is dated 30 June 2017.

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. The condition and performance adjustment used in the current valuation is either 25% or 50% to reflect changes to RUL for poor and very poor condition and performance ratings to be consistent with those used by other local authorities. Minimum remaining useful life is assumed as 2.5% of the base life 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 Colin Gerrard and Miles Wyatt of AECOM New Zealand Limited and is dated 30 June 2017.

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.
- Unit rates which reflect replacement with modern engineering equivalent assets were used in the valuation process.

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, Evan Ou Yung and Yvonne Chen of Opus International Consultants Limited. The valuation is effective at 30 June 2017.

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% and 4.6% for all assets when compared to March 2016 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.

Strada Reclassification

Because the Directors of Strada had resolved to sell all of its operational assets during the year ending 30 June 2016, all items of property, plant and equipment were reclassified as non-current assets held for sale and are measured at the lower of their carrying amount and fair value less costs to sell. The immaterial value of assets remaining continues to be held for sale.

**Council and Group
2016/17**

	Cost / valuation 1 Jul 2016 \$'000	Accumulated depreciation and impairment charges 1 Jul 2016 \$'000	Carrying amount 1 Jul 2016 \$'000	Current year additions and transfers from WIP \$'000	Current year disposals \$'000	Current year reclassification cost \$'000	
Operational assets							
Land	19,796	-	19,796	-	-	(19)	
Buildings	27,484	(966)	26,518	1,173	(893)	-	
Library books	5,125	(3,690)	1,435	110	-	-	
Vehicles / moveable plant	5,907	(3,291)	2,616	778	(649)	-	
Office equipment	1,294	(1,037)	257	97	-	-	
Computer equipment	5,002	(4,357)	645	223	-	-	
Furniture	1,332	(749)	583	86	(12)	-	
Total operational assets	65,940	(14,090)	51,850	2,467	(1,554)	(19)	
Infrastructural assets							
Wastewater	100,495	-	100,495	4,944	(424)	-	
Stormwater	46,911	-	46,911	3,892	(466)	30	
Water	96,031	-	96,031	5,829	(709)	-	
Drainage	2,743	-	2,743	258	(990)	(30)	
Solid waste	1,588	-	1,588	-	(1)	-	
Roading	931,488	-	931,488	26,229	(582)	-	
Bridges / culverts / pipes	126,537	-	126,537	-	-	-	
Land under roads	107,209	-	107,209	1,986	(1,595)	67	
Work in progress	30,637	-	30,637	11,538	-	-	
Total infrastructural assets	1,443,639	-	1,443,639	54,676	(4,767)	67	
Restricted assets							
Land	69,760	-	69,760	519	-	(48)	
Buildings	27,244	(989)	26,255	143	-	-	
Parks and reserves	34,903	-	34,903	2,794	(812)	-	
Total restricted assets	131,907	(989)	130,918	3,456	(812)	(48)	
Total Council and Group	1,641,486	(15,079)	1,626,407	60,599	(7,133)	-	

Current year reclassification accumulated depreciation \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / valuation 30 Jun 2017 \$'000	Accumulated depreciation and impairment charges 30 Jun 2017 \$'000	Carrying amount 30 Jun 2017 \$'000
-	-	-	963	20,740	-	20,740
-	(1,017)	67	775	26,623	-	26,623
-	(307)	-	-	5,235	(3,997)	1,238
-	(695)	455	-	6,036	(3,531)	2,505
-	(43)	-	-	1,391	(1,080)	311
-	(300)	-	-	5,225	(4,657)	568
-	(90)	12	-	1,406	(827)	579
-	(2,452)	534	1,738	66,656	(14,092)	52,564
-	(2,807)	10	65	102,283	-	102,283
-	(597)	7	2,700	52,477	-	52,477
-	(2,152)	20	(425)	98,594	-	98,594
-	(11)	1	(707)	1,264	-	1,264
-	(59)	-	50	1,578	-	1,578
-	(10,856)	29	23,005	969,313	-	969,313
-	(2,517)	-	6,324	130,344	-	130,344
-	-	-	-	107,667	-	107,667
-	-	-	-	42,175	-	42,175
-	(18,999)	67	31,012	1,505,695	-	1,505,695
-	-	-	25,073	95,304	-	95,304
-	(998)	-	970	26,370	-	26,370
-	(2,062)	47	5,934	40,804	-	40,804
-	(3,060)	47	31,977	162,478	-	162,478
-	(24,511)	648	64,727	1,734,829	(14,092)	1,720,737

**Council
2015/16**

	Cost / valuation 1 Jul 2015 \$'000	Accumulated depreciation and impairment charges 1 Jul 2015 \$'000	Carrying amount 1 Jul 2015 \$'000	Current year additions and transfers from WIP \$'000	Current year disposals \$'000	Current year reclassification cost \$'000	
Operational assets							
Land	17,576	-	17,576	2,715	(330)	(165)	
Buildings	26,461	-	26,461	1,415	(204)	(188)	
Library books	4,801	(3,394)	1,407	324	-	-	
Vehicles / moveable plant	5,883	(3,064)	2,819	665	(641)	-	
Office equipment	1,273	(1,003)	270	21	-	-	
Computer equipment	4,772	(4,091)	681	230	-	-	
Furniture	1,247	(668)	579	86	(1)	-	
Total operational assets	62,013	(12,220)	49,793	5,456	(1,176)	(353)	
Infrastructural assets							
Wastewater	78,535	-	78,535	20,128	(900)	-	
Stormwater	37,060	-	37,060	5,882	(113)	-	
Water	77,349	-	77,349	16,378	(646)	-	
Drainage	2,044	-	2,044	813	(118)	-	
Solid waste	1,750	-	1,750	79	(48)	-	
Roading	911,037	-	911,037	38,061	(201)	-	
Bridges / culverts / pipes	127,818	-	127,818	556	(2,684)	-	
Land under roads	106,753	-	106,753	514	(58)	-	
Work in progress	56,404	-	56,404	(25,767)	-	-	
Total infrastructural assets	1,398,750	-	1,398,750	56,644	(4,768)	-	
Restricted assets							
Land	67,944	-	67,944	2,327	(466)	(45)	
Buildings	27,120	-	27,120	1,568	(1,444)	-	
Parks and reserves	26,975	-	26,975	8,701	(1,274)	-	
Total restricted assets	122,039	-	122,039	12,596	(3,184)	(45)	
Total Council	1,582,802	(12,220)	1,570,582	74,696	(9,128)	(398)	

Current year reclassification accumulated depreciation \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / valuation 30 Jun 2016 \$'000	Accumulated depreciation and impairment charges 30 Jun 2016 \$'000	Carrying amount 30 Jun 2016 \$'000
-	-	-	-	19,796	-	19,796
12	(988)	10	-	27,484	(966)	26,518
-	(296)	-	-	5,125	(3,690)	1,435
-	(700)	473	-	5,907	(3,291)	2,616
-	(34)	-	-	1,294	(1,037)	257
-	(266)	-	-	5,002	(4,357)	645
-	(82)	1	-	1,332	(749)	583
12	(2,366)	484	-	65,940	(14,090)	51,850
-	(2,284)	29	4,987	100,495	-	100,495
-	(449)	1	4,530	46,911	-	46,911
-	(1,647)	42	4,555	96,031	-	96,031
-	-	-	4	2,743	-	2,743
-	(56)	-	(137)	1,588	-	1,588
-	(10,379)	20	(7,050)	931,488	-	931,488
-	(2,347)	48	3,146	126,537	-	126,537
-	-	-	-	107,209	-	107,209
-	-	-	-	30,637	-	30,637
-	(17,162)	140	10,035	1,443,639	-	1,443,639
-	-	-	-	69,760	-	69,760
-	(989)	-	-	27,244	(989)	26,255
-	(1,603)	67	2,037	34,903	-	34,903
-	(2,592)	67	2,037	131,907	(989)	130,918
12	(22,120)	691	12,072	1,641,486	(15,079)	1,626,407

**Group
2015/16**

	Cost / valuation 1 Jul 2015 \$'000	Accumulated depreciation and impairment charges 1 Jul 2015 \$'000	Carrying amount 1 Jul 2015 \$'000	Current year additions and transfers from WIP \$'000	Current year disposals \$'000	Current year reclassification cost \$'000	
Operational assets							
Land	20,151	-	20,151	2,369	(2,234)	(490)	
Buildings	27,600	-	27,600	551	(204)	(363)	
Library books	4,801	(3,394)	1,407	324	-	-	
Vehicles / moveable plant	15,854	(10,508)	5,346	667	(3,101)	(7,513)	
Office equipment	1,432	(1,080)	352	21	(53)	(106)	
Computer equipment	4,772	(4,091)	681	230	-	-	
Furniture	1,247	(668)	579	86	(1)	-	
Total operational assets	75,857	(19,741)	56,116	4,248	(5,593)	(8,472)	
Infrastructural assets							
Wastewater	78,535	-	78,535	20,128	(900)	-	
Stormwater	37,060	-	37,060	5,882	(113)	-	
Water	77,349	-	77,349	16,378	(646)	-	
Drainage	2,044	-	2,044	813	(118)	-	
Solid waste	1,750	-	1,750	79	(48)	-	
Roading	911,037	-	911,037	38,061	(201)	-	
Bridges / culverts / pipes	127,818	-	127,818	556	(2,684)	-	
Land under roads	106,753	-	106,753	513	(57)	-	
Work in progress	56,404	-	56,404	(25,767)	-	-	
Total infrastructural assets	1,398,750	-	1,398,750	56,643	(4,767)	-	
Restricted assets							
Land	67,944	-	67,944	2,327	(466)	(45)	
Buildings	27,120	-	27,120	1,568	(1,444)	-	
Parks and reserves	26,975	-	26,975	8,701	(1,274)	-	
Total restricted assets	122,039	-	122,039	12,596	(3,184)	(45)	
Total Group	1,596,646	(19,741)	1,576,905	73,487	(13,544)	(8,517)	

Current year reclassification accumulated depreciation \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / valuation 30 Jun 2016 \$'000	Accumulated depreciation and impairment charges 30 Jun 2016 \$'000	Carrying amount 30 Jun 2016 \$'000
-	-	-	-	19,796	-	19,796
12	(1,019)	41	(100)	27,484	(966)	26,518
-	(296)	-	-	5,125	(3,690)	1,435
5,563	(1,006)	2,660	-	5,907	(3,291)	2,616
78	(62)	27	-	1,294	(1,037)	257
-	(266)	-	-	5,002	(4,357)	645
-	(82)	1	-	1,332	(749)	583
5,653	(2,731)	2,729	(100)	65,940	(14,090)	51,850
-	(2,284)	29	4,987	100,495	-	100,495
-	(449)	1	4,530	46,911	-	46,911
-	(1,647)	42	4,555	96,031	-	96,031
-	-	-	4	2,743	-	2,743
-	(56)	-	(137)	1,588	-	1,588
-	(10,378)	19	(7,050)	931,488	-	931,488
-	(2,347)	48	3,146	126,537	-	126,537
-	-	-	-	107,209	-	107,209
-	-	-	-	30,637	-	30,637
-	(17,161)	139	10,035	1,443,639	-	1,443,639
-	-	-	-	69,760	-	69,760
-	(989)	-	-	27,244	(989)	26,255
-	(1,603)	67	2,037	34,903	-	34,903
-	(2,592)	67	2,037	131,907	(989)	130,918
5,653	(22,484)	2,935	11,972	1,641,486	(15,079)	1,626,407

Other

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 (2016: \$nil).

There are no items of property, plant and equipment held under finance leases in the current period (2016: nil).

The net gain on disposal of property, plant and equipment \$362,045 (2016: \$40,443) has been recognised in the Statement of comprehensive revenue and expense in the line item Other revenue.

Infrastructural assets – further disclosures

		Additions		
	Closing book value \$'000	Constructed by Council \$'000	Assets transferred to Council \$'000	Estimated replacement cost \$'000
Council 2017				
Water treatment plants and facilities	5,903	702	-	11,576
Other water assets	92,690	2,191	2,936	134,354
Wastewater treatment plants and facilities	12,086	377	-	18,359
Other wastewater assets	90,197	1,559	3,007	152,419
Stormwater and drainage	53,741	587	3,562	66,242
Roads, footpaths, bridges and culverts	1,099,658	22,630	3,598	1,360,217
Total infrastructural assets	1,354,275	28,046	13,103	1,743,167
Council 2016				
Water treatment plants and facilities	4,898	2,288	-	9,122
Other water assets	91,133	12,175	1,915	129,399
Wastewater treatment plants and facilities	12,219	4,450	-	17,715
Other wastewater assets	88,276	11,870	3,808	145,019
Stormwater and drainage	49,654	2,327	4,368	60,479
Roads, footpaths, bridges and culverts	1,058,025	28,281	10,336	1,300,935
Total infrastructural assets	1,304,205	61,391	20,427	1,662,669

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	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Buildings – operational	847	731
Buildings – restricted	175	270
Parks and reserves	7,801	7,165
Wastewater	6,564	4,927
Stormwater	204	1,628
Water	16,238	6,627
Solid waste	156	285
Roading	10,190	9,004
Total work in progress	42,175	30,637

Note 17 – 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%. Strada's software assets are amortised on a straight-line or diminishing-value basis over their finite useful lives. The useful lives are between one and four years and the amortisation rates are between 25% and 100%.

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.

	Council			Group		
	Computer software \$'000	Consents \$'000	Total \$'000	Computer software \$'000	Consents \$'000	Total \$'000
Balance at 1 July 2016						
Cost	4,897	5,060	9,957	5,062	5,060	10,122
Accumulated amortisation and impairment	(3,709)	(849)	(4,558)	(3,874)	(849)	(4,723)
Opening carrying amount	1,188	4,211	5,399	1,188	4,211	5,399
Year ended 30 June 2017						
Additions	783	431	1,214	783	431	1,214
Disposal – cost	(11)	-	(11)	(176)	-	(176)
Disposal – accumulated amortisation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Amortisation charge	(413)	(208)	(621)	(248)	(208)	(456)
Closing carrying amount	1,547	4,434	5,981	1,547	4,434	5,981
Balance at 30 June 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)
Closing carrying amount	1,547	4,434	5,981	1,547	4,434	5,981
Balance at 1 July 2015						
Cost	4,359	5,060	9,419	4,553	5,060	9,613
Accumulated amortisation and impairment	(3,352)	(643)	(3,995)	(3,444)	(643)	(4,087)
Opening carrying amount	1,007	4,417	5,424	1,109	4,417	5,526
Year ended 30 June 2016						
Additions	538	-	538	538	-	538
Disposal – cost	-	-	-	-	-	-
Disposal – accumulated amortisation	-	-	-	-	-	-
Impairment losses	-	-	-	(29)	-	(29)
Amortisation charge	(357)	(206)	(563)	(430)	(206)	(636)
Closing carrying amount	1,188	4,211	5,399	1,188	4,211	5,399
Balance at 30 June 2016						
Cost	4,897	5,060	9,957	5,062	5,060	10,122
Accumulated amortisation and impairment	(3,709)	(849)	(4,558)	(3,874)	(849)	(4,723)
Closing carrying amount	1,188	4,211	5,399	1,188	4,211	5,399

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 18 – 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		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Balance at 1 July	475	445	475	845
Fair value gains (losses) on valuation	15	30	15	30
Disposals	-	-	-	(400)
Balance at 30 June (at valuation)	490	475	490	475

Valuation

At 30 June 2017 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 2017.
- 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.

Income and expenses relating to investment property

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Rental income	43	43	43	65
Expenses from investment property generating income	-	-	-	-

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

Note 19 – INVESTMENT IN JOINT VENTURE

Accounting policy

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint control is the agreed sharing of control over an activity. For jointly controlled operations, the Group recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of income that it earns from the joint venture.

Council's interest, through Strada, in Waikato Quarries Limited joint venture was accounted for as a jointly controlled entity using the equity method.

The joint venture has no commitments or contingencies (2016: nil).

There are no capital commitments in relation to Strada's prior interest in Waikato Quarries Limited.

There remains a contingent liability in respect of Fulton Hogan Limited; see Note 28 for further details.

	Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Original investment	-	2,000
Balance at 1 July	-	2,672
Share of total comprehensive income	-	(2,438)
Impairment of equity accounted investment	-	(234)
Balance at 30 June	-	-
Strada's interest is as follows:		
Current assets	-	802
Non-current assets	-	-
Current liabilities	-	569
Non-current liabilities	-	-
Income	-	3,765
Expenses	-	6,203

Based on the cessation of the joint venture, Strada's only remaining interest is in a non-current receivable of \$510,000 (2016: \$625,000).

Note 20 – PAYABLES, TAXES AND TRANSFERS

Accounting policy

Short-term payables are recorded at their face value.

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Payables under exchange transactions				
Trade payables	3,950	5,365	3,955	5,508
Water rates in advance	176	209	176	209
Accrued expenses	11,569	17,068	11,662	17,180
Amounts due to related parties	-	17	-	25
Income in advance	853	943	853	943
Total payables under exchange transactions	16,548	23,602	16,646	23,865
Taxes and transfers payable under non-exchange transactions				
Rates in advance	782	734	782	734
Deposits and bonds	231	234	231	234
GST and FBT payable	25	23	25	66
Taxation payable	-	-	-	-
Other non-exchange payables	90	99	90	99
Total taxes and transfers payable	1,128	1,090	1,128	1,133
Total payables, taxes and transfers	17,676	24,692	17,774	24,998

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

Note 21 – 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.

A liability and an expense are recognised for bonuses where Strada has a contractual obligation or where there is a past practice that has created a constructive obligation.

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		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Current portion				
Annual leave	1,731	1,925	1,731	1,969
Long service leave	17	14	17	14
Sick leave provision	115	115	115	117
Accrued payroll	438	387	438	407
Other employee liabilities	489	743	489	744
Total current portion	2,790	3,184	2,790	3,251
Non-current portion				
Long service leave	57	54	57	54
Retirement gratuities	42	115	42	115
Sick leave	-	-	-	-
Total non-current portion	99	169	99	169
Total employee entitlements	2,889	3,353	2,889	3,420

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 used in the Long Term Plan. A discount rate of 2.97% (2016: 2.66%) and an inflation factor of 1.4% (2016: 1.81%) have been used.

Note 22 – 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 the balance date.

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Current portion				
LGFA borrowing	20,000	-	20,000	-
Total current portion	20,000	-	20,000	-
Non-current portion				
LGFA borrowing	60,000	60,000	60,000	60,000
Total non-current portion	60,000	60,000	60,000	60,000
Total borrowing (all secured)	80,000	60,000	80,000	60,000

Council secured debt of \$80,000,000 (2016: \$60,000,000) is either issued at a fixed rate of interest or has been swapped for fixed interest instruments. Council has 33 swap contracts in place. During the year two swaps matured (2016: two) and four new swap contracts (2016: seven) have been undertaken. Council has 12 (2016: ten) swaps with start dates after 30 June 2017.

Council's committed cash advance facility of \$15,000,000 (2016: \$15,000,000) expires on 31 July 2018.

At 30 June 2017 total borrowings from Local Government Funding Agency Limited (LGFA) were \$80,000,000 (2016: \$60,000,000). The average rate of interest was 2.79% (2016: 3.16%).

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

	Carrying amount		Fair value	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Council				
Secured loans	60,000	60,000	59,474	58,877
Total non-current borrowing	60,000	60,000	59,474	58,877
Group				
Secured loans	60,000	60,000	59,474	58,877
Total non-current borrowing	60,000	60,000	59,474	58,877

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

	2016/17	2015/16
From	2.6%	3.00%
To	2.9%	3.28%

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.

	Balance at 1 July \$'000	Borrowing \$'000	Repayments \$'000	Balance at 30 June \$'000	Interest paid \$'000
2017					
Water supply	10,080	6,051	(697)	15,434	501
Wastewater	9,927	427	(710)	9,644	492
Stormwater	2,818	177	(100)	2,895	142
Roading	24,898	390	(1,753)	23,535	1,236
Sustainable environment	455	-	(29)	426	23
Sustainable communities	14,799	1,801	(765)	15,835	741
Governance	1,485	-	(723)	762	59
Organisational support	368	29	(20)	377	18
Total internal loans (gross)	64,830	8,875	(4,797)	68,908	3,212
2016					
Water supply	5,893	4,755	(568)	10,080	297
Wastewater	10,017	569	(659)	9,927	512
Stormwater	2,491	413	(86)	2,818	129
Roading	26,184	359	(1,645)	24,898	1,341
Sustainable environment	481	-	(26)	455	25
Sustainable communities	12,938	2,470	(609)	14,799	667
Governance	2,171	-	(686)	1,485	98
Organisational support	311	74	(17)	368	16
Total internal loans (gross)	60,486	8,640	(4,296)	64,830	3,085

Note 23 – 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	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Current portion				
Weathertightness	-	444	-	444
Landfill aftercare	99	225	99	225
Contract completion	-	-	5	10
Total current portion	99	669	104	679
Non-current portion				
Landfill aftercare	2,012	1,772	2,012	1,772
Total non-current portion	2,012	1,772	2,012	1,772
Total provisions	2,111	2,441	2,116	2,451

Movements for each class of provision are as follows:

Council	Landfill aftercare \$'000	Weather- tightness \$'000		Total \$'000
2017				
Balance at 1 July 2016	1,997	444		2,441
Change in provision made during the year	204	-		204
Amounts used	(200)	(217)		(417)
Unused amounts reversed	-	(227)		(227)
Discount unwind	110	-		110
Balance at 30 June 2017	2,111	-		2,111
2016				
Balance at 1 July 2015	2,001	51		2,052
Change in provision made during the year	104	562		666
Amounts used	(218)	(169)		(387)
Unused amounts reversed	-	-		-
Discount unwind	110	-		110
Balance at 30 June 2016	1,997	444		2,441

Group	Landfill aftercare \$'000	Weather- tightness \$'000	Contract completion \$,000	Total \$'000
2017				
Balance at 1 July 2016	1,997	444	10	2,451
Change in provision made during the year	204	-	-	204
Amounts used	(200)	(217)	(5)	(422)
Unused amounts reversed	-	(227)	-	(227)
Discount unwind	110	-	-	110
Balance at 30 June 2017	2,111	-	5	2,116
2016				
Balance at 1 July 2015	2,001	51	16	2,068
Change in provision made during the year	104	562	-	666
Amounts used	(218)	(169)	(6)	(393)
Discount unwind	110	-	-	110
Balance at 30 June 2016	1,997	444	10	2,451

Weathertightness claims

No claims remain with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2017 (2016: two). The 2016 claims related to weathertightness issues of homes in Council's district. A provision for these claims was established based on estimates of Council's share in excess of Council's insurance cover.

At 30 June 2017, no further claim had been received directly by Council (2016: one).

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 \$4,329,954 (2016: \$4,225,245). A discount rate of 5.50% (2016: 5.50%) and an inflation factor of 2.5% (2016: 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 24 – 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 the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Current liability portion				
Interest rate swaps	244	105	244	105
Non-current liability portion				
Interest rate swaps	4,719	5,456	4,719	5,456
Total derivative financial instruments liabilities	4,963	5,561	4,963	5,561

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:

	2016/17 Actual \$'000	No.	2015/16 Actual \$'000	No.
Active swaps	61,500	21	61,500	21
Forward starting swaps	41,000	12	34,000	10
	102,500	33	95,500	31

Note 25 – REVALUATION RESERVE – PROPERTY, PLANT AND EQUIPMENT

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Land	69,808	44,029	69,808	44,102
Buildings	30,890	29,624	30,890	29,663
Parks and reserves	19,883	14,225	19,883	14,225
Wastewater	35,585	35,567	35,585	35,567
Water	35,337	35,863	35,337	35,863
Bridges	80,116	73,792	80,116	73,792
Roading	338,801	315,992	338,801	315,992
Urban stormwater	14,083	11,481	14,083	11,481
Rural drainage	-	629	-	629
Solid waste	979	929	979	929
Balance at 30 June	625,482	562,131	625,482	562,243

Note 26 – RECONCILIATION OF NET SURPLUS (DEFICIT) AFTER TAX WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Net surplus (deficit) after tax	21,488	28,896	21,079	25,230
Plus (minus) non-cash items				
Depreciation, amortisation and asset write-off	29,837	30,152	29,898	30,589
Decrease (increase) in future tax benefits	-	-	-	(54)
Impairment loss – computer software	-	-	-	29
Vested and found assets	(13,569)	(25,292)	(13,569)	(25,292)
(Gains) losses on fair value of investment property	(15)	(30)	(15)	(30)
(Gains) losses on derivative financial instruments	(599)	3,509	(599)	3,509
(Gains) losses on revaluation of property, plant and equipment	122	-	122	-
(Gains) losses on financial assets	-	-	(317)	165
(Gains) losses on cattle	8	6	8	6
Interest income on financial assets not at fair value through surplus (deficit)	(1)	(5)	(1)	(5)
Capitalised internal charges	(759)	(712)	(759)	(712)
Share of joint venture's operating (profit) loss after tax	-	-	-	2,438
Gain on cessation of joint venture	-	-	-	(105)
Impairment of equity accounted investment	-	-	-	234
Plus (minus) items classified as investing or financing activities				
(Gains) losses on disposal of investment property	-	-	-	(47)
(Gains) losses on disposal of property, plant and equipment	(362)	(40)	(1,176)	(718)
Decrease (increase) in creditors for capital expenditure	6,110	10,222	6,110	10,222
Plus (minus) movements in working capital items				
Receivables and recoverables	3,741	8,350	4,233	8,633
Prepayments	(104)	(145)	(83)	(157)
Inventories	-	-	14	5
Cattle	(16)	(18)	(16)	(18)
Payables, taxes and transfers	(7,016)	(10,523)	(7,175)	(10,275)
Changes in provision	(535)	285	(539)	279
Income tax payable	-	-	-	-
Employee entitlements	(463)	396	(531)	219
Net cash inflow (outflow) from operating activities	37,867	45,051	36,684	44,145

Note 27 – RECONCILIATION OF TOTAL COMPREHENSIVE INCOME WITH NET OPERATING FUNDING (PER FUNDING IMPACT STATEMENT)

	Council	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Total comprehensive income wholly attributable to Waikato District Council	96,295	40,873
Surplus (deficit) of operating funding per Whole of Council funding impact statement	15,433	15,670
	80,862	25,203
The difference comprises:		
Capital income	20,941	21,811
Revaluation of assets	64,849	12,072
Revaluation reserve – landfill	(204)	(104)
Financial assets at fair value	10,761	(3,500)
Depreciation and amortisation	(25,132)	(22,683)
Profit (loss) on sale	362	40
Write off of assets	(4,705)	(7,469)
Vested and found assets	13,569	25,292
Change in provisions	535	(285)
Interest income from financial assets	1	5
Unrealised gains	15	30
Unrealised losses	(130)	(6)
Total difference	80,862	25,203

Note 28 – CAPITAL COMMITMENTS AND OPERATING LEASES

	Council and Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Capital commitments are for expenditure on:		
Water	2,082	10,218
Wastewater	2,306	1,736
Stormwater	702	-
Parks and reserves	215	645
Buildings – operational	-	215
Roading	50,377	65,629
Bridges	822	2,110
Vehicles / moveable plant	693	-
Intangible assets	86	37
Total capital commitments	57,283	80,590

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred. Strada has no significant capital commitments at balance date (2016: \$nil).

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 five years three months (2016: 12 months and three years three months).

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

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Not later than one year	101	361	101	502
Later than one year and not later than five years	127	202	127	305
Later than five years	-	-	-	-
Total minimum operating lease payments payable	228	563	228	807

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 has been renewed with a term of five years from October 2017.

No contingent rent was recognised during the period relating to copiers.

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 35 years.

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

	Council and Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Not later than one year	471	477
Later than one year and not later than five years	1,292	779
Later than five years	1,021	735
Total non - cancellable operating leases	2,784	1,991

Council has recognised no contingent rents during the period (2016: \$nil).

Note 29 – CONTINGENCIES

Contingent liabilities

Quantifiable contingent liabilities are as follows:

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Guarantee	-	-	-	343
Strada's share of joint venture contingency	-	-	-	2,500
Uncalled share capital (LASS – ordinary shares)	1	1	1	1
Uncalled share capital (LASS - WRPS shares)	9	9	9	9

Guarantees

Strada has no (2016: \$343,262) bonds guaranteed by the ANZ National Bank Limited.

Outstanding insurance claims

There are six outstanding claims (2016: seven) in varying stages of progress. Council is unable to quantify its contingent liability for all (2016: all) of these claims. The maximum Council liability for each of the claims is \$10,000 including GST (2016: \$10,000) for each claim which is the excess on the insurance policies.

Capital contributions

As disclosed in note 14, Council holds four classes of share in Waikato Local Authority Shared Services Limited (LASS). There is uncalled capital on two classes of share.

Unquantified claims

As disclosed in Note 23, no provision (2016: \$444,000) has been recognised for weathertightness claims where Council has received notice of the claim. Council is exposed to potential future claims which have not yet been advised until the statutory limitation period expires. 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.

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey Limited (CHH) and others alleging inherent defects in the cladding sheets and cladding systems

manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 councils, including Council alleging a breach of duty on the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, 46 of which are located within Waikato District. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

Other claims

At balance date no other claims (2016: one) expose Council or the Group to contingent liabilities. Council's maximum financial exposure is \$nil (2016: \$12,000).

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 44 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 2017 LGFA had borrowings totalling \$7.946 billion (2016: \$6.501 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 30 – RELATED PARTY TRANSACTIONS

Waikato District Council has a 100% shareholding in Strada Corporation Limited. Strada had a 50% interest in a joint venture with Perry Aggregates Limited. The joint venture is called Waikato Quarries Limited. The joint venture agreement ceased during the last financial year.

All related party transactions and related payments are on normal commercial terms. There was no impairment of any of these transactions (2016: nil).

The following transactions were carried out between related parties:

	Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Between Council and Strada		
Dividend paid by Strada	700	-
Share capital re-purchased by Strada	2,500	-
Capital contribution returned by Strada	1,300	-
Road construction and urban services provided by Strada	-	1,087
Rates paid to and refuse disposal by Council	-	7
Council's accounts payable to Strada	-	19
Property purchase – 2 & 8A Brownlee Avenue, Ngaruawahia	-	1,210
Between Council and Waikato District Community Wellbeing Trust (WBT)		
Council's accounts receivable from WBT	126	58
Between Council and Local Authority Shared Services (LASS)		
Services provided to LASS	227	5
Charges from LASS	403	181
Council's accounts payable to LASS	15	45
Council's accounts receivable from LASS	30	1
Between Council and Waikato Regional Airport Limited (WRAL)		
Regional Tourism funding payment to WRAL	155	150
Between Strada and Waikato Quarries Limited (WQL)		
Lease revenue	-	247
Deferred settlement receivable from WQL	510	625
Between Strada and Perry Aggregates Limited		
Metal purchases by Strada	-	29

Key management personnel compensation

Council's key management personnel include the Mayor, Councillors, the Chief Executive and General Managers. 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	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Remuneration		
Councillors	728	710
Senior management team (including CE)	1,055	1,043
Total key management personnel remuneration	1,783	1,753
	2016/17 Actual	2015/16 Actual
Full-time equivalent members		
Councillors	14	14
Senior management team (including CE)	4	4
Total full-time equivalent personnel	18	18

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 \$8,914 (2016: \$77,717) of legal and employment advice from Tompkins Wake in which a Strada director is a partner. There was a balance payable at 30 June 2017 of \$160 (2016: \$7,583).

Note 31 – REMUNERATION

Remuneration of elected members

	Council	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Councillors		
<i>Cash benefits</i>		
A Sanson, Mayor	128	125
C Baddeley	14	48
A Bech	28	-
J Church	40	39
R Costar	12	39
D Fulton	55	57
J Gibb	49	40
W Hayes	14	48
S Henderson	28	-
S Lynch	47	47
B Main	28	-
R McGuire	40	39
F McNally	28	-
E Patterson	28	-
L Petersen	12	39
J Sedgwick	47	39
N Smith	60	54
M Solomon	12	39
G Tait	13	40
L Thomson	28	-
<i>Total cash benefits paid to Councillors</i>	711	693
<i>Non-cash benefits</i>		
A Sanson, Mayoral car	17	17
<i>Total non-cash benefits paid to Councillors</i>	17	17
Total remuneration of Councillors	728	710

Community board and committee members		
<i>Cash benefits</i>		
A Anderson	1	5
J Ayers	1	5
S Boyde	1	5
K Bredenbeck	5	5
B Cameron	9	5
K Clarkson	1	4
K Clelow	1	3
C Conroy	4	-

	Council	
	2016/17 Actual \$'000	2015/16 Actual \$'000
W Diamond	5	5
B Dixon	1	4
R Farrar	5	5
P Forsyth	3	10
R Gee	1	5
E Gouk	-	1
F Gower	1	5
W Hansen	1	1
P Haworth	4	1
M Holl	-	2
S Jackson	4	-
R Kereopa	3	-
R Kirkwood	4	-
K Kohu	-	1
D Lamb	5	5
K Langlands	7	-
D Lovell	2	-
H Lovell	1	1
R MacLeod	7	4
N Miller	3	10
J Morley	1	-
K Morgan	4	-
B Mounsey	1	5
S Ormsby-Cocup	1	-
A Oosten	3	-
G Parson	3	-
L Petersen	4	-
C Rees	4	-
V Reeve	4	-
J Ross	1	1
B Sherson	5	5
J Stevens	4	-
S Stewart	6	10
E Thomson	1	4
T Tukere	-	3
R Van Dam	1	-
A Vink	6	8
B Watson	5	5
J Whetu	8	5
<i>Total cash benefits paid to community board and committee members</i>	142	138
Total remuneration of Councillors and other elected representatives	870	848

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 \$299,913 (2016: \$291,298) in terms of his contract. The Chief Executive's total remuneration included other benefits as follows:

	Council	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Salary and other short-term employee benefits	300	291
Vehicle	17	17
Defined contribution plan employer contributions (KiwiSaver)	9	9
Expenses allowance	10	3
Other fringe benefits (value of benefit plus FBT)	11	12
Total Chief Executive's remuneration	347	332

Employee numbers

	Council	
	2016/17 Actual	2015/16 Actual
Number of employees (at 30 June)		
Full-time employees	283	296
Part-time employees (including casual employees)	71	61
Total employees	354	357

A full-time employee works 40 hours per week

Full-time equivalent employees

Full-time employees	283.05	296.10
Part-time employees (in full-time equivalents)	29.92	26.52
Total full-time equivalent employees	312.97	322.62

Total annual employee remuneration by band

	Council	
	2016/17 Actual	2015/16 Actual
\$0 – \$60,000	151	164
\$60,001 – \$80,000	82	77
\$80,001 – \$100,000	59	59
\$100,001 – \$120,000	43	35
\$120,001 – \$140,000	10	15
\$140,001 – \$380,000	9	7
Total employees	354	357

Total remuneration includes non financial benefits provided to employees.

There are fewer than five employees on each of the bands above \$140,001 therefore the numbers for those bands have been combined in a single band of \$140,001 - \$380,000.

Note 32 – SEVERANCE PAYMENTS

For the year ended 30 June 2017, Council made one (2016: one) severance payment to an employee amounting to \$16,000 (2016: \$25,080).

Strada made no severance payments to employees during the year (2016: \$5,000 paid to 13 employees).

Note 33 – EVENTS AFTER BALANCE DATE

No events which provide evidence of conditions existing for Council at balance date have occurred between then and the date these financial statements were authorised for issue.

For Strada, no material events are expected to occur subsequent to 30 June 2017.

Note 34 – FINANCIAL INSTRUMENTS

A: Financial instruments categories

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

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Financial assets				
<i>Loans and receivables</i>				
Cash and cash equivalents	3,705	4,010	4,473	6,522
Recoverables and receivables	9,345	13,019	9,254	13,468
Community loans	254	313	254	313
Deferred settlement receivable	-	-	510	625
Term deposit	10,590	-	10,590	-
LGFA borrower notes	1,280	960	1,280	960
Total loans and receivables	25,174	18,302	26,361	21,888
<i>Fair value through surplus (deficit)</i>				
Fixed interest investments	-	-	1,711	1,578
Equity investments	-	-	1,951	1,664
Total fair value through surplus (deficit)	-	-	3,662	3,242
<i>Fair value through other comprehensive income</i>				
Unlisted shares in NZ Government Insurance Corporation Limited	62	58	62	58
Waikato Regional Airport Limited	12,797	-	12,797	-
Total fair value through other comprehensive income	12,859	58	12,859	58
<i>Financial assets at cost</i>				
Local Authority Shared Services Limited	219	220	219	220
Shares in Strada Corporation Limited (subsidiary)	700	4,500	-	-
Waikato Regional Airport Limited	-	2,639	-	2,639
Total financial assets at cost	919	7,359	219	2,859
Financial liabilities				
<i>Fair value through surplus (deficit)</i>				
Derivative financial instruments liabilities	4,963	5,561	4,963	5,561
Financial liabilities at amortised cost				
Payables, taxes and transfers	17,676	24,692	17,774	24,998
Borrowing -secured loans	80,000	60,000	80,000	60,000
Total financial liabilities at amortised cost	97,676	84,692	97,774	84,998

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	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Valued at quoted market price (level 1)				
Fixed interest investments	-	-	1,711	1,578
Equity investments	-	-	1,951	1,664
Total financial instruments valued at quoted market price	-	-	3,662	3,242
Valued using observable inputs (level 2)				
Financial liabilities – derivatives	4,963	5,561	4,963	5,561
Valued using significant non-observable inputs (level 3)				
Unlisted shares	12,859	58	12,859	58

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

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

	Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000
Balance at 1 July	58	49
Gains and losses recognised in other comprehensive income	10,162	9
Other movements	-	-
Balance at 30 June	10,220	58

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. Gareth Morgan Investments Limited (GMI) 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. GMI, 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.

GMI actively manages the average maturity date of WBT's fixed interest investments in response to changes in GMI'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. GMI actively manages the average maturity date of WBT's fixed interest investments in response to changes in GMI'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. GMI, 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, GMI 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 29.

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	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Cash and cash equivalents	3,705	4,010	4,473	6,522
Recoverables and receivables	9,345	13,019	9,254	13,468
Term deposits	10,590	-	10,590	-
Community loans	254	313	254	313
Deferred settlement receivable	-	-	510	625
Fixed interest investments	-	-	1,711	1,578
Equity investments	-	-	1,951	1,664
LGFA borrower notes	1,280	960	1,280	960
Total credit risk	25,174	18,302	30,023	25,130

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	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Counterparties with credit ratings				
<i>Cash and cash equivalents</i>				
AA-	3,705	4,010	4,473	6,522
<i>Term deposits</i>				
AA-	10,590	-	10,590	-
<i>Fixed interest investments</i>				
AA	-	-	-	1,558
A-	-	-	-	5
BBB+	-	-	-	8
BBB	-	-	-	6
<i>Borrower notes</i>				
AA+	1,280	960	1,280	960
Counterparties without credit ratings				
<i>Community and related party loans</i>				
Community loans with no defaults in the past	253	313	254	313
Deferred settlement receivable with no default in the past	-	-	510	625
Unrated equity investments	13,716	7,359	14,967	9,024
Unrated fixed interest investments	-	-	1,711	-

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 (2016: \$500,000) and a committed cash advance facility of \$15,000,000 (2016: \$15,000,000), of which \$15,000,000 (2016: \$15,000,000) is available to be drawn. Council's committed cash advance facility expires July 2018.

Council utilises funding through the Local Government Funding Agency Limited (LGFA). As at 30 June 2017 Council had borrowed \$80,000,000 (2016: \$60,000,000) and held borrower notes with a face value of \$1,280,000 (2016: \$960,000).

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 29.

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 the 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	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Carrying amount				
Payables, taxes and transfers	17,676	24,692	17,774	24,998
Secured loans	80,000	60,000	80,000	60,000
Total carrying amount	97,976	84,692	97,774	84,998
Contractual cash flows				
Payables, taxes and transfers	17,676	24,692	17,774	24,998
Secured loans	89,389	69,589	89,389	69,589
Total contractual cash flows	107,065	94,281	107,163	94,587

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 2017				
Payables, taxes and transfers	17,676	-	-	-
Secured loans	21,924	11,585	23,354	32,526
Total	39,600	11,585	23,354	32,526
Council 2016				
Payables, taxes and transfers	24,692	-	-	-
Secured loans	1,897	1,897	38,392	27,403
Total	26,589	1,897	38,392	27,403
Group 2017				
Payables, taxes and transfers	17,774	-	-	-
Secured loans	21,924	11,585	23,354	32,526
Total	39,698	11,585	23,354	32,526
Group 2016				
Payables, taxes and transfers	24,998	-	-	-
Secured loans	1,897	1,897	38,392	27,403
Total	26,895	1,897	38,392	27,403

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		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Net settled derivative liabilities				
Carrying amount	4,963	5,561	4,963	5,561
Contractual cash flows	6,108	10,624	6,108	10,624
	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
Net settled derivative liabilities				
2016/17	1,195	1,298	2,458	1,157
2015/16	1,365	1,446	4,038	3,775

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 the balance date to the contractual maturity date.

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

	Council		Group	
	2016/17 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2015/16 Actual \$'000
Carrying amount				
Cash and cash equivalents	3,705	4,010	4,473	6,522
Recoverables and receivables	9,345	13,019	9,890	14,170
<i>Other financial assets</i>				
- term deposit	10,590	-	10,590	-
- community loans	254	313	254	313
- deferred settlement receivable	-	-	510	-
- LGFA borrower notes	1,280	960	1,280	960
Total carrying amount	25,174	18,302	26,997	21,965
Contractual cash flows				
Cash and cash equivalents	3,705	4,010	4,473	6,522
Recoverables and receivables	9,345	13,019	9,890	14,170
<i>Other financial assets</i>				
- term deposit	10,831	-	10,831	-
- community loans	300	377	300	377
- deferred settlement receivable	-	-	510	625
- LGFA borrower notes	1,411	1,067	1,411	1,067
Total contractual cash flows	25,592	18,473	27,415	22,761

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 2017				
Cash and cash equivalents	3,705	-	-	-
Recoverables and receivables	9,345	-	-	-
<i>Other financial assets</i>				
- term deposit	10,831	-	-	-
- community loans	72	130	98	-
- LGFA borrower notes	347	182	367	515
Total	24,300	312	465	515
Council 2016				
Cash and cash equivalents	4,010	-	-	-
Recoverables and receivables	13,019	-	-	-
<i>Other financial assets</i>				
- community loans	78	146	153	-
- LGFA borrower notes	27	342	433	265
Total	17,134	488	586	265

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
Group 2017				
Cash and cash equivalents	4,473	-	-	-
Recoverables and receivables	9,890	-	-	-
<i>Other financial assets</i>				
- term deposit	10,831	-	-	-
- community loans	72	130	98	-
- deferred settlement receivable	-	510	-	-
- LGFA borrower notes	347	182	367	515
Total	25,613	822	465	515
Group 2016				
Cash and cash equivalents	6,522	-	-	-
Recoverables and receivables	13,545	125	500	-
<i>Other financial assets</i>				
- community loans	78	146	153	-
- loans to related parties	-	-	-	-
- LGFA borrower notes	27	342	433	265
Total	20,172	613	1,086	265

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.

Interest rate risk

	2016/17		2015/16	
	Actual -100bps \$'000	Actual +100bps \$'000	Actual -100bps \$'000	Actual +100bps \$'000
Council				
<i>Financial assets</i>				
Cash and cash equivalents	(37)	37	(40)	40
<i>Financial liabilities</i>				
Derivatives	(3,854)	3,560	(2,628)	2,456
Group				
<i>Financial assets</i>				
Cash and cash equivalents	(45)	45	(40)	40
<i>Financial liabilities</i>				
Derivatives	(3,854)	3,560	(2,628)	2,456

Foreign exchange risk

	2016/17		2015/16	
	Actual -100bps \$'000	Actual +100bps \$'000	Actual -100bps \$'000	Actual +100bps \$'000
Group				
<i>Financial assets</i>				
Cash and cash equivalents	19	(19)	16	(16)

Equity price risk

	2016/17		2015/16	
	Actual -100bps \$'000	Actual +100bps \$'000	Actual -100bps \$'000	Actual +100bps \$'000
Group				
<i>Financial assets</i>				
Equity investments	20	(20)	12	(12)

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 per cent.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -100bps/+100bps (2016 -100bps/+100bps).

Note 35 – 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 36 – EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

The major variance explanations are set out below and explain the significant differences between actual results for 2016/17 compared to the budget for 2016/17.

Overall revenue was greater than budgeted mainly due to vested asset income not being budgeted. Also not budgeted was the gain on fair value change of derivative financial assets. Subsidy income was greater due to more NZTA funding because of adverse weather events and emergency works required during the year. Development and financial contributions were also greater because financial contributions were not budgeted. Rates revenue was lower than budgeted, specifically in relation to water-by-meter charging. This variance relates to a difference in the level of assumed water-by-meter consumption and actual consumption.

Overall expenses were greater than budget. Asset write-offs occur when assets are disposed and were not budgeted. Less was spent on employees compared to budget due to vacancies during the year and that was offset by more spent on consultants to cover staff shortages and to meet increased demand for services particularly in the regulatory area.

At an operating level the surplus was \$6.7m above budget.

Total comprehensive income was \$96.3m and was \$56m above budget. Other comprehensive revenue was significantly increased due to revaluation of assets accounting for \$39m of the difference to budget. The land and buildings classes were revalued this year ahead of the planned revaluation in the following year so were not budgeted. Land values increased significantly during the two years since the last valuation was carried out in 2015 and reflects a more buoyant property market of recent times. Road assets revalued also showed an increase compared to budget due to a higher actual escalation of replacement costs than was budgeted. In addition other comprehensive income was increased by a change to valuing Council's interest in the Waikato Regional Airport Limited to fair value which increased comprehensive income by \$10.15m.

The statement of financial position shows an increase in overall net assets of \$53m compared to budget. The biggest variance was for property, plant and equipment being \$41m above budget due to the revaluations as explained above. Total assets were \$39m above budget and total liabilities were \$14m below budget.

Borrowings were close to budget and whilst cash and cash equivalents are less than budget this is offset by an increase in term deposits where funds have been held as part of cash flow planning around repayment of some borrowings during the 2017/18 year.

Note 37 – INSURANCE OF ASSETS

The total value of all assets of Council that are covered by insurance contracts as at 30 June 2017 is \$556,169,327 (2016: \$529,566,063) and the maximum amount to which they are insured is \$189,402,124 (2016: \$189,263,759).

Insurance class	Total declared value	Policy limit
Infrastructure	\$343,592,576	\$6,000,000 per loss (primary layer contracts provide for recovery of 100% of the costs of loss or damage to declared assets)
		\$35,000,000 per loss (for anything that falls outside the primary layer cover, these insurance contracts provide for the recovery of 40% of the cost of loss or damage to declared assets)
Material Damage	\$208,174,627	\$150,000,000 (each and every loss and in the annual aggregate)
		\$125,000,000 (each and every loss and in the annual aggregate for Fire losses)
Motor Vehicle	\$3,987,194	\$3,987,194
Other	\$414,930	\$414,930
Total	\$556,169,327	\$189,402,124

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 2017 the balance of this reserve was \$483,083 (2016: \$1,306,928).

OTHER LEGISLATIVE DISCLOSURES

Funding impact statement

Whole of Council

	2015/16 Annual plan \$'000	2015/16 Annual report \$'000	2016/17 Annual plan \$'000	2016/17 Actual \$'000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	49,798	50,300	51,604	52,394
Targeted rates	21,191	18,889	21,557	19,863
Subsidies and grants for operating purposes	8,412	7,886	8,047	8,143
Fees and charges	7,254	7,595	9,725	9,233
Interest and dividends from investments	400	599	500	855
Local authorities fuel tax, fines, infringement fees, and other receipts	5,599	8,663	7,976	9,038
Total operating funding	92,654	93,932	99,409	99,526
Applications of operating funding				
Payments to staff and suppliers	68,846	71,372	74,556	77,828
Finance costs	3,008	4,149	3,588	3,549
Other operating funding applications	2,162	2,741	2,355	2,716
Total applications of operating funding	74,016	78,262	80,499	84,093
Surplus (deficit) of operating funding	18,638	15,670	18,910	15,433
Sources of capital funding				
Subsidies and grants for capital expenditure	9,577	11,995	9,494	11,174
Development and financial contributions	8,015	9,454	8,217	8,547
Increase (decrease) in debt	18,129	7,050	19,142	20,000
Gross proceeds from the sale of assets	218	1,008	217	2,537
Lump sum contributions	-	-	-	-
Other dedicated capital funding	1,588	362	93	1,220
Total sources of capital funding	37,527	29,869	37,163	43,478
Applications of capital funding				
Capital expenditure				
- to meet additional demand	11,200	13,073	9,360	9,381
- to improve the level of service	11,649	11,230	12,945	12,264
- to replace existing assets	25,623	25,639	25,826	26,597
Increase (decrease) in reserves	7,464	1,805	7,700	3,924
Increase (decrease) in investments	229	(6,208)	242	6,745
Total applications of capital funding	56,165	45,539	56,073	58,911
Surplus (deficit) of capital funding	(18,638)	(15,670)	(18,910)	(15,433)
Funding balance for Whole of Council	-	-	-	-

Funding impact statement

Water supply

	2015/16 Long term plan \$'000	2016/17 Long term plan \$'000	2016/17 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	171	186	457
Targeted rates	9,450	10,129	7,681
Subsidies and grants for operating purposes	-	-	-
Fees and charges	39	41	69
Internal charges and overheads recovered	177	274	259
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	54
Total operating funding	9,837	10,630	8,520
Applications of operating funding			
Payments to staff and suppliers	3,502	3,702	3,360
Finance costs	-	-	-
Internal charges and overheads applied	3,057	3,374	2,894
Other operating funding applications	38	40	182
Total applications of operating funding	6,597	7,116	6,436
Surplus (deficit) of operating funding	3,240	3,514	2,084
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	1,795	1,841	1,833
Increase (decrease) in debt	5,512	4,573	6,054
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	88	93	111
Total sources of capital funding	7,395	6,507	7,998
Applications of capital funding			
Capital expenditure			
- to meet additional demand	4,053	2,472	4,346
- to improve the level of service	4,481	3,527	5,820
- to replace existing assets	1,814	1,890	2,138
Increase (decrease) in reserves	287	2,132	(2,222)
Increase (decrease) in investments	-	-	-
Total applications of capital funding	10,635	10,021	10,082
Surplus (deficit) of capital funding	(3,240)	(3,514)	(2,084)
Funding balance for Water supply	-	-	-

Funding impact statement

Wastewater

	2015/16 Long term plan \$'000	2016/17 Long term plan \$'000	2016/17 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	200	204	461
Targeted rates	5,866	6,642	7,081
Subsidies and grants for operating purposes	-	-	10
Fees and charges	1,524	1,574	887
Internal charges and overheads recovered	52	60	95
Local authorities fuel tax, fines, infringement fees, and other receipts	261	279	-
Total operating funding	7,903	8,759	8,534
Applications of operating funding			
Payments to staff and suppliers	2,585	3,072	4,713
Finance costs	-	-	-
Internal charges and overheads applied	3,608	3,713	3,210
Other operating funding applications	102	107	333
Total applications of operating funding	6,295	6,892	8,256
Surplus (deficit) of operating funding	1,608	1,867	278
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	1,796	1,841	1,478
Increase (decrease) in debt	184	2,063	424
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	1,980	3,904	1,902
Applications of capital funding			
Capital expenditure			
- to meet additional demand	196	564	802
- to improve the level of service	184	2,063	1,105
- to replace existing assets	2,415	2,288	2,281
Increase (decrease) in reserves	793	856	(2,008)
Increase (decrease) in investments	-	-	-
Total applications of capital funding	3,588	5,771	2,180
Surplus (deficit) of capital funding	(1,608)	(1,867)	(278)
Funding balance for Wastewater	-	-	-

Funding impact statement

Stormwater

	2015/16 Long term plan \$'000	2016/17 Long term plan \$'000	2016/17 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	61	63	132
Targeted rates	1,610	1,651	1,694
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	223	264	312
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding	1,894	1,978	2,138
Applications of operating funding			
Payments to staff and suppliers	489	705	652
Finance costs	-	-	-
Internal charges and overheads applied	537	556	459
Other operating funding applications	4	4	15
Total applications of operating funding	1,030	1,265	1,126
Surplus (deficit) of operating funding	864	713	1,012
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	932	955	705
Increase (decrease) in debt	236	942	177
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	1,168	1,897	882
Applications of capital funding			
Capital expenditure			
- to meet additional demand	768	787	343
- to improve the level of service	236	952	186
- to replace existing assets	70	72	17
Increase (decrease) in reserves	958	799	1,348
Increase (decrease) in investments	-	-	-
Total applications of capital funding	2,032	2,610	1,894
Surplus (deficit) of capital funding	(864)	(713)	(1,012)
Funding balance for Stormwater	-	-	-

Funding impact statement

Roading

	2015/16 Long term plan \$'000	2016/17 Long term plan \$'000	2016/17 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	18,927	19,195	18,703
Targeted rates	-	-	-
Subsidies and grants for operating purposes	8,412	8,429	7,965
Fees and charges	145	145	156
Internal charges and overheads recovered	4,384	4,514	1,408
Local authorities fuel tax, fines, infringement fees, and other receipts	425	441	2,336
Total operating funding	32,293	32,724	30,568
Applications of operating funding			
Payments to staff and suppliers	17,945	18,242	18,329
Finance costs	-	-	-
Internal charges and overheads applied	5,939	6,283	4,186
Other operating funding applications	-	-	(16)
Total applications of operating funding	23,884	24,525	22,499
Surplus (deficit) of operating funding	8,409	8,199	8,069
Sources of capital funding			
Subsidies and grants for capital expenditure	9,577	9,494	9,827
Development and financial contributions	1,673	1,715	2,713
Increase (decrease) in debt	2,270	2,126	389
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	1,500	-	171
Total sources of capital funding	15,020	13,335	13,100
Applications of capital funding			
Capital expenditure			
- to meet additional demand	4,290	4,645	2,440
- to improve the level of service	4,186	2,343	1,106
- to replace existing assets	17,070	17,240	17,194
Increase (decrease) in reserves	(2,117)	(2,694)	429
Increase (decrease) in investments	-	-	-
Total applications of capital funding	23,429	21,534	21,169
Surplus (deficit) of capital funding	(8,409)	(8,199)	(8,069)
Funding balance for Roothing	-	-	-

Funding impact statement

Sustainable environment

	2015/16 Long term plan \$'000	2016/17 Long term plan \$'000	2016/17 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	6,688	6,773	6,955
Targeted rates	3,482	2,459	2,594
Subsidies and grants for operating purposes	-	-	17
Fees and charges	3,989	6,085	6,694
Internal charges and overheads recovered	658	668	662
Local authorities fuel tax, fines, infringement fees, and other receipts	2,857	2,913	3,551
Total operating funding	17,674	18,898	20,473
Applications of operating funding			
Payments to staff and suppliers	12,443	13,760	15,949
Finance costs	-	-	-
Internal charges and overheads applied	5,316	5,547	5,352
Other operating funding applications	9	7	118
Total applications of operating funding	17,768	19,314	21,419
Surplus (deficit) of operating funding	(94)	(416)	(946)
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	39
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	154	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	-	154	39
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	50	461	124
- to replace existing assets	20	349	165
Increase (decrease) in reserves	(164)	(1,072)	(1,196)
Increase (decrease) in investments	-	-	-
Total applications of capital funding	(94)	(262)	(907)
Surplus (deficit) of capital funding	94	416	946
Funding balance for Sustainable environment	-	-	-

Funding impact statement

Sustainable communities

	2015/16 Long term plan \$'000	2016/17 Long term plan \$'000	2016/17 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	17,487	18,421	18,856
Targeted rates	595	597	617
Subsidies and grants for operating purposes	-	-	151
Fees and charges	1,546	1,590	1,426
Internal charges and overheads recovered	321	325	382
Local authorities fuel tax, fines, infringement fees, and other receipts	1,396	1,429	1,837
Total operating funding	21,345	22,362	23,269
Applications of operating funding			
Payments to staff and suppliers	13,231	13,100	13,014
Finance costs	-	-	-
Internal charges and overheads applied	5,301	5,570	5,843
Other operating funding applications	514	588	550
Total applications of operating funding	19,046	19,258	19,407
Surplus (deficit) of operating funding	2,299	3,104	3,862
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	1,308
Development and financial contributions	1,819	1,865	1,818
Increase (decrease) in debt	1,798	3,394	1,801
Gross proceeds from the sale of assets	-	-	2,248
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	938
Total sources of capital funding	3,617	5,259	8,113
Applications of capital funding			
Capital expenditure			
- to meet additional demand	1,893	892	1,450
- to improve the level of service	1,480	3,563	3,806
- to replace existing assets	2,108	1,661	2,860
Increase (decrease) in reserves	435	2,247	3,859
Increase (decrease) in investments	-	-	-
Total applications of capital funding	5,916	8,363	11,975
Surplus (deficit) of capital funding	(2,299)	(3,104)	(3,862)
Funding balance for Sustainable communities	-	-	-

Funding impact statement

Governance

	2015/16 Long term plan \$'000	2016/17 Long term plan \$'000	2016/17 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	6,229	6,420	6,456
Targeted rates	188	190	196
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	1
Internal charges and overheads recovered	1,046	1,073	1,243
Local authorities fuel tax, fines, infringement fees, and other receipts	15	259	251
Total operating funding	7,478	7,942	8,147
Applications of operating funding			
Payments to staff and suppliers	2,427	2,770	2,835
Finance costs	-	-	-
Internal charges and overheads applied	4,375	4,458	5,184
Other operating funding applications	-	-	3
Total applications of operating funding	6,802	7,228	8,022
Surplus (deficit) of operating funding	676	714	125
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	-	-	-
- to replace existing assets	-	-	2
Increase (decrease) in reserves	676	714	123
Increase (decrease) in investments	-	-	-
Total applications of capital funding	676	714	125
Surplus (deficit) of capital funding	(676)	(714)	(125)
Funding balance for Governance	-	-	-

Funding impact statement

Organisational support

	2015/16 Long term plan \$'000	2016/17 Long term plan \$'000	2016/17 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	35	464	374
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	11	11	-
Internal charges and overheads recovered	30,871	32,389	31,588
Local authorities fuel tax, fines, infringement fees, and other receipts	1,045	1,147	1,864
Total operating funding	31,962	34,011	33,826
Applications of operating funding			
Payments to staff and suppliers	18,767	19,400	19,735
Finance costs	3,008	3,968	3,549
Internal charges and overheads applied	7,056	7,442	8,062
Other operating funding applications	1,495	1,630	1,531
Total applications of operating funding	30,326	32,440	32,877
Surplus (deficit) of operating funding	1,636	1,571	949
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	8,129	3,763	11,155
Gross proceeds from the sale of assets	218	217	289
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	8,347	3,980	11,444
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	1,032	36	117
- to replace existing assets	2,126	2,328	1,940
Increase (decrease) in reserves	6,596	2,972	3,591
Increase (decrease) in investments	229	215	6,745
Total applications of capital funding	9,983	5,551	12,393
Surplus (deficit) of capital funding	(1,636)	(1,571)	(949)
Funding balance for Organisational support	-	-	-

Explanation of major variances against budget for funding impact statements

The whole of Council funding impact statement reports cash or soon to be cash items (such as income 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 \$15.4m. It was \$3.5m less than budget due to additional costs while the total sources of operating funding (income) was close to budget. Targeted rates were less than budget due to over estimation of chargeable water. There was additional other income from increased services in the regulatory area.

The additional costs were mainly from an increase in consultant costs due to works that were not budgeted and included extra work in the regulatory area to keep up with the demand for services. There was also additional spend in the wastewater area because a continuous improvement plan was adopted for wastewater. The work was carried out using additional funding provided during the year.

Sources of capital funding increased by \$6.3m compared to budget. Increased subsidy income was received from NZTA due to storm damage and emergency works that arose during the year. Proceeds from sale of assets were more than budgeted and include property sales that were not planned. Other dedicated funding for the Te Awa cycle way was also not budgeted.

At a whole of Council level capital expenditure overall was close to budget. Some projects for improving the level of service were delayed for more consultation and planning such as the Ngaruawahia community facility project and the Huntly wastewater upgrade project. Other projects were completed using budgets carried forward from the prior year for projects such as the Hopuhopu Reservoir and the Te Awa River Ride.

The group of activities funding impact statements compare the actual to the 2016/17 LTP budget (whereas the whole of Council funding impact statement compares to the annual plan for 2016/17).

The organisational support activity includes the treasury function for Council; therefore this activity includes external finance costs for all of Council which were slightly less than was budgeted due to a reduction of average interest rates compared to those used in the LTP budget. Also compared to the LTP budget there is an increase in debt but this is offset by an increase in investments.

Annual report disclosure statement For the year ended 30 June 2017

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.

Rates affordability benchmark

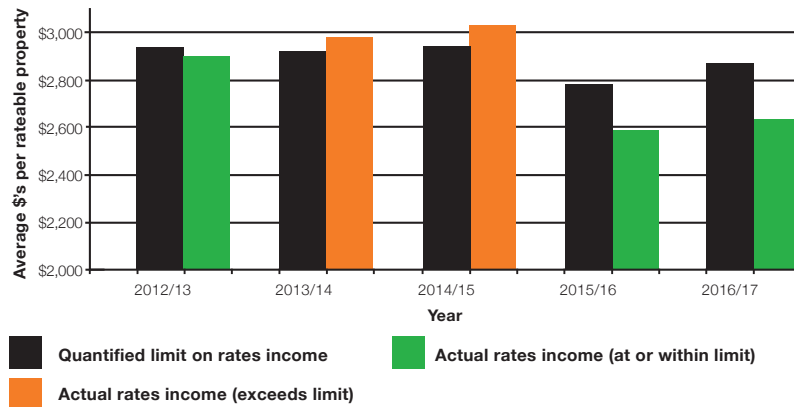
Council meets the rates affordability benchmarks if:

- its actual rates income 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 long-term plan.

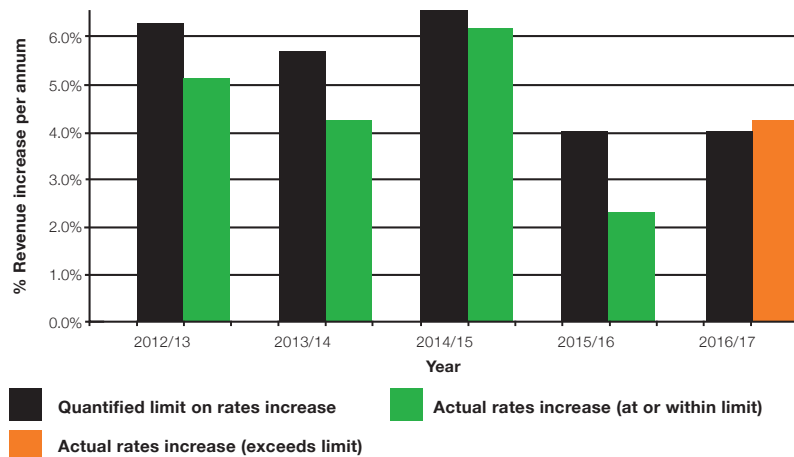
The quantified limit for the current year is an average total rate per rateable property of \$2,888.



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 long-term plan.

The quantified limit on increases is 4% of the previous year's rates per rateable property.



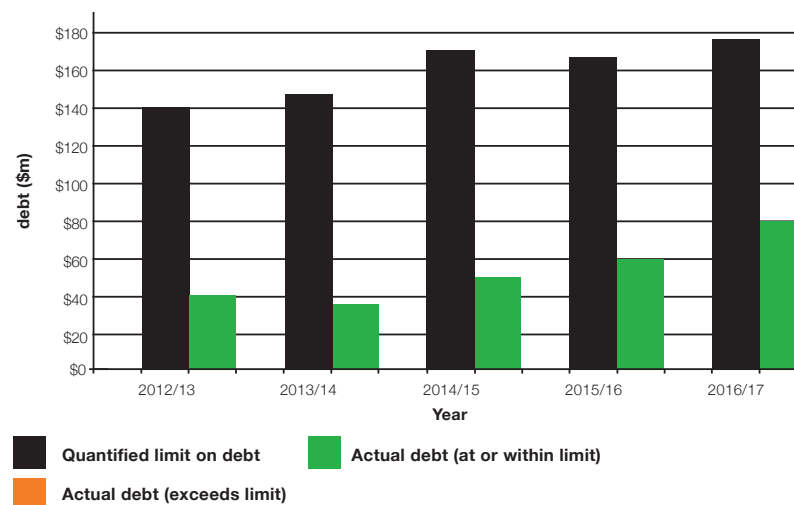
Debt affordability benchmarks

Council meets the debt affordability benchmarks if its actual borrowing is within each quantified limit on borrowing.

Debt limit 1

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

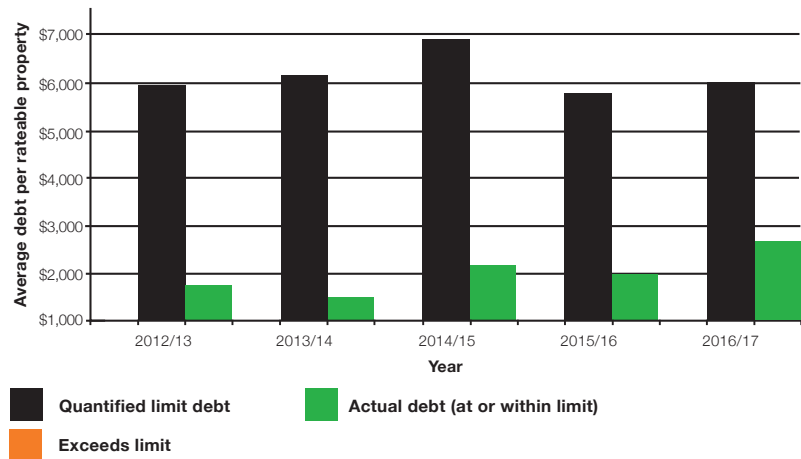
The quantified limit on net debt is \$177 million.



Debt limit 2

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

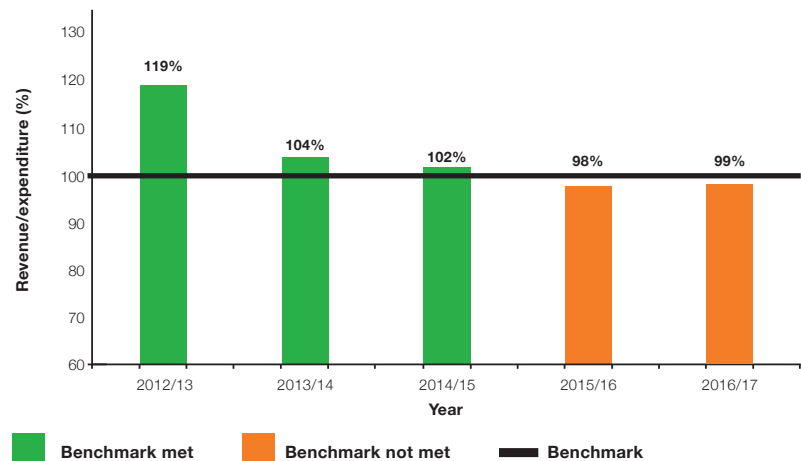
The quantified limit on net debt per rateable property is \$5,999.



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).

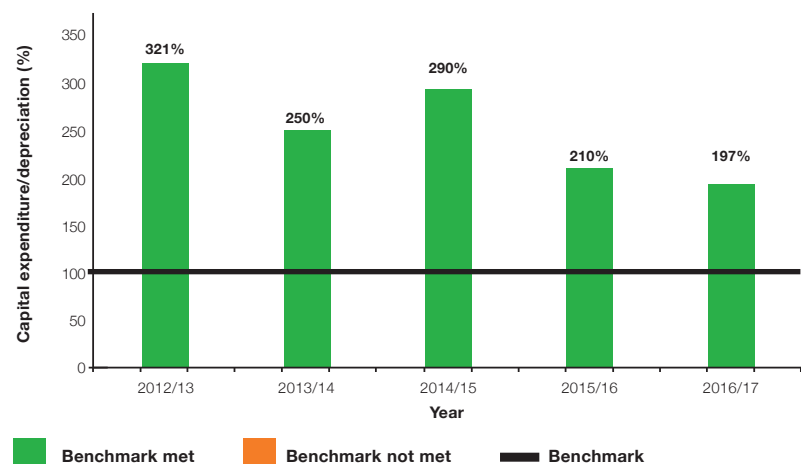
Council meets this benchmark if its revenue is equal to or greater than its operating expenses.



Essential services benchmark

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

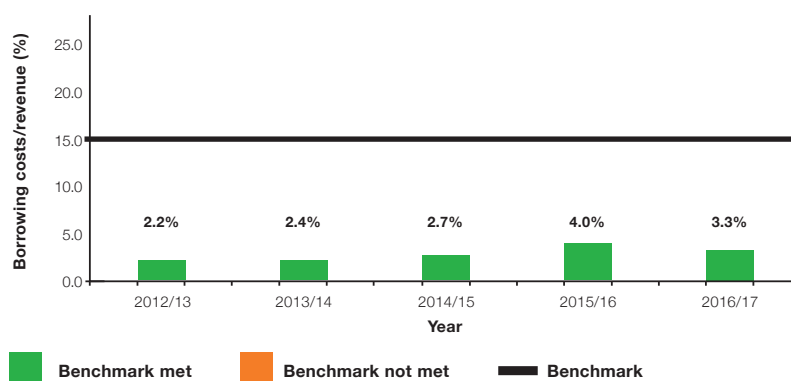
Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



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).

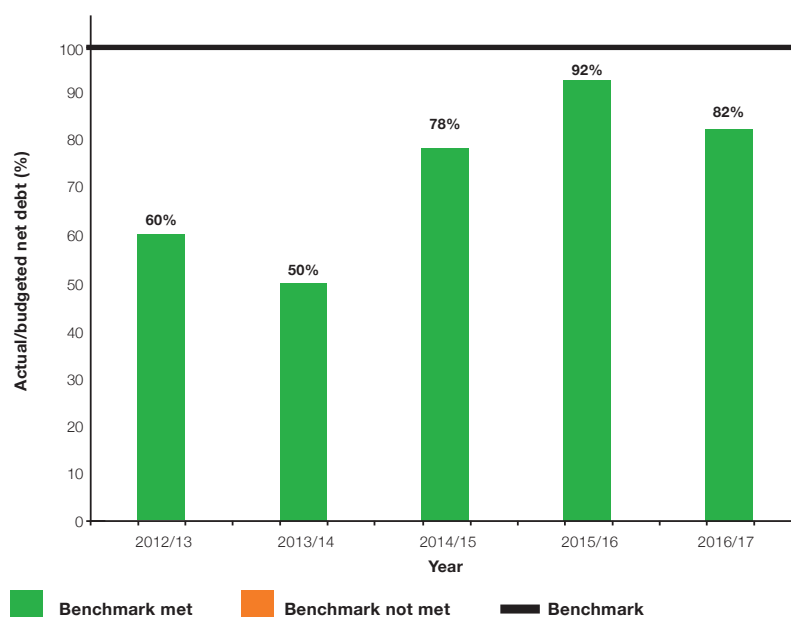
Because Statistics New Zealand projects that Council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its planned revenue.



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).

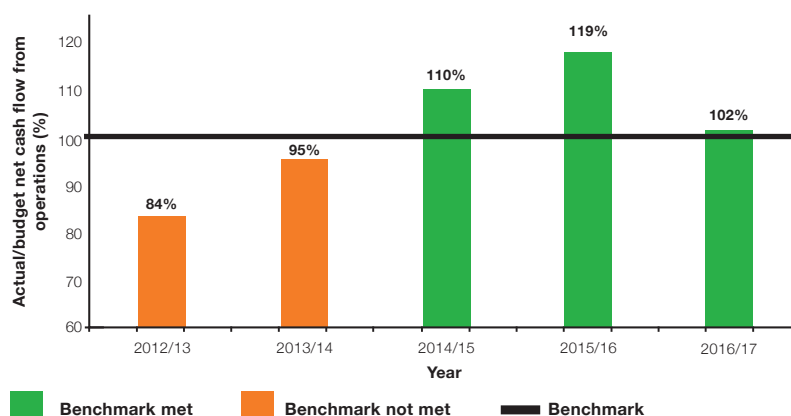
Council meets the debt control benchmark if its actual net debt equals or is less than planned net debt.



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.



Independent Auditor's Report

To the readers of Waikato District Council's annual report for the year ended 30 June 2017

The Auditor-General is the auditor of Waikato District Council (the District Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 9 October 2017. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 62 to 133:
 - present fairly, in all material respects:
 - the District Council and Group's financial position as at 30 June 2017; and
 - the results of the operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Accounting Standards;
- the funding impact statement on page 134, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- the statement of service provision on pages 9 to 47:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2017, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and

- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - o complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities on pages 135 to 142, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 135 to 142, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 144 to 147, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group's audited information and, where applicable, the District Council's long-term plan and annual plans.

Basis for opinion on the audited information

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

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

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

Responsibilities of the Council for the audited information

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council and the Group or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

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

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's annual plan and Long-term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

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

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service provision, as a reasonable basis for assessing the levels of service achieved and reported by the District Council and Group.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our audit report. However, future events or conditions may cause the District Council and the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the District Council and Group to express an opinion on the consolidated audited information.

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

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 2 to 7 and 52, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

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

Independence

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

In addition to our audit and our audit report on the disclosure requirements, we have carried out an assignment in the area of auditing the debenture trust deed, which is compatible with those independence requirements. Other than that assignment, we have no relationships with or interests in the District Council or any of its subsidiaries.



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

STATEMENT OF COMPLIANCE AND RESPONSIBILITY

Statement of Compliance

The Council and management of the Waikato District Council confirm that all the statutory requirements of Part 6 of the Local Government Act 2002 have been complied with.

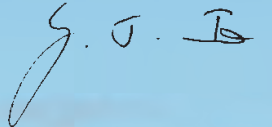
Statement of Responsibility

The Council and management of the Waikato District Council accept responsibility for the preparation of the Annual Financial Statements and the judgements used in them, and for establishing and maintaining internal control systems to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of the Waikato District Council, the Annual Financial Statements and Statements of Service Performance for the year ended 30 June 2016 fairly reflect the financial position and operations of the Council.



Allan Sanson
Mayor



Gavin Ion
Chief Executive





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